

## MSCI ESG Ratings

(As of January 2024 – Subject to change)

As an independent Swiss Wealth Manager, we are aware of our responsibilities. We think and act in a future-oriented way, and incorporate environmental and social aspects into our ambitious commercial objectives. By doing so we create added value – for our stakeholder groups and for the environment.

The present version of this document is based on methodology papers drawn up by MSCI ESG Research LLC.

**MSCI ESG Ratings measure resilience to long-term ESG risks and opportunities. MSCI ESG Scores have a direct correlation with the ESG Ratings.**

### The chief characteristics

MSCI ESG Ratings are sector-specific benchmarks that are determined at company level. The ratings are based on a global 7-band scale from AAA (the highest rating) to CCC.

The environmental and social-responsibility issues used for rating a company are selected according to the company’s dependence on potentially significant ESG risks. These are determined by sector- and market-specific factors.

All companies are assessed on the basis of the “corporate governance” and “corporate behaviour” themes. The rating is based on the discrepancy between proven procedures and the individual companies’ governance practices.

Where relevant, the ESG Rating takes account of a company’s positioning in terms of satisfying market demand for products and services that make a positive ecological or social contribution.

The MSCI ESG Ratings consider the measures taken by a company’s management in relation to its aggregate ESG risks and opportunities. In general, these management measures are evaluated in terms of governance structures, guidelines and objectives, quantitative performance parameters and the associated controversies.

### ESG Rating and ESG Score

An MSCI ESG Rating measures a company’s dependency on and resilience to long-term ESG risks of relevance to its sector. Whereas the leading companies (ratings AAA and AA) have their ESG risks and opportunities under control and are therefore less exposed to potential risks, the „laggards” (ratings B and CCC) do not have such management processes in place.

The MSCI ESG Quality Score correlates directly with the ESG Rating. The table below shows how the seven ESG Ratings are delimited as well as the related ESG Scores, which extend over an evenly distributed scale ranging from 0 to 10 points.

Rating	Score	Features
AAA	10 8.571	<b>Leader:</b> Company leading its industry in managing the most significant ESG risks and opportunities
AA	7.143	
A	5.714	<b>Average:</b> Company with an average track record of managing the most significant ESG risks and opportunities relative to industry peers
BBB	4.286	
BB	2.875	
B	1.429	<b>Laggard:</b> Company lagging its industry due to its high exposure and failure to manage significant ESG risks
CCC	0	

(Source: MSCI ESG Research LLC)

## Assessment

The top-level assessment is the Company ESG Rating, an industry specific rating on a seven-point scale from AAA to CCC. These assessments should not be viewed as absolute but are explicitly intended to be interpreted relative to a company's industry peers. The Company ESG Rating is derived from the final, industry-adjusted score based on an assessment of the underlying data for the three sub-areas E, S and G.

Taking as its basis the three pillars of Environment, Social, and Governance, MSCI ESG Research LLC evaluates a large number of data points, broken down into ten themes, along with further key aspects. Here MSCI focuses on the intersection between a company's core business and the sectoral challenges that can give rise to substantial risks and opportunities for the company.

## MSCI ESG Score

3 pillars	10 themes
Environment	Climate change, natural capital, pollution and waste, environmental opportunities
Social	Human capital, product liability, stakeholder opposition, social opportunities
Governance	Corporate governance, corporate behavior

(Source: MSCI ESG Research LLC)

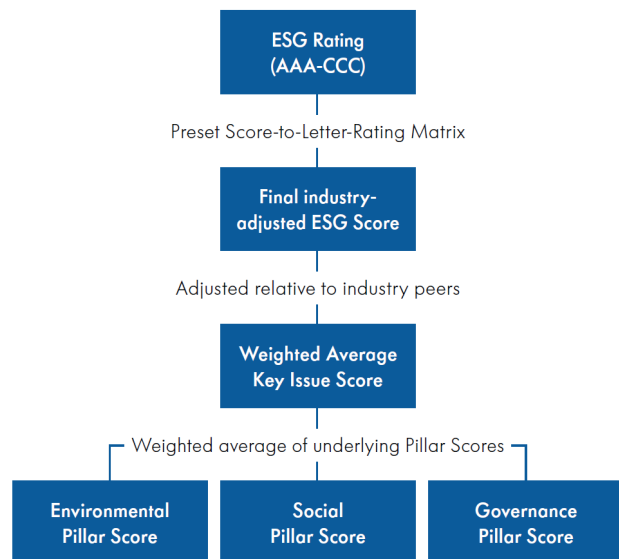
MSCI calculates the dependency of each company in respect of the key ESG risks on the basis of a detailed breakdown of business activities: its core products or business segments, where its assets and revenues are located/generated, as well as other relevant factors. The analysis likewise takes into account the extent to which a company develops robust strategies and has a strong track record in terms of mastering its specific risks and opportunities. Ongoing controversies or structural controversies that have occurred over the last three years result in a reduction in the number of points allocated for each theme.

Between two and seven environmental and social key issues for each company are identified. These are sector-specific and are evaluated on the basis of the environmental or social external factors that can give rise to unforeseen costs for a specific company or sector. Furthermore, the aspect of governance is evaluated for all companies:

a number of key governance issues are evaluated in two different thematic areas – corporate governance and corporate behaviour. Where the Environment and Social pillars are concerned, the weightings of the key issues for each sub-sector are allocated on the basis of this sub-sector's contribution to negative external effects and the expected time horizon for a core problem to materialise. Key issues and weightings are subjected to a formal review process at the end of each calendar year. For the Governance pillar, weightings are determined at the level of the pillar rather than the level of the key issue.

To obtain the definitive ESG Rating, a weighted mean is calculated for the three pillars Environment, Social and Governance (Weighted Average Key Issue Score) and adjusted by comparison with the ESG Rating sector peers (Final Industry-Adjusted ESG Score). This makes it possible to undertake comparisons of different sectors. Based on the Final Industry-Adjusted ESG Score, an ESG Rating of between AAA and CCC is then defined.

## Interplay of the various levels



(Source: MSCI ESG Research LLC)

## Portfolio context

At the investment fund level, too, the same scores are derived from the information on the individual securities. Every investment fund covered by MSCI ESG Research LLC receives an overall ESG Quality Score. This amalgamates the ESG Ratings at issuer level in order to provide investors with an indicative overall ESG Rating, based on the underlying holdings of the fund in question. An environment score, a social score, and a governance score are likewise calculated. Here too, scores on a scale of 0 to 10 are awarded. The MSCI ESG Fund Rating relates directly to the ESG Quality Score of the fund.

## Publications

Other information on the subject of ESG can be found on our web page [www.rocinvestment.ch](http://www.rocinvestment.ch).

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