

MSCI ESG Ratings

Matteo Castiglioni | ESG Consultant - EMEA Client Coverage

MSCI Overview



50

Years in Business



4,200 +

Employees



35

Global Locations



7,800+

Active Clients

Indexes



- MSCI ACWI Index
- MSCI World Index
- MSCI Emerging Markets Index
- Factor Indexes
- ESG and Climate Indexes
- Thematic Indexes

1290+ ETFs are based on MSCI indexes, more than any other index provider¹

258,000+ indexes calculated daily

14,600+ in real time

Analytics



- Risk Management
- Asset Allocation
- Fixed Income Analytics
- Multi-asset Class Factor Models

MSCI Global Risk and Performance Engine runs up to 1 trillion calculations/day

2 million time series

70+ million client positions

50+ global FI markets

9000+ issuer curves

ESG & Climate Research



- ESG Issuer & Fund Ratings
- ESG Screening & Controversies
- ESG Governance Metrics
- Climate Solutions
- Climate Value at Risk
- Sustainable Impact

World's largest provider of ESG data, research and indexes²

Over 1,500 ESG equity and fixed income indices²

Over 17,500 issuer ESG Ratings³

Private Real Estate



- Performance attribution services
- Risk Analytics
- Global market information
- Indexes

Global leader in Real Estate Index Analytics tools

In over 32 markets worldwide

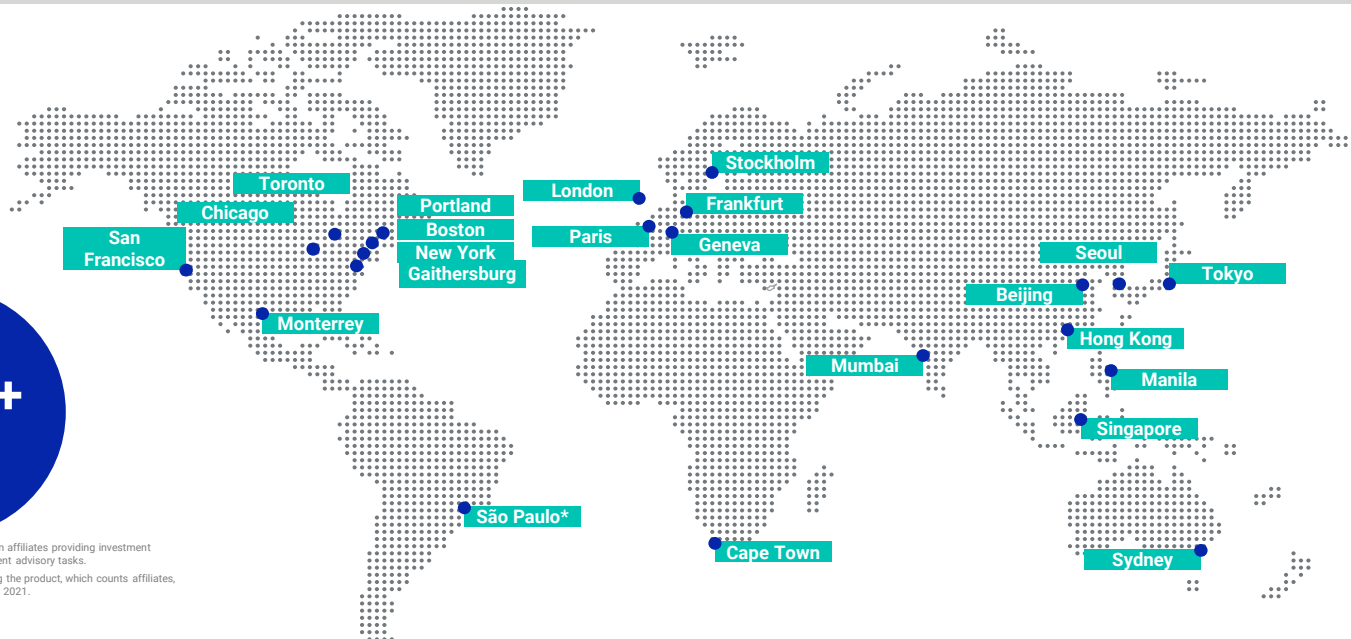
Coverage spanning \$2 trillion of private real estate assets

Introducing MSCI ESG Research

400+
ESG
analysts¹
(~850 FTE)

1,500+
ESG equity &
fixed income
indices use MSCI
ESG Research
ratings and
data**

2,650+
clients²



1. Source: MSCI ESG Research as of June 2022. Includes full time employees, employees of foreign affiliates providing investment advisory services to MSCI ESG Research LLC, and global allocated staff performing non-investment advisory tasks.

