Dalle Metriche al Valore

la rilevanza finanziaria della sostenibilità e dei rischi climatici

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Agenda

Long Term Performance of MSCI Sustainability Indexes

Long term financial performance of MSCI Sustainability Indexes

- → All flagship Sustainability indexes showed positive active performance
- → The factor attribution showed a positive contribution from the ESG factor and from other styles (typically Quality and Residual Vol)

Active performance of MSCI Sustainability Indexes versus MSCI ACWI

Note. The MSCI Universal Index represents an ESG-weight-tilt approach; MSCI Selection Index uses a 50% best-in-class sector approach; MSCI SRI Index uses a 25% best-in-class sector approach; and MSCI Focus Index uses an optimized approach designed to maximize ESG exposure. The data shows the actual performance for each index plus back-tested performance for those indexes with less than 10 years of track record. MSCI ACWI Selection Index has been live since June 6, 2013; MSCI ACWI SRI Index since March 24, 2014; MSCI ACWI Universal Index since Feb. 8, 2017; MSCI ACWI Focus Index since June 25, 2018. Data from May 31, 2013, to Dec. 31, 2024. Source: MSCI ESG Research. Past performance — whether actual, backtested or simulated — is no indication or guarantee of future performance.

MSCI ESG Ratings and equity market performance

→ Using a standard quintile analysis on MSCI ESG scores (controlled for sectors, regions, and company size), MSCI found that **companies with higher MSCI ESG ratings outperformed their lower-rated counterparts** across both the MSCI ACWI Index and the MSCI World Index over the longer term.

→ Companies in the **highest quintiles** for MSCI ESG ratings for the MSCI ACWI Index have **consistently outperformed** those companies in the lowest quintile over the last 11 years.

→ Although all three pillars—environmental, social, and governance—showed a positive performance effect over the study period, their **aggregate scores** showed the **strongest performance** effect

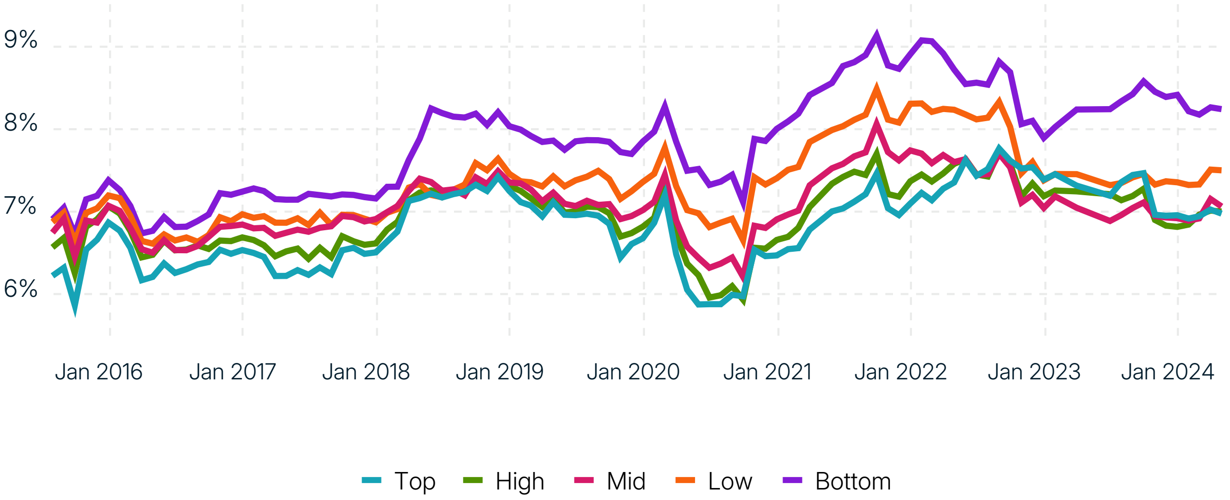
Performance of highest versus lowest rating ESG quintiles in MSCI ACWI Index (equal weighted)

Quintiles are created every month based on adjusted scores: pillar scores are first z-scored by the Global Industry Classification Standard (GICS®)* sector and region (North America, Europe, Pacific and EM sub-indexes of the MSCI ACWI Index) then size-adjusted. For industry-adjusted ESG scores, we control for size and region bias. The next month's performance (in local return) of the quintiles is calculated. The graph shows the cumulative difference between the top and bottom quintiles' performance. Data from Dec. 31, 2012, to Dec. 29, 2023.

Source: MSCI ESG Ratings in Global Equity Markets, a Long term performance Review.
Note: *GICS is the global industry classification standard jointly developed by MSCI and S&P Global Market Intelligence. Past performance — whether actual, backtested or simulated — is no indication or guarantee of future performance

Cost of capital across MSCI ESG Rating quintiles

- → Studied **4,319 issuers** grouped by their **MSCI ESG Ratings** over **8 years and 10 months** between August 2015 and May 2024.
- → Companies with the highest MSCI ESG Ratings had the lowest financing costs (6.8%, on average, over the study period), while the lowest-rated companies on average had to pay the most to access capital (7.9%).



