

# Magni Corporate Governance Indexes



- ▶ **Magni Corporate Governance Index (MAGCGOV)**
- ▶ **Magni Islamic Stewardship Index (MAGISLM)**
- ▶ **Magni Catholic Values Index (MAGCATH)**

Building on its deep knowledge of country-level governance research and its corresponding governance indexes that track emerging markets, EAFE and AWCI ex-US, Magni Global Asset Management has launched three additional indexes based on its secular and faith-based portfolios of large-cap U.S. companies.

Magni's Corporate Governance Assessment takes the research methods used on good country-level governance and applies them to a best practices model for corporate governance, thus creating the **Sustainable Value Creation** principles. These principles analyze 316 qualitative factors for each company. Magni goes beyond assessing each company's relationship with its shareholders and employees; we also assess the relationship with customers, suppliers, competitors, and the communities in which the company operates. **This approach provides a complete and holistic analysis of governance that incorporates the social aspects of ESG investing.** Our research results in a score for each company, and that score determines the company's weight in the index. The indexes will provide investors with historical performance information dating back to January 1, 2013.

**Magni Corporate Governance Index** seeks to track the level of good governance among large-cap companies in the US. Our research focuses on each company's governance structure and stakeholder relationships to assess the level of good governance at a behavioral level.

**Magni Islamic Stewardship Index** combines the Islamic guidance for businesses from the Maqasid with a best-practice model for corporate governance to screen Shariah-compliant large-cap US companies. In addition to its influence on individuals, Islamic guidance for good corporate governance provides a valuable, practical and business-relevant moral compass. When a business incorporates Maqasid values into its conduct, we believe that a better experience or outcome can be achieved.

**Magni Catholic Values Index** combines Catholic Social Teachings with a best-practice model for corporate governance to screen large-cap US companies. A key element missing from existing investment choices of this type is whether a company's behavior is consistent with the values of the Church. Simply put, there is a need for investment portfolios where companies are assessed for good behavior – instead of just avoiding bad behavior.

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When reviewing a company, an investor intuitively tends to have more confidence in a well-run company than one that is not as well run. Transforming this valuable and intuitive insight into a rigorous, repeatable process requires an innovative approach. This approach needs to be holistic and durable, while accomplishing a shift away from disclosures based on company decisions to assessing company impact in the real world. Magni's approach is built on these two pillars.

1

## Good Governance = Honesty and Transparency

The more honest and transparent a company is with its customers, suppliers, employees, competitors, and communities in which the company operates, the greater the positive impact on equity valuations. Magni's **Sustainable Value Creation** principles enable the collection and organization of company level data to evaluate honesty and transparency in a systemic manner. The resulting information can be used when making investment decisions.

2

## Behavior is More Important than Intent

Measuring good governance is not easy. Just because rules and regulations are in place does not mean that they are enforced. A key factor in determining good governance is behavior versus intent.

Magni has developed a unique approach for researching qualitative data to develop objective scores on behavior. Too often companies are rewarded for producing and releasing detailed data about their policies and procedures. This practice requires companies to produce a significant volume of information, without enough attention to quality or usefulness of that information.

### *Common objective scale for quantitative conversion*

Score	Definition
0	No Adherence
1	Insufficient Information
3	Intent Declared
6	Enacted
8	Adherence in Progress
10	Full Adherence

3

## Insightful Approach to ESG Investing

Magni Corporate Governance Indexes evaluate both the governance and the social aspects of ESG investing. Magni's approach is much more insightful than a traditional "check-the-box" approach to governance and social issues. This is what differentiates Magni from other research organizations. In the current ESG environment, most measurement focuses on information that companies are willing to disclose. This rewards companies for generating policies and procedures that relate to governance and social issues, but not their behavior or actual impact.

Working with leaders from major faiths, Magni's Sustainable Value Creation principles are enhanced with guidance from the faiths. Traditional portfolios incorporating religious considerations tend to focus on avoiding companies that were determined to be inconsistent with religious guidance (i.e., negative screening). Magni's Catholic Values Portfolio and Islamic Stewardship Portfolio are based on the consistency of company governance with religious screening (i.e., positive screening).

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