

# **MSCI ESG Controversies and Global Norms Methodology**

MSCI ESG Research

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## MSCI ESG Controversies overview

MSCI ESG Controversies is designed to provide timely and consistent assessments of ESG-related controversies, whether actual or alleged, involving publicly traded companies and fixed income issuers in our coverage universe (the MSCI ESG Controversies and Global Norms coverage universe is determined by issuers' inclusion in certain equity and fixed income indexes).

An ESG controversy case is defined as either an event or an ongoing situation in which company operations and/or products allegedly have a negative environmental, social and/or governance impact. MSCI ESG Controversies assessments measure companies' reputational/brand risk based on actual or alleged involvement in adverse impact activities as reported by the media, nongovernmental organizations (NGOs), civil society groups, academia, regulators and other stakeholders.

Cases include alleged company violations of existing laws and/or regulations to which they are subject to, or an alleged company action or event that violates commonly accepted international norms, including, but not limited to, norms represented by global conventions, such as the International Labour Organization (ILO) Fundamental Conventions.<sup>1</sup>

A case can be a single event such as a spill, accident or regulatory action, or a set of closely linked events or allegations such as health and safety fines at the same facility, multiple allegations of anticompetitive behavior related to the same product line, multiple community protests at the same company location, or multiple individual lawsuits alleging the same type of discrimination.

Our analytical framework organizes ESG controversies within three Pillars: Environment, Social and Governance. In particular, the Social Pillar is further divided into three Sub-Pillars representing different stakeholders: community (Human Rights & Community Impact Sub-Pillar), workers (Labor Rights & Supply Chain Sub-Pillar) and customers (Customers Sub-Pillar).

Pillars and Sub-Pillars are further divided into 28 Themes (see Exhibit 1). All assessed ESG controversy cases are associated with at least one Theme. Since a single event or an ongoing situation may have a broad array of implications, such an event may result in MSCI ESG Research profiling multiple ESG controversy cases, possibly categorized in different Themes. For example, an oil spill incident may result in our profiling an ESG controversy case assessing alleged impact on the local

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<sup>1</sup> For all references to laws, rules or regulations, please note that the information is provided "as is" and does not constitute legal advice or any binding interpretation. Any approach to comply with regulatory or policy initiatives should be discussed with your own legal counsel and/or the relevant competent authority, as needed.

ecosystem (under the Biodiversity and Land use Theme) and a separate case assessing alleged impact on the local population (under the Impact on Local Communities Theme). Each case is assessed separately based on the severity of impact and other factors detailed below, and monitored over time for remediation action.

MSCI ESG Research has a dedicated team of analytical staff who identify and assess the severity of controversy cases that involve companies in our coverage universe on an ongoing basis. ESG analytical staff review the reported allegations and apply consistent scoring and a color-coded flag for each controversy case, based on the Severity of Impact in each case, the alleged Role of the company in each case and the Status of each case (which is determined by the state of resolutions, if any, between involved stakeholders).

**Exhibit 1: MSCI ESG Controversies thematic framework**

ENVIRONMENT	SOCIAL			GOVERNANCE
	HUMAN RIGHTS & COMMUNITY IMPACT	LABOR RIGHTS & SUPPLY CHAIN	CUSTOMERS	
Biodiversity & Land Use	Impact on Local Communities	Child Labor	Product Safety & Quality	Bribery & Fraud
Energy & Climate Change	Human Rights Concerns	Collective Bargaining & Unions	Anticompetitive Practices	Controversial Investments
Supply Chain Management	Civil Liberties	Discrimination & Workforce Diversity	Customer Relations	Governance Structures
Water Stress	Other	Labor Management Relations	Marketing & Advertising	Other
Toxic Emissions & Waste		Supply Chain Labor Standards	Privacy & Data Security	
Operational Waste (Non Hazardous)		Health & Safety	Other	
Other		Other		

Each ESG controversy case is assessed for the Severity of its impact on society or the environment as Very Severe, Severe, Moderate or Minor.

Each ESG controversy case receives a Score and an associated color-coded Flag based on a combination of the assessed Severity of the controversy as well as the assessments of the company’s alleged Role and the Status of the case remediation and resolution (see Exhibit 2). In the event that a company has multiple ESG

controversy cases, the Overall Company Score and the corresponding Flag are determined by the lowest-scoring case.

A company-level Overall Flag indicates the following:

- A **Red Flag** indicates that a company is directly involved in one or more Very Severe Ongoing controversies.
- An **Orange Flag** indicates that a company has either:
  - Settled most but not all of the stakeholders' concerns related to its direct involvement in one or more Very Severe controversies;
  - Continues to be indirectly involved in one or more Very Severe controversies, or
  - Is directly involved in one or more Severe controversies.
- A **Yellow Flag** indicates that a company either:
  - Has been implicated in one or more Concluded Very Severe or Severe controversies;
  - Has settled most or all of the stakeholders' concerns related to its alleged direct involvement in one or more Severe controversies or indirect involvement in one or more Very Severe controversies, or
  - Continues to be indirectly involved in one or more Severe controversies or directly involved in one or more Moderate controversies.
- A **Green Flag** indicates that a company either:
  - Has fully or partially settled one or more Moderate severity controversies in which it was directly involved,
  - Is indirectly implicated in one or more Moderate controversies,
  - Is either directly or indirectly implicated in one or more Ongoing or Concluded Minor controversies, or
  - Has not been implicated in any controversy.

**Exhibit 2: MSCI ESG controversy assessment scoring matrix (effective for controversy cases reviewed after June 20, 2022)**

Severity of the case	Company role	Status of the case		
		Ongoing	Partially Concluded	Concluded
Very Severe	Direct	0	1	2
Very Severe	Indirect	1	2	3
Severe	Direct	1	2	3
Severe	Indirect	2	3	4
Moderate	Direct	4	5	6
Moderate	Indirect	5	6	7
Minor	Direct	6	7	8
Minor	Indirect	7	8	9

MSCI ESG Controversies is intended to reflect all areas of adverse impact covered by the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises general policies. In addition, MSCI ESG Research provides a mapping of ESG controversy cases to the underlying principles of the following global norms: the UN Global Compact (UNGC), the UN General Principles of Business and Human Rights (UNGP) and the International Labour Organization (ILO) Conventions (both Core and Broad conventions). For additional details on the definition of Flag and Global Norms scales, refer to the ESG and Climate Symbols and Definitions available [here](#).

MSCI ESG Controversies is not designed to verify or confirm any allegations or claims of violations. Instead, it provides a consistent assessment of controversies in the form of scores and color-coded flags.

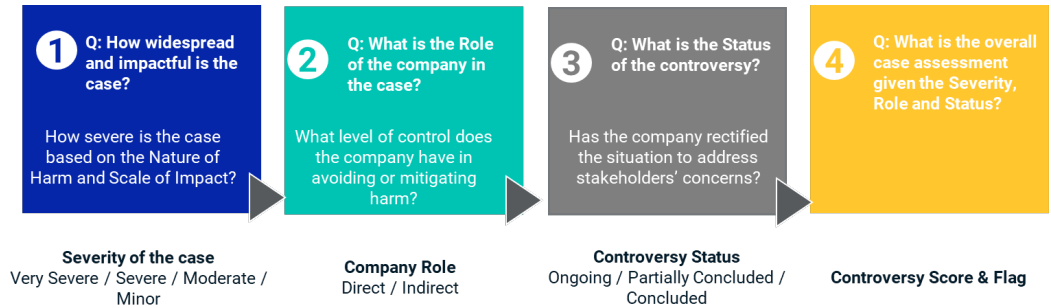
## 1 ESG controversy case assessment methodology

### 1.1 ESG controversy case assessment overview

An ESG controversy case is created when allegations concerning an event or a company’s practices, products or businesses could lead to reputational risk due to their potential negative environmental, social and/or governance impact.

MSCI ESG Research analytical staff identify new ESG controversy cases and update existing cases by researching company public documents, media sources and nongovernmental organization publications. Please refer to “MSCI ESG Controversies and Global Norms Methodology – Process” for details on the frequency of updates, sources and review process.

**Exhibit 3: Assessments made for a controversy case**



For each ESG controversy case, MSCI ESG Research determines:

1. The **Severity** of the case based on the nature of harm and scale of alleged impact, and application of specific exacerbating circumstances: Very Severe, Severe, Moderate or Minor
2. The **Role** of the company implicated in the case: Direct or Indirect.
3. The **Status** of the case: Concluded, Partially Concluded, Ongoing, Archived or Historical Concern.

Based on these three inputs, an overall Score and a corresponding Flag are determined for each of the ESG controversy cases.

Written summaries for all Severe and Very Severe cases and some Moderate cases provide details of each controversy and are included in each company’s MSCI ESG Controversies report.

