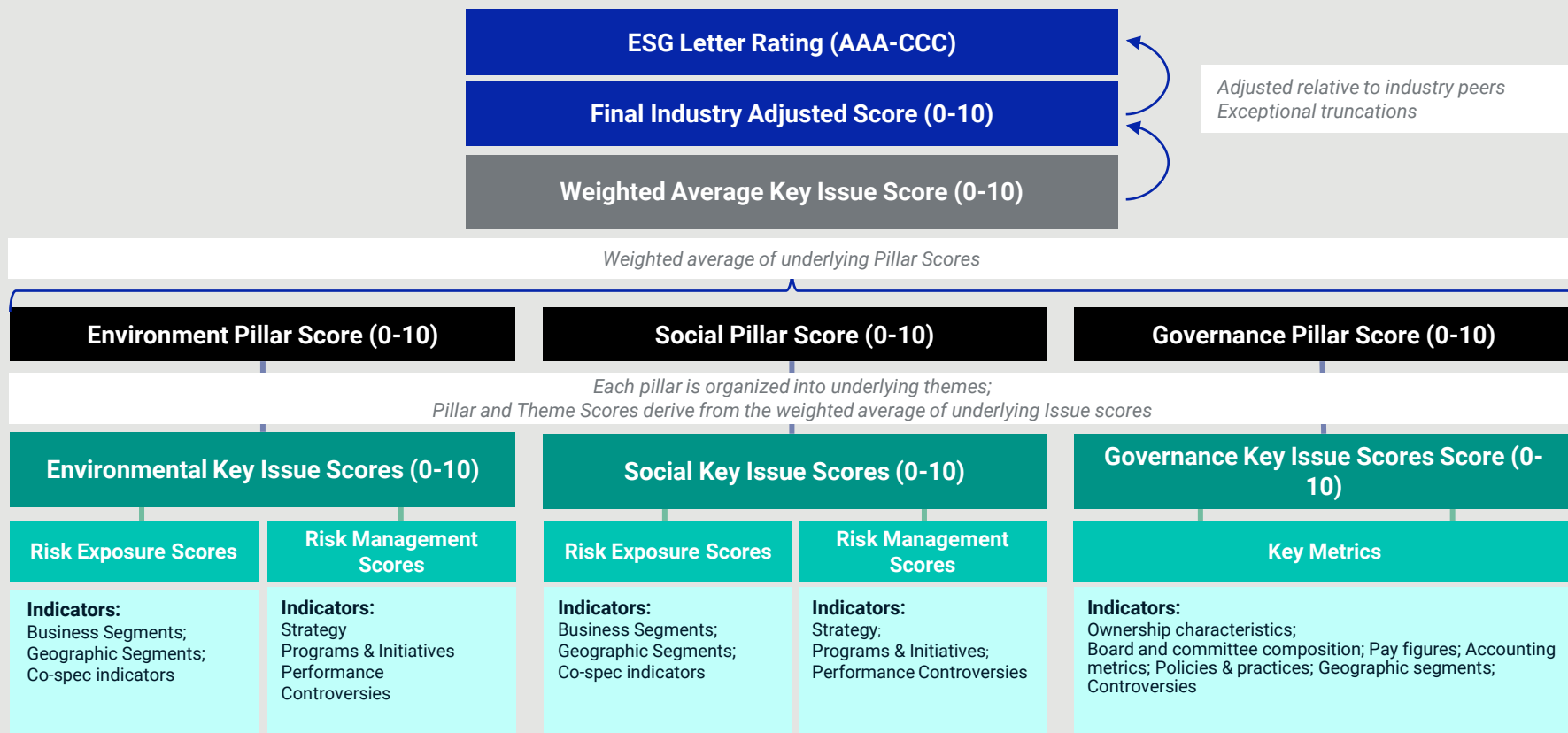


MSCI ESG Ratings & Carbon Emissions



How the scores roll up to the final ESG Rating



MSCI ESG Rating model key issues

Air Canada – Airlines Sub-Industry

MSCI ESG Score									
ENVIRONMENT PILLAR				SOCIAL PILLAR				GOVERNANCE PILLAR	
Climate Change	Natural Capital	Pollution & Waste	Env. Opportunities	Human Capital	Product Liability	Stakeholder Opposition	Social Opportunities	Corporate Governance	Corporate Behavior
Carbon Emissions	Water Stress	Toxic Emissions & Waste	Clean Tech	Labor Management	Product Safety & Quality	Controversial Sourcing	Access to Communication	Board	Business Ethics
Product Carbon Footprint	Biodiversity & Land Use	Packaging Material & Waste	Green Building	Health & Safety	Consumer Financial Protection	Community Relations	Access to Finance	Pay	Tax Transparency
Financing Environmental Impact	Raw Material Sourcing	Electronic Waste	Renewable Energy	Human Capital Development	Privacy & Data Security		Access to Health Care	Ownership	
Climate Change Vulnerability				Supply Chain Labor Standards	Responsible Investment		Opportunities in Nutrition & Health	Accounting	
					Insuring Health & Demographic Risk				
					Chemical Safety				

 Airlines Sub-Industry: e.g. Air Canada

 Universal key issues applicable to all industries

Key research questions

1

Q: How is the company governed?

How do governance structures impede / enable it to be a long-term steward of capital?

A: *Analyze ownership structure, board, incentives and behavior.*



2

Q: What risks does the company face?

