

Congress of the United States

Washington, DC 20510

May 30, 2024

Mr. Henry Fernandez
Chairman and Chief Executive Officer
MSCI Inc.
7 World Trade Center
New York, NY 10007

Dear Mr. Fernandez:

We write with regard to MSCI's decision to lift its "red flag" rating for Volkswagen's jointly-owned facility with Beijing's state-owned SAIC Motor located in the Xinjiang Uyghur Autonomous Region (XUAR) in the People's Republic of China (PRC).

As you are aware, the Chinese Communist Party (CCP) is currently committing genocide against Uyghurs and other predominantly Muslim ethnic groups in the XUAR. The CCP has subjected these populations to detention, forced sterilization, forced abortion, brainwashing, and several forms of forced labor. As a result, the XUAR operates what experts assess to be the world's largest contemporary system of state-imposed forced labor, with more than two million people at risk. Congress responded to these horrific human rights abuses by passing the *Uyghur Forced Labor Prevention Act* (P.L. 117-78), which established a rebuttable presumption that goods mined, produced, or manufactured wholly or in part in XUAR or by an entity on the *Uyghur Forced Labor Prevention Act* Entity List—including those located elsewhere in the PRC—are prohibited from entering the United States.

MSCI's most recent Modern Slavery and Human Trafficking Statement asserts it "strongly opposes slavery and human trafficking and will not knowingly support or conduct business with any organization involved in such activities." It is in this spirit that MSCI originally added a "red flag" rating on Volkswagen in 2022 given its activities in the XUAR. In response to this, Volkswagen commissioned Löning GmbH to conduct an audit on its facilities in the XUAR. The audit apparently found no indications or exposure to forced labor, but relied heavily on a Chinese law firm for on-the-ground inspections. It appears that the audit relied on founder Markus Löning and senior strategy adviser Christian Ewert, as well as two lawyers based in the PRC. Löning GmbH did not conduct any unsupervised inspections or interviews of Volkswagen's operations in the region. Experts have noted that a reliable audit is unable to be conducted in the XUAR, given that Uyghurs and other ethnic groups cannot speak freely, and that conventional audit approaches are unable to assess the presence of state-imposed forced labor.

Shortly after the audit was released, staff of Löning GmbH revolted, criticizing its methodology and lack of transparency. In a highly unusual statement, the firm stated that "no other team member" besides Löning and Ewert "participated in, supported or backed this project." Löning himself has acknowledged the audit was affected by "well-known challenges...collecting data" in the XUAR.

Despite widespread concerns surrounding the audit, including concerns from the auditors themselves, MSCI decided in December 2023 to lift the “red flag” rating on Volkswagen. Volkswagen has continued to partner with certain companies in the PRC that appear to use forced labor since the lifting as well. In February 2024, the House of Representatives Select Committee on Strategic Competition Between the United States and the CCP issued a letter to Volkswagen, highlighting Volkswagen’s ongoing operations in the XUAR and the high likelihood of forced labor products being incorporated in the company’s supply chains. The Select Committee noted that “Volkswagen should not seek to brush off or minimize evidence of Uyghur forced labor within its supply chain.” We are concerned that MSCI may be doing the same.

Accordingly, we request answers to the following questions, by June 21, 2024, so we can better understand why Volkswagen’s “red flag” rating was lifted:

1. What methodology did MSCI use when lifting the “red flag” rating? Please be as detailed as possible.
2. What criteria does MSCI use to make initial “red flag” ratings?
3. What division, department, or entity within MSCI is responsible for making determinations like Volkswagen’s “red flag” rating?
4. To what extent do “red flag” ratings, like Volkswagen’s, impact MSCI’s compositions of indexes? For example, does a “red flag” rating decrease the likelihood of including a company’s security on an index, or decrease the weighting assigned to a company’s security?
5. What interactions has MSCI had with Volkswagen since 2022 with respect to the “red flag” rating?
6. Was MSCI aware that several employees at Löning GmbH criticized the audit, and that the firm’s founder had noted its serious limitations?
7. Will a “red flag” rating be re-imposed on Volkswagen, given the concerns over the audit, reports of Volkswagen’s involvement in forced labor in the XUAR, and the fact that Volkswagen autos were stopped from entry into the U.S. due to concerns over forced labor?

Thank you for your attention to this matter.

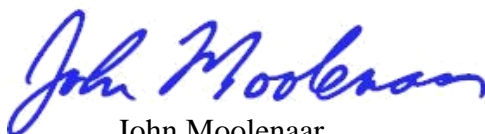
Sincerely,



Marco Rubio
U.S. Senator



Christopher A. Coons
U.S. Senator



John Moolenaar
Member of Congress



Raja Krishnamoorthi
Member of Congress