

MSCI ESG Research Product Update

Dear Valued Client,

In an effort to continuously improve our products and services, and in response to client feedback, we are introducing several improvements to the ESG Manager application as well as the ESG IVA Rating and ESG Impact Monitor products.

We are also pleased to introduce Fixed Income coverage and functionality in ESG Manager.

Key highlights include:

- **Performance improvements to ESG Manager**, including improved search functionality and ability to open multiple HTML company reports simultaneously.
- **Expanded Fixed Income coverage and functionality**, including parent-child mapping and coverage of non-listed companies.
- **ESG IVA Rating company profile enhancements** including layout changes to page 1 as well as the addition of IVA rating trend and risk exposure headline indicators.
- **US Small Cap Global Socrates ratings added to IVA** to allow clients subscribing to US small cap coverage to screen on the full US IMI Index.
- **Addition of sources and overall scores** to the ESG Impact Monitor company profiles.

Further details are provided below.

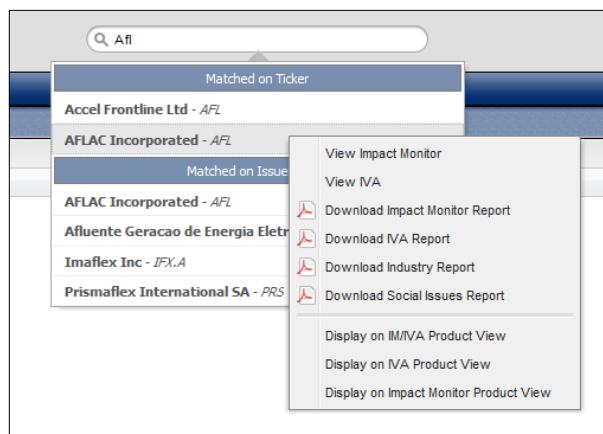
Please note that the new ESG Manager URL is <http://esgmanager.msci.com>. Log on now to [ESG Manager](#) to view the improvements!

Please contact your ESG Client Service representative or ESGClientService@msci.com with any questions.

Thank you,

MSCI ESG Research

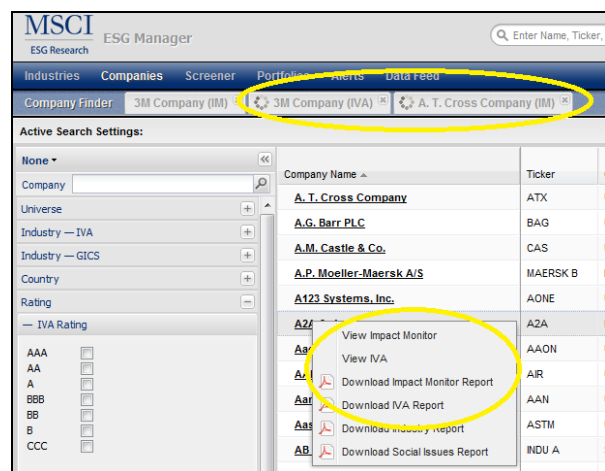
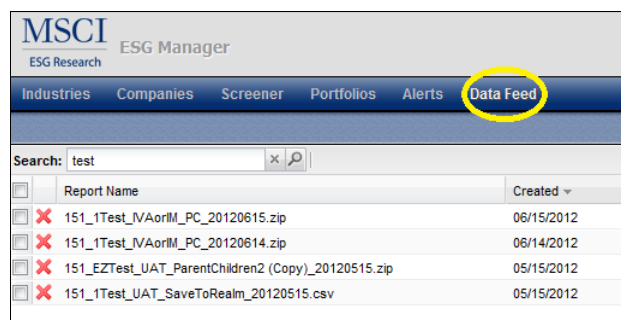
ESG Manager:



Global Search Box: The Global Search box now features a single search field and the ability to quickly view reports with a single click.

Performance Improvements: We have made changes to ESG Manager which should improve the platform speed.

Data Feed Retrieval: Clients who receive data feeds via FTP or other methods now have the option to retrieve their data feed files directly from the ESG Manager Application. Contact ESG Client Service for more details.



