

NOVEMBER 2018

MSCI ESG RATINGS | INDEXES | ANALYTICS

# ESG INVESTING: TRENDS & APPROACHES

## ESG投资： 趋势和方法

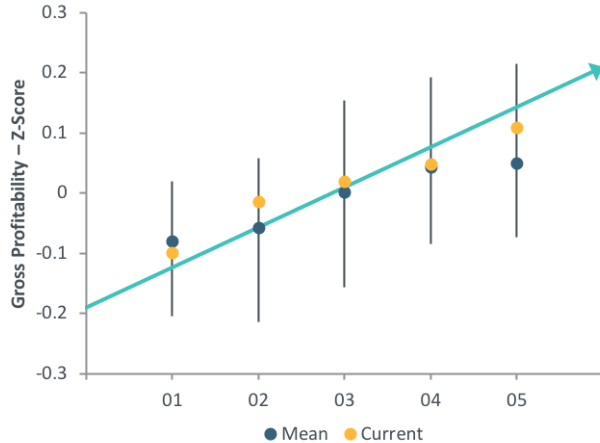
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# GREATER UNDERSTANDING OF POTENTIAL FINANCIAL BENEFIT OF ESG STRATEGIES, AND LONGER TRACK RECORDS

## 更多对于ESG策略潜在经济利益的理解和更长期的追踪记录

A MSCI ESG Research study<sup>1</sup> found that companies with high ESG Ratings had higher profitability, lower tail risk and lower systematic risk on average based on 10 years of data

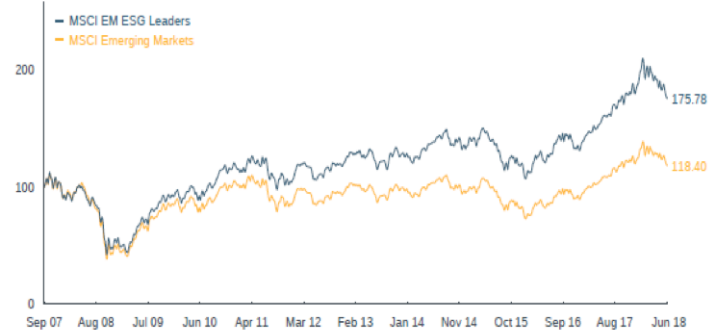
Companies with higher MSCI ESG scores had **HIGHER PROFITABILITY** and were more competitive  
 长期来看，MSCI ESG评分更高的公司拥有**更高的利润率，也更具竞争优势**



MSCI has a broad range of ESG Indexes with significant live history. More than 120 have five or more years of live history, with MSCI KLD 400 having the longest track record (28+ years).

MSCI EM ESG Leaders Index: **5 years** of live history  
 MSCI新兴市场ESG领导指数：**五年**的生动历史

CUMULATIVE INDEX PERFORMANCE - GROSS RETURNS (USD) (SEP 2007 - JUN 2018)

