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**ESG Ratings of MSCI ACWI Index Companies:  
DOW 30 and Global 500 European Constituents**

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**Abstract**

*The research examines the MSCI Environmental, Social and Governance (ESG) ratings of US companies comprising the Dow 30 and provides a comparison to the ratings of Fortune 500 Global companies domiciled in Europe that are included in the MSCI All Country World Index (ACWI). MSCI Ratings for over 2,800 companies are publically available and measure a company's resilience to long-term, financially relevant ESG risks. This report includes, inter alia, (1) a five-year trend analysis (i.e., 2015-2019) of MSCI ESG ratings for a sample of 140 companies as well as analyses and geographic comparisons for sample companies disaggregated as follows: US Dow 30 and Europe (and within Europe for France, Germany, UK, Switzerland, Spain, Netherlands, Italy, Ireland, and Poland); (2) for the Dow 30 and European subsamples, a five-year by industry trend analysis (i.e., 2015-2019) of MSCI ESG ratings. Industry classification is based on the Global Industry Classification Standard (GICS); (3) a comparative analysis of the percentage of Dow 30 and European (and within Europe for France, Germany, UK, Switzerland, Spain, Netherlands, Italy, Ireland, and Poland) MSCI companies classified as ESG leaders, average performers, and laggards in 2019; (4) a five-year trend analysis of ESG ratings for the 18 CEE Top 500 companies included in the MSCI ACWI Index.*

**Keywords:** MSCI ESG Ratings, DOW 30, Fortune 500 Global Companies.

**JEL Classification:** Q01

**1. Introduction**

This research examines the MSCI Environmental, Social and Governance (ESG) ratings of United States (US) companies comprising the Dow 30 and provides a comparison to the ratings of Fortune 500 Global companies domiciled in Europe that are included in the MSCI All Country World Index (ACWI). MSCI Ratings measure a company's resilience to long-term, financially relevant ESG risks. Dow 30 companies are considered to represent the present state of the US economy. Thus, their performance, including in terms of exposure to ESG risks and how well the constitute companies manage these risks, receive considerable attention from

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investors, the media, and the public at large. As such, it is logical for stakeholders to expect Dow 30 companies to be ESG leaders. However, a five-year analysis of MSCI ESG ratings from 2015-2019, indicates the Dow 30 have much work to do. Throughout the period, the Dow 30 ratings were consistently significantly lower than those of Fortune 500 Global companies domiciled in Europe and included in the MSCI ACWI Index.

## **2. Problem Statement**

Huber and Comstock (2017) provide an overview and analysis of eight ESG service providers including MSCI. Regarding reputation and usage, they identify several institutional users of MSCI ESG ratings including Black Rock, State Street Global Advisors, and Allianz Group.

Several academic studies have utilized the MSCI ratings. Skousen and Li (2019) find a significant positive relation between employee performance and employee dimension ratings; their study is based on ratings from 1991-2015. Polbennikov et.al. (2016) discuss the impact of ESG considerations on performance and valuation of corporate bonds. They identify lower credit risk of companies with high ESG scores. Harjoto et.al. (2019) provide evidence that, for US companies, board nationality diversity and educational background diversity are positively associated with corporate social performance. Their findings thus indicate that improving director nationality diversity and educational background diversity could improve firms' social performance. The authors conclude that the increasing trend of foreign nationals on US boards could shift the focus of US companies to be more stakeholder-oriented. Based on a sample of publicly traded US real estate companies, Cajias et.al. (2014) find a positive relationship between MSCI ESG ratings and Tobin's Q; ESG concerns, rather than strengths, drive the effect. Overall, ESG ratings are associated with lower returns. Furthermore, negative scores appear to be associated with higher returns, at least in the short run, while positive scores have no significant impact on returns. Chan et.al. (2017) examine whether different states of cash flow liquidity influence the extent of a firm's CSR activities. They find a significant negative association between CSR activities and the degree of financial constraints/distress. Their results suggest that companies facing financial constraints, generally, do not engage in any CSR activities.

## **3. Research questions/Aims of the research**

The above-mentioned studies utilize an extensive MSCI database provided behind a paywall. Calvin and Street (2020), alternatively, utilize a subset of the MSCI ratings database, which recently became publicly available in 2019. Their study of US Dow 30 companies indicates that United Nations Conference on Trade and Development (UNCTAD) International Standards of Accounting and Reporting (ISAR) Global Core Indicator (GCI) disclosure levels are generally higher for GCIs associated with financially relevant (as defined by MSCI) ESG

issues, suggesting companies are more likely to address sustainability when doing so aligns with their mandate to shareholders. Correlation analyses reveal that GCI disclosure level indices moderately or strongly correlate with two of three MSCI sustainability ratings, highlighting companies' focus on financially relevant areas. The authors further report that the MSCI ratings of the Dow 30 have, in general, trended higher over time, with increases driven by companies in the Manufacturing, Financial, and Retail industries. The present study builds on Calvin and Street (2020) by further examining the MSCI ratings of the Dow 30 and providing a comparison to 110 Fortune Global 500 companies domiciled in Europe.

