

Unlocking Capital with MSCI Indexes and ESG Ratings

Capitalizing Investment Opportunities

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Who we work with

Serving



Our clients



Asset
Managers



Asset
Owners



Banks



Broker-
Dealers



Corporates



Insurance



Wealth
Managers

MSCI is a leading provider of mission-critical decision support tools and services for the global investment community.

With over 50 years of expertise in research, data and technology, we improve transparency across the investment process and enable better decisions.

Indexes

- USD 14.9 trillion in AUM benchmarked to MSCI indexes²
- Over 1,370 equity ETFs are based on MSCI indexes globally, more than any other index provider³

Analytics

- Industry-leading risk models and actionable insights
- An integrated view of risk and return running up to 1 trillion calculations per day

Sustainability & Climate

- #1 climate index provider by equity ETF assets linked to indexes⁴
- Over 3,000 Sustainability clients globally.⁵
- Covering more than 17,000 issuers and 950,000 securities

Private Capital & Real Assets

- USD 15 trillion in private asset data, 20,000 funds⁶
- Global leader in real assets data, portfolio services and indexes covering 170+ countries

Introducing MSCI ESG Research



400+

ESG + Climate Research and Data experts



17,000+

Companies (issuers incl subsidiaries) rated by MSCI ESG Research



1,500+

ESG equity & fixed income indices use MSCI ESG Research ratings and data



3,000

Clients



Americas

New York
Boston
Portland
Gaithersburg
Chicago
San Francisco
Toronto
Monterrey
São Paulo



EMEA

London
Paris
Frankfurt
Potsdam
Budapest
Zurich
Geneva
Stockholm
Cape Town



APAC

Mumbai
Beijing
Hong Kong
Tokyo
Seoul
Manila
Singapore
Sydney



Sustainability Investing Landscape

Different motivations



Regulatory & Client Restrictions

“How can I implement my client’s ESG restrictions around coal and tobacco?”

“How can I align with EU SFDR disclosure requirements?”

Climate & Net Zero Strategy

“How can I identify and understand climate risk exposures and trends across my portfolios?”

“How can I assess alignment with temperature targets ?”



ESG Integration

“How can I identify and mitigate ESG related risks in my portfolios?”

“How can I report on my portfolios’ alignment with positive impact themes?”

How Investors Use Sustainability Data

Stages of Integration



1

Define Objectives & Policy

- Outline strategic objectives including investment values, financially material risks and target ESG profile
- Policy benchmarks, exclusion criteria or target ESG performance at portfolio level (e.g., portfolio ESG Score, Carbon emission intensity)

2

Integrate into portfolio construction and management

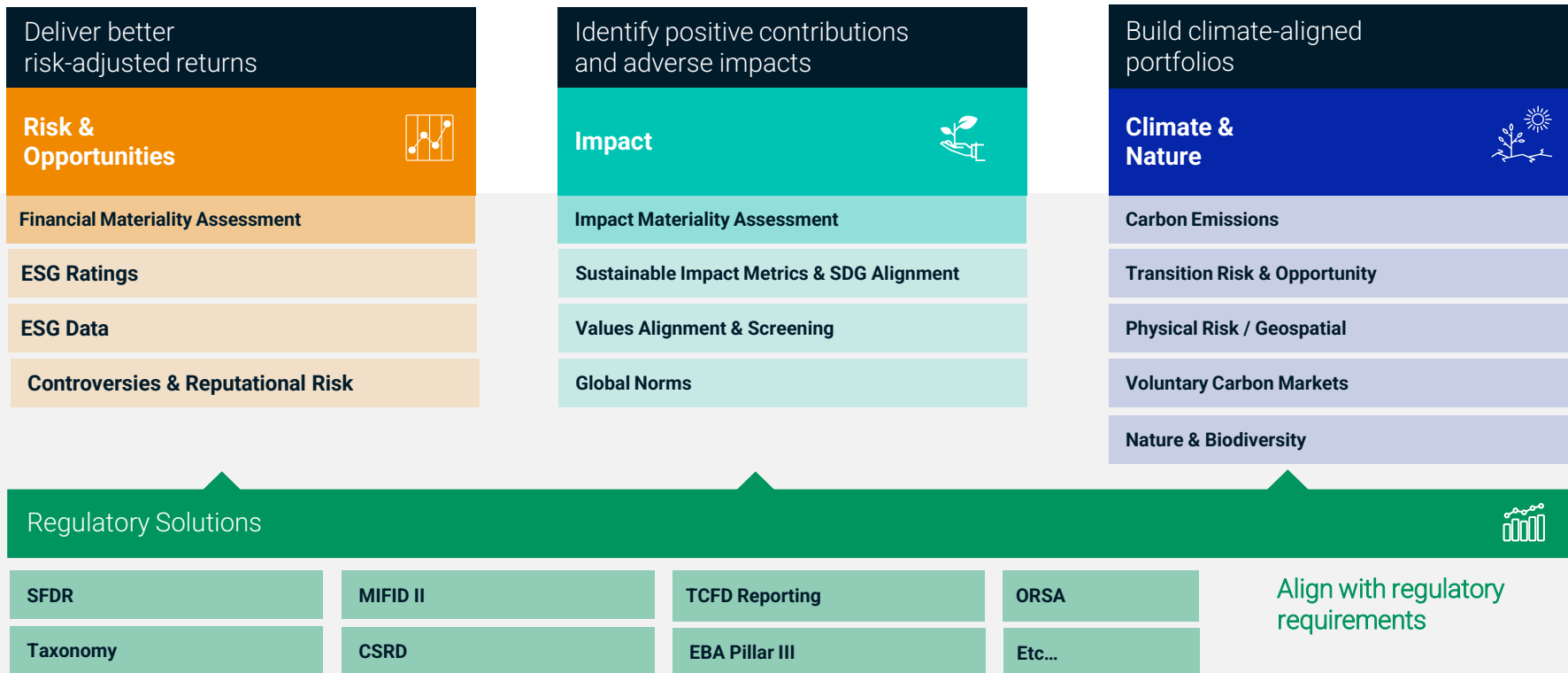
- Active portfolios adopting ESG Indexes as a primary or secondary benchmark and/or for defining the eligible universe of investable securities
- Passive investors' replication of ESG indexes in line with their stated ESG objectives and preferences

3

Engage & Report

- Stewardship and Engagement agenda supported by ESG Ratings to determine which companies to engage with and prioritization of engagement agenda
- Reporting enabled by ESG/Climate data for reporting progress and performance vis-à-vis their stated ESG objectives to the ultimate beneficiaries

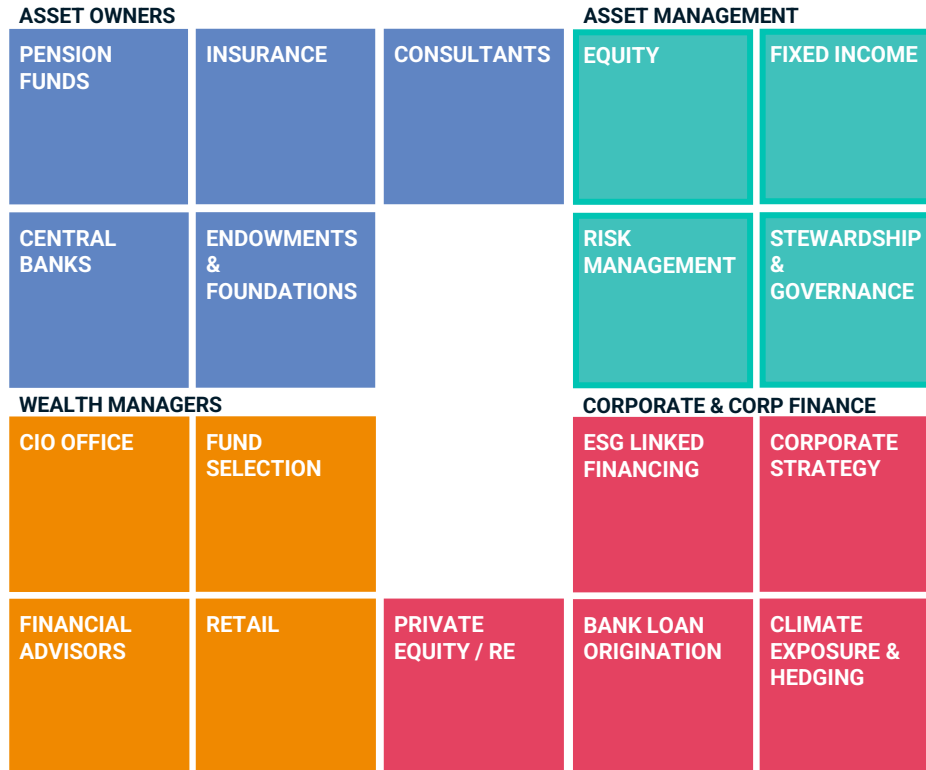
Solutions Designed to Support Different Investment, Corporate and Sustainability Objectives



ESG Leaders Have Demonstrated Increased Sophistication Across Their Organizations

Largest consultants are **incorporating ESG** dimensions into manager selection in reaction to Asset Owner requests

Demand for active and passive **ESG Funds across asset classes** for total portfolio exposures



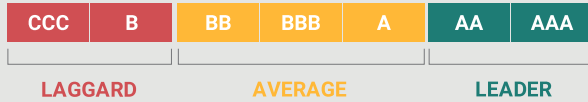
Asset Managers are moving beyond fundamental equity and **integrating ESG into fixed income, private assets, and quantitative** strategies with growing sophistication

Risk teams are increasingly **systematically reporting** on ESG risk

Engagement is becoming an important tool for improving company performance and returns

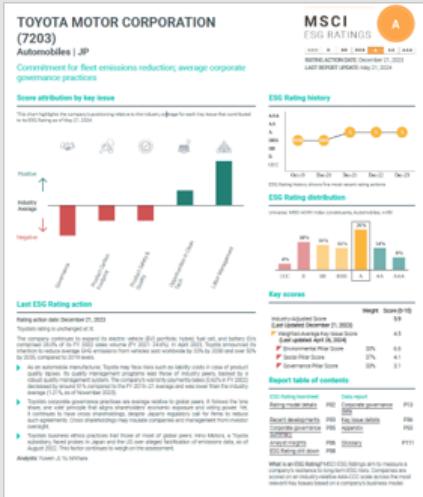
Introducing MSCI ESG Ratings

MSCI ESG Ratings and datasets offer a comprehensive ESG Integration solution to Investors



ESG Ratings & Scores

ESG Ratings and scores are used by market participants to manage potentially financially **material** ESG risks and maximize exposure to ESG opportunities.