2. To calculate the number of clients, we use the shipping address of the ultimate customer utilizing the product, which counts affiliates, user locations or business units within a single organization as separate clients; As of December 2021.

Representative office for business development.

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MSCI's approach to ESG Ratings

MSCI ESG Ratings aim to measure a company's management of **financially relevant ESG risks and opportunities** emerging from a rapidly changing world



Forward-looking financial materiality

focus on risk and opportunities that are most relevant to a company's core business model

Best-in-Class approach

identify industry leaders and laggards according to their exposure to ESG risks and how well they manage those risks relative to peers

ESG rating is not a climate metric

Carbon emissions are highly correlated with E-pillar scores where they are financially relevant

Key research questions



1

How is the company governed?

How do governance structures impede / enable it to be a long-term steward of capital?



2

What risks does the company face?

How exposed is its business model to relevant short, medium and long-term ESG risks?



3

What does the company say?

What is its strategy for managing these risks? What measures has it put in place? What is its track record?



4

Who are the leaders and laggards?

Which are the companies more exposed to unmanaged risks / better positioned?

MSCI ESG Research rates 10,000 companies (16,400 issuers including subsidiaries) and more than 785,000 equity and fixed income securities globally (as of April 2022)

MSCI ESG Rating Model Key Issues

MSCI ESG Score									
ENVIRONMENT PILLAR				SOCIAL PILLAR				GOVERNANCE PILLAR	
Climate Change	Natural Capital	Pollution & Waste	Env. Opportunities	Human Capital	Product Liability	Stakeholder Opposition	Social Opportunities	Corporate Governance	Corporate Behavior
Carbon Emissions	Water Stress	Toxic Emissions & Waste	Clean Tech	Labor Management	Product Safety & Quality	Controversial Sourcing	Access to Communication	Board	Business Ethics
Product Carbon Footprint	Biodiversity & Land Use	Packaging Material & Waste	Green Building	Health & Safety	Consumer Financial Protection	Community Relations	Access to Finance	Pay	Tax Transparency
Financing Environmental Impact	Raw Material Sourcing	Electronic Waste	Renewable Energy	Human Capital Development	Privacy & Data Security		Access to Health Care	Ownership	
Climate Change Vulnerability				Supply Chain Labor Standards	Responsible Investment		Opportunities in Nutrition & Health	Accounting	
					Insuring Health & Demographic Risk				
					Chemical Safety				

Universal key issues applicable to all industries

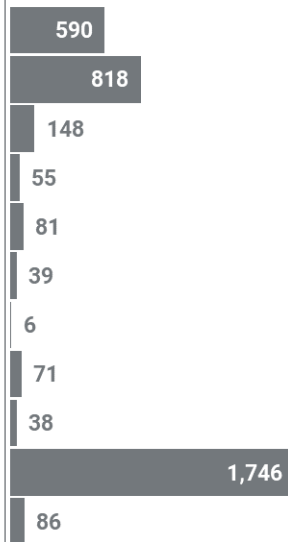
Environmental & Social risks are industry-specific

Energy
Materials
Industrials
Cons. Disc.
Cons. Staples
Health Care
Financials
IT
Telecom
Utilities
Real Estate