#### 4. Research Methods

The primary sample is comprised of the Dow 30 and the Fortune (2019) Global 500 companies domiciled in Europe that are included in the MSCI All Country All World Index (ACWI) and for which publicly available MSCI ESG ratings are available. The MSCI (2020) ACWI represents the performance of large- and mid-cap stocks in 23 developed and 26 emerging markets. At the beginning of 2020, the comprehensive index covered 14,782 companies representing approximately 99% of all global equity investment opportunities.<sup>2</sup>

In 2019, MSCI made publically available<sup>3</sup> its ESG ratings for approximately 2,800 MSCI ACWI companies. The ratings represent a measure of a company's resilience to long-term, financially relevant ESG risks. For each company in the database, the following information is available.

- An annual overall rating for each of the most recent five years. The ratings reflect exposure to ESG risks and how well a company manages those risks relative to its peers.
- A rating distribution indicating where the company falls (i.e., percentile) within its industry and classification of the company as a leader, average, or laggard within its industry.
- For key issues material to the company's industry (e.g., corporate governance, corruption and instability, product safety and quality, carbon emissions, water stress) classification of the company as a leader, average, or laggard.

The research includes, *inter alia*,

- A five-year trend analysis (i.e., 2015-2019) of MSCI ESG ratings for a sample of 140 companies as well as analyses and geographic comparisons for sample companies disaggregated as follows: US Dow 30 and Europe (and within Europe for France, Germany, UK, Switzerland, Spain, Netherlands, Italy, Ireland, and Poland).

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<sup>2</sup> See <https://www.msci.com/documents/10199/f7349d88-8c6f-46dc-bf0d-f2e02e1f5be5>. During 2020, MSCI plans to make ratings for 7,500 of the MSCI ACWI publically available. See MSCI (2019).

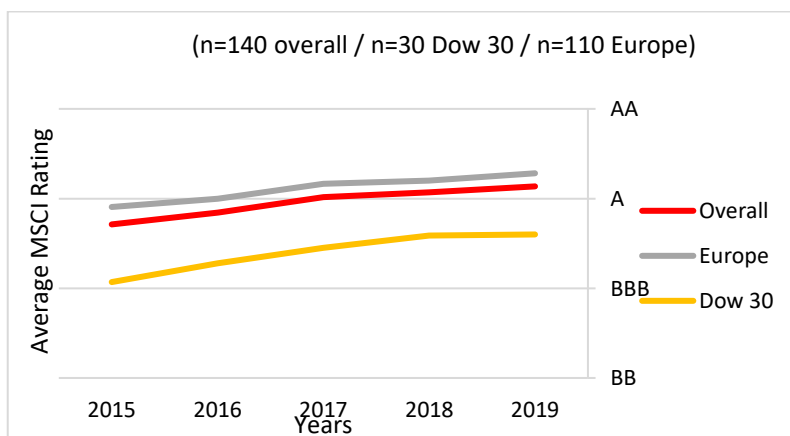
<sup>3</sup> Available at <https://www.msci.com/esg-ratings>.

- For the Dow 30 and European subsamples, a five-year by industry trend analysis (i.e., 2015-2019) of MSCI ESG ratings. Industry classification is based on the Global Industry Classification Standard (GICS).
- A comparative analysis of the percentage of Dow 30 and European (and within Europe for France, Germany, UK, Switzerland, Spain, Netherlands, Italy, Ireland, and Poland) MSCI companies classified as ESG leaders, average performers, and laggards in 2019.
- A five-year trend analysis of ESG ratings for the 18 CEE Top 500 companies included in the MSCI ACWI Index.

## 5. Findings

### 5.1. By region/country findings

2019 MSCI ESG ratings are publicly available for all of the Dow 30 companies. Annual comparative ratings are available for 2015-2019 for 29 of the companies. 2017-2019 MSCI ESG ratings are available for 110 Fortune Global 500 companies domiciled in Europe. 2016 and 2015 data are available for 106 and 97, respectively, of the European companies. As reflected in Figure 1, the average (mean) overall MSCI ESG Rating for the full sample of Dow 30 and European companies rose from slightly below A in 2015 and 2016, to approximately A in 2017, to slightly above A in 2018-2019. In 2019, MSCI assigned an ESG rating of AAA to only 25 sample companies (i.e., 2 Dow 30, 6 French, 4 German, 1 UK, 1 Swiss, 4 Spanish, 2 Italian, 3 Irish, 1 Austrian, and 1 Norwegian). The lowest assigned ESG rating in 2019 was for a German company rated CCC consistently from 2016 through 2019.