How exposed is its business model to relevant short-, medium- and long-term ESG risks?

A: *Map company operations to an extensive proprietary database of ESG risk factors.*



3

Q: What does the company say?

What is its strategy for managing these risks?
What measures has it put in place?

A: *Benchmark company disclosures and policies vs. industry peers.*



4

Q: What does the company do?

What evidence do we see that these risks are being managed?
What is its track record?

A: *Evaluate alternative data from sources outside the company.*

Governance assessment for all companies

Detailed analysis of:

- Shareholders and management alignment
- Relationship of governance structures, events, and corporate behavior
- Local market standards
- Business ethics policies and corruption risk
- Tax controversies



Board

Size, director election standards, tenure and gender diversity
Assessment of financial, industry and risk management expertise



Pay

Robust data on CEO pay. Analysis of pay for performance link.
Assessment of compensation committee independence



Ownership and Control

Ownership structure, shareholder rights and key takeover defenses
Major owners and insider holdings



Accounting

Audit committee structure and fees paid to outside auditors. Transparency metrics tied to revenue, expense recognition, asset-liability valuation



Business Ethics

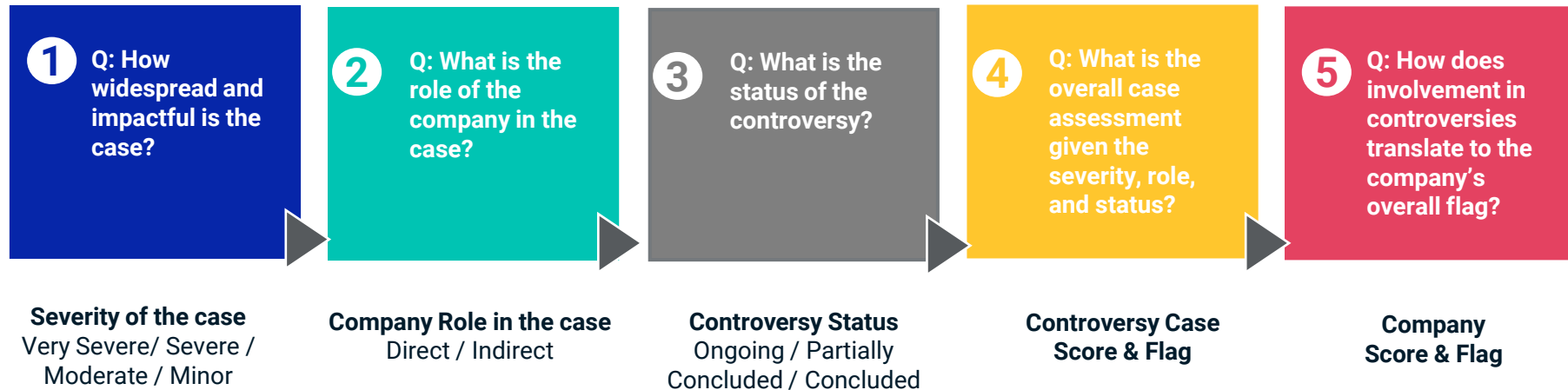
Oversight and management of business ethics issues, involvement in business ethics controversies, and exposure to corruption risks