**1.2 Severity Assessment**

The Severity of each case is assessed based on the **Nature of Harm** and alleged **Scale of Impact** of the event, practices, products or businesses on the environment, society and economy. In some instances, the Severity assessment can be adjusted based on **exacerbating circumstances** that include activities constituting deliberate action with regard to social or environmental harm, or involve the most vulnerable ecosystems or demographic groups.



### 1.2.1 Nature of Harm

The **Nature of Harm** is assessed on a scale ranging from Very Serious to Minimal harm:

**Exhibit 4: Nature of Harm scale**



Very Serious harm generally applies to events and actions that lead to irretrievable or long-lasting damage to the environment, result in fatalities, contribute to major financial or economic crisis, or correspond to a most serious crime against humanity (based on the definitions of the International Criminal Court).

Minimal harm generally refers to cases where actual impact is projected in the future. This includes cases alleging adverse impact of planned or forthcoming actions, for example, protests against the construction of an oil pipeline based on concerns over possible adverse impact on land and water resources.

### 1.2.2 Scale of Impact

The **Scale of Impact** is assessed on a scale ranging from Extremely Widespread to Low:

**Exhibit 5: Scale of Impact**



The Scale of Impact is determined based on the size of the area or number of people affected, the size of the operating footprint of companies involved in high-impact controversial activity, and the number of regions or jurisdictions affected by high-impact controversial business practices. Low Scale of Impact is attributed to controversies that have an undeterminable, but probable extent of harm.

See Appendix B for more details and examples of Nature of Harm and Scale of Impact assessments.

### 1.2.3 Combining Nature of Harm and Scale of Impact

**Nature of Harm** and **Scale of Impact** assessments are combined to reach an initial determination of Severity; multiple scenarios can lead to the same Severity assessment (see Exhibit 6).

**Exhibit 6: Initial assessment of controversy case Severity**

		Nature of Harm			
		Very Serious	Serious	Medium	Minimal
Scale of Impact	Extremely Widespread	Very Severe	Severe	Severe	Moderate
	Extensive	Very Severe	Severe	Moderate	Moderate
	Limited	Severe	Moderate	Minor	Minor
	Low	Moderate	Moderate	Minor	Minor

### 1.2.4 Exacerbating Circumstances

Certain circumstances may warrant a controversy case Severity assessment to be adjusted: cases that have an Exacerbating Circumstance have a controversy assessment that is more severe than otherwise would have been determined through the Nature of Harm and Scale of Impact alone.

Exacerbating circumstances can be assessed if any of the following three criteria are met:

- 1) Vulnerable demographics:** controversy cases that negatively impact the most vulnerable demographics. The definition of vulnerable demographics is limited to national, ethnic, racial and religious groups (including indigenous people) currently subject to serious, systemic and prolonged human rights violations as defined by international bodies and standards, such as the Rome Statute of the International Criminal Court articles 6 to 8b, United Nations Convention on the Prevention and Punishment of the Crime of Genocide and the United Nations Declaration on the Rights of Indigenous Peoples, and investigated by the United Nations Human Rights Council or the United Nations Office of the High Commissioner. See Appendix D for more details.
- 2) Vulnerable ecosystems:** controversy cases that negatively impact the most vulnerable ecosystems. MSCI ESG Research defines vulnerable ecosystems as those included on the United Nations Educational, Scientific and Cultural Organization (UNESCO) World Heritage List.

- 3) Deliberate action:** controversy cases that arise from allegations that the company, company’s representatives or employees are involved in activities constituting deliberate action with regard to social or environmental harm. These may include deliberate obstruction of investigations, attempts to cover up the event or activity, punishment or termination of employees voicing their concerns or participating in protests against the company.

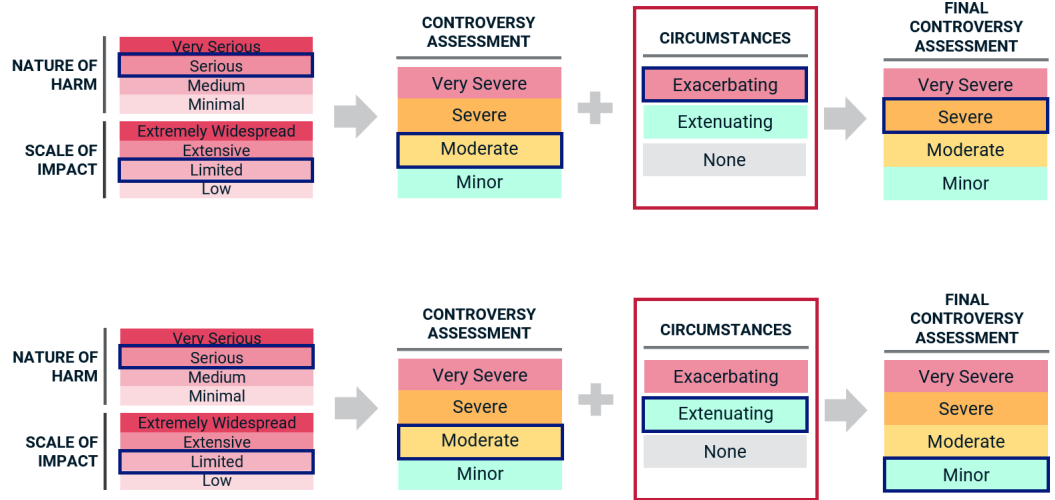
### 1.2.5 Extenuating Circumstances

Certain situations may warrant a controversy case Severity assessment to be adjusted based on circumstances. Cases that face such Extenuating Circumstances have a controversy assessment that is less severe than otherwise would have been determined through the Nature of Harm and Scale of Impact alone.

Extenuating Circumstances are assessed if a case is determined to be linked to a legacy issue that continues to present a reputational or legal risk to the company. We define a legacy issue as the following:

- A high-impact event that occurred 20 or more years ago (e.g., use of prison labor during World War II); or
- A high-impact product or practice that was discontinued and/or remediated 20 or more years ago (e.g., asbestos, lead paint, polychlorinated biphenyls [PCBs], perfluorooctanoic acid [PFOA], perfluoroalkyl and polyfluoroalkyl substances [PFAS], hexavalent chromium [Cr(VI)], etc).

**Exhibit 7: Example of Severity assessment with exacerbating and extenuating circumstances triggers applied**



### 1.3 Assessment of the company Role: Direct vs. Indirect

- Direct:** We consider companies to have a direct involvement in an ESG controversy if the negative impact is directly attributed to the company’s actions, practices, products or businesses, whereby harm could not have happened without such actions or activities, or if the ESG controversy relates to an entity or a joint venture in which the company has significant control. Our determination of significant control is based specifically on the ownership structure as disclosed by the company. If an entity has 30% ownership or higher or is a primary operator in a joint venture project, it is assessed as having significant control.

Examples:

- A company is implicated in a workplace incident that led to several employee fatalities.
- An oil refining company is facing substantial community opposition to a pipeline construction project that is carried out by a subsidiary of the company, of which it owns 30% of the shares.
- A medical device manufacturer is facing a class-action lawsuit filed by patients who sustained injuries linked to malfunction of the company’s pacemakers.

- **Indirect:** We consider companies to have an indirect involvement in an ESG controversy when the negative impact may have been facilitated by the company’s actions, practices, products or businesses, but the company is not considered as playing critical or essential role (e.g., it is involved as a supplier or a client of a directly involved company, or when the company had a minority ownership (<30%) in a company or joint venture involved in an ESG controversy case). Indirect Role is also attributed to companies in cases of adverse impact due to natural causes (e.g., earthquake, tsunami), whereby the company is still responsible for impact remediation.

Examples:

- A company faces allegations of unsafe working conditions at one of its supplier’s factories.
- An oil refining company is facing community opposition to a pipeline construction project. The project is managed by a joint venture, in which the refining company holds 20% ownership.
- A medical device distributor is linked to a controversy related to a class-action lawsuit filed by patients who sustained injuries linked to malfunction of pacemakers. The pacemakers are produced by one of the firms whose products are sold by the distribution company.

As events unfold or additional information becomes available, the company’s Role is reassessed as warranted.

## 1.4 Assessment of controversy Status

Please note that MSCI ESG Research does not recommend any specific course of action for issuers implicated in controversies. Instead, we apply a methodology to assess the status of each controversy case based on remedial action taken by involved entities, as reported in public sources. For any information to be considered in our assessment, it must meet the criteria set out in Section 2.1, ESG Controversies sources, of “MSCI ESG Controversies and Global Norms Methodology – Process.”

Each ESG controversy case is monitored on an ongoing basis to determine the status of remediation activities to resolve disputes with affected stakeholders. Active cases (determined as either Ongoing, Partially Concluded or Concluded) affect the overall ESG Controversy Score, while inactive cases (determined as either Archived or Historical Concern) do not affect the overall company assessment.

- **Ongoing:** A case is considered Ongoing if the company has not implemented remediation steps to satisfy the claims of affected stakeholders.