Quantitative E&S metrics

Targets & Commitments data

Qualitative E&S indicators

Governance data

AGM data

Directors data

Controversies & events

Revenue data

Business & Geographic segment data



Forward-looking financial materiality



Alternative data & robust models



Tech-enabled human insights: 400+ strong team of analysts + artificial intelligence (AI)

IROs May Maximise their ROI

Case Studies

1

Pre-IPO/Listing

Target: Private Investors, or equity investors pre-IPO

Instruments: Cost of capital, sustainability credentials

MSCI's support: MSCI ESG Ratings (Organic & Provisional)

2

Post-IPO/Listing

Target: Foreign and local institutional investors

Instruments: Indexes, ETFs, Cost of capital, sustainability credentials

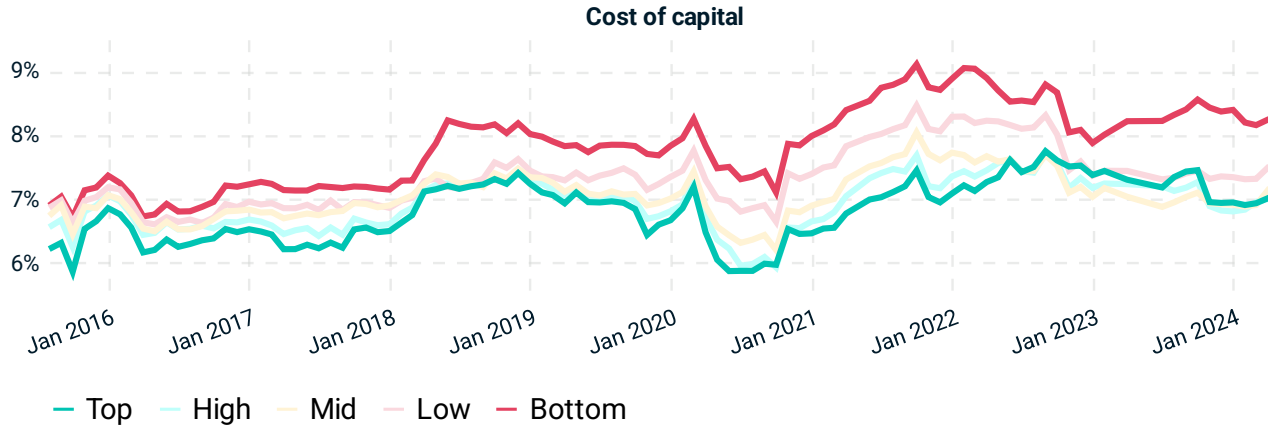
MSCI's support: MSCI ESG Ratings (Organic & Provisional), MSCI Indexes

MSCI ESG Ratings & Cost of Capital

Research insight

Cost of capital across MSCI ESG Rating quintiles

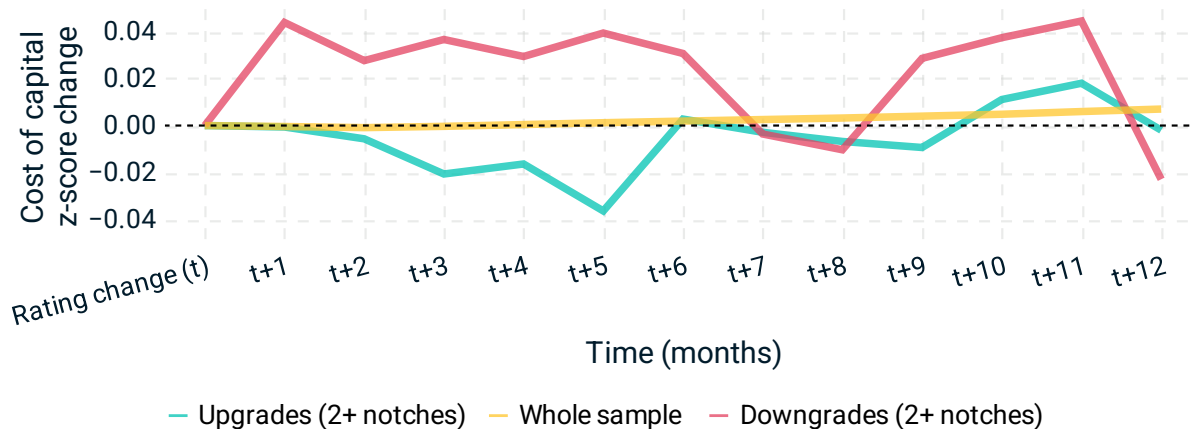
- Studied **4,319 issuers** grouped by their **MSCI ESG Ratings** over **8 years and 10 months** between August 2015 and May 2024.
- Companies with the highest MSCI ESG Ratings had the lowest financing costs (6.8%, on average, over the study period), while the lowest-rated companies on average had to pay the most to access capital (7.9%).



Did MSCI ESG Ratings provide a forward-looking signal?

- Substantial rating changes (+/- two or more notches) seemed to have been accompanied with directional changes in the cost of capital.
- MSCI ESG Ratings may have been useful in capturing fundamental changes to the issuer's risk profile, related to sustainability or other significant events that may impact their access to equity and debt capital.

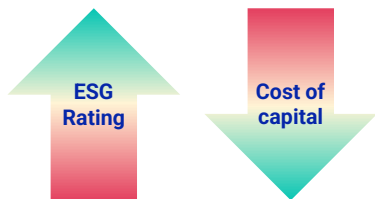
Cost of capital development after a substantial MSCI ESG Rating change



Looking at the individual pillars of MSCI ESG Ratings

- Looking at the correlation of the E, S and G pillar scores with the cost of capital in different sectors, we see mostly negative correlation, i.e., higher score is associated with lower financing costs.
- The overall assessment showed a stronger correlation with cost of capital than the individual pillars in most cases, suggesting that the overall profile may be more informative than its parts in isolation.

Negative correlation
as one variable increases, the other decreases



	Correlation with the cost of capital				Correlation coefficient
	ESG	E	S	G	
Communication services	-0.24	-0.25	-0.21	-0.17	
Consumer discretionary	0.02	-0.04	0.01	0.05	
Consumer staples	-0.31	-0.15	-0.22	-0.16	
Energy	-0.06	-0.14	-0.10	0.10	
Financials	-0.08	0.04	-0.09	0.06	
Health care	-0.25	-0.19	-0.07	-0.23	
Industrials	-0.15	-0.13	-0.05	-0.03	
Information technology	-0.25	-0.17	-0.05	-0.09	
Materials	-0.21	-0.28	-0.17	-0.06	
Real estate	-0.05	-0.05	0.02	-0.13	
Utilities	-0.07	0.06	0.04	-0.15	

Related resources



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PAPER

[MSCI ESG Ratings and Cost of Capital](#)

Sustainability and the Cost of Capital

[18 min listen](#) July 05, 2024

Data from over 4,000 issuers, spanning nearly a decade revealed that companies with better MSCI ESG Ratings tended to have a lower cost of capital. It's big news for investors and another step towards understanding the relationship between sustainability and financial performance.



PODCAST

[Sustainability and the Cost of Capital](#)

MSCI Indexes

AUM benchmarked to MSCI Indexes

Approximately **USD 16.5 trillion** in assets under management are benchmarked to MSCI indexes as of June 30, 2024

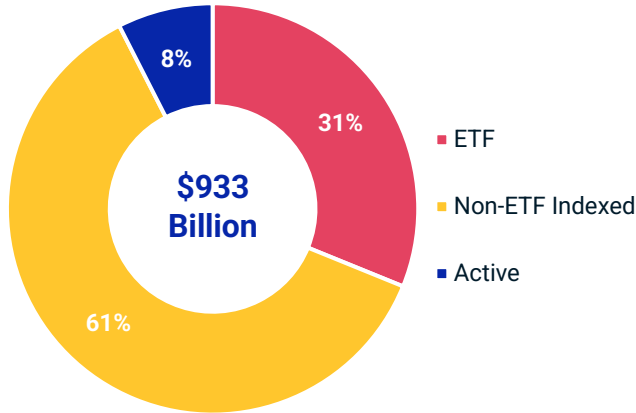
\$ billion	Active	Indexed	Total
TOTAL	11,061	5,494	16,555
ACWI	4,570	344	4,914
EAFE	1,177	432	1,609
EM	1,059	372	1,431
World	2,775	1009	3,784
USA	224	722	946
Europe	499	203	702
Asia	246	591	837
Other / Unclassified (incl. F&O)	511	1,821	2,332