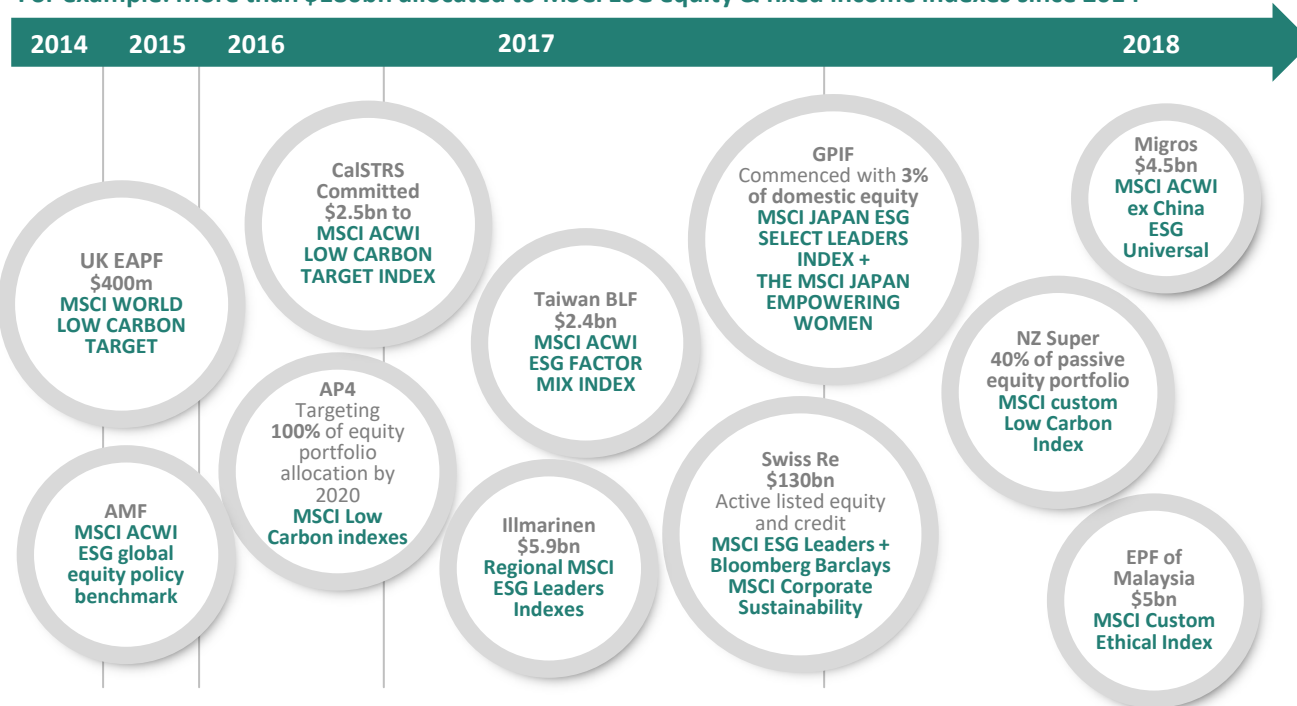


# INVESTORS DEMONSTRATING WILLINGNESS TO ACT

## 投资者表现出希望参与的意愿

Growing concerns of long-term issues such as climate change, demographic changes and inequality, have led both institutional asset owners as well as retail investors to take action – in particular from millennials<sup>1</sup>.

For example: More than \$180bn allocated to MSCI ESG equity & fixed income indexes since 2014<sup>2</sup>



<sup>1</sup> Source: Morgan Stanley, 2017 Sustainable Signals

<sup>2</sup> Based on publicly available information in press releases published from 2014 to date.

# IMPROVED ESG RATINGS NOW MAKE IT POSSIBLE TO MEASURE WHAT WAS ONCE UNMEASURABLE

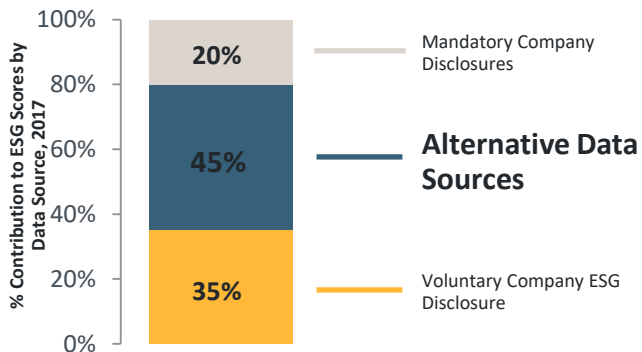
## 提高ESG评分水平使得评估之前无法评估的因素成为可能

Over the last eight years, MSCI has made significant investments in our ESG Ratings.  
在过去八年间，MSCI为了提高我们的ESG评分水平投入了大量资源。



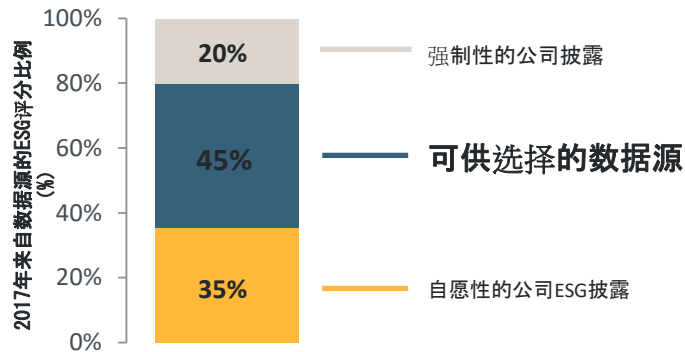
Our approach focuses on (1) identifying most relevant risks by sector; (2) recording forward-looking management data; and (3) incorporating unique alternative data sources beyond company disclosed (or reported) data

More alternative data beyond company self-reported data (~45% in our model)



2,434 constituents of the MSCI ACWI Index as of November 30, 2017  
Source: MSCI ESG Research

除公司自己披露的数据之外，更多可供选择的数据（约45%来自我们的模型）



2,434 constituents of the MSCI ACWI Index as of November 30, 2017  
Source: MSCI ESG Research