**Figure 1. Average MSCI rating for Dow 30 and European companies**

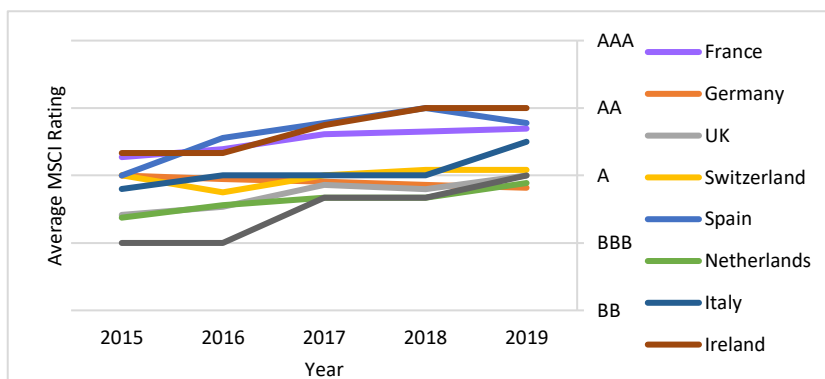
As shown in Figure 1, the performance of the Dow 30 companies throughout the five-year period was, in general, consistently lower than that of the sample European companies (significant each year at  $p = .01$ ). The average overall MSCI

ESG Rating for the Dow 30 rose steadily from approximately BBB in 2015 to exceed the mid-point of A and BBB in 2018 and 2019. As noted above in 2019, MSCI assigned a rating of AAA to only two Dow 30 companies. MSCI rated the remaining Dow 30 as follows, AA 5, A 9, BBB 8, BB 5, and B 1 (not tabulated).

As illustrated in Figure 1, the average overall MSCI ESG Rating for the European companies increased from approximately A in 2015, to A in 2016, to exceed A in 2017 through 2019. In 2019, MSCI assigned a rating of AAA to 23 of the European sample companies. MSCI rated the remaining European as follows, AA 24, A 34, BBB 21, BB 7, and CCC 1 (not tabulated).

Figure 2 shows the average ESG ratings of European companies by country (with three or more companies). In general,

- The ESG rating of French companies (n= 23) rose each year beginning in 2015 at slightly above A to exceed the A and AA mid-point in 2017 through 2019.
- The ESG rating of German companies (n=22) fell during the period from A in 2015 to somewhat below A during 2016-2019. The decline may be explained by the inclusion of the only sample company rated as CCC in 2016.
- The ESG rating of UK companies (n=15) rose overall during the five-year period. The ratings were below the A and BBB mid-point in 2015 and rose to above the mid-point in 2016. The rating rose further towards A in 2017 and 2018. By 2019, the average ESG rating for UK companies was A. Swiss companies' (n=12) ESG rating hovered around A for the five-year period dropping below A (to the A and BBB .75 point) only in 2016.
- Spanish companies (n=9) began the period with an average rating of A in 2015 and rose consistently through 2018 (exceeded AA and A mid-point in 2016 and exceeded AA and A .75 point in 2017) to reach AA before dipping to approximately the AA and A .75 point in 2019.
- The ESG rating of Dutch companies (n=9) rose consistently throughout the period from below the A and BBB mid-point in 2015, to exceed the A and BBB midpoint 2016 – 2018, to exceed the A and BBB .75 point in 2019.
- In 2015, Italian companies (n=6) had an average ESG rating of slightly below A. Italian companies then performed at the A level 2016-2018 and then rose to the AA and A mid-point in 2019.
- Irish companies (n=4) were, on average, among the highest ESG rated European companies throughout the period. In 2015 and 2016, they were rated above A and rose to the three-quarters point between AA and A in 2017. In 2018 and 2019, the Irish companies were, on average, the highest ESG rated European companies at AA.
- At BBB, Polish companies (n=3) began the period with the lowest average ESG rating in 2015 and 2016. By 2017 and 2018, the average rating rose to exceed the A and BBB mid-point. In 2019, the average ESG rating for Polish companies rose to A.

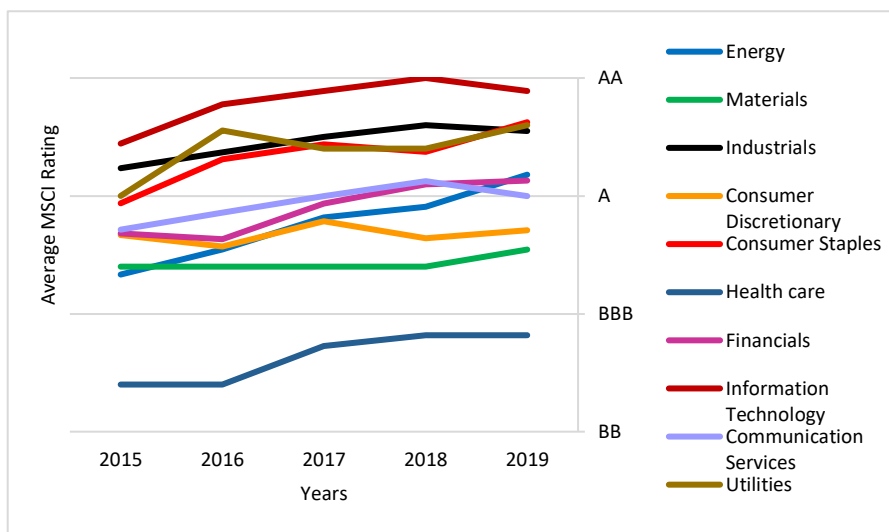


**Figure 2. Average MSCI rating for European companies by country**

### 5.2. By industry findings

Utilizing the Global Industry Classification Structure (GICS), Figure 3 provides an overview of the average 2019 ESG ratings of the 140 sample companies by industry. GICS represents a collaborative effort of S&P Dow Jones Indices and MSCI. GICS categorizes companies into 11 major industry groups with each group further subdivided into industries.