Examples:

- A company was implicated in a workplace incident that led to several employee fatalities, yet has not scoped out remediation action.
- A company was implicated in a workplace incident that led to several employee fatalities. The company allocated compensation funds, but has faced community opposition over insufficient compensation to the families and inadequate action to improve workplace safety conditions.
- **Partially Concluded:** A case is considered partially concluded if there is reasonable evidence that the company has taken action towards the remediation of the relevant issue, while some concerns and disputes over the original claims may still be ongoing.

Remediation activities include payment of penalties, distribution of compensation, settlement agreements, reclamation and rehabilitation activities, discontinuation of the controversial practices or businesses, and implementation of industry best practices to mitigate the adverse impact of the controversial activities.

In cases where community criticism pertains to ongoing adverse impact from operations (e.g., Arctic drilling), a case may not be fully concluded until the company completely discontinues such operations and settles all outstanding claims.

Examples:

- A company was implicated in a workplace incident that led to several employee fatalities. It has engaged families of the victims to determine a compensation plan and has upgraded health and safety equipment, which are now aligned to international safety standards. However, several workers claimed that the incident may have affected their health, and the investigation into these claims remains ongoing.
- A company was implicated in a workplace incident that led to several employee fatalities. The company has since discontinued related operations and sold assets of the implicated subsidiary to a third party, but continues to be involved in a lawsuit over alleged insufficient compensation to the victims' families.
- A large palm oil producer is criticized by NGO groups for adverse impact of palm oil production on tropical forests, biodiversity and natural carbon storage. A company certifies over 30% of its palm oil to the most stringent certification standard. Such level and stringency of certification is considered to be the best practice in the industry and can constitute partial conclusion of the case despite ongoing opposition to palm oil production.

- **Concluded:** A case is considered Concluded if the above-described corporate actions or case resolution actions are implemented and the company does not face any pending legal action or ongoing criticism over the controversy.

Examples:

- A company was implicated in a workplace incident that led to several employee fatalities. It has engaged families of the victims to determine a compensation plan and has upgraded health and safety equipment, which are now aligned to international safety standards. A lawsuit filed by several workers claiming that the incident affected their health was dismissed and not appealed.
- A large food producer was criticized by NGO groups for using palm oil in its products. Palm oil production is commonly linked to tropical forests destruction, loss of biodiversity and disturbance of natural carbon storage. The company has since completely discontinued its use of palm oil in food products and was not implicated in palm oil-sourcing controversies.

Some Moderate- or Minor-Severity cases may be determined to be Concluded without an intermediate Partially Concluded step due to a narrow scope of impact that may require a simple resolution. Moderate or Severe cases may also be classified as Concluded if targeted research seeking updated information has yielded no results for at least two consecutive years, subject to review and approval by designated methodology committees (see “MSCI ESG Controversies and Global Norms Methodology – Process” for details).

- **Archived:** Concluded cases with no new escalations are eventually assessed as Archived and removed from companies’ assessment and profiles.
  - Due to the narrow scope and low level of impact of Minor controversies, case conclusions are not often reached or reported. Therefore, Minor Ongoing cases can be assessed as Archived one year after a case’s initiation if no further updates to the case are available.
  - Moderate ESG controversy cases are assessed as Archived one year after conclusion.
  - Severe and Very Severe ESG controversy cases are assessed as Archived three years after conclusion.
- **Historical Concern:** Some Concluded cases are determined to be high profile on a case-by-case basis as they form an important part of the company’s ESG history. Examples include the BP Deepwater Horizon spill. The designation of a case as a Historical Concern requires MSCI Controversies Methodology

Committee approval. These cases remain in the company’s profile but do *not* affect the scoring.

## 1.5 Determining Controversy Score and Flag

ESG controversy cases are scored based on a combination of Severity, Role and Status. Within a given Severity level, Ongoing cases score lower than those that are Partially Concluded or Concluded, and those that are Direct score lower than those that are Indirect (see Exhibit 8).

Exhibit 8: MSCI ESG controversy case assessment scoring matrix<sup>2</sup>

Severity of the case	Company role	Status of the case		
		Ongoing	Partially Concluded	Concluded
Very Severe	Direct	0	1	2
Very Severe	Indirect	1	2	3
Severe	Direct	1	2	3
Severe	Indirect	2	3	4
Moderate	Direct	4	5	6
Moderate	Indirect	5	6	7
Minor	Direct	6	7	8
Minor	Indirect	7	8	9

## 1.6 MSCI ESG Controversies methodology – transitional period

The current MSCI ESG controversies methodology for case assessment, which is the result of a minor update in June 2022, is effective for controversy cases initiated or reviewed after June 20, 2022. On that date, the case assessment transitioned from the prior methodology to the methodology described in Sections 1.1-1.5 above. Controversy cases last reviewed prior to June 20, 2022, are assessed based on the prior methodology. The prior methodology differs from the current methodology in the following ways:

<sup>2</sup> The MSCI ESG Controversies methodology outlined in this document is effective for controversy cases reviewed after June 20, 2022.



- The prior methodology used controversy Types (Structural or Non-Structural) distinguishing instances of systematic and repetitive allegations suggesting a pattern of corporate behavior instead of company Roles (Direct or Indirect) to determine Controversy Scores.
- The prior methodology did not include a Partially Concluded Status.
- Under the prior methodology, a score of 0 and a corresponding Red Flag was applied to all cases assessed as Very Severe, regardless of other criteria.
- Prior to the introduction of the company Role assessment, to determine whether a case extended to a related company, we evaluated whether the related companies were under common control and shared senior leadership (or senior leadership who were first-degree relatives).

The following definitions of controversy Types apply to cases last reviewed prior to June 20, 2022:

- **Structural:** evidence suggests an underlying problem at the company – poor culture, or lack of adequate governance and oversight – that caused or contributed to the occurrence of the controversy. The incident would likely have been avoided if the company had governance and oversight procedures in place. Indications of a structural issue may include executive misconduct, a history of ignoring warnings or a pattern of incidents across locations or business units.
- **Non-Structural:** The controversy appears to be linked to misfortune or rogue employees rather than poor management or governance failures. Better governance and oversight could not reasonably have been expected to prevent it.

**Exhibit 9: Discontinued ESG controversy case scoring matrix (applied to cases last reviewed prior to June 20, 2022)**

		Ongoing	Concluded
Very Severe	Structural	0	0
Very Severe	Nonstructural	0	0
Severe	Structural	1	2
Severe	Nonstructural	2	3
Moderate	Structural	4	5
Moderate	Nonstructural	5	6
Minor	Structural	7	8
Minor	Nonstructural	8	9

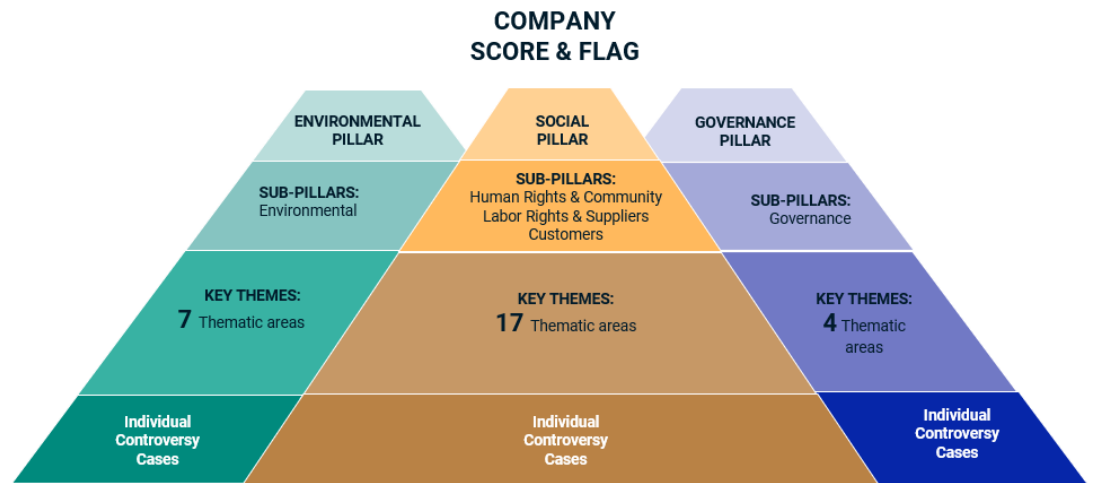
*Note: Some companies' cases may still have reflected prior scoring methodology during the transitional period.*

## 2 ESG Controversy Scores aggregation

### 2.1 ESG Controversy Scores hierarchy

Individual ESG controversy cases are grouped into 28 Themes (or Thematic Indicators), which are organized into 5 Sub-Pillars and 3 Pillars: the Environmental, Social and Governance Pillars. The overall Company Score and Flag are derived from the Pillar-level scores.

Exhibit 10: ESG controversies hierarchy



Please see Appendix A for a complete list of Themes and descriptions of the types of ESG controversies captured within each one.

