

MSCI ESG Government Ratings Methodology - Process

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1 Rating, score, and data updates

1.1 Obtaining ESG data

Our analytical staff assess hundreds of data points across ESG Risk Exposure and ESG Risk Management, focusing on the risk factors and data that may affect the long-term sustainability of countries.

On each risk factor, we collect and standardize a wide range of publicly available data from inter-governmental databases and other third-party sources. Other third-party data includes data sourced from government databases, data vendors and non-governmental organizations (NGOs).

1.1.1 Data sources

MSCI ESG Research relies only on reputable public sources to assess countries' ESG risk exposure and risk management and calculate ESG Government Ratings. The following sources, without constituting an exhaustive list, are representative of the sourced used:

- Convention on Biological Diversity, United Nations
- Economist Intelligence Unit (EIU)
- Emission Database for Global Atmospheric Research (EDGAR), European Commission
- Environmental Vulnerability Index (EVI). Developed by the South Pacific Applied Geoscience Commission (SOPAC), the United Nations Environment Program (UNEP) and their partners.
- Freedom House
- Human Development Report (HDR), UN Development Programme
- International Budget Partnership
- International Labor Organization (ILO)
- International Monetary Fund (IMF)
- Natural Resource Governance Institute (NRGI)
- Reporters Without Borders (RSF)
- South Pacific Applied Geoscience Commission (SOPAC)
- Transparency International

- United Nations Conference on Trade and Development (UNCTAD)
- United Nations Educational, Scientific and Cultural Organization (UNESCO)
- United Nations Environment Programme (UNEP)
- United Nations International Children’s Emergency Fund (UNICEF)
- US Central Intelligence Agency (CIA)
- US Energy Information Administration (EIA)
- US Geological Survey (USGS)
- Vision of Humanity
- World Bank
- World Health Organization (WHO)
- World Resource Institute (WRI) Aqueduct

1.1.2 Treatment of missing data

In certain cases, MSCI ESG Research uses estimations when a country-related figure is not available. Our estimation methodologies typically rely on regional and income averages, regional criteria, and extrapolation from country data to derive more granular values.

1.2 Data and score updates

1.2.1 Ongoing updates of data and scores

Generally, data is obtained by MSCI ESG Research on an annual basis. In addition, countries are monitored by MSCI ESG Research on an ongoing basis. They are also monitored for any extraordinary event or unanticipated or exceptional circumstances on a systematic and ongoing basis through Sovereign Watch. Please refer to Section 2.4, Sovereign Watch, of “MSCI ESG Government Ratings Methodology” for additional details.

1.2.2 Timing of analyst review

The ESG Government Ratings are reviewed by analytical staff on an annual basis. The timing of this review is determined solely by MSCI ESG Research. At the time of review, analytical staff incorporate the latest data available for countries. MSCI ESG Government Ratings aim to incorporate data from all relevant databases published up to three months prior to the ESG Government Ratings action date.

Ad-hoc updates of ESG Government Ratings may occur in certain exceptional circumstances determined at the sole discretion of MSCI ESG Research.

2 Ratings quality review, analytical review and oversight processes

The ESG Government Ratings process includes multiple steps to review the quality of analysis and consistent application of the methodology.

Formal in-depth quality review processes take place at each stage of assessment, including automated and manual quality checks of data, and review and assignment of ratings by ESG rating staff.

Data quality review: The ESG Ratings analysts undertake several quality assurance checks on countries' data before ESG ratings are assigned. These quality checks include, but are not limited to, checks for null values, breaches of predefined thresholds, data estimation checks, and contextual analysis of data outliers to determine data serviceability.

Analytical review: Following updates to data and quality review, analytical staff review the factor inputs and the overall model output (such as the distribution of Government ESG Ratings and Government ESG Rating Outlooks). All Sovereign Watch proposals are also reviewed by analytical staff.

ESG Assessment Committee: This committee reviews all changes to Government ESG Ratings and all new changes to positive and negative Government ESG Rating Outlooks, typically on an annual basis. All Sovereign Watch proposals are reviewed by this committee.

3 Methodology governance and methodology changes

The ESG Methodology Committee reviews and approves all changes to the ESG Government Ratings methodology, including:

- Changes to data sources.
- Changes to calculations.
- Methodology proposals for consultation.

4 Methodology changes resulting from exceptional circumstances

In exceptional circumstances, MSCI ESG Research may determine that it is necessary to change the Government ESG Ratings methodology for a particular country or for all countries, or apply score adjustments as MSCI ESG Research deem relevant. These determinations are made by the ESG Methodology Committee. For example, such events or circumstances may include, but are not limited to, significant geopolitical conflicts, market upheavals, selected Sovereign Watch events, or force majeure or similar events that limit or reduce access to relevant or reliable input data. MSCI ESG Research will inform market participants as per its applicable internal procedures.

Appendix 1: MSCI ESG Government Ratings Coverage

MSCI ESG Government Ratings model assesses ESG risks for 198 sovereigns. The ESG ratings assessment is also available for selected sub-sovereign and supranational issuers, including:

- Selected local authorities (see Exhibit A1.1)
- Four supranational administrative bodies: European Community, European Union, European Stability Mechanism, and European Financial Stability Facility

Exhibit A1.1: Local authorities rating coverage

Germany (DE)		Canada (CA)
Baden-Wuerttemberg	Nordrhein-Westfalen	Alberta
Bayern	Rheinland-Pfalz	British Columbia
Berlin	Saarland	Manitoba
Brandenburg	Sachsen	New Brunswick
Bremen	Sachsen-Anhalt	Newfoundland and Labrador
Hamburg	Schleswig-Holstein	Nova Scotia
Hessen	Thuringen	Ontario
Mecklenburg-Vorpommern	Selected Laender bonds	Quebec
Niedersachsen		Saskatchewan
Switzerland (CH)	United States (US)	Australia (AU)
Basel-Country, Canton of	California	New South Wales
Basel-Stadt, Canton of	Connecticut	Queensland
Geneve, Canton of	Illinois	South Australia
Zuerich, Canton of	Massachusetts	Western Australia
	Oregon	Victoria
	Texas	Northern Territory
		Tasmania
		Australian Capital Territory (ACT)
Others	Supranational Bodies	
Tokyo	European Union	European Stability Mechanism (ESM)
Ile-de-France, Region of	European Community	European Financial Stability Fund (EFSF)

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