HTML Company Profiles: You can now open multiple HTML IVA or Impact Monitor company profiles without waiting for each one to complete loading.

Introducing Fixed Income Coverage and Functionality in ESG Manager:

Parent-Child Mapping in Screener and Data Feeds:

- Clients who subscribe to the MSCI ESG Fixed Income offering now have the ability to map ESG ratings and scores of parents to child/subsidiary issuers and to include all fixed income securities associated with the issuer or its majority-owned subsidiaries in their screen results or data feeds.
- The Parent-Child mapping also features the ability to view the mapping levels data to determine the number of degrees of separation the child is from rated parent.
- Clients will be able to upload a portfolio of Fixed Income securities and subscribe to a data feed that includes Fixed Income Parent-Child issuers.

Parent / Child

☒ Expand to Children ☐ Apply Screen To Children

| Inherit Value | Factor | Level | Reference Issuer Columns | |
|---------------|------------|---------|--------------------------|-----------|
| | | | Issuer Name | Issuer Id |
| Yes | IVA Rating | Include | Include | Include |

| Add Company: | | | | | |
|---|--------|--------------------|-----------------------------------|--|--------------------------------------|
| <input type="button" value="Import Index"/> <input type="button" value="Import Portfolio"/> <input type="button" value="Import Factor List"/> <input type="button" value="Parent/Child"/> | | | | | |
| Company Name | Ticker | IVA_COMPANY_RATING | IVA_COMPANY_RATING_referenceLevel | IVA_COMPANY_RATING_referenceIssuerName | IVA_COMPANY_RATING_referenceIssuerId |
| DAIHATSU MOTOR CO., LTD. | 7262 | BBB | 0 | | |
| HINO MOTORS LTD. | 7205 | AAA | 0 | | |
| TOYOTA AUTO BODY Co., Ltd. | TABOF | A | 1 | TOYOTA MOTOR CORPORATION | ID000000002185905 |
| TOYOTA FINANCE CORPORATION | | A | 2 | TOYOTA MOTOR CORPORATION | ID000000002185905 |
| TOYOTA MOTOR CORPORATION | 7203 | A | 0 | | |
| Toyota GS A.I. P.L.C. | | A | 1 | TOYOTA MOTOR CORPORATION | ID000000002185905 |
| Toyota Capital Malaysia Sdn Berhad | | A | 2 | TOYOTA MOTOR CORPORATION | ID000000002185905 |
| Toyota Compañia Financiera de Argentina S.p.A. | | A | 2 | TOYOTA MOTOR CORPORATION | ID000000002185905 |
| Toyota Credit Canada Inc. | | A | 1 | TOYOTA MOTOR CORPORATION | ID000000002185905 |
| Toyota Financial Services Mexico, S.A. de C.V. | | A | 3 | TOYOTA MOTOR CORPORATION | ID000000002185905 |
| Toyota Kreditbank GmbH | | A | 2 | TOYOTA MOTOR CORPORATION | ID000000002185905 |
| Toyota Leasing (Thailand) Co., Ltd. | | A | 2 | TOYOTA MOTOR CORPORATION | ID000000002185905 |
| Toyota Leasing GmbH | | A | 3 | TOYOTA MOTOR CORPORATION | ID000000002185905 |
| Toyota Motor Credit Corporation | TOYOM | A | 3 | TOYOTA MOTOR CORPORATION | ID000000002185905 |
| Toyota Motor Finance (Netherlands) B.V. | | A | 1 | TOYOTA MOTOR CORPORATION | ID000000002185905 |

Expanded Fixed Income Coverage beyond listed corporates already covered:

- Ratings and profiles are available for the top 4 non-listed banks and the top 6 non-listed utilities; the top 13 Supranationals agencies will be added by the end of July.
- If you'd like to see a sample of our fixed income research, contact [ESG Client Service](#).

Future coverage expansion and enhancement plans:

- We will cover 90% of the market capitalization of the Barclays Global Aggregate Index by the end of October 2012, including local authorities, securitized-covered bonds and other agencies.
- We aim to add our Sovereign Ratings and reports in ESG Manager by the end of 2012

ESG IVA Rating:

New Anticompetitive Practices Key Issue:

Anticompetitive Practices evaluates the extent to which companies face regulatory risks relating to anti-competitive practices.