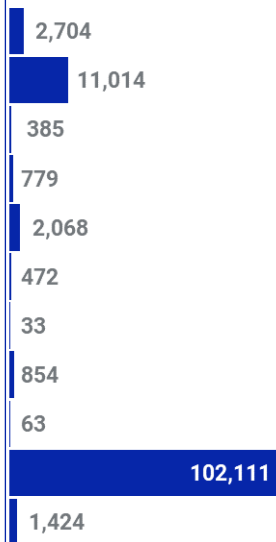
CARBON EMISSIONS

t CO2e / mil USD sales



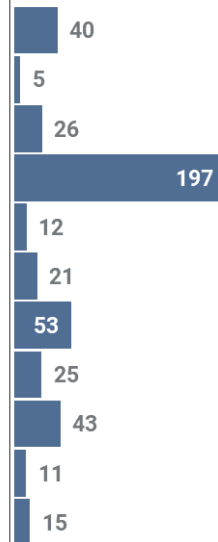
WATER STRESS

m3 / mil USD sales



PRIVACY & DATA SECURITY

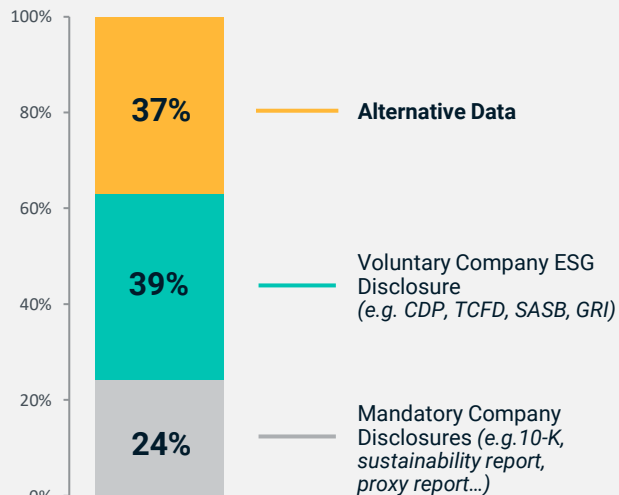
Data breaches / USD sales



Quantitative approach to objectively define the economically relevant E&S issues for each of the 158 industry models

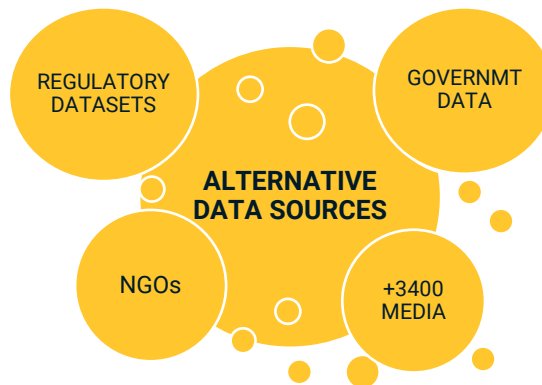
Alternative data helps minimize reliance on voluntary disclosure

Alternative data is a significant input to ESG Ratings model



2,879 constituents of the MSCI ACWI Index as of January 18, 2021
Source: MSCI ESG Research

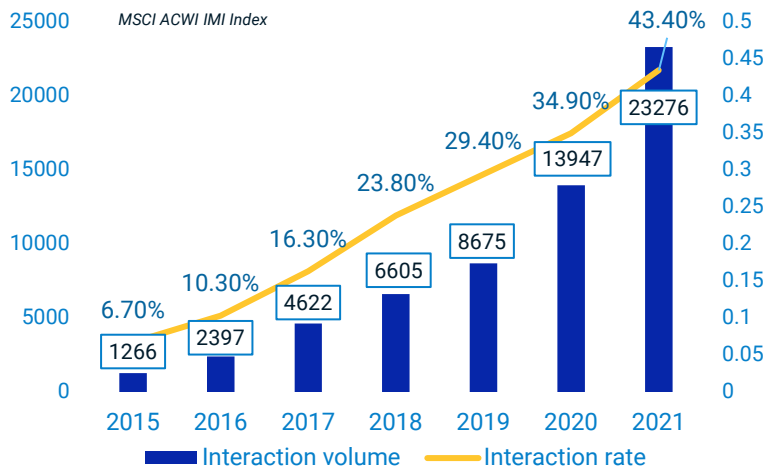
- **Companies do not self disclose sufficient information** to gauge its risk management capabilities on the topic
- **Risks may emerge at the macro level**, requiring information external to the company



Systematic data verification process incorporating issuers feedback

One portal enabling issuers to download their rating, verify their data and learn about ESG

Issuer Awareness of ESG Continues to Rise



INDEPENDENT

- No solicited ESG Rating

CONSISTENT

- Systematic **outreach to all companies**
- Standard data review process

TRANSPARENT

- **Logging of all interactions with issuers**
- **Availability** of MSCI ESG Research assessment and underlying data **to companies at no cost**

360° ESG Integration



- ✓ Policy or performance **ESG benchmarks**
- ✓ **Fund level ESG data & ratings** to support manager selection
- ✓ **Research reports** and data to support fundamental research
- ✓ **ESG scores & data** for quantitative strategies
- ✓ **Portfolio level analytics** to support risk management processes
- ✓ **Issuer level reports** to support engagement activities
- ✓ Portfolio level tools to **facilitate reporting needs**

About MSCI: ESG

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