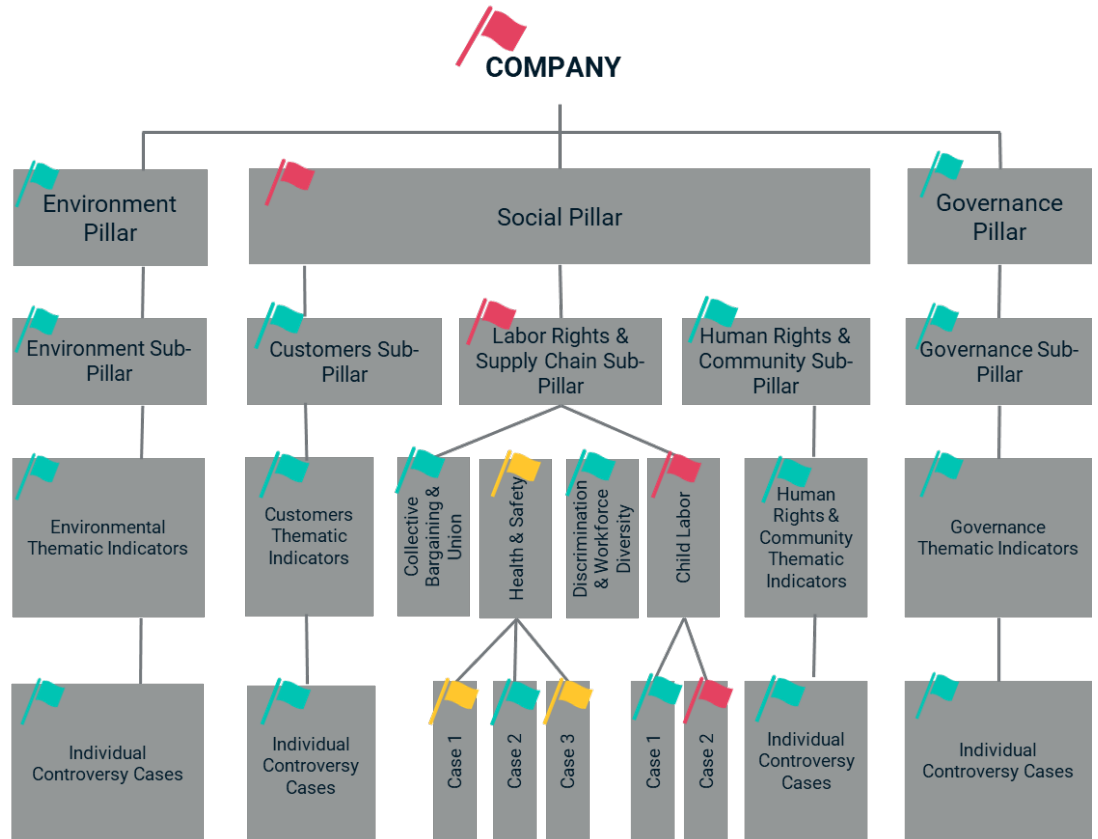
## 2.2 Determination of Themes, Sub-Pillar, Pillar and Company Scores and Flags

As the objective of MSCI ESG Controversies assessments is to highlight reputational risk to a company based on its involvement in controversial practices or events, we do not apply any averaging or weight adjustment of scores. An Overall Company Score is generally determined based on the lowest-scoring controversy case in which the company is involved. Unless there is a pattern of controversial involvement within a specific Theme, this approach is applied through the entire ESG controversies hierarchy structure (see Exhibit 11 for a detailed example):

- Thematic Indicators receive the score corresponding to the lowest-scoring controversy case within the same Theme. An additional score deduction may apply if a pattern of involvement in similar cases is established.
- Sub-Pillars receive the score corresponding to the lowest scoring Thematic Indicator within the Sub-Pillar.
- Pillars receive the score corresponding to the lowest-scoring Sub-Pillar within the Pillar.
- The company’s Overall Score is ultimately determined by the lowest-scoring Pillar.

**Exhibit 11: ESG Controversy Score propagation through the ESG controversies hierarchy**

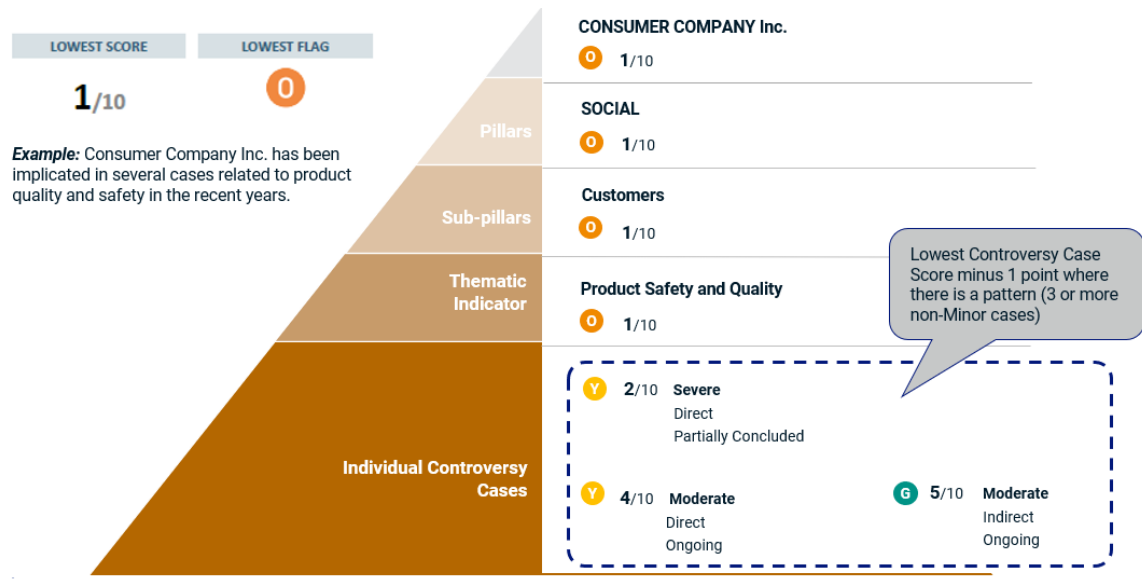
*Example: A company is not involved in any major environmental or governance controversies, but is directly involved in an Ongoing Very Severe (Red Flag) case alleging use of child labor in an ethnic community subjected to systemic abuse, and three instances of workplace safety violations, two of which resulted in injuries to several workers (Yellow Flags).*



### 2.2.1 Treatment of more than three cases within the same Theme





In situations where companies have three or more non-Minor controversy cases within the same Theme, the Theme Score is reduced by 1 point. This rule applies only at the Thematic Indicator level to reflect the greater reputational risk associated with multiple controversies of similar impact. There is no pattern-based score adjustment within the same Sub-Pillar or Pillar. Cases with a score of 1 (Orange Flag) or 0 (Red Flag) always result in a Thematic Indicator score of 1 or 0, respectively.

**Exhibit 12: Example: ESG Controversy Score propagation for a company with three or more Product Safety & Quality controversies**



Scores across individual cases, Thematic Indicators, Sub-Pillars, Pillars and at the company level translate to a corresponding color Flag indicating the Severity of controversies in which the company is involved.

**Exhibit 13: Interpretation of a Company Flag**

Company Flag	Flag Description
	<p><b>Red Flag:</b> indicates that a company is directly involved in one or more Very Severe Ongoing controversies.</p>
	<p><b>Orange Flag:</b> indicates that a company has either:</p> <ul style="list-style-type: none"> <li>○ Settled most but not all of the stakeholders’ concerns related to its involvement in one or more Very Severe controversies,</li> <li>○ Continues to be indirectly involved in one or more Very Severe controversies, or</li> <li>○ Is directly involved in one or more Severe controversies.</li> </ul>
	<p><b>Yellow Flag:</b> indicates that a company either:</p> <ul style="list-style-type: none"> <li>○ Has been implicated in one or more Concluded Very Severe or Severe controversies,</li> <li>○ Has settled at least some of the stakeholders’ concerns related to its alleged direct involvement in one or more Severe controversies or indirect involvement in one or more Very Severe controversies, or</li> <li>○ Continues to be indirectly involved in one or more Severe controversies or directly involved in one or more Moderate controversies.</li> </ul>
	<p><b>Green Flag:</b> indicates that a company either:</p> <ul style="list-style-type: none"> <li>○ Has fully or partially settled one or more Moderate severity controversies in which it was directly involved,</li> <li>○ Is indirectly implicated in one or more Moderate controversies,</li> <li>○ Is either directly or indirectly implicated in one or more Ongoing or Concluded Minor controversies, or</li> <li>○ Has not been implicated in any controversy.</li> </ul>

### 3 MSCI ESG Global Norms screens overview

MSCI ESG Global Norms screens are not intended to verify ongoing commitments of companies to such norms and conventions or assess the quality of internal compliance monitoring mechanisms of the companies that commit to such external guidelines and standards. Instead, MSCI ESG Global Norms screens leverage MSCI ESG Controversies Flags to identify publicly traded companies and fixed income issuers involved in controversies that may constitute a breach of those global norms and conventions. We have reviewed details of each set of norms and determined a mapping of ESG controversy cases to the specific policies and principles of the following global norms and conventions:

- The Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises,
- The United Nations Global Compact Principles (UNGC),
- The International Labour Organization’s (ILO) conventions (Broad and Core Conventions), and
- The United Nations Guiding Principles on Business and Human Rights (UNGP).