- Assets under management (AUM) as of June 30, 2024, reported on or before September 30, 2024, using data from eVestment for active institutional funds and Morningstar for active retail funds. Equity ETF values were based on data from Refinitiv and MSCI
- In addition, AUM includes indexed assets using available internal data. AUM includes notional open interest in futures and options using internal data from MSCI
- Active retail funds include open-ended funds, closed-ended funds and insurance product funds. Active institutional AUM includes separate/segregated AUM, pooled/commingled AUM and mutual fund institutional AUM
- AUM includes equity and multi-asset class funds and excludes feeder funds and funds of funds. Where an MSCI index is only a portion of a multi-asset class (MAC) or other hybrid or blended benchmark, AUM reflects the Morningstar data which allocates all AUM to the primary benchmark used in the MAC/hybrid/blended benchmark (which may undercount or overcount AUM linked to the MSCI portion depending on its weight in the benchmark)
- For funds where AUM was not reported as of June 30, 2024, the previous period AUM was utilized as an estimate
- MSCI does not guarantee the accuracy of third-party data
- Each index category listed above includes assets tracking the index category and all associated size, style and factor versions
 - USA: Assets tracking all versions of the MSCI USA/USEI index families
 - Europe: Assets tracking all versions of regional indexes in Europe eg: MSCI Europe, MSCI EMU, MSCI pan-Europe etc. It excludes all single country indexes
 - Asia: Assets tracking all versions of regional indexes in Asia such as MSCI Asia Pacific, Pacific, Asia Pacific ex-Japan, etc. It excludes all single country indexes
 - Other: Includes mainly single country indexes, Frontier Market index family
- 'Indexed' refers to assets that aim to track the performance of an underlying MSCI index, sometimes also referred to as 'passive funds' or 'index funds' or 'passively tracking', and includes exchange traded funds (ETFs)

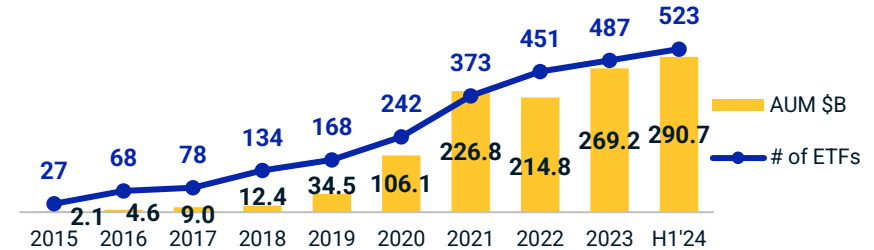
Strong ESG & Climate AUM growth – June 2024

Total assets benchmarked to MSCI ESG & Climate Equity Indexes¹

Approximately **USD 933 Billion** in institutional, retail and exchange-traded fund assets are benchmarked to MSCI ESG Indexes

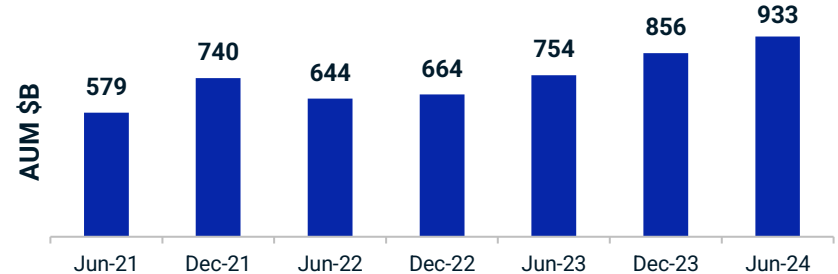


#1 in no. of ETFs & ETF assets linked to ESG & Climate Equity Indexes¹



ESG & Climate - Growth of Total Equity AUM¹

3 Years CAGR: 17%



Asset Owner Adoption of MSCI ESG & Climate Indexes

Approximately **\$485 bn** allocated to investments benchmarked to MSCI ESG equity & fixed income indexes since 2014¹

Region	2014 - 2017	2018	2019	2020	2021	2022	2023	2024 ¹	
Americas	CalSTRS Committed \$2.5bn to MSCI ACWI Low Carbon Target Index	Ontario Teachers Pension Fund MSCI ACWI Ex Canada Ex Tobacco policy benchmark	Fonds de Solidarité FTQ announced integration of MSCI World Low Carbon ESG Target Screened Index	UC Investments MSCI's ex tobacco ex fossil fuel index	MassPRIM \$15bn MSCI custom benchmarks (exclusions) University of British Columbia's (UBC) Endowment Fund \$120m MSCI ACWI Climate Paris Aligned Index	CalSTRS Adopted a 20% suballocation to the MSCI ACWI Low Carbon Target index within its public equity allocation (\$27bn)	New York State Common Retirement Fund \$1bn MSCI World ex-USA Climate Change Index United Nations Pension Fund MSCI ESG Custom Indexes		
APAC	Taiwan BLF \$2.4bn MSCI ACWI ESG Factor Mix Index New Zealand Super 40% of passive equity portfolio MSCI custom Low Carbon Index			Dai-ichi Life ¥400bn Foreign equity MSCI ACWI ESG Universal Index GPIF Passively investing ¥1tn MSCI ACWI ESG Universal Index Taiwan BLF \$2.3bn Customized Bloomberg Barclays MSCI Global Aggregate Corporate USD ex Controversial Industry	Korea Post \$168m MSCI ACWI ESG Universal Taiwan's Public Service Pension Fund \$400m MSCI ACWI Quality ESG Target Index Dai-ichi Life (AM One) MSCI ACWI Climate Paris Aligned Index	Taiwan BLF \$2.3bn MSCI ACWI Climate Paris Aligned Index New Zealand Super NZ\$25bn or 40% of its overall investment portfolio MSCI Paris Aligned Indexes Accident Compensation Corporation (ACC) NZ\$15bn Global Equities MSCI ACWI Low Carbon Target			
EMEA	AMF MSCI ACWI ESG Leaders policy benchmark Ilmarinen ESG benchmark indices based on MSCI's sustainability ratings UK EAPF \$400m MSCI World Low Carbon Target Index VBV Approx. \$0.9bn MSCI World Low Carbon Target	Swiss Re \$130bn Active listed equity and credit MSCI ESG Leaders + Bloomberg Barclays MSCI Corporate Sustainability index fund AP4 Targeting 100% of equity portfolio allocation by 2020 MSCI Low Carbon indexes	Migros \$4.5bn MSCI ACWI ex China ESG Universal Willis Towers Watson \$750m MSCI ACWI ex Thermal Coal Adaptive Capped ESG Universal Index London Borough of Hackney MSCI Low Carbon Target index fund London Borough of Tower Hamlets MSCI World Low Carbon Target Index benchmark for its Low Carbon Passive Global Equity mandate Brunei Pension Partnership MSCI low-carbon target index for passive low-carbon equities	Ilmarinen invested \$5bn in ETFs linked to MSCI ESG Leaders Shell Pension (SSPF) Moved 22.6% of its €30bn portfolio to MSCI's custom ESG benchmark	PostNL Sustainable (custom) index - European equity holdings Oxford University Endowment Management Custom MSCI World Select Fossil Fuel Screened Index Swiss Federal Pension Fund PUBLICA MSCI custom climate efficient index for its equity portfolio. Based on transition risk and physical risk PenSam adopts MSCI Climate Index for €4.8bn equities portfolio	Zurich UK \$1bn MSCI USA ESG Universal Aargauische Pensionskasse Developed market equity MSCI World ex Switzerland Low Carbon Target	Migros MSCI Climate Paris Aligned Index P+ Bæredygtig MSCI Climate Change Index Pensionskasse Basel-Stadt MSCI ESG Leaders	Ilmarinen €17bn MSCI Climate Action Index Pensioenfonds Gasunie €1bn MSCI ACWI Climate Transition Benchmark Pensioenfonds TNO €737m MSCI World Climate Paris Aligned Select SDG Screened Index	The People's Partnership €15bn MSCI Climate Change Indexes Industriens Pension €8bn foreign equities partially to MSCI Climate Action Indexes

¹Based on press releases or other publicly available information published from 2014 to September 2024. Some of the examples have not publicly disclosed the size of their allocations and therefore are not included in the estimated AUM total. Includes partnership indexes

GCC Issuer Insights

Research insight

Issuer Insights

Key takeaways

- Higher engagement rates have been observed from Saudi Arabian issuers in 2023 as compared to 2022.
- Common themes that issuers in Saudi Arabia and the GCC countries were most interested in:

Environment Pillar	Carbon Emissions
	Water Stress
	Toxic Emissions & Waste
Social Pillar	Privacy & Data Security
	Human Capital Development
	Health & Safety

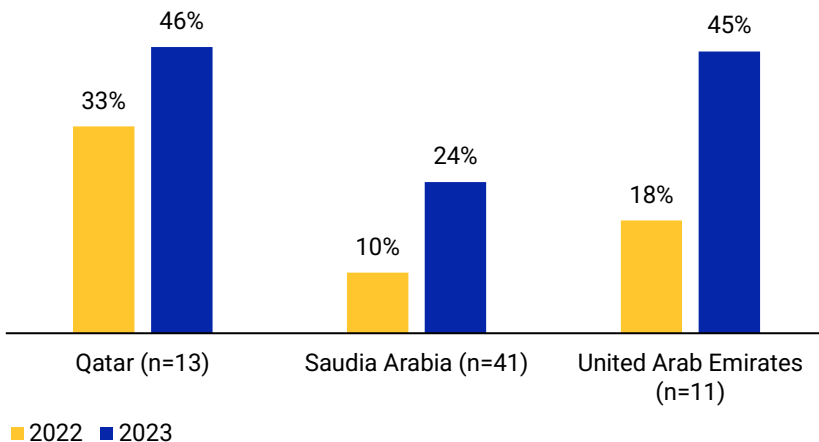
- Energy and transportation companies in the region have expressed interest in MSCI assessments better capturing **carbon offsetting, carbon capture and storage** and **impact materiality** (e.g., community relations and fellowships for youth in disadvantaged communities).

Issuer Insights

More companies in the GCC have been engaging with MSCI Issuer Communications

Issuer engagement data verification (DV) rates across different markets

Percentage of MSCI ACWI Index constituents by country that engaged via the MSCI ONE issuer portal



■ 2022 ■ 2023

Source: MSCI ESG Research, as of December 31, 2023. Data verification rate is the % of corporate issuers in the MSCI ESG coverage universe that have provided data verification through our online issuer portal during that year.