- Energy (Energy Equipment & Services / Oil Gas & Consumable Fuels) (n=11 / n=2 Dow 30 / n=9 Europe)
- Materials (Chemicals / Construction Materials / Containers & Packaging / Metals & Mining / Paper & Forest Products) (n=11 / n=1 DOW 30 / n=10 Europe)
- Industrials (Capital Goods / Commercial & Professional Services / Transportation) (n=20 / n=4 DOW 30 / n=16 Europe)
- Consumer Discretionary (Automobiles & Components / Consumer Durables & Apparel / Consumer Services / Retailing) (n = 14 / n=3 Dow 30 / n=11 Europe)
- Consumer Staples (Food & Staples / Food, Beverage & Tobacco / Household & Personal Products) (n= 16 / n=4 Dow 30 / n=12 Europe)
- Health Care (Health Care Equipment & Services / Pharmaceuticals, Biotechnology & Life Sciences) (n = 11 / n=4 Dow 30 / n=7 Europe)
- Financials (Banks / Diversified Financials / Insurance) (n=30 / n=4 Dow 30 / n=26 Europe)
- Information Technology (Software & Services / Technology Hardware & Equipment / Semiconductors & Semiconductor Equipment) (n = 9 / n=6 Dow 30 / n=3 Europe)
- Communication Services (Telecommunication Services and Media & Entertainment) (n=8 / n=2 Dow 30 and n=6 Europe)
- Utilities (n = 10 / n=10 Europe)
- Real Estate (n=0)



**Figure 3. Average MSCI rating of Dow 30 and European companies by industry**

The sample includes companies representing 10 GICS industries (i.e., no Real Estate representation). As illustrated in Figure 3, for the overall sample throughout the five-year period, in general, the highest performing industry was Information Technology (IT). In 2015, IT companies were rated below the AA and A midpoint. In 2016 and 2017, the rating was above the AA and A .75-point, and by 2018 the rating had reached AA. The average ESG rating for the IT industry fell slightly below AA in 2019.

Between 2015 and 2019, the next best performing companies were in the Industrials, Utilities, and Consumer Staples industries. In 2015 and 2016, Industrials average ESG rating was above A. The rating then rose to reach the AA and A midpoint in 2017 and to exceed the AA and A midpoint for both 2018 and 2019.

In 2015, in general, Utilities were rated A. In 2016, the average rating was approximately midway between AA and A. The average rating dropped slightly below the AA and A mid-point for 2017 and 2018. In 2019, the Utilities average ESG rating had again risen to above the AA and A mid-point.

In 2015, the average MSCI rating for Consumer Staples was approximately A. The rating then increased but remained below the AA and A mid-point between 2016 and 2018. In 2019, in general, Consumer Staples ESG rating had risen to exceed the AA and A mid-point.

The next cluster of industries includes Communications Services, Financials, Energy, and Consumer Discretionary. In general, Communications Services were rated below A in 2015 and 2016 and rose to reach A in 2017. Average ESG ratings for Communication Services rose slightly higher than A for 2018 and then dropped back to A in 2019.

In general, companies in the Financials industry were rated below A in 2015 and 2016 and then the rating rose to almost reach A in 2017. In 2018 and 2019, the average ESG ratings for the Financials industry rose to slightly exceed A.

Throughout the five-year period, the average ESG rating for companies in the Consumer Discretionary industry was above the A and BBB mid-point. In 2017 and 2019, the rating was approximately at the A and BBB .75 point.

Companies in the Energy industry were, on average, rated below the A and BBB mid-point in 2015 and rose to approximately the A and BBB mid-point in 2016. On average, the ESG rating continued to rise toward A in 2017 and 2018 to exceed the A and BBB .75 point. In 2019, the average ESG rating for Energy companies exceeded A.

Throughout the five-year period, in general, companies in the Materials industry were consistently among the lowest rated. Between 2015 and 2018, Materials were, on average, below the A and BBB mid-point. Materials' average ESG rating rose in 2019 to the A and BBB mid-point.