These global norms and conventions vary in scope. For example, the OECD’s are the broadest, covering a wide range of environmental, social, economic and business ethics issues. By contrast, the ILO conventions focus exclusively on labor-related issues. In Exhibit 14 (below), we outline how the mapping of MSCI ESG Controversies cases to different categories and Themes aligns with the specific issues covered by each of these conventions.

**Exhibit 14: The intersection of MSCI ESG Controversies Pillars and Sub-Pillars with Global Norms and corresponding MSCI ESG Controversies**

Pillar or Sub-Pillar	OECD	UNGC	UNGP	ILO	MSCI ESG Controversies categories and Themes
<b>Human rights</b>	✓	✓	✓		Human Rights Violations, Civil Liberties, Censorship & Surveillance, Support for Controversial Regimes, Disputed Territories, Controversial Sourcing (e.g., conflict minerals), Indigenous Peoples Rights
<b>Labor</b>	✓	✓	✓	✓	Child Labor, Forced/Bonded/Slave Labor, Health & Safety, Kidnapping & Attacks, Working Conditions/Pay, Discrimination/Exclusion & Workforce Diversity, Harassment, Opposition to Unions /Unionization
<b>Environment</b>	✓	✓			Land Use, Biodiversity & Endangered Species, Marine Biodiversity (e.g., overfishing), Electronic Waste, Packaging Material & Waste, Energy & Climate Change, Operational Waste, Pesticides/ Persistent Organic Pollutants, Toxic Releases to Air/Water/Land (incl oil spills)
<b>Economic &amp; business issues</b>	✓	✓	✓		Bribery & Corruption, Ethics & Fraud, Accounting, Money Laundering, Political Influence Taxes avoidance, Director Ethics, Compensation Controversies, Censorship & Surveillance
<b>Customer issues</b>	✓				Anticompetitive Practices, Predatory Lending, Fraud & Billing, Restricted Access to Products / Services, Misleading Claims, Pesticides, Chemical Safety, Product & Service Safety/Quality, Structural Integrity & Materials, Privacy & Data Security
<b>Community development</b>	✓				Impact on Local Communities, Political influence, Working Conditions/Pay, Discrimination/Exclusion, Workforce Diversity, Restricted Access to Services.

Sources: Marie Gradert and Peter Engel, A comparison of 4 international guidelines for CSR, (Danish Business Authority, 2015); MSCI ESG Research

Further, MSCI ESG Research has developed designated screening factors for the OECD Guidelines, UNGC, UNGPs, and ILO Broad and Core conventions (see Exhibit 15).



**Exhibit 15: MSCI Global Norms Screening factors and factor descriptions**

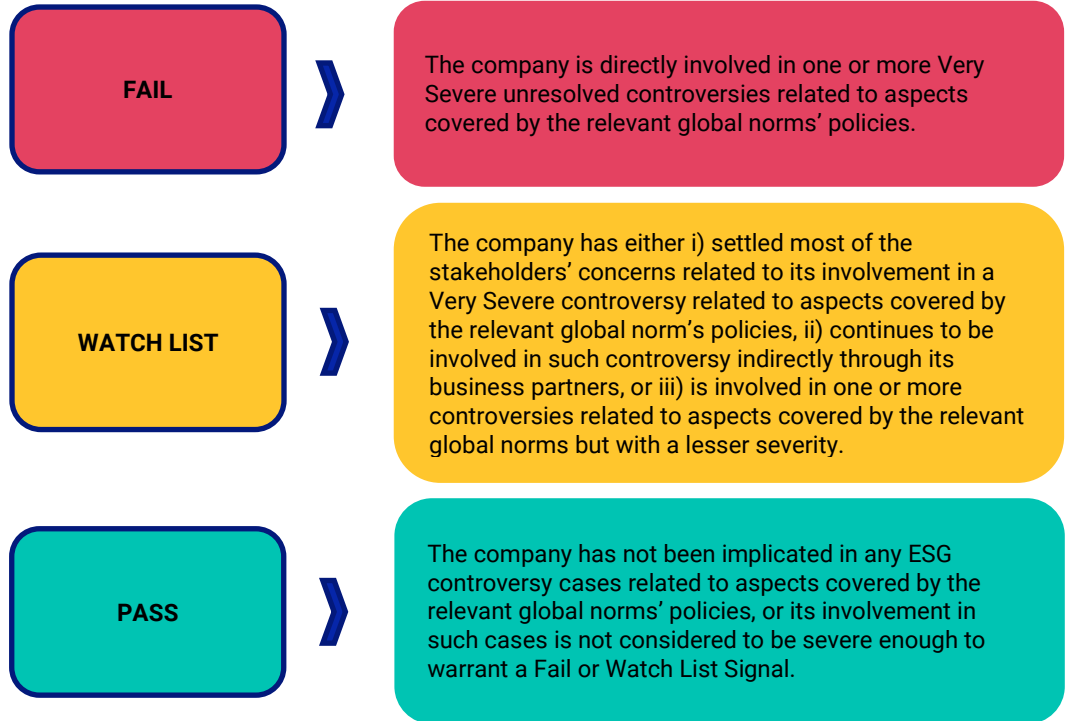
Factor Name	Factor Values	Description
<b>OECD Alignment</b>	Fail, Watch List, Pass	This factor indicates whether the company is aligned with the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises based on MSCI ESG Research methodology. The possible values are Fail, Watch List, or Pass.
<b>UN Global Compact Alignment</b>	Fail, Watch List, Pass	This factor indicates whether the company is aligned with the United Nations Global Compact principles. The possible values are Fail, Watch List, or Pass.
<b>UNGP Alignment</b>	Fail, Watch List, Pass	This factor indicates whether the company is aligned with the United Nations Guiding Principles for Business and Human Rights. The possible values are Fail, Watch List, or Pass.
<b>ILO Alignment - Broad</b>	Fail, Watch List, Pass	This factor indicates whether the company is aligned with the International Labour Organization’s broader set of labor standards. The possible values are Fail, Watch List, or Pass.
<b>ILO Alignment - Core</b>	Fail, Watch List, Pass	This factor indicates whether the company is aligned with the International Labour Organization’s fundamental principles. The possible values are Fail, Watch List, or Pass.

The screening factor values include Fail, Watch List, or Pass Signals based on the Severity of specific cases in which a company is implicated. A Fail Signal indicates that a company is involved in one or more Red Flag controversies in the areas covered by the corresponding set of norms or conventions. An involvement in a single Red Flag controversy in an area covered by a global policy or convention results in the company receiving an overall Fail Signal under that particular global norm.

Only cases that relate to policies and principles within a specific set of global norms will lead to a screening signal for those norms. For example, a Red Flag case related to an extensive and long-lasting impact on biodiversity will result in a Fail screening signal for the UNGC, but will not affect the company’s assessment against ILO norms, as ILO conventions do not include environmental principles.

As the MSCI ESG Controversies framework fully overlaps with all policies under OECD Guidelines, any Red Flag controversy that ultimately leads to the overall company-level Red Flag is considered in breach of the OECD norms.

**Exhibit 16: Interpretation of the Global Norms Screen Signal**



## Appendix A – ESG controversy Pillars, Sub-Pillars and Thematic Indicators

Pillar and Sub-Pillar	Thematic Indicators
<b>Environmental</b>	Biodiversity & Land Use Toxic Emissions & Waste Energy & Climate Change Water Stress Operational Waste (Non-Hazardous) Supply Chain Management Other
<b>Social: Customers</b>	Anticompetitive Practices Customer Relations Privacy & Data Security Marketing & Advertising Product Safety & Quality Other
<b>Social: Human Rights &amp; Community Impact</b>	Impact on Local Communities Human Rights Concerns Civil Liberties Other
<b>Social: Labor Rights &amp; Supply Chain</b>	Labor Management Relations Health & Safety Collective Bargaining & Union Discrimination & Workforce Diversity Child Labor Supply Chain Labor Standards Other
<b>Governance</b>	Bribery & Fraud Governance Structures Controversial Investments Other

## **Environmental**

### **Biodiversity & Land Use**

ESG controversies related to a company's use or management of natural resources, where there is an alleged or anticipated negative impact on the environment, especially in ecologically sensitive areas.