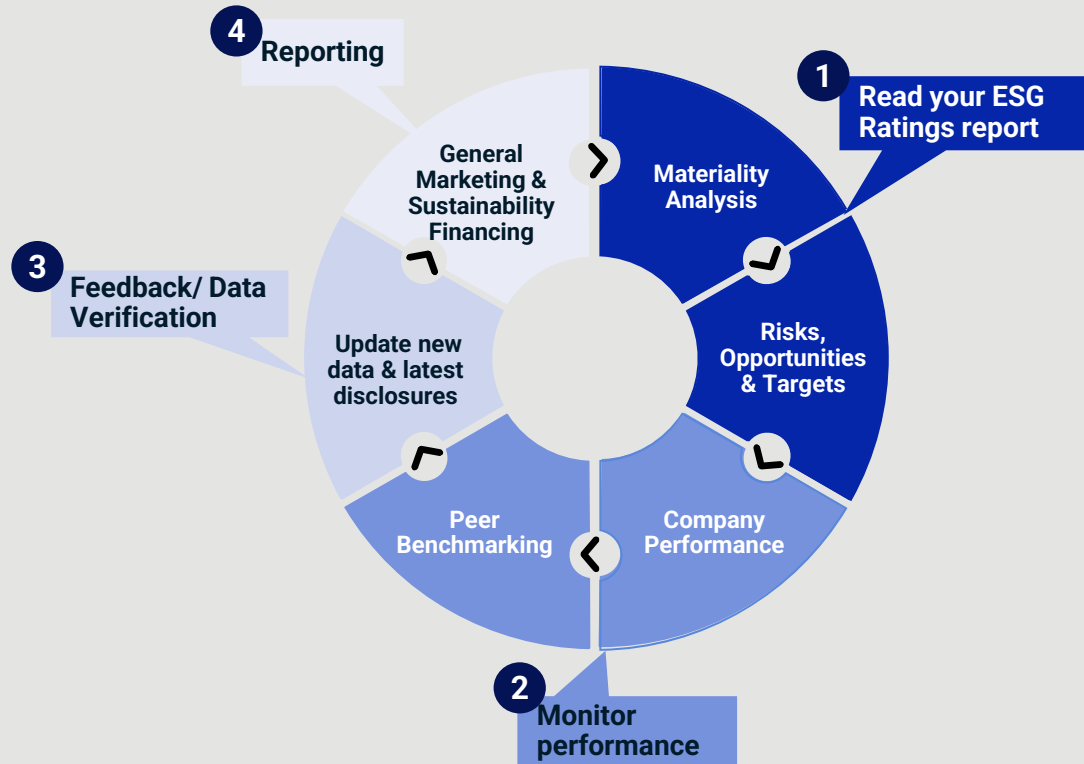
Most active issuers

Saudi Arabia	Saudi Arabian Mining Company
	Rabigh Refining and Petrochemical Company
	Saudi Telecom Company
	National Medical Care Company
	Saudi Awwal Bank
	Arabian Contracting Services Company
	BinDawood Holding Company
	Saudi Tadawul Group Holding Company
	Bupa Arabia for Cooperative Insurance Company
Abdullah Al-Othaim Markets Company	
United Arab Emirates	Emirates NBD Bank
	DP World Ltd.
	Aramex
	Emirates Telecommunications Group Co.
	First Abu Dhabi Bank
Qatar	Qatar Islamic Bank
	Qatar National Bank
	Qatar Insurance Company
	Qatar Gas Transport Company Ltd. (Nakilat)
	The Commercial Bank
Bahrain	

Get issuer data feedback through our online issuer portal

Call to Action

Taking ownership & building your sustainability journey



Engage MSCI

Solutions suited for Issuers who want to:	Understand & Disclose	Benchmark Progress	Gain Insights Quickly
Benefits:	MSCI ONE Portal Access	CSI Module	CSI Plus
Access their own MSCI ESG Ratings Reports	✓	✓	✓
Provide Data Updates including New Public Data Disclosures	✓	✓	✓
Leverage Educational Resources and Research Methodologies	✓	✓	✓
Receive email-based support from MSCI Issuer Communications	✓	✓	✓
Peer Benchmarking insights across 10,000+ global companies		✓	✓
Industry ESG Reports highlighting leaders and key trends		✓	✓
Intuitive benchmarking visualization tools for reporting		✓	✓
Deep-dive peer analysis session and 1-hour review call		✓	✓
Dedicated support from Issuer Specialists to provide prompt responses			✓
Semi-annual meetings with research analysts to deepen understanding			✓
Detailed review of Ratings inputs and Industry Best Practice			✓
	Complimentary	Subscription Fees	

NEW: Index Constituent Viewer

Companies 

Companies

Overview

Climate Insights

GeoSpatial Insights

Sustainability Insights

Index Constituent Viewer

Manage Climate Data

Manage Sustainability D...

ESG Manager

Reports

Company Reports

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Index Constituent Viewer

 Select Peers  Disclaimer

Gain insights into whether your company is a constituent of one of MSCI's most widely used equity MSCI ESG and Climate Indexes as well as the flagship MSCI ACWI Index, which has been used by the investment community to track global equity market performance since 2001. For further details about the Indexes please refer to the MSCI Index Constituent Viewer [FAQ document](#) or contact our Index Client Service team at clientservice@msci.com.

Company:

Peers:

TotalEnergies SE BP P.L.C. × SHELL PLC × EQUINOR ASA × ENI S.P.A. × Repsol S.A. ×

Industry: Integrated Oil & Gas

Climate Indexes

ESG Indexes

MSCI's suite of ESG Indexes are used by market participants to track and benchmark market performance, integrate sustainability considerations into portfolio construction, screen for controversial business activities, and target companies seeking to generate specific sustainable outcomes. In the table below we feature five of MSCI's most widely used equity ESG Indexes and the MSCI ACWI Index. This information is updated monthly. If a company is included in an Index, the company's weighting will be displayed. If the company is not a constituent of the index, it will be marked as N/A. For a full list of index constituents, please refer to the "View details" page.

Please use your cursor to hover over the index info icons to view descriptions of the index objectives. Wherever a "Parent Index" is mentioned, that refers to the MSCI ACWI Index. [read less ...](#)

 [View details](#)

As of: Aug 30,2024

Company Name	Weight (%)					
	ACWI ⓘ	ACWI ESG FOCUS ⓘ	ACWI ESG LEADERS ⓘ	ACWI ESG SCREENED ⓘ	ACWI ESG UNIVERSAL ⓘ	ACWI SRI ⓘ
BP P.L.C.	0.1238	0.1035	N/A	0.1344	0.0889	N/A
ENI S.P.A.	0.0452	N/A	N/A	0.0491	0.0325	N/A
EQUINOR ASA	0.0312	0.1855	0.0592	0.0339	0.0448	N/A
Repsol S.A.	0.0219	N/A	0.0415	0.0237	0.0157	N/A
SHELL PLC	0.2943	0.3176	N/A	0.3193	0.4225	N/A
TotalEnergies SE	0.1929	0.5177	0.3655	0.2093	0.2769	N/A

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Q&A

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Boston	+ 1 617 532 0920	Geneva	+ 41 22 817 9777	Hong Kong	+ 852 2844 9333
Chicago	+ 1 312 675 0545	London	+ 44 20 7618 2222	Mumbai	+ 91 22 6784 9160
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Appendix

Links between sustainability and financial performance

In their “Foundations of ESG Investing,” Giese et al. (2017) introduced three **transmission channels** that link a company’s sustainability profile with its financial performance:

- **Cash-flow** channel
- **Idiosyncratic risk** channel
- **Systematic risk** channel

In our previous studies, we found that issuers with the highest MSCI ESG Ratings outperformed their peers on the financial metrics used to validate the transmission-channel framework.¹

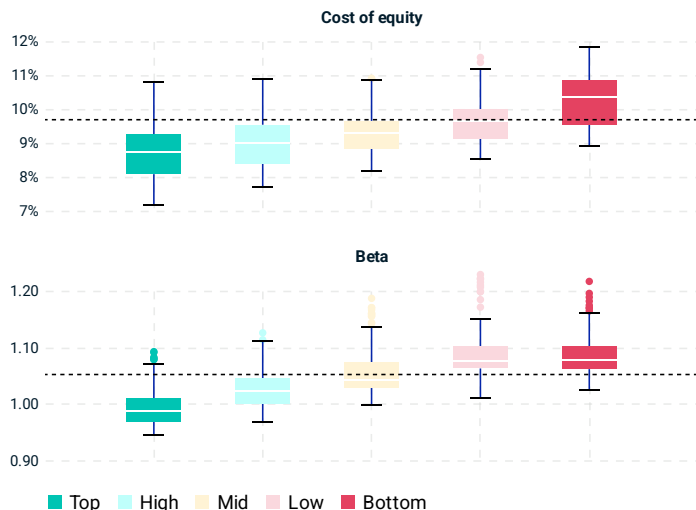
Transmission channels of how sustainability profile may affect financial performance