Data period from August 2015 through May 2024. We divided the study sample (n = 4,319 unique issuers) into quintiles each month based on IAS score, which underlies the MSCI ESG Rating, and compared each quintile's cost of capital monthly (106 observations). The difference between the top and bottom ESG quintiles over the study period was significant at a 99% confidence level using the Mann-Whitney U test. Source: MSCI ESG Research

ESG Ratings – What sustainability issues mattered the most?

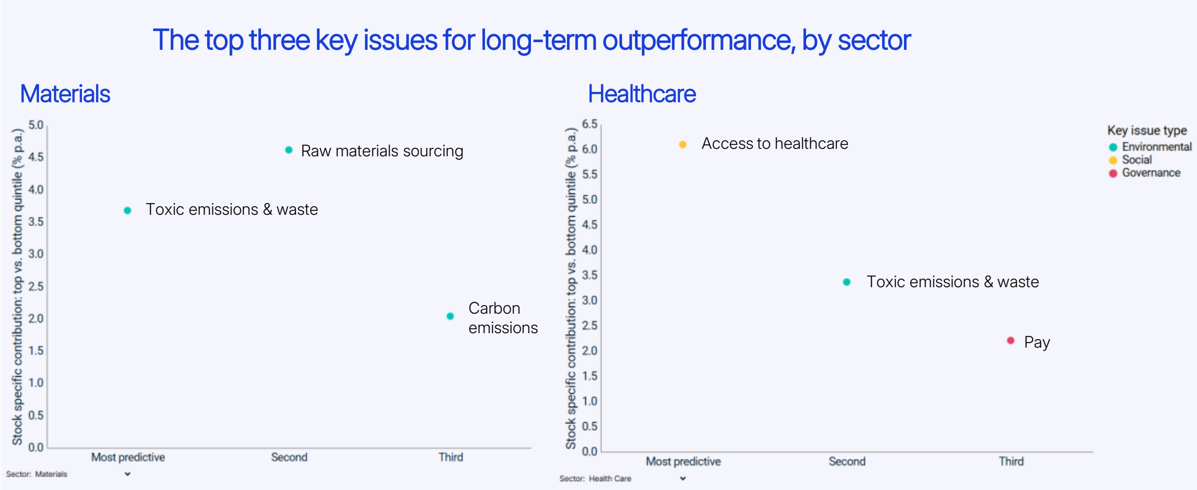
→ Equity investors can **incorporate sustainability data** into their research process to make better-informed decisions as they seek to **balance long-term performance** with **drawdown-risk mitigation**.

→ Good performance on **governance** indicators has been a reliable signal for **avoiding sharp declines** in share prices over the past five years.

→ **Environmental and social** indicators were most useful for signaling **outperformance**.

→ The top indicators for long-term performance **varied by sector**. When it came to picking long-term winners, **environmental and social key issues** increased in importance vs. governance.

Example:
Better company performance on toxic emissions and waste was the best signal for higher stock-specific returns in the materials and industrials sectors. In health care, the best signal for stock-specific returns came from a company's approach to improving access to healthcare.



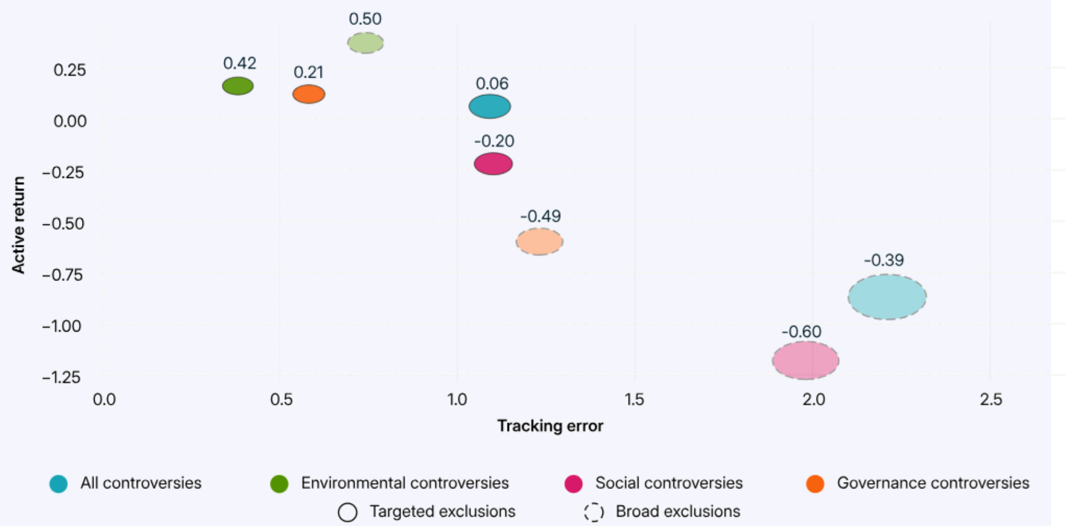
https://www.msci.com/research-and-insights/blog-post/which-sustainability-issues-mattered-most

The Return and Risk Characteristics of Controversy-Driven Exclusions

→ In recent years, investors have sought **to balance financial performance with values-based objectives**, raising the question of whether exclusions can achieve both. MSCI explored whether exclusions-based approaches — removing companies involved in environmental, social, governance or overall controversies — can align investor values with financial performance.