Profile Layout: We have introduced several improvements to page 1 of the IVA profile to provide a clear summary of company performance, including:

- Grouping of key issues by ESG pillar; and
- Moving the key issue summary text to page 2 to reduce clutter on page 1

Intangible Value Assessment (IVA)

Lafarge SA

TICKER: LG

IVA INDUSTRY: Construction Materials

GICS SUB-INDUSTRY: Construction Materials

COUNTRY: France

RATING DATE: May 25, 2012

PREVIOUS RATING: AAA

RATING TREND: Downgrade

ANALYST: Cyrus Lodipour

MSCI

ESG Research

IVA RATING

AA

ESG PILLAR PERFORMANCE

KEY ISSUES

| | Score | Percentile | Weight | | Score vs. Average | Percentile | Controversies | Weight | |
|---------------|-------|------------|--------|-----------------------------|-------------------|------------|---------------|----------|-------|
| Environmental | 5.8 | — | 66.5% | Carbon Emissions | 5.9 | 5.6 | — | None | 28.5% |
| | | | | Toxic Emissions & Waste | 5.1 | 4.2 | — | Severe | 24.0% |
| | | | | Opportunities in Clean Tech | 6.8 | 4.8 | — | None | 14.0% |
| Social | 4.6 | — | 28.5% | Health & Safety | 4.6 | 4.7 | — | Moderate | 28.5% |
| Governance | 1.0 | — | 5.0% | Corporate Governance | 1.0 | 5.2 | — | None | 5.0% |

| | Score vs. Average | Percentile | Controversies | Weight |
|-----------------------------|-------------------|------------|---------------|--------|
| Carbon Emissions | 7.0 5.6 | 77th | None | 17.0% |
| Toxic Emissions & Waste | 4.0 2.9 | 77th | Moderate | 26.0% |
| Opportunities in Clean Tech | 6.7 6.6 | 46th | None | 17.0% |
| Chemical Safety | 5.8 3.6 | 85th | None | 22.0% |

Addition of Percentile to the IVA profile for ESG Pillar and Key Issue Scores. Percentile indicates the percentage of companies in an IVA Industry that have a lower score than the profiled company. For example, a Carbon Emissions Percentile score of 90 means the company has a better Carbon Emissions score than 90% of the companies in its IVA Industry. Please note that Percentile information is not yet available; it will be added in Q3 2012.

IVA Rating Trend has been added to IVA company profiles indicating a rating Upgrade, Downgrade or whether a rating was Maintained.

| Intangible Value Assessment (IVA) | | | | | | | | | |
|---|--|---------------------------|--|---------------------------|--|---------------------------|--|---------------------------|--|
| Lafarge SA | | | | | | | | | |
| TICKER: LG | | RATING DATE: May 25, 2012 | | RATING DATE: May 25, 2012 | | RATING DATE: May 25, 2012 | | RATING DATE: May 25, 2012 | |
| IVA INDUSTRY: Construction Materials | | PREVIOUS RATING: AAA | | PREVIOUS RATING: AAA | | PREVIOUS RATING: AAA | | PREVIOUS RATING: AAA | |
| GICS SUB-INDUSTRY: Construction Materials | | RATING TREND: Downgrade ↓ | | RATING TREND: Downgrade ↓ | | RATING TREND: Downgrade ↓ | | RATING TREND: Downgrade ↓ | |
| COUNTRY: France | | ANALYST: Cyrus Lodipour | | ANALYST: Cyrus Lodipour | | ANALYST: Cyrus Lodipour | | ANALYST: Cyrus Lodipour | |

| IVA Industry | IVA Rating Date | IVA Rating | Industry Adjusted Company Score |
|--------------------------------|-----------------|------------|---------------------------------|
| Industrial Conglomerates | Aug 1, 2011 | AA | 8.4 |
| Integrated Telecommunica... | Apr 1, 2012 | B | 2.5 |
| Marine Transport | Feb 1, 2012 | A | 7.0 |
| Multi-Utilities & Unregulat... | Jul 1, 2011 | A | 6.5 |
| Diversified Financials | Jan 1, 2012 | AA | 7.2 |
| Real Estate Investment Tr... | Oct 1, 2011 | B | 1.4 |
| Electrical Equipment | Mar 1, 2012 | BBB | 5.6 |
| Pharmaceuticals | Aug 1, 2011 | BB | 3.9 |
| Apparel Retail | Jun 8, 2012 | B | 2.7 |
| Apparel Retail | Jun 8, 2012 | B | 2.8 |