Cost of equity and debt across MSCI ESG Rating quintiles

Cost of equity and beta

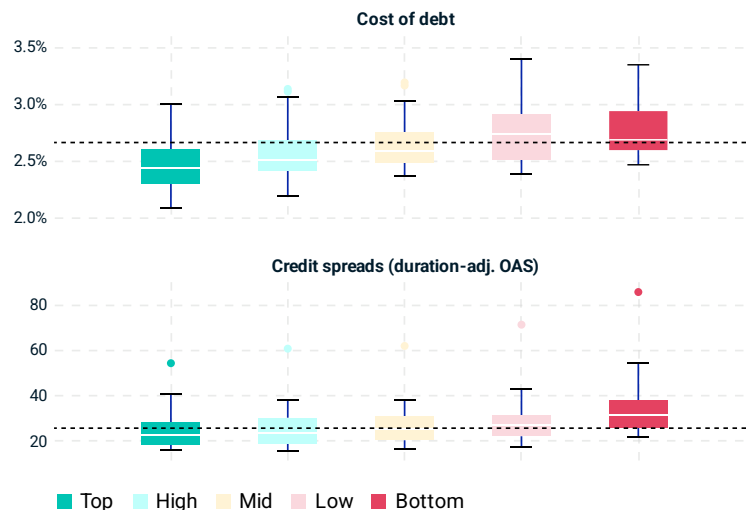
$\text{Cost of equity} = \text{risk-free rate} + \text{equity risk premium} * \text{beta}$



Data period from August 2015 through May 2024. We divided the study sample ($n = 4,315$ unique issuers for cost of equity and $n = 4,249$ for beta) into quintiles each month based on IAS score, which underlies the MSCI ESG Rating, and compared each quintile's cost of equity and beta monthly (106 observations). Beta is predicted (local) beta, estimated using the long-term version of the MSCI Global Equity Model (GEMLT). The boxes outline the 25th to 75th percentile range, the line inside shows the median, the whiskers extend to the most extreme datapoints not considered outliers, and outliers are plotted as individual dots. The dotted line shows the average for the entire sample. The difference between the top and bottom quintiles was significant at a 99% confidence level using the Mann-Whitney U test.

Cost of debt and credit spreads

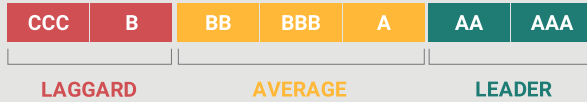
$\text{Cost of debt} = \text{interest expense} / \text{total debt} * (1 - \text{tax rate})$



Data period from August 2015 through May 2024. We divided the study sample ($n = 4,281$ unique issuers for cost of debt and $n = 2,252$ for OAS) into quintiles each month based on IAS score, which underlies the MSCI ESG Rating, and compared each quintile's cost of debt and OAS monthly (106 observations). Credit spreads are adjusted for duration (OAS/modified duration). The boxes outline the 25th to 75th percentile range, the line inside shows the median, the whiskers extend to the most extreme datapoints not considered outliers, and outliers are plotted as individual dots. The dotted line shows the average for the entire sample. The difference between the top and bottom quintiles was significant at a 99% confidence level using the Mann-Whitney U test.

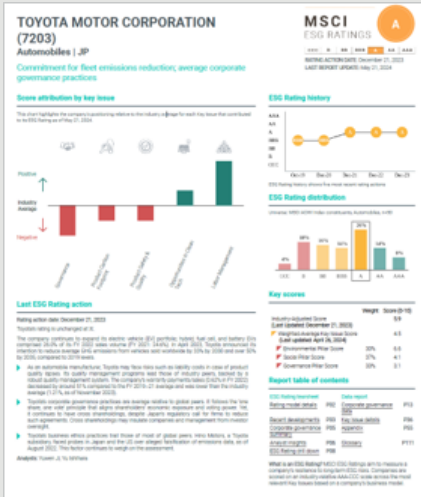
Introducing MSCI ESG Ratings

MSCI ESG Ratings and datasets offer a comprehensive ESG Integration solution to Investors



ESG Ratings & Scores

ESG Ratings and scores are used by market participants to manage potentially financially **material** ESG risks and maximize exposure to ESG opportunities.



- Quantitative E&S metrics
- Targets & Commitments data
- Qualitative E&S indicators
- Governance data
- AGM data
- Directors data
- Controversies & events
- Revenue data
- Business & Geographic segment data



Forward-looking financial materiality



Alternative data & robust models



Tech-enabled human insights: 400+ strong team of analysts + artificial intelligence (AI)

MSCI ESG Research's Approach to ESG Ratings

1

Q: How is the company governed?

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

A: Analyze ownership structure, board, incentives and behavior.



2

Q: What risks does the company face?

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

A: Map company operations to an extensive proprietary database of ESG risk factors.



3

Q: What does the company say?

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

A: Benchmark company disclosures and policies vs. industry peers.



4

Q: What does the company do?

What evidence do we see that these risks are being managed? What is its track record?

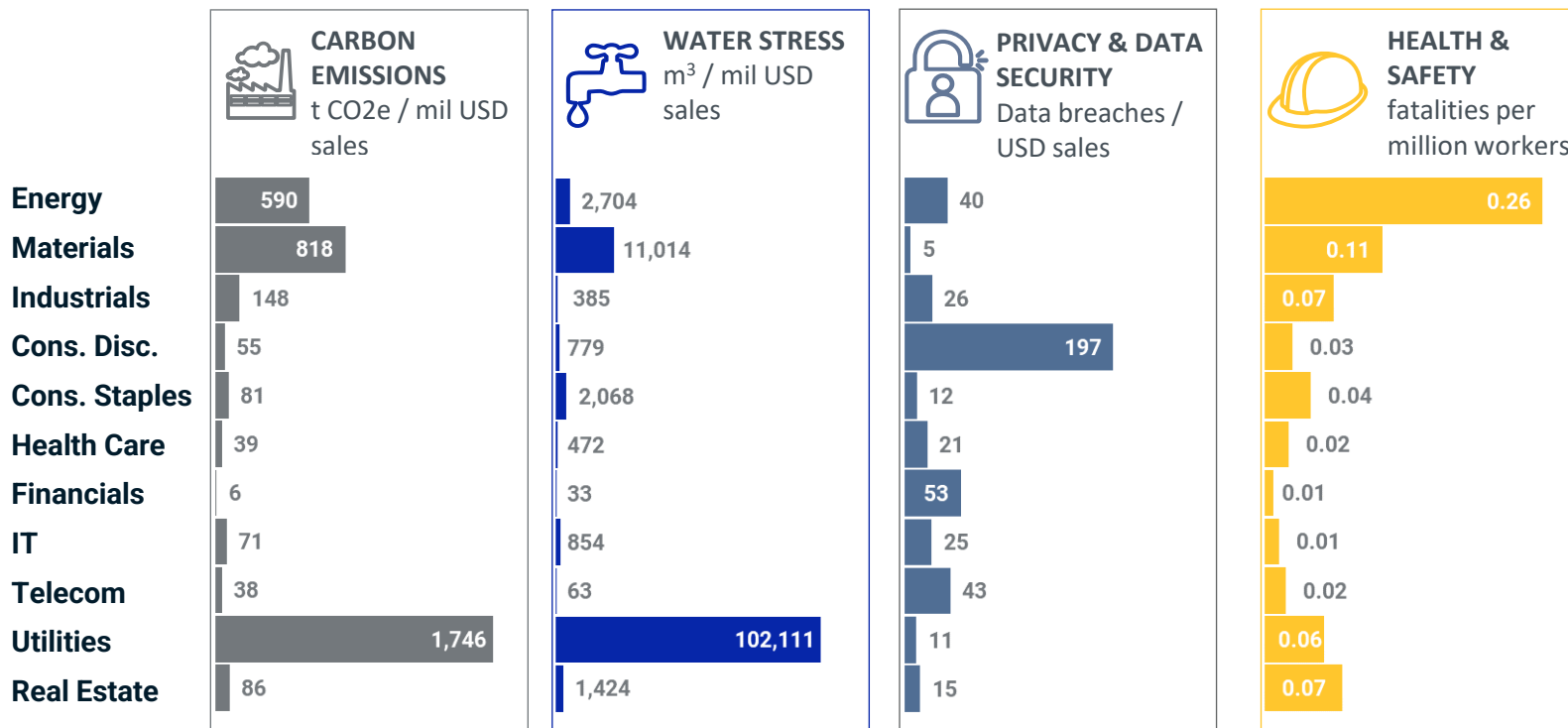
A: Evaluate alternative data from sources outside the company.

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 Finance	Board	Business Ethics
Product Carbon Footprint	Biodiversity & Land Use	Packaging Material & Waste	Green Building	Health & Safety	Consumer Financial Protection	Community Relations	Access to Health Care	Pay	Tax Transparency
Financing Environmental Impact	Raw Material Sourcing	Electronic Waste	Renewable Energy	Human Capital Development	Privacy & Data Security		Opportunities in Nutrition & Health	Ownership	
Climate Change Vulnerability				Supply Chain Labor Standards	Responsible Investment			Accounting	
					Chemical Safety				

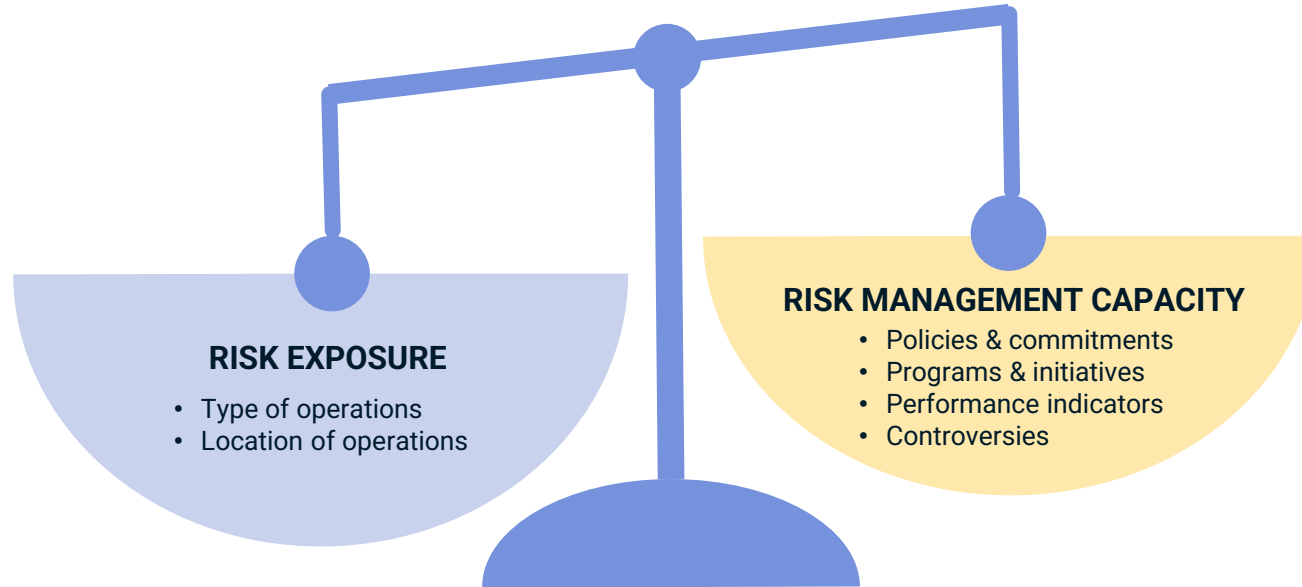
Universal key issues applicable to all industries