# THE EQUIFAX EXAMPLE ILLUSTRATES HOW A PROPER ESG APPROACH HELPED IDENTIFY A MATERIAL RISK

EQUIFAX信用评级例子说明了合适的ESG评分方式可以帮助发现面临的重大风险

ESG Ratings for Equifax highlighted key data breach risks more than one year before the breach.  
对于Equifax信用评级的ESG评分早在其违规发生的一年多之前就发现了其正面临关键数据违规的风险。

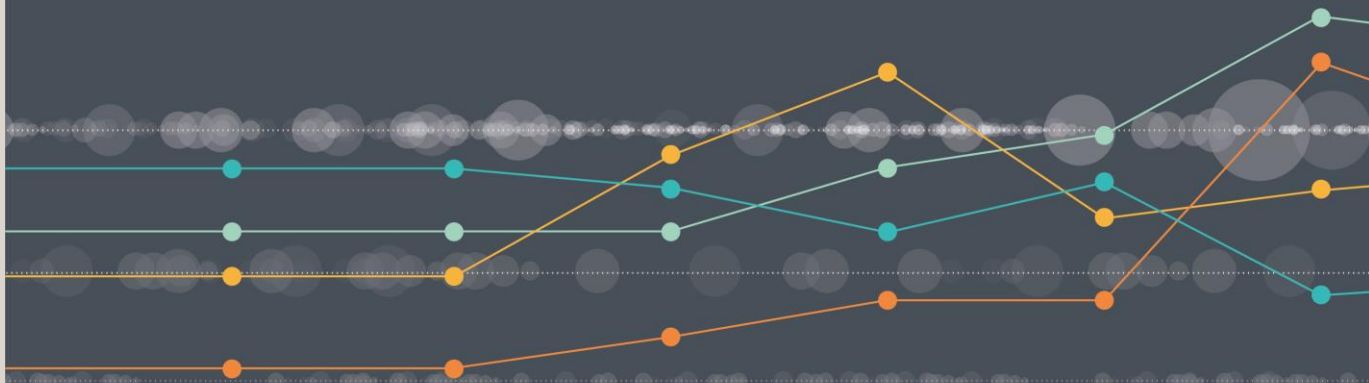


## HERE IS WHAT LED TO EQUIFAX'S DOWNGRADE IN AUGUST 2016:

- 1** High weight on Data Privacy and Security key issue. The methodology-driven issue selection triggers **deeper analysis on what matters**
- 2** Systematic review of **forward-looking** information (strategy, policies and targets) across sector. EFX was weakest by far
- 3** Special focus on performance analysis. EFX was already subject to major hack and did not adapt. **Use of alternative data sources** (in this case, databases of hacks) allows for more effective assessment compared to company reported data