Topics covered under this indicator include issues such as species loss, reduction in biodiversity, habitat damage, depletion of or competition for natural resources, loss of economic value (for example, in fisheries or tourism), as well as post-consumer waste issues.

Biodiversity impacts primarily caused by toxic releases are captured under the Toxic Emissions & Waste Theme.

Competition for water resources and ESG controversies regarding water usage are captured under the Water Stress Theme.

When there is a substantial adverse impact on a local community that results from an environmental ESG controversy classified under Biodiversity & Land Use, an additional ESG controversy case is logged and assessed under the Impact on Communities Theme in the Human Rights & Community Impact Sub-Pillar, with a focus on the community impact rather than the environmental impact.

### **Toxic Emissions & Waste**

ESG controversies related to a company's operational non-GHG emissions or releases to land, air and/or water.

Topics covered under this indicator include issues such as accidental spills or releases as well as the environmental impacts of standard operational emissions, whether within or in exceedance of levels allowed by permit.

When there is a substantial adverse impact on a local community that results from an environmental ESG controversy classified under Toxic Emissions & Waste, an additional ESG controversy case is logged and assessed under the Impact on Communities Theme in the Human Rights & Community Impact Sub-Pillar, with a focus on the community impact rather than the environmental impact.

### **Energy & Climate Change**

ESG controversies related to a firm's climate change and energy-related impacts.

Topics covered under this indicator include issues such as lawsuits over a company's alleged contribution to climate change, public controversy or criticism of

a company's contribution to climate change, or status as an exceptionally large emitter of GHGs, as well as resistance to calls for improvement.

### **Water Stress**

ESG controversies related to a firm's water management practices.

Topics covered under this indicator include issues such as ecological damage resulting from water withdrawals, depletion of water resources for other users and regulatory action or community disputes regarding the company's water usage.

This indicator does not capture water pollution cases, which are covered under the Toxic Emissions & Waste Theme.

When there is a substantial economic impact on a local community that results from an environmental ESG controversy classified under Water Stress, an additional ESG controversy case is logged and assessed under the Impact on Communities Theme in the Human Rights & Community Impact Sub-Pillar, with a focus on the community impact rather than the environmental impact.

### **Operational Waste (Non-Hazardous)**

ESG controversies related to the impact of a firm's non-hazardous, non-toxic operational waste, meaning waste, emissions or effluents produced through normal operations and/or as part of the production of a product.

ESG controversies related to toxic and hazardous waste emitted to air, land or water are captured under the Toxic Emissions & Waste Theme. ESG controversies related to post-consumer waste are captured under Biodiversity & Land Use.

### **Supply Chain Management**

ESG controversies related to the sourcing of raw materials or other inputs that have a substantial negative environmental impact.

Topics covered under this indicator include issues such as degradation of natural resources through use of raw materials that are resource intensive and/or waste intensive, including tropical hardwoods, palm oil or unsustainable fisheries.

### **Other**

Any environmental issues that fall outside of the more targeted indicators listed above.

## **Social: Customers**

### **Anticompetitive Practices**

ESG controversies related to a firm’s anti-competitive business practices.

Topics covered under this indicator include issues such as price fixing, collusion, bid rigging and predatory pricing. Business-to-business claims are generally not covered unless a regulator joins the suit. Similarly, standard pre-merger regulatory inquiries are not considered controversial.

### **Marketing & Advertising**

ESG controversies related to a firm’s marketing and advertising practices.

Topics covered under this indicator include issues such as false or deceptive marketing or advertising, marketing of products for off-label uses, controversies regarding the marketing of products to children or other vulnerable populations, the labeling of such products, and spam or adware.

ESG controversies about known product safety issues are covered under the Product Safety & Quality Theme.

### **Product Safety & Quality**

ESG controversies related to the quality and/or safety of a firm’s products and services.

Topics covered under this indicator include issues such as food safety, controversial media content, product recalls, service disruptions and the use of chemicals of concern in products.

### **Customer Relations**

ESG controversies related to how a firm treats its customers or potential customers.

Topics covered under this indicator include issues such as fraudulent or improper billing, excessive or hidden fees, predatory financial products and restricted or discriminatory access to products or services.

### **Privacy & Data Security**

ESG controversies related to a firm’s privacy and data security practices.

Topics covered under this indicator include issues such as controversial legal uses of personal data, security breaches, regulatory action against the company related to

these, and changes to a company’s policies or practices that may affect or violate customer privacy.

Privacy issues affecting employees are captured under the Labor Management Theme in the Labor & Supply Chain Sub-Pillar. Government surveillance and related issues are captured under the Civil Liberties Theme in the Human Rights & Community Impact Sub-Pillar.

**Other**

Any customer issues that fall outside of the more targeted indicators listed above.

**Social: Human Rights & Community Impact**

**Impact on Communities**

ESG controversies related to a firm’s interactions with communities in which it does business.

Topics covered under this indicator include issues such as land use disputes, negative economic impacts resulting from environmental damage or from the presence of company operations, disputes over access to economic opportunities or jobs, impacts of facility closures, and disputes over access to clean water, clean air or other natural resources.

ESG controversies that are primarily about environmental impact are classified under the appropriate Environment Pillar Thematic Indicator (e.g., Biodiversity & Land Use, Toxic Emissions & Waste). A case in which there are substantial environmental impacts in addition to community impacts may be logged and assessed under and environmental Themes as well as under Impact on Communities.

**Civil Liberties**

ESG controversies related to the impact of a firm’s operations on civil liberties.

Topics covered under this indicator include issues such as cooperation with repressive governments requiring censorship, conducting surveillance or limitations on other civil liberties such as freedom of movement and freedom of the press.

Violations of customer privacy are captured under the Privacy & Data Security Theme in the Customers Sub-Pillar. Violations of employee privacy are captured under the Labor Management Relations Theme in the Labor & Supply Chain Sub-Pillar.

**Human Rights Concerns**

ESG controversies related to the impact of a firm’s operations on human rights.

Topics covered under this indicator include issues such as complicity in killings, physical abuse, displacement or other rights violations, as well as complicity with such actions by governments or other parties.

**Other**

Any human rights or community issues that fall outside of the more targeted indicators listed above.

**Social: Labor Rights & Supply Chain**

**Labor Management Relations**

ESG controversies related to a firm’s labor-management relations.

Topics covered under this indicator include issues such as instances of wrongful termination, reductions in benefits, mistreatment of either employees or contractors, controversial workforce reductions, ESG controversies over wages and hours, employee privacy issues and forced labor.

**Health & Safety**

ESG controversies related to the health and safety of a firm’s employees, temporary employees and contractors, and franchisee employees.

Topics covered under this indicator include issues such as on-the-job accidents, injuries and fatalities; mental health issues; as well as kidnappings and physical harm experienced by employees in the field.

This Theme does not include health and safety issues in the supply chain, for example in supplier factories; those issues are captured under the Supply Chain Labor Standards Theme.

**Collective Bargaining & Unions**

ESG controversies related to a firm’s union relations practices.

Topics covered under this indicator include issues such as anti-union activities; efforts to prevent nonunionized employees from unionizing; strikes, lockouts, and the use of replacement workers; acrimonious contract negotiations; and ESG controversies regarding alleged breaches of union contracts. Organized strikes by nonunionized employees are also captured under this Theme.

Union issues in the supply chain are captured under the Supply Chain Labor Standards Theme. Health and safety issues raised by a union but not primarily about



the company’s relationship with the union are captured under the Health & Safety Theme.

### **Discrimination & Workforce Diversity**

ESG controversies related to a firm’s workforce diversity, including its own employees as well as temporary employees, contractors, and franchisee employees.

Topics covered under this indicator include issues such as allegations of discrimination on the basis of gender, race, ethnicity or other characteristics.

Discrimination at supplier facilities is captured under the Supply Chain Labor Standards Theme. Discrimination on the basis of unionization or union sympathies is captured under the Collective Bargaining & Unions Theme.

### **Child Labor**

Child labor ESG controversies in a firm’s own operations or its supply chain.

Topics covered under this indicator include issues such as allegations that the company uses or has used underage workers or that underage workers are present at supplier facilities.

### **Supply Chain Labor Standards**

ESG controversies related to workers in a firm’s supply chain.

Topics covered under this indicator include issues such as allegations of unsafe working conditions, inadequate pay, excessive working hours or overtime, union issues at supplier facilities, the use of forced labor or prison labor by suppliers and discrimination.

Underage labor in supplier operations is captured under the Child Labor Theme.

### **Other**

Any labor issues that fall outside of the more targeted indicators listed above.

## **Governance**

### **Bribery & Fraud**

ESG controversies related to a firm’s business ethics practices.

Topics covered under this indicator include issues such as bribery, tax evasion, insider trading, money laundering, tax evasion or avoidance, violations of government sanctions and accounting irregularities.

**Governance Structures**

ESG controversies related to a firm’s corporate governance practices.