IVA Industry-Adjusted Company Score will be available on the Companies page next to the IVA Rating on the IVA product view. Please see the IVA Methodology for more details on the Industry-Adjusted Company Score.

Risk Exposure Headline Indicators are now available in IVA company profiles for the following IVA Industries:

- Apparel Retail
- Asset Management
- Banks - North America
- Beverages
- Building Products
- Construction & Engineering
- Health Care Providers & Services
- Homebuilding
- Household & Personal Products
- Oil & Gas Exploration & Production
- Professional Services
- REITs - Europe
- Software & IT Services
- Specialty Retail
- Trading Companies & Distributors
- Diversified Chemicals
- Automobiles
- Construction Materials

| Exposure | |
|---|--------------|
| Additional Exposure Indicators | |
| Exposure to Corporate Financing | |
| Corporate and/or commercial loans as % of total loans: | 36.0 |
| Company underwrites corporate debt and/or equity: | Yes |
| Company is among the largest 25 underwriters based on aggregate deal volume (most recent year): | No |
| Sustainable Value at Risk (S-VAR) Model | |
| High-impact loans as % of total loans: | 12.9% |
| High-impact, high-yield loans as % of total: | 0.0% |
| Estimated carbon intensity of syndicated loan activity: | 120.0 |
| High-impact debt / equity as % of total: | 15.0% |
| S-VAR: Total loan volume analyzed, USD million: | 400.0 |

Global Socrates Small Cap Ratings Published in IVA:

MSCI ESG Research currently has coverage of approximately the largest 3000 US companies through our legacy Global Socrates ESG research platform. For clients that subscribe to our full US coverage, Global Socrates profiles are available on ESG Manager for any of the largest 3000 US companies where an IVA profile is not available; just click on the underlined company name and select 'Download Global Socrates Report'.

Over the next few months, we will expand our US coverage available in ESG Manager for the MSCI ESG Impact Monitor and MSCI ESG IVA Rating, starting with the constituents of the MSCI USA IMI Index, as follows:

- By the end of July 2012, Global Socrates ratings will be loaded into the IVA ratings field where an IVA rating does not exist. Global Socrates ratings range from AAA-C, whereas IVA ratings range from AAA-CCC; all CC and C Socrates ratings will be published as CCC.
- In August 2012, MSCI ESG Impact Monitor will complete coverage of the MSCI USA IMI Index.
- On a rolling basis, beginning in September 2012, MSCI ESG Research will be publishing ratings using the IVA model for the MSCI USA IMI Index companies.

Global Socrates vs. ESG IVA Rating

Global Socrates analyzes the ESG performance of companies using a weighted multi-factor scoring model with industry key issues receiving the largest weight in the model. Socrates assesses management of ESG issues by reviewing company policies, management systems, programs, initiatives, performance, and controversies. In this respect Socrates is very similar to the IVA scoring model, which assesses management of key ESG issues/risks by analyzing policies, systems, programs, initiatives, and performance plus controversies. The IVA model differs from Socrates and other ESG assessment models in three areas:

1. IVA defines key issues as an ESG externality that has the greatest potential to be internalized and significantly impacting the core business of a company. Externalities can become internalized through pending/proposed regulation, supply constraints leading to price volatility, shift in demand, strategic competitor response to the externality, or public awareness of/concern for the externality.
2. IVA analyzes the relative exposure of each company to the industry key issues. The key issue risk exposure analysis reviews geographic distribution of operations in high vs. low risk regions, resource intensity of production processes, product/segment revenue of affected/relevant business/product line, etc. For example, while all mining companies face health and safety risks, companies operating in Scandinavia have a different risk profile than those operating in Mongolia, and companies operating underground coal mines face different risk thresholds than those operating surface metal mines.
3. IVA utilizes ISS Governance Risk Indicators (GRId) to identify and evaluate a company's key governance practices across four dimensions: Audit, Board of Directors, Compensation and Remuneration and Shareholder Rights.