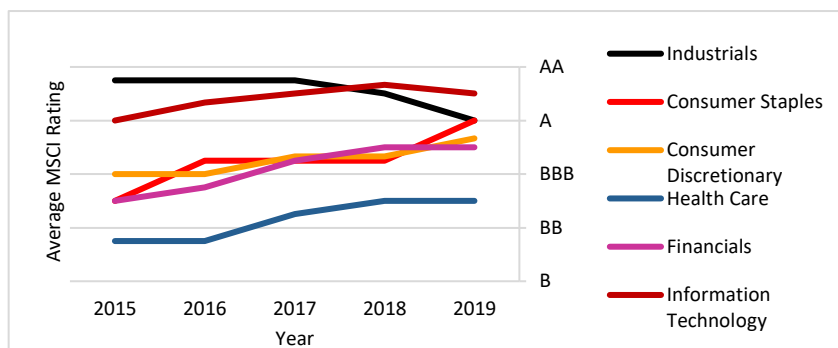
Throughout the five-year period, in general, the lowest ESG ratings were for the Healthcare industry. The average ratings were below the BBB and BB mid-point in 2015 and 2016. The average rating rose to approximately the BBB and BB mid-point in 2017 and further rose to exceed the BBB and BB .75 point in both 2018 and 2019.

Figures 4 and 5 provide an overview of average MSCI ratings by industry for the Dow 30 and European companies, respectively. All industries with four or more observations are included. As illustrated in Figure 4, throughout the five-year period, in general, the top rated Dow 30 companies were those in the Industrials and IT industries. For 2015-2017, the average ESG rating for Dow 30 companies in the Industrials industry were at the .75 point between AA and A. The average rating fell to the AA and A mid-point in 2018 and then to A in 2019.

In 2015, the average ESG rating for Dow 30 companies in the IT industry was A. The rating rose the next two years to reach the AA and A mid-point in 2017. The rating was higher in 2018 but remained below the AA and A .75 point. The average ESG rating for Dow 30 IT companies dropped in 2019 returning to the AA and A mid-point.

Throughout the five-year period, the average ESG ratings for Dow 30 companies in the Financials, Consumer Staples, and Consumer Discretionary industries were consistently below A with one exception (i.e., the average rating for Consumer Staples rose to A in 2019). In 2015, the average ESG rating for Dow 30 Financials was at the BBB and BB mid-point. In 2016, the average ESG rating had risen to the BBB and BB .75 point. In 2017, the average rating exceeded BBB. In both 2018 and 2019, the average ESG rating for Dow 30 Financials was at the A and BBB mid-point.





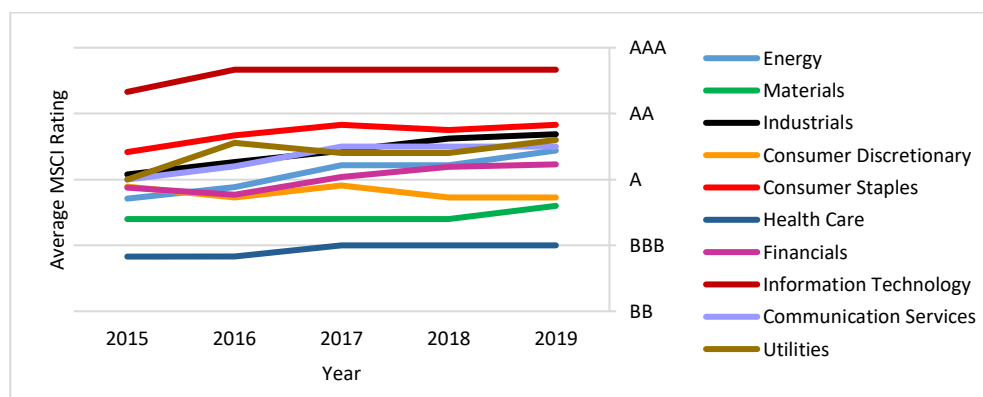
**Figure 4. Average MSCI rating of DOW 30 companies by industry**

In 2015, the average ESG rating for Dow 30 companies in the Consumer Staples industry was at the BBB and BB mid-point. During 2016-2018, the average rating was consistently higher and exceeded BBB. In 2019, the average ESG rating for Dow 30 companies in the Consumer Staples industry rose to A.

In 2015 and 2016, the average ESG rating for Dow 30 companies in the Consumer Discretionary industry was BBB. The rate rose to exceed BBB in 2017 and 2018. In 2019, the average ESG rating for Dow 30 companies in the Consumer Discretionary industry rose to exceed the A and BBB mid-point.

Consistent with the overall sample, the lowest average ESG ratings for the Dow 30 was for the Healthcare industry. In 2015 and 2016, the average rating was at the BB and B .75 point. The rating rose to above BB in 2017 and continued to rise to the BBB and BB mid-point for both 2018 and 2019.

Figure 5 provides an overview of the by industry average MSCI ESG ratings for European sample companies. For the five-year period, on average, the highest rated companies were consistently those in the IT industry. In 2015, the average ESG rating for the IT industry exceeded AA. The average rating rose for European IT companies in 2016 and remained consistent for the remainder of the period to exceed the AAA and AA mid-point.