Environmental and Social Risks Are Industry-Specific



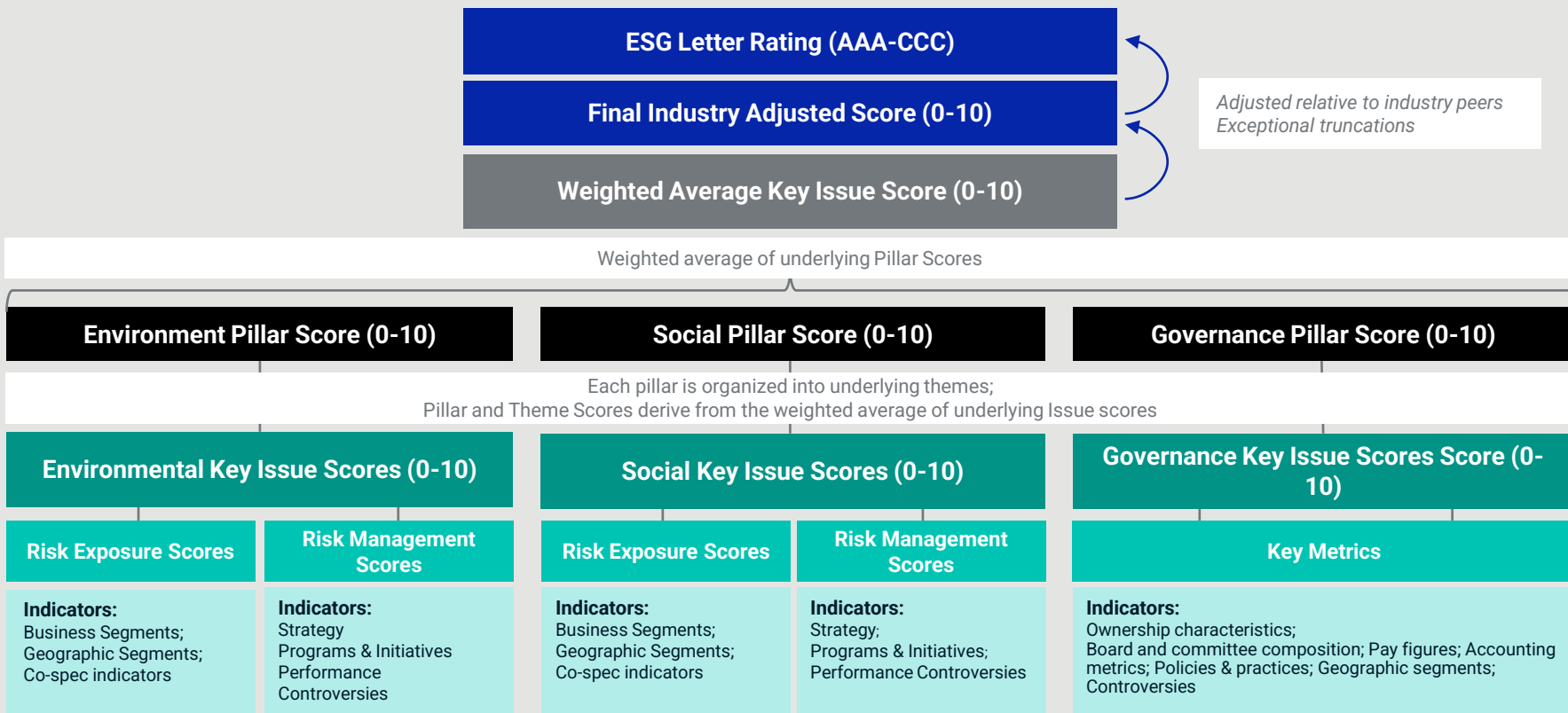
Sources: Carbon emissions and freshwater withdrawal intensities based on sample of 3,823 and 1,633 companies, respectively as of March 2, 2020. Percentage of companies with active bribery and ethics controversies is based on the number of companies with ongoing bribery & fraud controversies in the MSCI ACWI Investable Market Index (IMI) as of March 2, 2020. Fatalities per million workers calculated based on three-year average fatality rates from the Census of Occupational Injuries (US Bureau of Labor Statistics). Data breach intensity calculated based on three-year average of the number data breaches by sector (Verizon Data Breach Investigations Report) and business segments for companies in the MSCI ACWI Index as of March 2, 2020.

Measuring ESG Key Issues



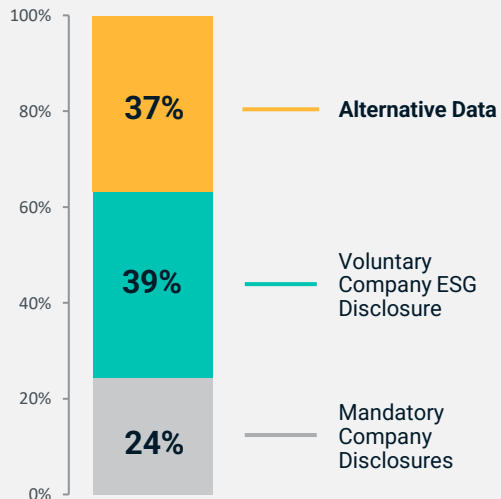
**EVALUATE RISK MANAGEMENT STRATEGY
IN THE CONTEXT OF RISK EXPOSURE**

How The Scores Roll Up to The Final ESG Rating



Alternative Data Helps Minimize Reliance on Voluntary Disclosure to Deliver Key Insights

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

Alternative data sets are information about a company published by sources outside of the company. We use them to:

- Deliver insight not captured with voluntary company disclosures
- Identify unexplored risks and opportunities
- Create innovative signals



Data Review, Update, and Quality

Systematic data verification process incorporating issuer feedback

A team of people dedicated to issuer communications, representing **400+** ESG analysts.

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

Events to educate issuers on ESG investing including 2 consultations to gather their feedback



Ongoing monitoring and data updating process

Over **2,300,000** data values updated per month

On average per week: 180 companies are updated to with **new controversies**, **425** companies are updated to reflect **new governance information**

4,000+ media sources monitored daily (global and local news sources, government, NGO).



Data quality checks

Formal in-depth quality review processes take place at each stage of analysis, including automated and threshold-based quality checks of data



ESG Ratings Momentum in GCC

Research insight

ESG Ratings Momentum

Key takeaways

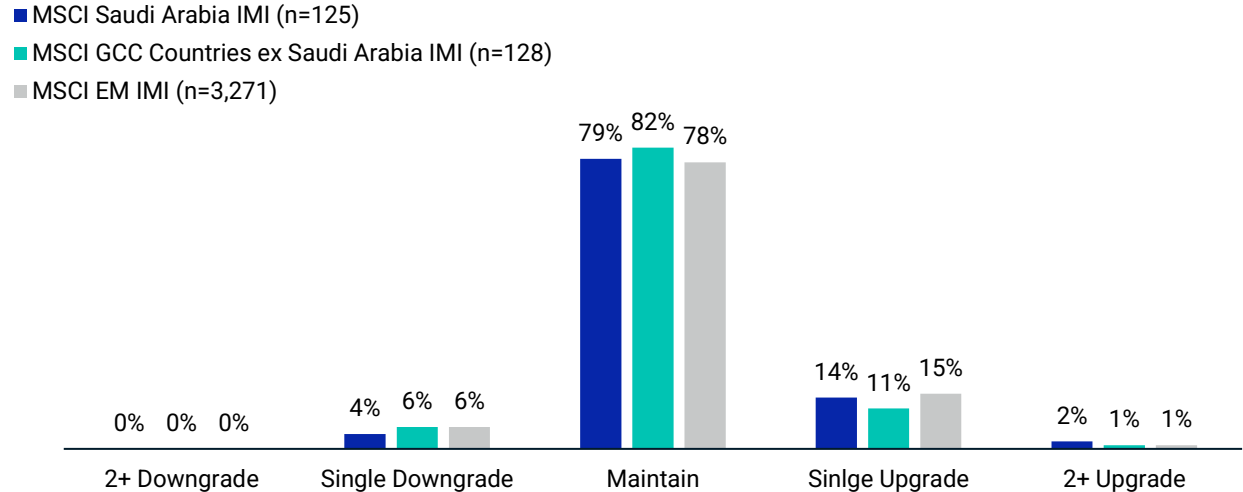
- Key upward movers over multiple years have been in **telecoms** and **finance** (e.g., Etihad Etisalat, Saudi Telecom, Al Raji Banking & Investment, Riyadh Bank and SABIC Agri-Nutrients).
- Saudi companies have outpaced upward ESG momentum trends for the wider GCC region (14% upgrades vs. 11%) and experienced fewer rating downgrades (4% vs. 6%).
- Improvements were noted particularly in the Social and Governance Pillars, where **strengthened data privacy** and **workforce management practices** were assessed for several companies.
- Improved ESG Ratings have also coincided with greater representation of Saudi companies in the MSCI Emerging Market ESG Leaders Index.