To generate IVA ratings on mid and small-cap US companies, MSCI ESG Research will use our standard IVA model to assess company exposure to industry key issues, ESG Impact Monitor to assess controversy performance, and ISS GRId to evaluate governance practices. MSCI ESG Research will leverage the Socrates research to assess management of key issues. The Socrates ratings added to ESG Manager in July will be replaced by the IVA ratings as companies are published.

ESG Impact Monitor:

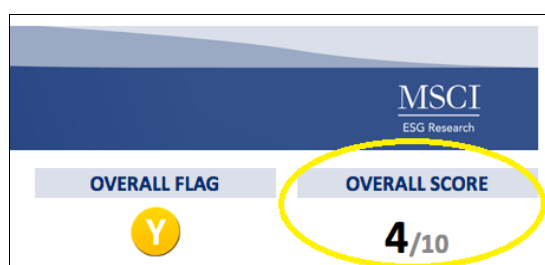
Sources: To further expand research transparency we will be adding sources on a rolling basis to controversy cases in the company profiles, following each case.

Whistleblower Lawsuit

In March 2009, an employee of Olympus filed documents with the Tokyo Bar Association against the company to seek redress from harassment. The employee has claimed an official at the company's compliance office leaked his name as an informant to his boss. He learned the company was trying to headhunt staff using classified information from a client and thought it might constitute a violation of the Unfair Competition Prevention Law. Two months after claiming this move at the company's compliance office in June 2007, he was transferred to a different section and assigned filing duties under the supervision of the boss he informed on. Since then, he has been subjected to harassment by the company. A company's spokesman said that the confidential email was sent to others with the employee's consent and transfer was based on a consideration of his abilities. In January 2010, the Tokyo District Court rejected the claims and ruled in favor of Olympus Corp.

In August 2011, however, the Tokyo High Court reversed a lower court ruling and ordered Olympus Corp. to pay JPY 2.2 million in damages to the employee. The Tokyo High Court re-examined the case and ruled that the employee's transfers by the company were aimed to isolate the employee for harassment purpose, and which is considered as a violation of whistle-blower protection law.

Source: Japan Times 09/26/2011



Overall Company Score has been added to company profiles alongside the Overall Flag. Lower level Pillar and Indicator scores will be introduced in the profile in 2012.

In the coming months, MSCI ESG Research will be consulting on additional aspects of the ESG Impact Monitor product to ensure alignment with the full range of MSCI ESG Research products, including management performance assessments. If you would like to participate in a consultation on these matters, please contact your [ESG Client Service](#) representative.

We value and rely on client feedback to help inform our development priorities. Please contact your ESG Client Services representative or ESGClientService@msci.com with any questions or feedback.

Thank you,

MSCI ESG Research

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MSCI ESG Research is a leading source of environmental, social and governance (ESG) ratings, screening and compliance tools to advisers, managers and asset owners worldwide. ESG ratings, data and analysis from MSCI ESG Research are also used in the construction of the MSCI ESG Indices.

About MSCI

MSCI Inc. is a leading provider of investment decision support tools to investors globally, including asset managers, banks, hedge funds and pension funds. MSCI products and services include indices, portfolio risk and performance analytics, and governance tools. The company's flagship product offerings are: the MSCI indices which include over 148,000 daily indices covering more than 70 countries; Barra portfolio risk and performance analytics covering global equity and fixed income markets; RiskMetrics market and credit risk analytics; ISS governance research and outsourced proxy voting and reporting services; FEA valuation models and risk management software for the energy and commodities markets; and CFRA forensic accounting risk research, legal/regulatory risk assessment, and due-diligence. MSCI is headquartered in New York, with research and commercial offices around the world. **For further information, please visit www.msci.com.**