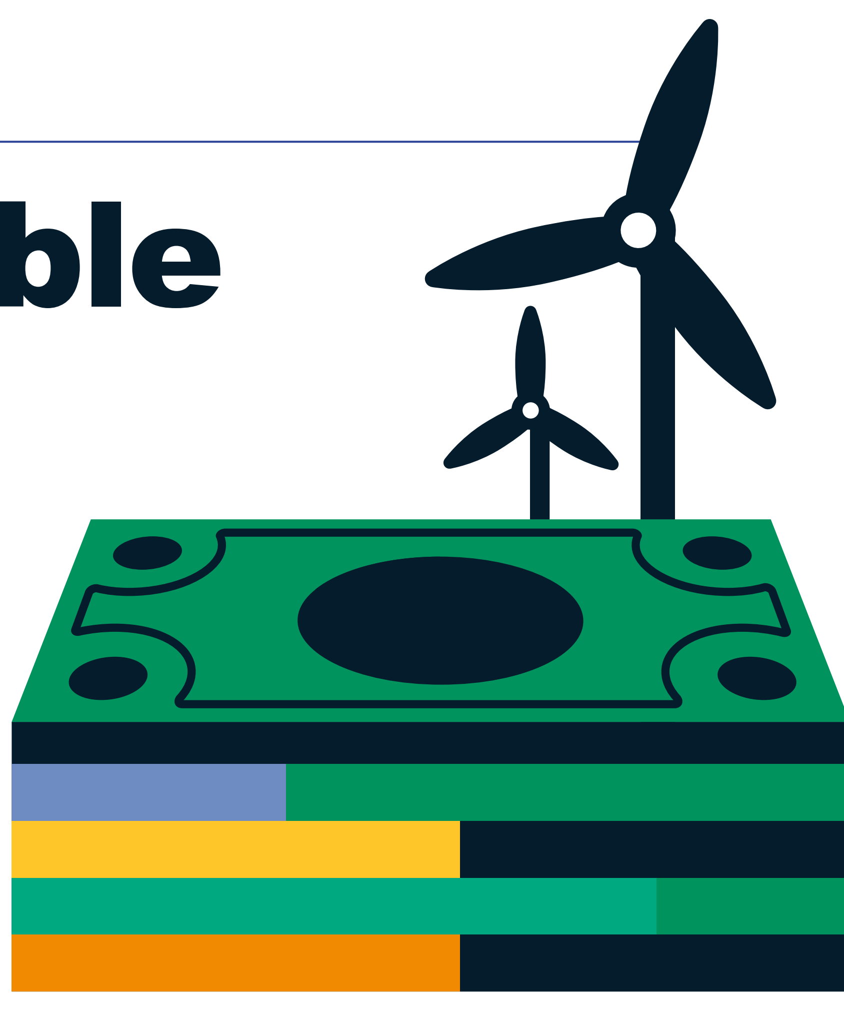
MSCI

The Power of a
Sustainable Dollar



Global markets are facing an inflection point,
driven by the changing world around us.

More than $100 trillion in assets have voluntarily committed to support the UN's Principles for Responsible Investment.

Between January and November 2020 alone, investments in sustainable ETF and mutual funds grew 96%.

Source: UNPRI (Mar, 2020), BlackRock (Jan, 2021)

But how do we know if sustainable investments have made a difference?

In Action:
A Sustainable vs Unsustainable Dollar

Investing legend Benjamin Graham has compared the stock market to a "voting machine." Just as consumers vote with their purchasing decisions, investors vote with their investment dollars.

Especially in the short term, investor dollars build:

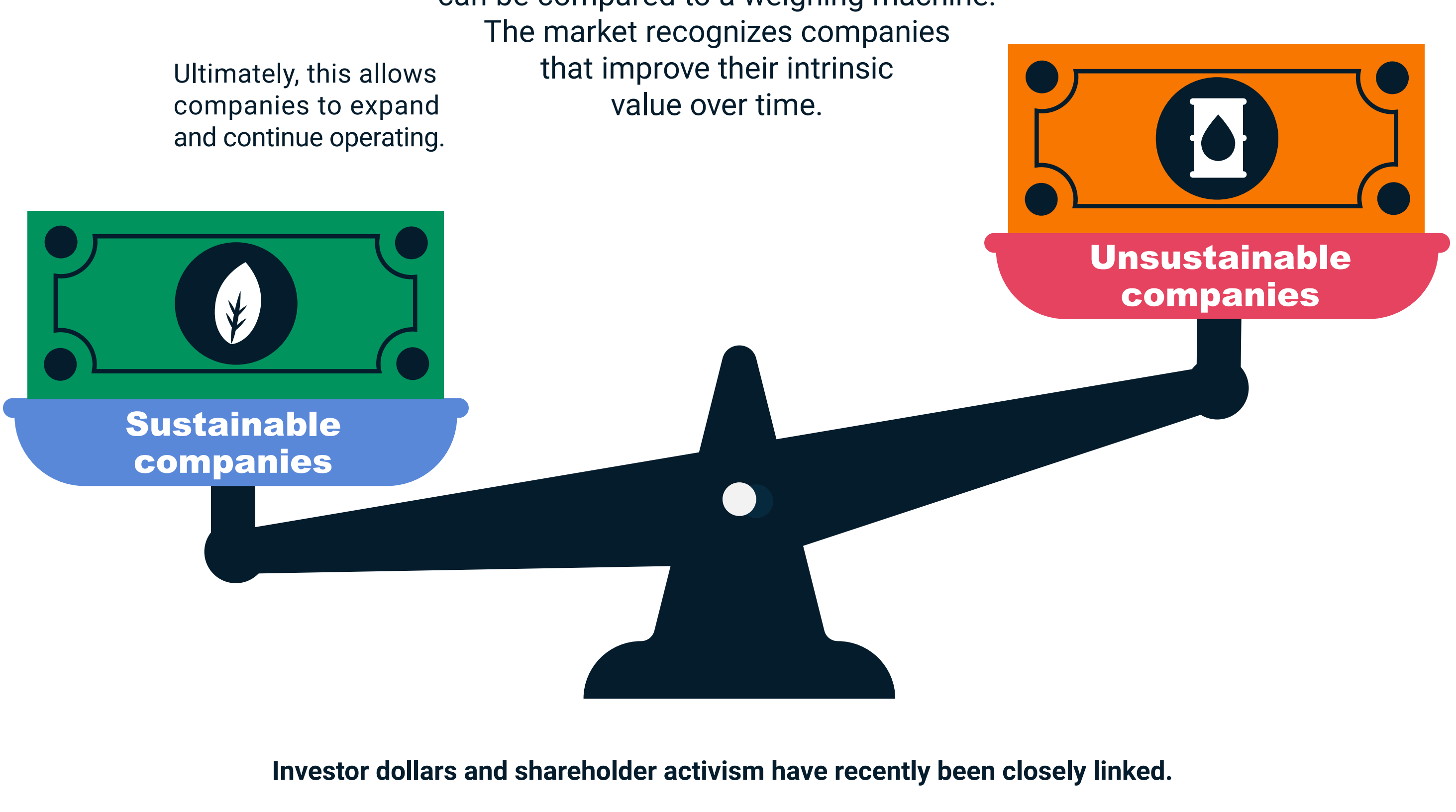
Capital

Exposure

Interest

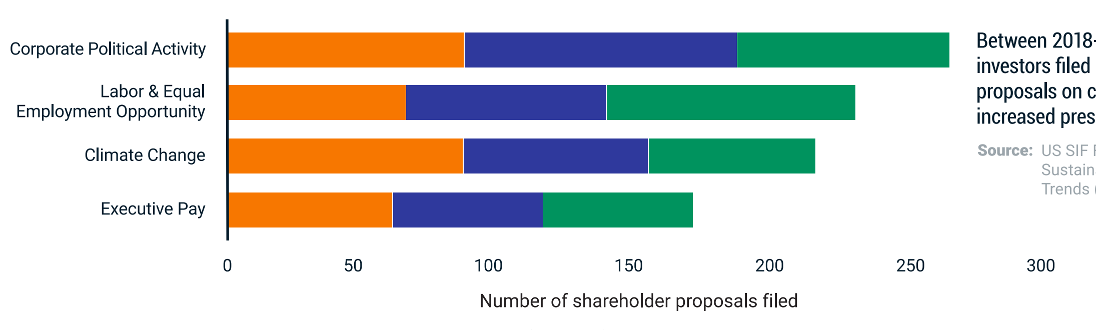
In the long term, meanwhile, the market can be compared to a weighing machine. The market recognizes companies that improve their intrinsic value over time.