**Figure 5. Average MSCI rating of European companies by industry**

The next highest rated European companies for the five-year period were in the Consumer Staples industry. On average, the 2015 rating for Consumer Staples was below the AA and A mid-point. In 2016, the rate rose to exceed the AA and A mid-point. For 2017-2019, the average ESG rating for European Consumer Staples exceeded the AA and A .75 point.

On average, European companies in the Communication Services, Industrials, and Utilities industries were rated A or slightly above A in 2015. The average ESG rating for all three industries rose during the period to exceed A and to reach (Communications Services) or slightly exceed the AA and A mid-point (Industrials and Utilities) by 2019.

European companies in the Consumer Discretionary, Energy, and Financials industries, on average, were rated below A in 2015. The average rating for European companies in the Consumer Discretionary industry remained below A the entire five-year period. The average ESG rating for Energy companies rose to exceed A in 2017 and remained above A for the rest of the period. For European companies in the Financials industry, the average ESG rating rose during the period to exceed A in 2017, 2018, and 2019.

For 2015-2018, the average rating for European companies in the Materials industry was below the A and BBB mid-point. The average ESG industry rating for Materials rose to exceed the A and BBB mid-point in 2019.

Consistent with the overall and Dow 30 results, the lowest rated European companies were those in Healthcare. In 2015 and 2016, the average ESG rating was below BBB. The average ESG rating rose to BBB in 2017 where it remained through 2019.

### ***5.3 Findings – leaders, average, laggards***

For 2019, Table 1 summarizes the overall ESG performance of sample companies on issues viewed as material to their specific MSCI industry. Table 1 also presents ratings for specific material issues affecting 10 or more companies.

Findings for the Dow 30 appear in Panel A. In 2019, MSCI classified 23.33% of the Dow 30 as industry leaders, 73.33% as average, and 3.33% as laggards. Notably, in terms of Corporate Governance, MSCI categorized the Dow 30 as follows within their industries, 6 (20%) leaders, 20 (66.67%) average, and 4 (13.33%) laggards. A notable finding is that of the Dow 30 companies for which MSCI views Opportunities in Clean Tech as a material issue, 90% (9 of 10) were leaders in 2019. An especially concerning finding is that for the 11 Dow 30 companies rated on Product Safety and Quality, 81.82 (9 of 11) were categorized as industry laggards.

Panel B of Table 1 presents the results for the 110 European sample companies. In 2019, MSCI classified 42.73% of the European companies as industry leaders, 56.36% as average, and 0.91% as laggards. On Corporate Governance, MSCI categorized the European companies as follows within their industries, 56 (50.91%) leaders, 49 (44.55%) average, and 5 (4.54%) laggards. Notable findings include that of those companies operating in industries where MSCI views

Privacy and Data Security (18 Of 33 / 54.55%), Biodiversity (10 of 20 / 50%), Responsible Investment (10 of 16 / 62.50%), Product Carbon Footprint (10 of 15 / 66.67%), Corruption (17 of 33 / 51.52%), Opportunities in Health (8 of 10 / 80%), Raw Materials Sourcing (10 of 12 / 83.33%), and Financial Environmental Impact (13 of 14 / 92.86%) as a material issue, at least half are industry leaders. On a troubling note, for companies operating in industries where MSCI views Product Safety and Quality (16 of 32 / 50%) and Financial System Instability (13 of 17 / 76.48%) as a material issue, half or more are laggards.

Table 1 indicates the overall performance of French companies on ESG issues viewed as material to their industry. In 2019, MSCI classified 43.48% of the French companies as industry leaders, 73.33% as average.

Regarding country specific findings, in 2019, 50% or more of the companies domiciled in Switzerland (6 of 12 / 50%), Spain (5 of 9 / 55.55%), and Italy (3 of 6 / 50%) are industry ESG leaders. In terms of corporate governance, 80% (12 of 15) of UK, 58.33% (7 of 12) of Swiss, 55.55% (5 of 9) Dutch, and 50% (3 of 6) of Italian companies are corporate governance leaders within their industry.

**Table 1. Percentage of Dow 30 and MSCI European companies classified as leader, average, or laggard within their industry for 2019 (by country)**