Topics covered under this indicator include: issues such as shareholder- or board-level objections to pay practices and governance structures, shareholder resolutions seeking change to governance practices, and conflicts of interest or unethical behavior by, or misrepresentation of, or lack of qualifications on the part of, directors or senior executives.

**Controversial Investments**

ESG controversies related to the social and environmental impact of a firm’s lending, underwriting and financing activities.

Topics covered under this indicator include issues such as financing projects that are controversial because of their actual or anticipated environmental or social impact, as well as criticism of mining companies, real estate investment trusts and similar companies that receive royalties or own shares in a particular project that they neither own nor operate.

**Other**

Any governance issues that fall outside of the more targeted indicators listed above.

## Appendix B – Criteria for determining Scale of Impact and Nature of Harm

Below is an indicative list of criteria used to determine the Scale of Impact and Nature of Harm of an ESG controversy case, arranged by Pillar. The measurements take different forms depending on the type of impact. Note that the criteria listed below are representative but not comprehensive.

### Environmental Pillar

In general, the scale of an Environmental ESG controversy is determined by the size of the area affected, whether of land, water, air or wildlife, and the degree of damage caused.

Scale	Nature of Harm
<p><b>Extremely Widespread:</b></p> <ul style="list-style-type: none"> <li>• ≥100 km<sup>2</sup>, whole watershed system.</li> <li>• Impact on global species.</li> <li>• &gt; 60,000 barrels spilled.</li> <li>• Top 10 contributors (by sales or production) involved in high impact activity.</li> <li>• Events or activities causing long-lasting (over 5 years) and very severe harm across multiple sovereign states.</li> </ul> <p><b>Extensive:</b></p> <ul style="list-style-type: none"> <li>• 10-99 km<sup>2</sup>, large bay or portion of river.</li> <li>• Regional/country species impact.</li> <li>• 5,000-59,999 barrels spilled.</li> <li>• One of many companies involved in the activity or business.</li> </ul> <p><b>Limited:</b></p> <ul style="list-style-type: none"> <li>• 1-9 km<sup>2</sup>, stream/small river, lake.</li> <li>• Local wildlife impact.</li> <li>• Spill 1,500-4,999 barrels.</li> </ul> <p><b>Low:</b></p> <ul style="list-style-type: none"> <li>• Scale of Impact is insignificant or not determined.</li> </ul>	<p><b>Very Serious</b></p> <ul style="list-style-type: none"> <li>• Plant/wildlife death.</li> <li>• Habitat/ecosystem destruction.</li> </ul> <p><b>Serious</b></p> <ul style="list-style-type: none"> <li>• Debilitation plant/wildlife injury/illness.</li> <li>• Major habitat/ecosystem damage (not easily remediated).</li> </ul> <p><b>Medium</b></p> <ul style="list-style-type: none"> <li>• Short-term damage to plant/wildlife.</li> <li>• Short-term habitat/ecosystem damage.</li> <li>• General pollution with damages not specified.</li> </ul> <p><b>Minimal</b></p> <ul style="list-style-type: none"> <li>• Impact is projected or not scoped out.</li> </ul>

### Social Pillar

In general, the scale of a Social ESG controversy is determined by the number of people or properties (for example, in the case of activities damaging home values) affected. With three underlying Sub-Pillars (Customers, Human Rights & Community Impact, and Labor Rights & Supply Chain), the Nature of Harm of a social ESG

controversy may vary by the type of stakeholder involved. In general, it is determined by focusing on the rights that were (or may have been) violated and, if so, the severity of those violations.

Scale	Nature of Harm
<p><b>Extremely Widespread:</b></p> <ul style="list-style-type: none"> <li>• 1,000+ people.</li> <li>• 2,000+ properties.</li> <li>• Top 10 contributors (by sales or production).</li> <li>• Events or activities causing long-lasting (over 5 years) and very severe economic harm (greater than USD 10B) across multiple sovereign states.</li> </ul> <p><b>Extensive:</b></p> <ul style="list-style-type: none"> <li>• 25-999 people.</li> <li>• 100-1,999 properties.</li> <li>• One of many companies involved in the activity or business.</li> </ul> <p><b>Limited:</b></p> <ul style="list-style-type: none"> <li>• 10-24 people.</li> <li>• 10-99 properties.</li> </ul> <p><b>Low:</b></p> <ul style="list-style-type: none"> <li>• Scale of Impact is insignificant or not determined.</li> </ul>	<p><b>Very Serious</b></p> <ul style="list-style-type: none"> <li>• Death, permanent disability, torture, rape, enslavement, human rights violation signifying most serious crimes.</li> <li>• Destruction of livelihood or traditional way of life, property destruction.</li> <li>• Product or practice is one of the leading causes of death, permanent disability.</li> </ul> <p><b>Serious</b></p> <ul style="list-style-type: none"> <li>• Debilitating injury/illness.</li> <li>• Major property damage.</li> <li>• impairment of livelihood or traditional way of life, displacement.</li> <li>• Labor and civil rights violation (e.g., privacy, collective bargaining) with evidence of concrete resulting harm.</li> <li>• Product or practices poses health risk.</li> </ul> <p><b>Medium</b></p> <ul style="list-style-type: none"> <li>• Treatable short-term injury/illness.</li> <li>• Non-serious property damage (easily repaired).</li> <li>• Non-serious impairment to livelihood or traditional way of life.</li> <li>• Products or practices that could be associated with adverse impact without direct causality.</li> </ul> <p><b>Minimal</b></p> <ul style="list-style-type: none"> <li>• Impact is projected or not scoped out.</li> </ul>

## Governance Pillar

In the Governance Pillar, when assessing scale and Nature of Harm, we distinguish between Business Ethics issues and Governance Structures issues.

For Business Ethics issues, scale is generally measured by size of the market or government affected, or the scale on which either company executives or external parties such as government officials were involved.

For Governance Structures issues, measurements of scale vary depending on the nature of the ESG controversy but generally include metrics such as the percentage of shareholder votes or number of shareholders voicing an opinion, number and position of executives or directors involved, number and type of external parties voicing an opinion, or the portion of the company that is affected or implicated. Measures of the Nature of Harm are focused around impacts on investment value and on shareholder rights. Most cases are assumed to be of medium impact, barring circumstances that go beyond typical scenarios and indicating more serious potential harm.

Measures of the Nature of Harm vary by the type of violation that occurred and include factors such as financial impact on the company or other impacted parties, the value of bribes or ill-gotten gains and other negative impacts that resulted from illicit or unethical activities.

Scale	Nature of Harm
<p><b>Extremely Widespread:</b></p> <ul style="list-style-type: none"> <li>Global or 3+ G20 countries involved, 1,000+ people involved.</li> </ul> <p><b>Extensive:</b></p> <ul style="list-style-type: none"> <li>1 of G20 countries or 3+ non-G20 countries involved, 25+ people involved.</li> </ul> <p><b>Limited:</b></p> <ul style="list-style-type: none"> <li>1-2 non-G20 countries/local municipalities involved, 10-24 people involved.</li> </ul> <p><b>Low:</b></p> <p>Scale of Impact is insignificant or not determined.</p>	<p><b>Very Serious</b></p> <ul style="list-style-type: none"> <li>Activity substantially destabilized a national government or economy.</li> <li>Total bribes paid or losses to company exceed USD 1B or value of contracts or other ill-gotten gains (e.g., taxes avoided) obtained exceeds USD 10B.</li> </ul> <p><b>Serious</b></p> <ul style="list-style-type: none"> <li>Activity bankrupts the company or a non-govt customer; material financial impact on a govt body (incl public pension funds).</li> <li>Total bribes paid exceed USD 100M or Value of contracts obtained exceeds USD 5B.</li> </ul> <p><b>Medium</b></p> <ul style="list-style-type: none"> <li>Corruption &amp; fraud allegations among business entities, not affecting individual customers</li> <li>Most corruption &amp; government fraud activities: harm is real but diffused.</li> </ul> <p><b>Minimal</b></p> <ul style="list-style-type: none"> <li>Impact is projected or not scoped out</li> </ul>

## Appendix C – Disputed Territories

MSCI ESG Research defines Disputed Territories using United Nations status as the main criteria, as follows:

Regions whose sovereign status is contested, if at least two of the three criteria below are met:

1. Not a member of the United Nations (UN),
2. No or partial recognition as a sovereign state by UN Members, and
3. Current status (i.e., sovereignty or independence) challenged by either UN General Assembly or UN Security Council resolutions.