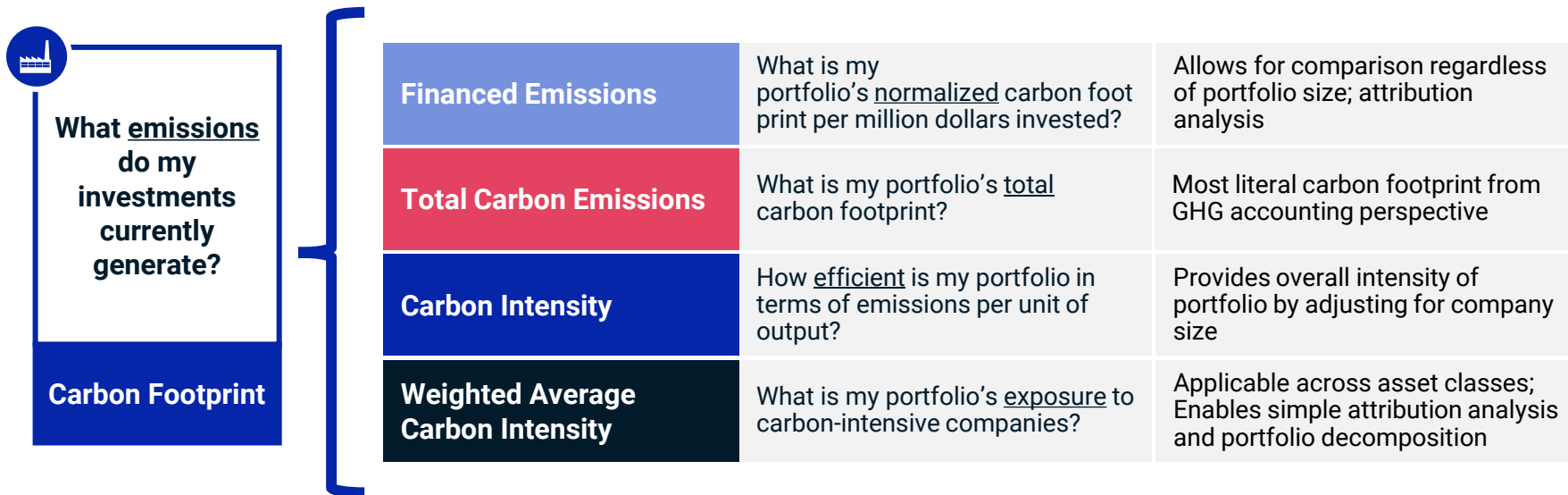
Tax Transparency

Estimated corporate tax gap and involvement in tax-related controversies

Key Questions Addressed by MSCI ESG Controversies



What does a Carbon Footprint measure?



MSCI Environmental Impact Metrics

MSCI Environmental Impact Metrics* are designed to estimate the **portion of revenue** from products and services with positive impact on the environment and those that enable sustainable operations.

CLIMATE CHANGE			NATURAL CAPITAL		
 Alternative Energy & technology	 Carbon & Energy Efficiency	 Green Building	 Sustainable Water	 Pollution Prevention	 Sustainable Agriculture
• Biomass/ Biogas • Biofuels • Batteries / Energy Storage(alternative) • Fuel Cells • Solar • Wind • Small Hydro • Wave Tidal • Geothermal • Waste-to-energy	• LED/CFL Lighting • Demand-side Management • Smart Grid • Energy Efficient Industrial Automation • Electric/ Hybrid vehicles • Clean Transport Infrastructure • Insulation • Superconductors • Batteries / Energy Storage (conventional) • IT Optimization	• Property Owners & Managers • Green Building Construction & Consultancy	• Waste Water Treatment • Water Recycling Equipment & Services • Desalinization • Drought-Resistant Seeds • Smart Metering Devices • Water Infrastructure & Distribution • Rainwater Harvesting	• Conventional Pollution Control • Low Toxicity / VOC • Reuse & Recycling • Waste Treatment • Environmental Remediation	

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