

MSCI ESG Research's Statement of Application of the UK Code of Conduct for ESG Ratings

July 2024

As an ESG Ratings Provider, MSCI ESG Research LLC (“MSCI ESG”) applies the UK Code of Conduct (“the Code”) for ESG Ratings¹ and has addressed each Action of the Code as follows:

1. Principle on Good Governance

1.4 MSCI ESG has appropriate governance arrangements in place that include a clear organisational structure with well-defined, transparent and consistent roles and responsibilities of ESG Ratings analytical personnel.

1.5 MSCI ESG governance arrangements enable MSCI ESG to follow the Principles set out in the Code.

2. Principle on Securing Quality (Systems and Controls)

2.4 MSCI ESG uses publicly disclosed data sources to provide its ESG Ratings of rated entities in its coverage universe as defined per its applicable methodologies.

2.5 MSCI ESG applies rules-based methodologies to provide ESG Ratings. These methodologies are publicly available free of charge on MSCI’s web site (www.msci.com).

2.6 MSCI ESG has formalised a set of procedures and related documentation to provide MSCI ESG Ratings based on a thorough analysis of relevant information.

2.8 MSCI ESG monitors and updates its ESG Ratings as indicated in each relevant applicable methodology.

2.9 MSCI ESG has implemented procedures and related documentation to review its ESG methodologies on a regular basis and communicate changes to the methodologies as well as potential impacts of these changes to the ESG Ratings.

2.10 MSCI ESG maintains internal records to support its ESG Ratings.

2.11 MSCI ESG is implementing governance frameworks to allocate and monitor sufficient resources (personnel and technological capabilities) to provide high quality ESG Ratings. Where applicable, MSCI ESG has procedural checks, such as analytical staff assessment, committees in predefined cases; and quality assurance processes to ensure that ESG methodologies and internal processes are followed correctly. Holistically, MSCI ESG conducts annual sector reviews and may undertake *ad-hoc* adjustments.

¹ Based on the definition of an ESG Rating under the Code, the present Statement of Application applies to MSCI ESG Ratings, MSCI ESG Government Ratings, MSCI ESG Fund Ratings, MSCI SDG Alignment, MSCI Implied Temperature Rise, and MSCI Low Carbon Transition Risk Assessment as defined in MSCI ESG Symbols and Definitions, and MSCI Climate Symbols and Definitions available on msci.com.

2.12 ESG Ratings analytical personnel receives onboarding training when they join MSCI ESG as well as technical development opportunities during their tenure with MSCI ESG. MSCI ESG has annual processes to evaluate its ESG Ratings analytical personnel. Compliance undertakes annual compliance certification and training and implements a surveillance program designed to ensure its ESG Ratings analytical personnel carries out their duties in good faith.

2.13. MSCI ESG delivers its ESG Ratings in a machine-readable format to its clients via data feed and Application Programming Interface, as well as making them available via a range of MSCI platforms and applications, and third-party platforms.

3. Principle on Conflict of Interest

3.5 and 3.6 MSCI ESG has identified potential conflicts of interest related to the determination of ESG Ratings and ESG Data Products and has implemented measures to avoid, or appropriately manage and reduce the risk of such conflicts. These are described in the publicly available publication: *How MSCI ESG Research Manages Conflicts of Interest Related to ESG Ratings and ESG Data Products*.

3.8 MSCI ESG has Securities Trading Procedures designed to prevent employees from engaging in securities or derivatives transactions that could create conflicts of interest with the provision of ESG Ratings.

3.9 MSCI ESG has implemented appropriate work and compensation structures to avoid conflicts of interest or appropriately manage and reduce risks of potential conflicts of interest.

3.10 MSCI ESG has established reporting lines and implemented policies to avoid compensating or evaluating ESG Ratings analytical personnel based on the amount of revenue that an ESG Rating provider derives from an entity that ESG Ratings analytical personnel provide ESG ratings for.

3.11 MSCI ESG discloses potential conflicts of interests in its ESG Ratings reports.

4. Principle on Transparency

4.4 In recognition of the importance of transparency, MSCI ESG makes its ESG Ratings and ESG Data Products² methodologies as well as related methodology processes publicly available on its web site.

4.5 MSCI ESG has disclosed its approach for providing ESG Ratings and ESG Data Products, including their intended purpose and description in MSCI ESG Symbols and Definitions; and MSCI Climate Symbols and Definitions which are publicly available on its web site.

4.6 MSCI ESG Research publish sufficient information in its ESG methodologies to enable users of ESG Ratings to understand how their outputs were determined.

4.7 Where applicable, MSCI ESG Research publish in its ESG methodologies information which includes:

² As respectively listed in MSCI ESG Symbols and Definitions document and MSCI Climate Symbols and Definitions document.

- 4.8 The measurement objective of the ESG Rating;
- 4.9 The criteria used to assess an entity or company;
- 4.10 The KPIs used to assess the entity against each criterion, as applicable;
- 4.11 The formula which aggregate criteria referred in 4.9;
- 4.12 The section related to entity selection and data mapping of MSCI ESG Ratings Process provides information on how a subsidiary inherits the ESG rating of its parent company, as applicable;
- 4.13 The principal sources of qualitative and quantitative information, the use of industry averages, estimations or other methodologies when actual data is not available, as well as information on how the absence of information was treated;
- 4.14 The time horizon of the assessment; please refer to each methodology for relevant information on how time horizon related information is provided,
- 4.15 The meaning of each assessment category;
- 4.16 Where relevant, MSCI ESG has implemented Procedures to Evaluate ESG Methodologies against their Outputs.

5. Principle on Confidentiality (Systems and Controls)

5.4 & 5.5 & 5.6 MSCI ESG uses public sources of information as stated in each relevant methodology to provide ESG Ratings. Only in very limited cases, such as the provision of ESG Provisional Ratings and Second Party Opinions, MSCI ESG uses non-public information which is protected as per confidentiality provisions.

6. Principle on Engagement (Systems and Controls)

6.4 & 6.5 & 6.6 MSCI ESG does not collect information of a bilateral basis.

6.8 MSCI ESG has a dedicated email address: esgissuercomm@msci.com where rated entities can interact with MSCI ESG to address queries related to their assessment.

6.9 MSCI ESG provides rated entities with access to their ESG Rating reports and related documentation. MSCI ESG also endeavors to provide rated entities with all the relevant issuer verifiable data points used through MSCI ESG online issuer portal. Rated entities may review this data and provide feedback on an ongoing basis at any time throughout the year. Starting in April 2024, MSCI ESG provides corporate rated entities with a notification approximately four months in advance of the anticipated month of their ESG Rating action date. MSCI ESG does not inform a rated entity of the principal categories of data on which an ESG rating is based right prior the publication of an ESG rating.

6.10 MSCI ESG provides access to rated entities to their underlying data through MSCI ESG online issuer portal. This enables rated entities to draw attention to any factual errors or omissions in the ESG rating, including the data and information underlying the ESG rating, as described in the Procedures of Engagement with Rated Entities available on its website.

6.11 MSCI ESG has established Procedures of Engagement with Rated Entities which are available on its web site. The Procedures state out how MSCI ESG normally interacts with rated entities, how they could raise issues and how MSCI ESG would generally respond.

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