	Leader	Average	Laggard
<b>Panel A: Dow 30 Overall (n = 30)</b>	7 / 23.33%	22 / 73.33%	1 / 3.33%
Corporate Governance (n = 30)	6 / 20%	20 / 66.67%	4 / 13.33%
Human Capital Development (n = 14)	6 / 42.86%	8 / 57.14%	0 / 0.00%
Corruption and Instability (n = 12)	4 / 33.33%	8 / 66.67%	0 / 0.00%
Privacy and Data Security (n = 12)	5 / 41.66%	5 / 41.67%	2 / 16.67%
Carbon Emissions (n = 11)	2 / 18.18%	8 / 72.73%	1 / 9%
Product Safety and Quality (n = 11)	1 / 9.09%	1 / 9.09%	9 / 81.82%
Labor Management (n = 10)	4 / 40%	2 / 20%	4 / 40%
Opportunities in Clean Tech (n=10)	9 / 90%	1 / 10%	0 / 0.00%
<b>Panel B: Europe (n= 110 )</b>	47 / 42.73%	62 / 56.36%	1 / 0.91%
Corporate Governance (n = 110)	56 / 50.91%	49 / 44.55%	5 / 4.54%
Carbon Emissions (n = 49)	17 / 34.70%	29 / 59.18%	3 / 6.12%
Human Capital Development (n = 44)	15 / 34.09%	23 / 52.27%	6 / 13.64%
Toxic Emissions (n =41)	15 / 36.58%	22 / 53.66%	4 / 9.76%
Labor Management (n = 41)	4 / 9.76%	21 / 51.22%	16 / 39.02%
Privacy and Data Security (n=33)	18 / 54.55%	15 / 45.45%	0 / 0.00%
Product Safety & Quality (n = 32)	4 / 12.50%	12 / 37.50%	16 / 50.00%
Opportunities in Clean Tech (n = 27)	11 / 40.74%	15 / 55.56%	1 / 3.70%
Biodiversity (n = 20)	10 / 50.00%	8 / 40.00%	2 / 10.00%
Access to Finance (n = 19)	7 / 36.84%	10 / 52.63%	2 / 10.53%
Financial System Instability (n = 17)	2 / 11.76%	2 / 11.76%	13 / 76.48%
Responsible Investment (n =16)	10 / 62.50%	6 / 37.50%	0 / 0.00%
Product Carbon Footprint (n=15)	10 / 66.67%	3 / 20.00%	2 / 13.33%
Health and Safety (n=28)	12 / 42.86%	15 / 53.57%	1 / 3.57%
Corruption (n=33)	17 / 51.52%	14 / 42.42%	2 / 6.06%
Climate Change Vulnerability (n=11)	4 / 36.36%	7 / 63.64%	0 / 0.00%
Insuring Health and Demographic Risk (n=11)	5 / 45.45%	4 / 36.36%	2 / 18.19%
Opportunities in Nutrition and Health (n=10)	8 / 80%	2 / 20%	0 / 0.00%

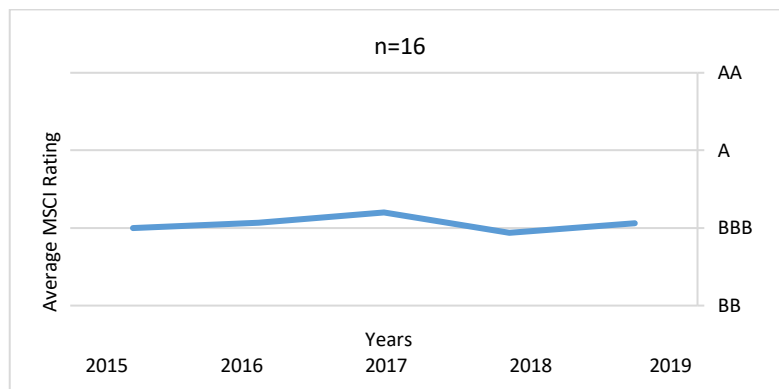
	<b>Leader</b>	<b>Average</b>	<b>Laggard</b>
Water Stress (n=22)	8 / 36.36%	12 / 54.55%	2 / 9.09%
Raw Materials Sourcing (n=12)	10 / 83.33%	2 / 16.67%	0 / 0.00%
Financial Environmental Impact (n=14)	13 / 92.86%	1 / 7.14%	0 / 0.00%
Financial Product Safety (n=10)	2 / 20%	5 / 50%	3 / 30%
<b>Panel C: France (n = 23)</b>	10 / 43.48%	13 / 56.52%	0 / 0.00%
Corporate Governance (n = 23)	10 / 43.48%	12 / 52.17%	1 / 4.43%
<b>Panel D : Germany (n = 22)</b>	9 / 40.90%	12 / 54.55%	1 / 4.55%
Corporate Governance (n = 22)	7 / 31.82	14 / 63.64	1 / 4.54
Labor Management (n = 13)	3 / 23.08%	5 / 38.46%	5 / 38.46%
Carbon Emissions (n = 10)	4 / 40%	4 / 40%	2 / 20%
<b>Panel E: UK (n = 15)</b>	5 / 33.33%	10 / 66.67%	0 / 0%
Corporate Governance (n = 15)	12 / 80%	3 / 20%	0 / 0%
<b>Panel F: Switzerland (n = 12)</b>	6 / 50%	6 / 50%	0 / 0%
Corporate Governance (n = 12)	7 / 58.33%	4 / 33.33%	1 / 8.33%
<b>Panel G: Spain (n = 9)</b>	5 / 55.55%	4 / 44.45%	0 / 0%
Corporate Governance (n = 9)	3 / 33.33%	5 / 55.56%	1 / 11.11%
<b>Panel H: Netherlands (n = 9)</b>	1 / 11.11%	8 / 88.89%	0 / 0%
Corporate Governance (n = 9)	5 / 55.55%	4 / 44.45%	0 / 0%
<b>Panel I: Italy (n=6)</b>	3 / 50%	3 / 50%	0 / 0%
Corporate Governance (n = 6)	3 / 50%	3 / 50%	0 / 0%
<b>Panel J: CEE Overall (n = 16)</b>	3 / 18.75%	11 / 68.75%	2 / 12.50%
Corporate Governance (n = 16)	5 / 31.25%	8 / 50%	3 / 18.75%
Carbon Emissions (n=11)	2 / 18.18%	6 / 54.55%	3 / 27.27%
Toxic Emissions and Waste (n=10)	1 / 10%	8 / 80%	1 / 10%
Health and Safety (n=7)	3 / 42.86%	4 / 57.14%	0 / 0.00%
Corruption (n=7)	3 / 42.86%	2 / 28.57%	2 / 28.57%
Labor Management (n=7)	1 / 14.28%	3 / 42.86%	3 / 42.86%
<b>Panel K: Poland (n= 12 )</b>	1 / 8.33%	9 / 75%	2 / 16.67%
Corporate Governance (n = 12)	5 / 41.67%	4 / 33.33%	3 / 25%
Carbon Emissions (n=8)	0 / 0.00%	5 / 62.5%	3 / 37.5%
Toxic Emissions and Waste (n=6)	1 / 16.67%	5 / 83.33%	0 / 0.00%
Health and Safety (n=5)	1 / 20%	4 / 80%	0 / 0.00%
Labor Management (n=7)	1 / 14.28%	3 / 42.86%	3 / 42.86%

