Panel Discussion

The Opportunity: Financial Performance and Impact

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Step 1: Values-based investing

I want my investments to align with my values.

Values
- Abortion and Contraceptives
- Adult Entertainment
- Alcohol
- Animal Welfare
- Catholic, Islamic and other religious screens
- Defense and Weapons
- Dual-Use Export Violations
- Fur
- Gambling
- Genetic Engineering
- Nuclear power
- Predatory lending
- Stem Cell
- Tobacco

Global Sanctions
- Burma
- Cuba
- Iran
- Israel boycott
- North Korea
- Northern Ireland
- Russia/Ukraine
- Sudan
- Syria
- OFAC Cases
- SEMA Cases

Controversies
- Child Labor
- Employee Safety
- Diversity
- Employee Relations
- Union Relations
- Human Rights
- Environment
- Customer Relations
- Marketing
- Product Safety

Religious or ethical values come before investment returns.
Step 2: Best-in-class investing

I believe best in class performers will create long-term value.

INTEGRATE RISKS

INVESTMENT RETURNS

SELECTED ESG FACTORS

ESG factors may enhance long-term investment returns

MSCI ESG Ratings

DATA

1,000 data points on ESG policies, programs, and performance

65,000 individual director profiles

13 years of shareholder meeting results

EXPOSURE METRICS

80 business segment and geographic risk exposure metrics.

MANAGEMENT METRICS

129 metrics based on policies, programs, & performance data.

KEY ISSUE SCORES & WEIGHTS

37 industry-specific issues weighted based on the industry’s impact and the time horizon of the risk / opportunity.

ESG RATING

Key issue scores and weights combine to an overall ESG rating (AAA-CCC) relative to industry peers.

OUTPUTS

Ratings and scores on 5,700 equities and 350,000 fixed income securities with 16 years of history

Available on:

Barra, FactSet, Barclays POINT, StyleResearch, MSCI ESG Manager, or integrated directly into proprietary platforms

INSIGHT

Specialized ESG research team provides deeper insight to explain significant ESG risks and opportunities through:

Company reports
Industry reports
Thematic reports
Analyst calls and webinars
Step 3: Sustainable impact investing

I value investments that create sustainable societal impacts beyond myself.

TARGET IMPACT

INVESTMENT RETURNS

SOCIAL & ENV. BENEFITS

ESG factors generate measurable social and environmental benefits

Sustainable Impact Metrics
# Moving ahead with common metrics

## INVESTMENT APPROACH

<table>
<thead>
<tr>
<th>ESG STRATEGY</th>
<th>RELEVANT ESG METRICS</th>
</tr>
</thead>
<tbody>
<tr>
<td>ESG INTEGRATION</td>
<td>ESG Quality Score vs. Peers</td>
</tr>
<tr>
<td>Incorporate ESG in fundamental research or investment process</td>
<td>✓</td>
</tr>
<tr>
<td>ESG BEST IN CLASS</td>
<td>Screens or filter based on minimum ESG quality of issuers</td>
</tr>
<tr>
<td>ESG TILT</td>
<td>Incorporate ESG into top-down investment process (e.g., optimized, tilted)</td>
</tr>
<tr>
<td>ESG ENGAGEMENT</td>
<td>Hold underlying companies but engage management directly</td>
</tr>
<tr>
<td>ESG THEMATIC</td>
<td>Overweight companies with specific thematic exposure</td>
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## KEY

- ✓ ✓ Most relevant metrics to track
- ✓ Other relevant metrics
ESG benchmarks track market returns

MSCI ACWI ESG INDEX

Must have an MSCI ESG Rating of ‘BB’ or higher and ESG Controversies score above 3
1,216 large- and mid-cap companies across 23 developed and 23 developing markets