→ The analysis suggests that **when carefully applied, exclusions do not necessarily compromise financial outcomes** and in certain cases, particularly **environmental controversies, may even enhance performance.**

Active return and tracking error of targeted exclusion and broad exclusion hypothetical portfolios relative to the MSCI ACWI IMI Index

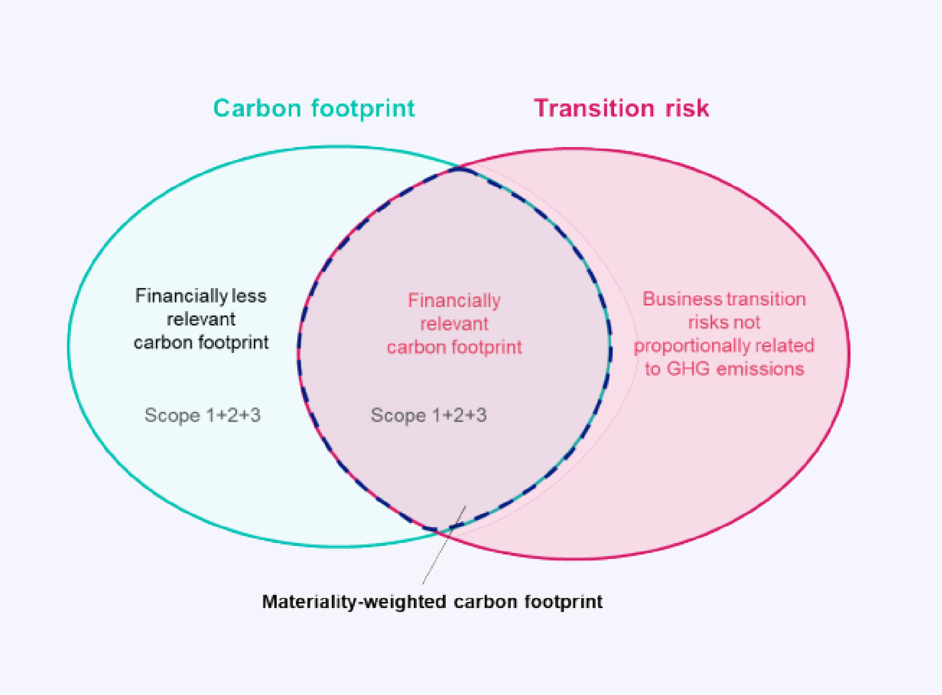


https://www.msci.com/research-and-insights/paper/the-return-and-risk-characteristics-of-controversy-driven-exclusions

Data from January 2015 to December 2024. The border style indicates portfolio type (solid border for portfolios excluding controversy scores 0-1; dashed border for portfolios excluding scores 0-4). Colors represent the type of controversies excluded: blue for all controversies, green for environment, magenta for social and orange for governance controversies. Circle size corresponds to the number of companies excluded (larger circles indicate more exclusions). Information ratios (active return divided by tracking error) are shown above each circle. Source: MSCI ESG Research

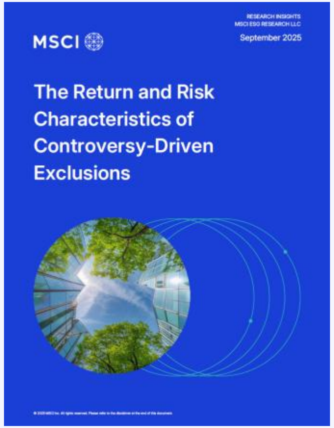
Materiality-Weighted Portfolio Carbon Footprint

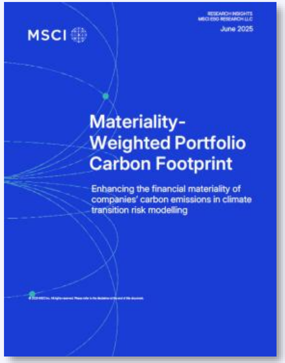
- → **When it comes to a company's transition risk, not all emissions are created equal**. Some emissions matter more, depending on where they come from and the industry context. We found **that investors could get a better signal by focusing on a materiality-weighted carbon footprint.**
- → Over the last 10 years, **a materiality-weighted emissions approach had a stronger relationship with equity market outperformance than a total emissions approach**, after controlling for industry, region and equity style factors. A similar result was found when comparing earnings performance.
- → Our results may help to explain why the use of total emissions intensity in academic research hasn't led to a clear conclusion as to whether emissions intensity has a clear impact of financial performance: we argue that this type of analysis **requires a materiality-weighted approach**



https://www.msci.com/research-and-insights/paper/materiality-weighted-portfolio-carbon-footprint

Resources and future research





New and future research on financial materiality

- → The Financial Materiality of Sustainability Risk in **Credit Markets**
- → Can sustainability data help predict **credit** events?
- → **Ownership** structure and performance
- → Financial materiality of **physical risk** – Hurricane event study

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