ESG Ratings Momentum: Upgrades vs. Downgrades

Stable ESG Letter Ratings in Saudi Arabia with some increases

A greater proportion of Saudi companies **maintained** their ESG Rating, and **avoided downgrades**, relative to the Gulf Cooperation Council (GCC) region, and the overall MSCI EM Index.

ESG Ratings Momentum

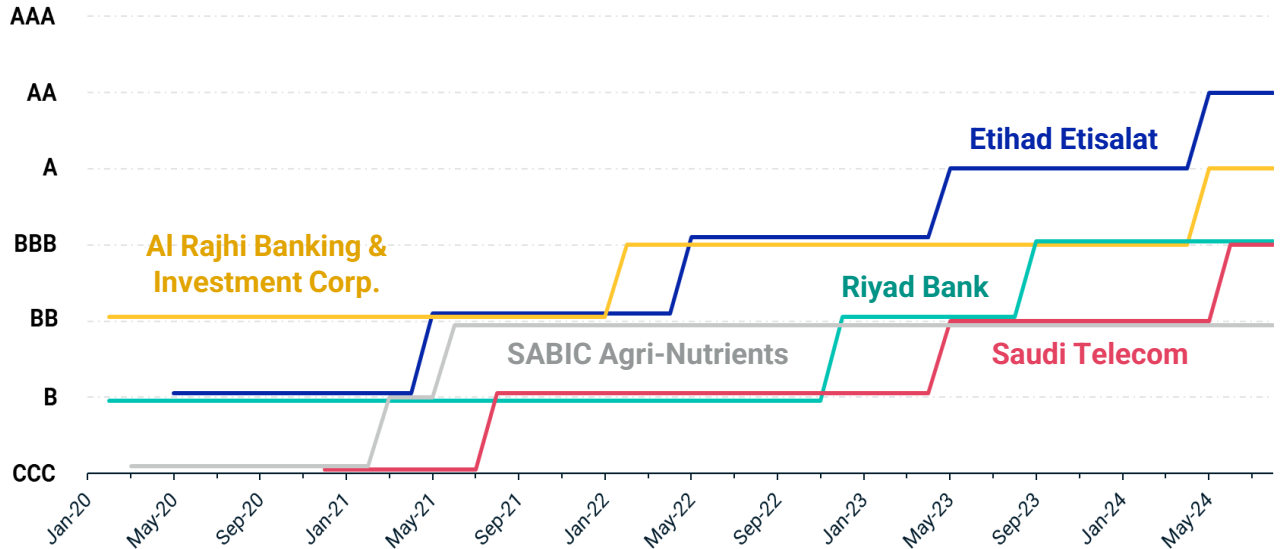


ESG Ratings Momentum: Biggest Movers

Five Saudi companies that received the most ESG Ratings upgrades since 2020

Positive ESG Ratings momentum was evident in several Saudi companies, particularly in **banking** and **telecoms** sectors.

Key improvements (next slide) occurred in the management of **data privacy, corporate governance** and **workforce management**.



ESG Ratings Momentum: Biggest Movers

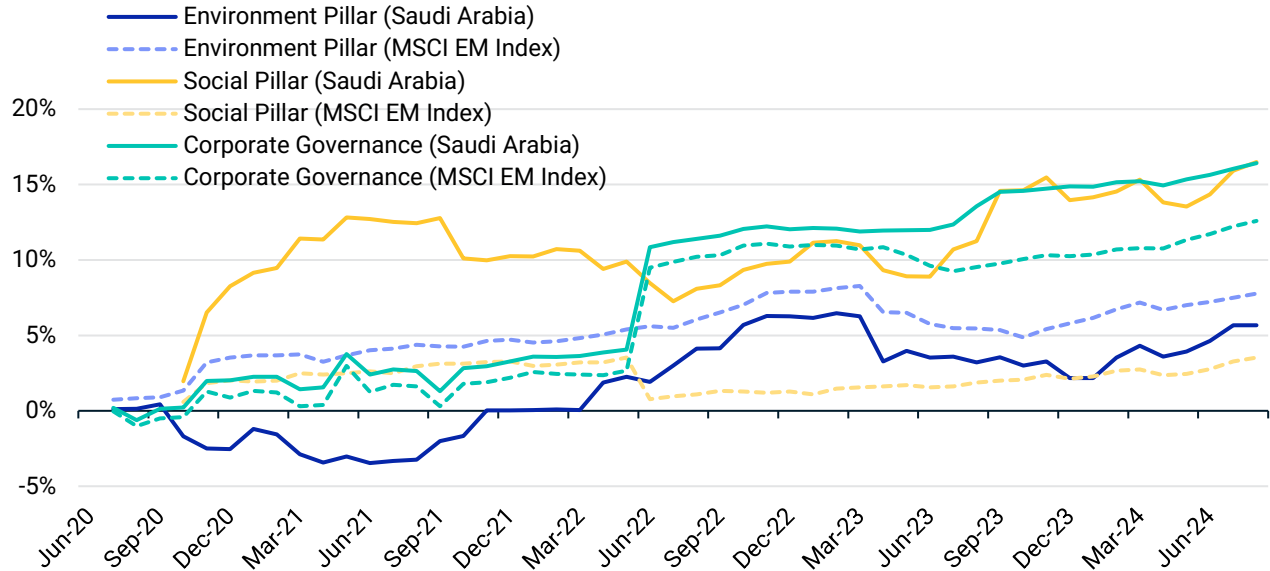
Improvements tended to focus on data privacy, workforce management and corporate governance

Company	Summary of key changes contributing to ESG rating upgrades (Jan. 2020 – Jul. 2024)
Etiihad Etisalat	<p>Privacy & Data Security: More comprehensive programs for monitoring and auditing network security for potential cyber-attacks. Reports vulnerability assessments to pre-empt potential data breaches and cybersecurity training for full-time employees and contractors.</p> <p>Corporate Behavior: Improved business ethics framework, including guidelines against corruption and bribery and whistleblower protection.</p> <p>Labor Management: Enhanced employee engagement initiatives, including performance-based incentives.</p>
Al Rajhi Banking & Investment Corp	<p>Privacy & Data Security: Improved cybersecurity controls, including industry-best cybersecurity practices, such as an overarching privacy framework.</p> <p>Corporate Governance: Board no longer flagged for government intervention concerns.</p>
Riyad Bank	<p>Corporate Behavior: Improved business ethics practices, new anti-money laundering policy, reporting evidence of whistleblower protection measures.</p> <p>Corporate Governance: Non-executive directors serving on fewer external boards, new female director, reduced concerns regarding government intervention.</p> <p>Privacy & Data Security: Improved data protection practices reported.</p>
Saudi Telecom	<p>Privacy & Data Security: Strengthened data privacy programs, including audits and breach response plans and cybersecurity training for staff and contractors.</p> <p>Labor Management: Improved employee engagement efforts, including annual surveys.</p>
SABIC Agri-Nutrients	<p>Toxic Emissions & Waste: Reported improved toxic releases and waste mitigation strategy. Chemical management program includes certification of all sites to RC 14001 standards and conducts compliance audits.</p> <p>Water Stress: Adopted targets to reduce water consumption by 25% between 2010 and 2025.</p>

ESG Ratings Momentum: Score Changes in Saudi Arabia

Relative improvements in the Social Pillar and Corporate Governance Theme

ESG-related score changes over time (Jun. 2020 baseline)



Relative improvements in the Social Pillar and Corporate Governance for Saudi companies has **outpaced emerging market peers.**

The Environment Pillar remains a concern, where little improvement has been recorded since June 2020.

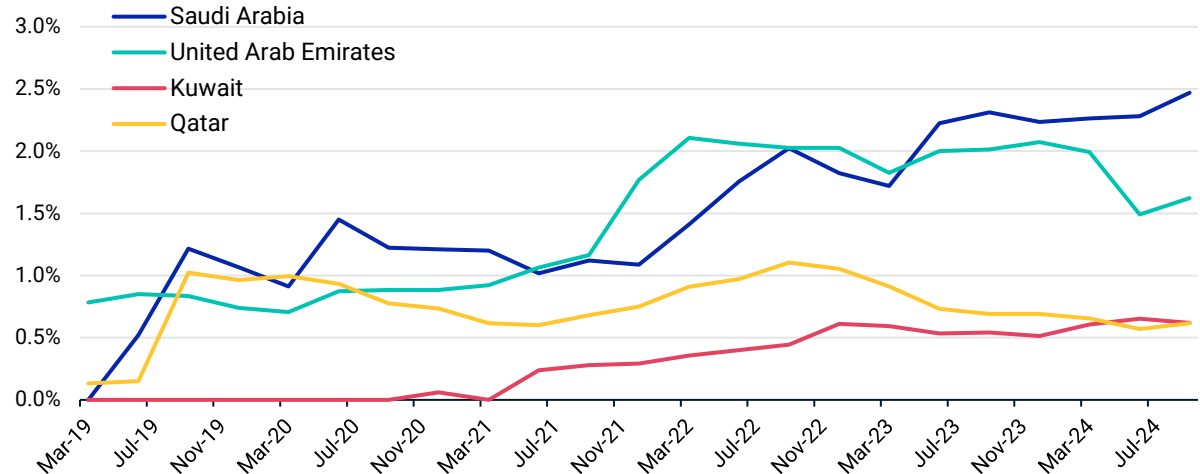
ESG Ratings Momentum: MSCI ESG EM Leaders Index

Saudi companies have made up an increasing proportion of the index

Constituent weight of MSCI ESG Emerging Markets Leaders Index

From March 2019 to September 2024, Saudi companies have seen a **steady increase in constituent weight** from 0% to 2.5%, more than three other GCC countries included in the index.