### Exhibit 17 - List of Disputed Territories

Territory/ Region	Member of the UN	Partial recognition as sovereign state by UN Members	Existing UN General Assembly or UN Security Council Resolutions
West Bank, Gaza Strip, East Jerusalem	Palestine is observer state	Partial	Yes
Golan Heights	Syria is member state	No	Yes
Crimea	Ukraine is member state	Partial	Yes
Luhansk	Ukraine is member state	Partial	Yes
Donetsk	Ukraine is member state	Partial	Yes
Zaporizhia	Ukraine is member state	Partial	Yes
Kerson	Ukraine is member state	Partial	Yes
Western Sahara	No	Partial	Yes
Somaliland	No	No	No
Kosovo	No	Partial	Yes
Abkhazia	No	Partial	No
South Ossetia	No	Partial	No
Nagorno-Karabakh	No	No	No
Transnistria	No	No	No
Northern Cyprus	No	Partial	Yes
Taiwan (Republic of China)	No	Partial	Yes

Source: United Nations, as of January 2023.

The list of Disputed Territories will typically undergo an annual review.

MSCI ESG Research does not proactively identify companies operating or sourcing from such territories, and only opens a controversy case if and when allegations of harm are presented in public sources. Such controversies are captured within the Human Rights & Community Impact Sub-Pillar.

## Appendix D – Vulnerable Demographics

The definition of vulnerable demographics is limited to national, ethnic, racial and religious groups (including indigenous people) currently subject to serious, systemic and prolonged human rights violations as defined by international bodies and standards, such as the Rome Statute of the International Criminal Court articles 6 to 8b, United Nations Convention on the Prevention and Punishment of the Crime of Genocide and the United Nations Declaration on the Rights of Indigenous Peoples, and investigated by the United Nations Human Rights Council (“HRC”) or the United Nations Office of the High Commissioner for Human Rights (“OHCHR”).

We apply the Vulnerable Demographics exacerbating factor for the following:

- **Indigenous populations:** According to the United Nations and the World Bank,<sup>3</sup> “indigenous peoples are suffering systematic human rights violations, internal displacement, the loss of cultural identity, the destruction of livelihoods, poverty, permanent environmental damage, pollution, and the loss of biodiversity in their traditional lands and territories.”
- **Civilians and refugees** located and/or originating from countries that currently are, or historically have been (since 2006), investigated by the HRC or by the OHCHR (see Exhibit 17).
- **Civilians and refugees** located in and/or originating from Disputed Territories with ongoing conflicts (based on the Geneva Academy of International Humanitarian Law and Human Rights’ Rule of Law in Armed Conflicts [“RULAC”] project) (see Exhibit 18).

The list of countries and territories in scope for this analysis will undergo a review, typically annually, to account for updates to the UN resolutions, OHCHR- and HRC-mandated investigations and the Geneva Academy’s RULAC project.

We do **not** apply the Vulnerable Demographics exacerbating factor for the following groups:

- Local communities, which differ from indigenous populations.
- People defined by age (e.g., children, elderly), gender or sexual orientation (e.g., women, LGBTQ+) unless they belong to the national, ethnic and racial groups in scope of the assessment.

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<sup>3</sup> *State of the World’s Indigenous Peoples: Rights to Lands, Territories and Resources*. 5<sup>th</sup> volume. Department of Economic and Social Affairs of the United Nations Secretariat. 2021; World Bank. Indigenous Peoples. Accessed January 2023.



- Refugees from areas not characterized by ongoing conflict (see Exhibit 17) or territorial dispute (see Exhibit 18), undocumented immigrants or seasonal migrants.

**Exhibit 18: List of countries and regions named and investigated by the UN Human Rights Council or by the UN Office of the High Commissioner on Human Rights<sup>4</sup>**

Country/Region	National, ethnic and religious groups listed in UN reports
<b>Burundi</b>	Civilians Political affiliation or ethnic background - indigenous groups of Hutu, Tutsi and Twa
<b>Central African Republic</b>	National
<b>China – Xinjiang Autonomous Region</b>	Uyghurs
<b>Côte d’Ivoire</b>	Civilians
<b>Democratic Republic of the Congo</b>	Ethnic (not specified)
<b>Eritrea</b>	Religious and Ethnic - Eritrean Orthodox, Roman Catholic, Evangelical Lutheran and Sunni Islam (four religious denominations are recognized in the report)
<b>Ethiopia</b>	Ethnic – Amhara, Oromo, Somali and Tigrayan
<b>West Bank, Gaza Strip, East Jerusalem</b>	Ethnic - Jewish and Palestinian citizens
<b>Iran</b>	Civilians
<b>Iraq</b>	Yezidi in particular, Faili Kurdish, Christian, Turkmen, Shabaks, Kaka’e, Sabaeans and Shi’a communities
<b>Lebanon</b>	Civilians
<b>Libya</b>	Civilians including women and children, migrants, prisoners and civil society National and Ethnic- Mashashiya, Warshafana and Tawergha
<b>Myanmar</b>	Ethnic - Rohingya
<b>Nicaragua</b>	Civilians
<b>North Korea</b>	Ethnic - Ethnic Koreans from the Republic of Korea and Japan
<b>South Sudan</b>	Systemic National
<b>Sri Lanka</b>	Ethnic - Tamils and Non Tamilians
<b>Sudan (Darfur region)</b>	Zaghawas, Masaalit and Fur
<b>Syria</b>	Civilians
<b>Ukraine</b>	Civilians
<b>Venezuela</b>	Civilians and indigenous populations
<b>Yemen</b>	Religious and Ethnic (self-identifying) groups - Zaydi Shiites, Ismaili Shiites, mainstream (Shafi’i) Sunnis and Salafi (Wahhabi) Sunnis

Sources: Human Rights Council-mandated Investigative Bodies list of current and past mandates (accessed January 2023). OHCHR Assessment of human rights concerns in the Xinjiang Uyghur Autonomous Region, People’s Republic of China, August 2022.

<sup>4</sup> Human Rights Council-mandated Investigative Bodies. Accessed January 2023.

**Exhibit 19: Applying Vulnerable Demographics exacerbating factor: Disputed Territories with ongoing Active Conflict**

Territory/Region	Ongoing Armed conflict	Vulnerable Demographic factor applied
West Bank, Gaza Strip, East Jerusalem	Yes	Yes
Golan Heights	Yes	Yes
Crimea	Yes	Yes
Luhansk	Yes	Yes
Donetsk	Yes	Yes
Zaporizhia	Yes	Yes
Kerson	Yes	Yes
Western Sahara	Yes	Yes
<i>Somaliland</i>	No	No
<i>Kosovo</i>	No	No
Abkhazia	Yes	Yes
South Ossetia	Yes	Yes
Nagorno-Karabakh	Yes	Yes
Transnistria	Yes	Yes
Northern Cyprus	Yes	Yes
<i>Taiwan (Republic of China)</i>	No	No

Sources: MSCI ESG Research, United Nations, Geneva Academy of International Humanitarian Law and Human Rights: Rule of Law in Armed Conflicts (RULAC). Data as of January 2023.

**Key Definitions**

MSCI ESG Research relies on the following definitions:

**Indigenous People**

According to the United Nations and the World Bank, over 476 million indigenous people across 5,000 distinct groups and spread over 90 countries make up about 6% of the global population. While the UN Declaration on the Rights of Indigenous Peoples does not include a definition of indigenous people, self-identification as indigenous is considered a fundamental criterion.

The UN identifies common factors among indigenous populations:

- A historical continuity with a given region prior to colonization and a strong link to their lands.
- Distinct social, economic and political systems.

- Distinct languages, cultures, beliefs and knowledge systems.

Systematic abuse of indigenous populations specifically is defined by the UN Declaration on the Rights of Indigenous Peoples Article 8 and includes:

- Any action which has the aim or effect of depriving them of their integrity as distinct peoples, or of their cultural values or ethnic identities.
- Any action which has the aim or effect of dispossessing them of their lands, territories or resources.
- Any form of forced population transfer which has the aim or effect of violating or undermining any of their rights.
- Any form of forced assimilation or integration.
- Any form of propaganda designed to promote or incite racial or ethnic discrimination directed against them.”<sup>5</sup>

### Refugees

The United Nations defines refugees as “persons who are outside their country of origin for reasons of feared persecution, conflict, generalized violence, or other circumstances that have seriously disturbed public order and, as a result, require international protection.”

### Key References

- United Nations Declaration of Human Rights.
- United Nations Declaration on the Rights of Indigenous Peoples.
- International Labour Organization Convention No. 169: Indigenous and Tribal Peoples.
- International Labour Organization Convention No. 105: Abolition of Forced Labour Convention.
- United Nations Minorities Declaration.
- Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment.
- International Convention for the Protection of All Persons from Enforced Disappearance.

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<sup>5</sup> United Nations. 2008. *United Nations Declaration on the Rights of Indigenous Peoples*. United Nations.



- International Convention on the Elimination of All Forms of Racial Discrimination.
- International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families.
- International Covenant on Civil and Political Rights.
- International Covenant on Economic, Social and Cultural Rights.
- Convention on the Non-Applicability of Statutory Limitations to War Crimes and Crimes Against Humanity.

Convention on the Prevention and Punishment of the Crime of Genocide.

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