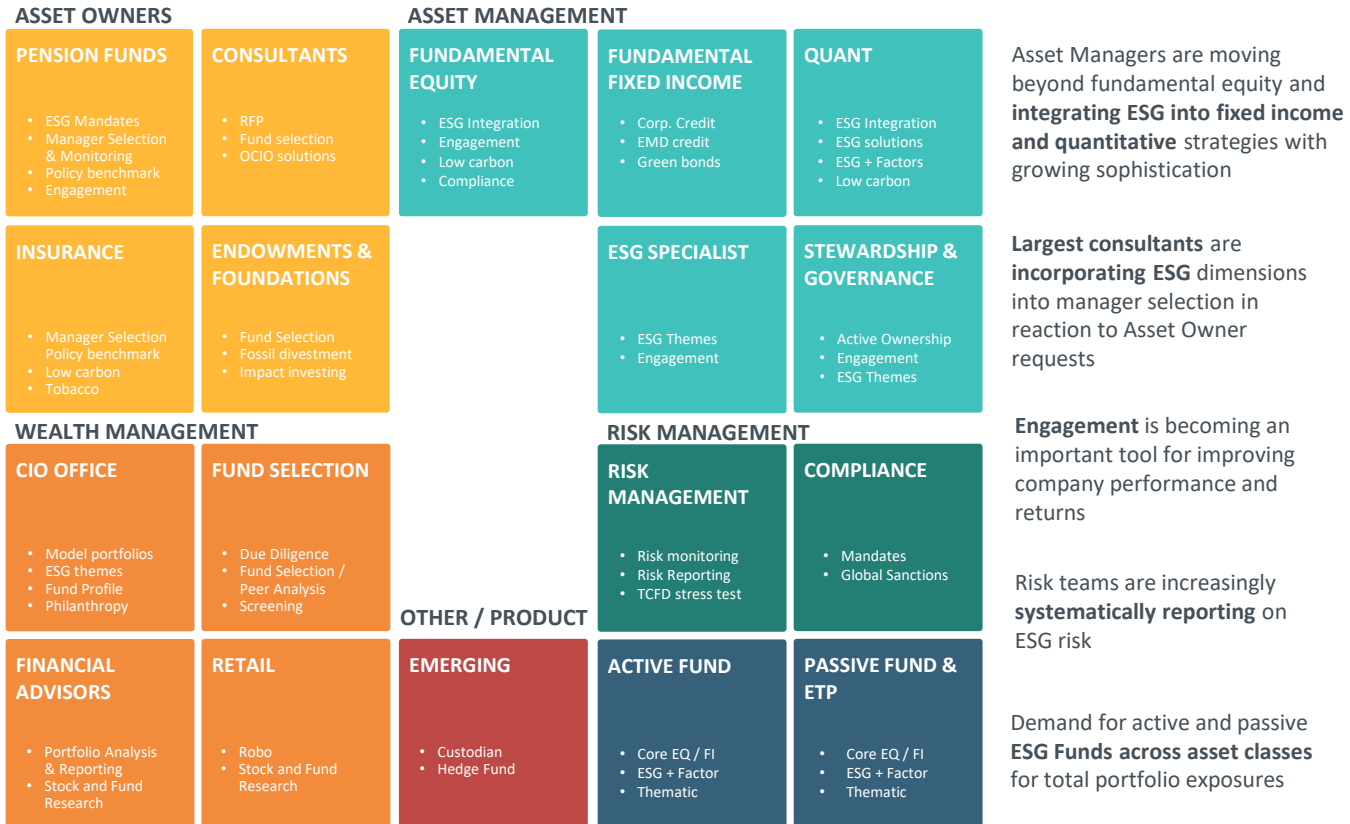
# FROM WHY TO HOW

## 从为什么到怎么样



# ESG LEADERS HAVE DEMONSTRATED INCREASED SOPHISTICATION ACROSS THEIR ORGANIZATIONS

ESG发展方面的领先者已经展示了他们在组织层面不断增加的成熟度



# INTEGRATING ESG ACROSS YOUR ENTIRE INVESTMENT PROCESS

## 如何在您的整个投资过程中整合ESG

### MSCI CAN HELP YOU:

1

#### DEFINE OBJECTIVES & POLICY

- Define investment and ESG objectives
- Set targets and strategies to enhance ESG profile
- Develop investment policy
- Select benchmarks

2

#### INTEGRATE INTO INVESTMENT PROCESS

- ESG in portfolio construction
- Active and index-linked ESG products
- Scalable risk management reporting
- Stress testing

3

#### ENGAGE STAKEHOLDERS & REPORT

- Engage companies and external stakeholders
- Provide transparency through client reporting





# POWERING BETTER INFORMED INVESTMENT DECISIONS

## 为更好的投资决策提供原动力

MSCI can help you integrate ESG into your investment process and communicate with your stakeholders using the common language of ESG Ratings:

### 1 LEADING ESG RATINGS & RESEARCH

- Recognized as 'Gold Standard data provider'<sup>1</sup> and voted 'Best Firm for SRI Research,' 'Best Firm for Corporate Governance Research' and 'Best firm for Indices' for third consecutive year (2015, 2016, 2017)<sup>2</sup>



- Broad coverage with more than 13,000 entities, >90% of equity and FI MV

### 2 INNOVATIVE EQUITY & FIXED INCOME INDEXES FOR VARIOUS ESG APPROACHES

- More than 900 indexes covering integration, values and impact
- Low Carbon Target
- KLD 400
- Bloomberg Barclays MSCI Global Green Bond Index



MSCI Emerging Markets ESG Leaders Index

### 3 MARKET-LEADING RISK ANALYTICS PLATFORM & ESG REPORTING

Sophisticated ESG Analytics and scalable reporting across 700,000 multi-asset class securities

- Streamline ESG risk management processes within existing workflows using high volume ESG reporting
- Construct/optimize portfolios
- Report to clients



### 4 ESG EXPERTISE & NETWORK

350+ ESG experts and over 600 individuals working with Asset Owners, Consultants, Asset Managers and Wealth Managers around the world to guide you and share market trends



<sup>1</sup> Deep Data Delivery Standard

<sup>2</sup> The Independent Research in Responsible Investment (IRRI) Survey 2015, 2016, 2017

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