Ultimately, this allows companies to expand and continue operating.



Investor dollars and shareholder activism have recently been closely linked.

Number of Shareholder Proposals Filed



Between 2018-2020, large institutional investors filed over 200 shareholder proposals on climate change, putting increased pressure on companies.

Source: US SIF Foundation-Report on US Sustainable and Impact Investing Trends (Nov, 2020)

Source: US SIF Foundation, ISS ESG, Sustainable Investments Institute (Nov, 2020)

Below, we show three examples of how investment dollars have influenced and driven change.

Spotlight: Energy
Clean energy vs fossil fuel

Often, the energy sector is associated with much of the problems causing climate change.
Renewables may make up 95% of net global power capacity by 2025.

Source: IEA (Nov, 2020)

Moving investment dollars from an ESG laggard to an ESG leader may support the environment and society:

ESG laggards are companies with the weakest environmental, social, and governance (ESG) performance in their sector.

ESG leaders are companies with the strongest environmental, social, and governance (ESG) performance in their sector.

Industry laggard
U.S. oil & gas company

Scale of carbon-intensive business lines equal to 73% of its operations

Equal to adding **26 million** cars on the road annually
Source: EPA (Mar, 2021)

1 of 20 oil and gas companies responsible for contributing to one third of GHG emissions since 1965
Source: Climate Accountability Institute-Update of Carbon Majors 1965-2018 (Dec. 9, 2020)

3X fewer jobs are created vs. energy efficiency sector, resulting in lower productivity
Source: Garnet-Peltier- Green versus brown: Comparing the employment impacts of energy efficiency, renewable energy, and fossil fuels using an input-output model (Feb, 2017)

CCC	B	BB	BBB	A	AA	AAA

Industry leader
U.S. utilities company

47% lower CO_2 emissions than the industry average

Equal to about **9.9 million** cars removed off the road annually
Source: EPA (Mar, 2021)

Uses **3X** as many renewable sources than industry average

Equal to saving over **9 million** pounds of coal burned
Source: EPA (Mar, 2021)

CCC	B	BB	BBB	A	AA	**AAA**

Source: MSCI ESG Research (Dec, 2020)

Investors have the ability to finance powerful green initiatives that reduce emissions by almost half, relative to their peers.

Spotlight: Industrials
Safe vs unsafe working conditions

Weak safety protocols are a key sustainability issue for the industrial sector.
Here's how two companies compare:

Red flag
South African mining company

11 fatalities in 2019

Faced lawsuits from miners surrounding lung diseases contracted from dust exposure in gold mines
Settlement cost: **$350M**

Lags peers in high incident rates

Lags peers in setting incident reduction targets

CCC	B	BB	BBB	A	AA	AAA

Industry leader
U.S. mining company

Zero fatalities in 2019

Board-level oversight monitors health and safety performance

Leads peers in low incident rates

Leads industry in

Lost time incident rate

Total recordable injury rate

CCC	B	BB	BBB	**A**	AA	AAA

Source: MSCI ESG Research (Dec, 2020)

Despite the risks involved in the sector, investors can choose to support companies that take greater lengths to protect their workers.

Spotlight: Finance
Building trust vs losing trust

The financial sector is facing increased scrutiny over fraudulent activities.
Moving investment dollars from an ESG laggard to ESG leader may make a difference:

Red flag
U.S. bank

$3B settlement in creating fictitious accounts to meet aggressive sales targets

Drop in top-tier bank rankings

Board effectiveness questioned

Resignation of board members

CCC	B	BB	BBB	A	AA	AAA

Industry leader
Dutch bank

Sustainable finance portfolio valued at over **$20 billion**

13% annual increase in climate finance

Includes over **60** green loans, mobilizing environmentally friendly projects

Board diversity - over **55%** of board is female

CCC	B	BB	BBB	**A**	AA	AAA

Source: MSCI ESG Research (Dec, 2020)

From board diversity to green loans, a sustainable dollar supports companies that are actively advancing society and the environment.

Time to Act

Through the power of the dollar, investors can send a clear signal to companies.

The time for sustainable investing is now.

The real power, after all, is the underlying ESG movement—changing markets from the ground up.

MSCI
Powering better investments for a better world. **msci.com**