Source: author's own processing

#### 5.4. CEE findings

Given the small representation of CEE domiciled companies in the primary sample, I also examined the MSCI ratings for 16 Top 500 CEE companies covered by the MSCI ESG database; 12 of the companies are domiciled in Poland. As illustrated in Figure 5, for the five-year period of 2015-2019, on average, the MSCI ratings hovered around BBB. As shown in Panel J of Table 1, in 2019, MSCI classified 18.75% of the CEE companies as industry leaders, 68.75% as average,

and 12.50% as laggards. In terms of Corporate Governance, MSCI categorized 31.25% as industry leaders, 50% as average, and 18.75% as laggards. Table 1 also presents separate results for the 12 Polish companies. In 2019, MSCI classified 8.33% of the CEE companies as industry leaders, 75% as average, and 16.67% as laggards. In terms of Corporate Governance, 41.67%, 33.33%, and 25%, of the Polish companies are classified as leaders, average, and laggards, respectively.



**Figure 5. Average MSCI rating of top 500 CEE companies**

## 6. Conclusions

Dow 30 companies are viewed as representative of the present state of the US economy. Thus, their performance, including in terms of exposure to ESG risks and how well the constitute companies manage these risks, receive considerable attention from investors, the media, and the public at large. As such, it is logical for stakeholders to expect Dow 30 companies to be ESG leaders. However, a five-year analysis of MSCI ESG ratings from 2015-2019, indicates that the Dow 30 have much work to do. In general, the average overall MSCI ESG ratings for the Dow 30 rose steadily from above BBB in 2015 to slightly above the mid-point of A and BBB in 2018 and 2019.

Furthermore, throughout the five-year period, the MSCI ESG Dow 30 ratings were consistently lower than those of Fortune 500 Global companies domiciled in Europe and included in the MSCI ACWI Index (significantly lower each year at  $p = .01$ ). The average overall MSCI ESG rating for sample European companies increased from slightly below A in 2015, to A in 2016, to exceed A in 2017 through 2019. Within the European sample, analyses indicated that, on average, the highest ESG ratings were for companies domiciled in Ireland, Spain, and France. The lowest MSCI ratings, on average, were for companies domiciled in the Netherlands and Poland. While the European companies ESG ratings were on average higher than those of the Dow 30, the findings indicate substantial room for improved ESG performance.

A by-industry analysis reveals that, in general, the highest MSCI ESG ratings for the overall sample were for companies in the IT industry. The next highest ESG

ratings were, on average, for companies in the Industrials, Utilities, and Consumer Staples industries. Companies from Communication Services, Financials, and Consumer Discretionary industries comprised the next lowest ESG rated cluster. Average ratings for companies in the Materials industry were lower. The average MSCI ESG ratings for companies in the Healthcare industry were consistently the lowest for each year between 2015 and 2019. The by-industry findings were relatively consistent for the Dow 30 and European sub-samples.

Given the small representation of CEE domiciled companies in the primary sample, we also examined the MSCI ratings for the 16 Top 500 CEE companies covered by the MSCI ESG database. For the five-year period of 2015-2019, on average, the MSCI ratings of the CEE companies hovered around BBB and were each year lower than those of both the Dow 30 and European Fortune 500 Global sub-samples.

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