ESG-related eligibility criteria include a **minimum ESG rating of “BB”** and ESG Controversy Score of 3 or more.



MSCI's Role in Fostering International Investing



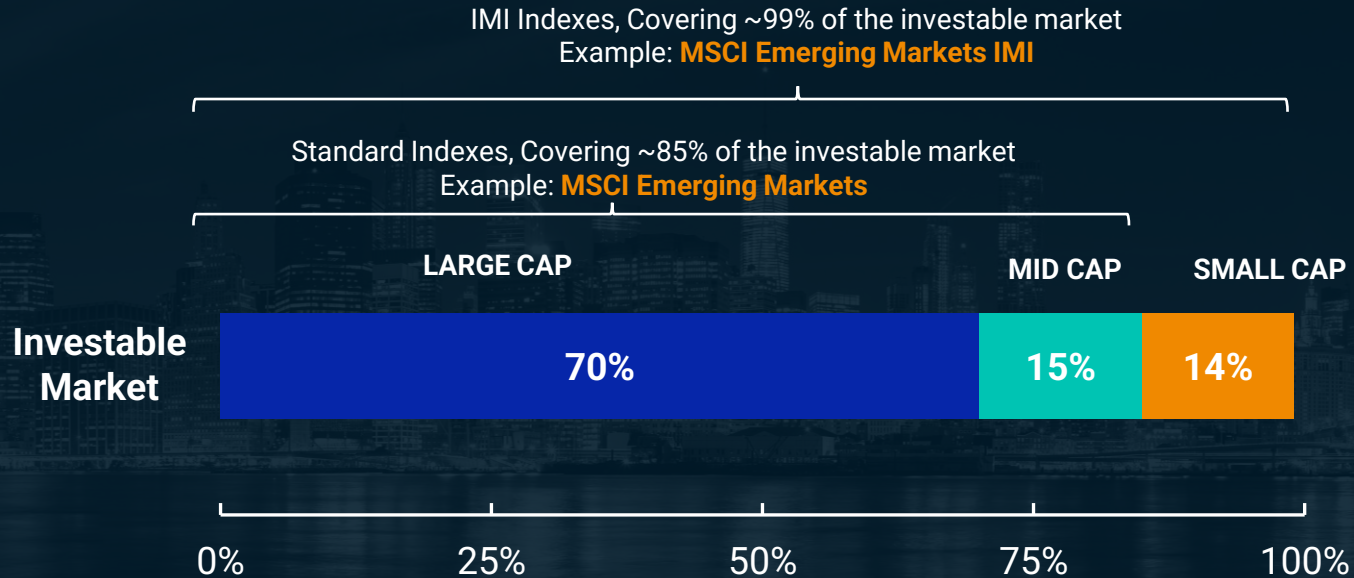
Utilized by a **\$15.6 trillion ecosystem** and recognized as the industry standard by global equity investors, the MSCI ACWI framework plays a central role in **expanding and accelerating international investing around the world.**

- The ubiquity of MSCI ACWI and MSCI Emerging Markets fosters asset flows across borders, including into emerging markets, thus **enabling global economic and social development.**
- Through its place in the MSCI ACWI index framework, the estimated **implied exposure to MSCI GCC countries exceeds \$125 billion^{1,2}.**

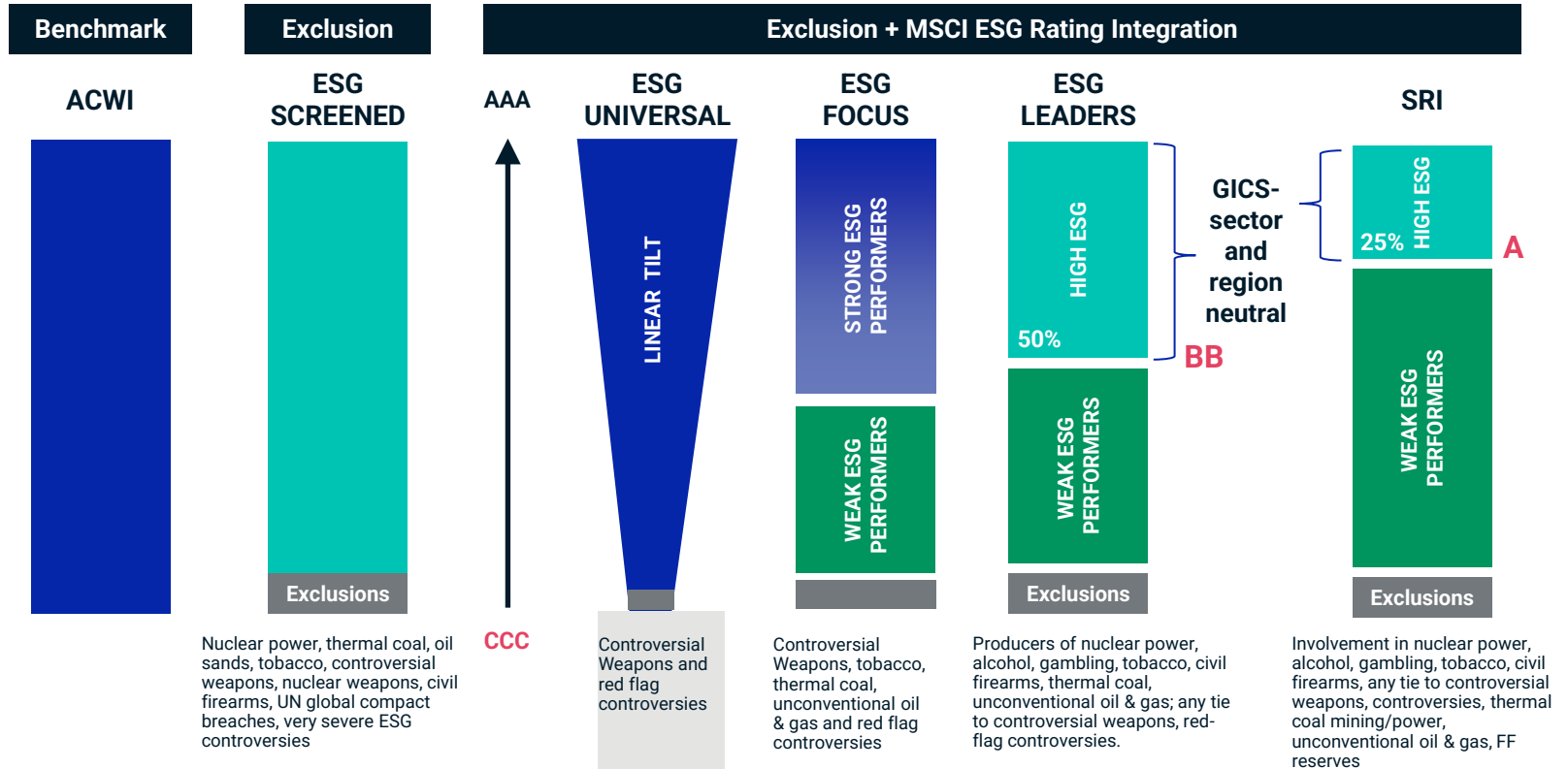


¹ Assets under management (AUM) as of December 31, 2023, reported on or before May 31, 2024, using data from eVestment for active institutional funds and Morningstar for active retail funds. Equity ETF values were based on data from Refinitiv and MSCI. In addition, AUM includes passive assets using available internal data. AUM includes notional open interest in futures and options using internal data from MSCI. Active retail funds include open-ended funds, closed-ended funds and insurance product funds. Active institutional AUM includes separate/segmented AUM, pooled/commingled AUM and mutual fund institutional AUM. AUM includes equity and multi-asset classes. AUM includes the MSCI only portion of hybrid/blended benchmarks from Morningstar and excludes feeder funds and funds of funds. For funds where the AUM was not reported as of December 31, 2023 the previous period AUM was utilized as an estimate. MSCI does not guarantee the accuracy of third-party data. ² Data as of August 30, 2024

MSCI Emerging Markets Index Overview







MSCI ESG Indexes



MSCI Islamic Indexes

Objective: Provide an index for global equity investors seeking to follow sharia investment principles

<p>Index Variations</p> 	<p>MSCI Islamic Index Series uses Total Assets as the denominator MSCI Islamic M Series Index uses Average Market Capitalization as the denominator</p>	
<p>Business Activity Screening</p> 	<ul style="list-style-type: none"> • Alcohol • Tobacco • Cannabis • Pork related products • Conventional Financial Services • Defense / Weapons • Gambling / Casino • Music • Hotels • Cinema • Adult Entertainment • Online Dating* 	
<p>Financial Ratio Screening</p>  <p>A Series use Total Assets as denominator M Series use Average Market Capitalization as denominator</p> <p>Financial ratios may not exceed the thresholds stipulated. A security that is not a constituent will be considered compliant with respect to financial screening only if all three financial ratios do not exceed the thresholds.</p>	<p>ISLAMIC INDEX SERIES</p> <p>Total debt over total asset 33.33% 30.00%</p> <p>Sum of cash and interest-bearing securities over total assets 33.33% 30.00%</p> <p>Sum of accounts receivables and cash over total assets 33.33% 30.00%</p>	<p>ISLAMIC INDEX M-SERIES</p> <p>Total debt over average issuer market capitalization 33.33% 30.00%</p> <p>Sum of cash and interest-bearing securities over average issuer market capitalization 33.33% 30.00%</p> <p>Sum of accounts receivables and cash over average issuer market cap 49.00% 46.00%</p>
<p>Dividend Purification</p> 	<p>$(\text{Total Earnings} - (\text{Income from prohibited activities} + \text{Interest income})) / \text{Total Earnings}$</p>	