

# **MSCI GLOBAL EX FOSSIL FUEL INDEXES METHODOLOGY**

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**CONTENTS**

- 1 Introduction ..... 3
- 2 Screening Criteria ..... 4
- 3 Constructing the MSCI Global ex Fossil Fuels Indexes ..... 5
  - 3.1 Underlying universe ..... 5
  - 3.2 Exclusion Criteria ..... 5
  - 3.3 Index Construction ..... 5
- 4 Maintaining the MSCI Global ex Fossil Fuels Indexes ..... 6
  - 4.1 Index Reviews ..... 6
  - 4.2 Ongoing Event-Related Maintenance ..... 6

## **1 INTRODUCTION**

The MSCI Global Fossil Fuels Exclusion Indexes have been developed for use as benchmarks for institutional investors, including pension funds, who aim to eliminate or reduce some or all fossil fuel reserves exposure from their investments. The MSCI Global Fossil Fuels Indexes are currently available in the following two variants:

- MSCI Global ex Coal Indexes
- MSCI Global ex Fossil Fuels Indexes.

Currently MSCI constructs the MSCI Global Fossil Fuels Exclusion Indexes for the Standard size-segment in all MSCI Developed and Emerging Markets. These indexes are free float-adjusted market capitalization weighted.

## 2 SCREENING CRITERIA

MSCI ESG Research collects fossil fuel reserves data for companies that have reserves, typically in the Oil & Gas, Coal Mining and Electric Utilities industries. Fossil fuel reserves can be used for several purposes including energy or industrial uses (e.g. coking coal used for steel production). The data is updated on an annual basis using information disclosed by companies. Sources include company publications, other public records and third party data providers. For newly added companies to the index where data is not available yet, MSCI uses zero fossil fuel reserves<sup>1</sup>.

In the construction of the MSCI Global ex Coal Indexes, only companies with coal reserves used for energy purposes are excluded (i.e. steel companies owning metallurgical coal reserves will not be excluded). Similarly, only companies owning fossil fuel reserves used for energy purposes are excluded from the MSCI Global ex Fossil Fuels Indexes.

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<sup>1</sup> For more information, please refer to the MSCI ESG CarbonMetrics methodology

### **3 CONSTRUCTING THE MSCI GLOBAL EX FOSSIL FUELS INDEXES**

#### **3.1 UNDERLYING UNIVERSE**

The selection universe for the MSCI Global Fossil Fuels Exclusion Indexes is the MSCI All Country World Index (ACWI).

#### **3.2 EXCLUSION CRITERIA**

Companies that have proved & probable coal reserves used for energy purposes are excluded from the MSCI Global ex Coal Indexes. Companies that have proved & probable coal reserves and/or oil and natural gas reserves used for energy purposes are excluded from the MSCI Global ex Fossil Fuels Indexes.

#### **3.3 INDEX CONSTRUCTION**

After the exclusion of constituents from the Parent Index as per the criteria mentioned in section 3.2, the rest of the constituents of the Parent Index are weighted according to their free-float adjusted market capitalization in the MSCI Global ex Coal Indexes and MSCI Global ex Fossil Fuels Indexes.

## **4 MAINTAINING THE MSCI GLOBAL EX FOSSIL FUELS INDEXES**

### **4.1 INDEX REVIEWS**

The MSCI Global Fossil Fuels Exclusion Indexes are reviewed on a quarterly basis to coincide with the regular Semi-Annual and Quarterly Index Reviews of the MSCI Global Investable Market Indexes. The changes are implemented as of the close of the last business day of February, May, August and November.

At index reviews, all companies in the underlying universe are reviewed for inclusion in the MSCI Global Fossil Fuels Exclusion Indexes. For the MSCI Global ex Coal Indexes, any constituent identified as having proved & probable coal reserves, that are used for energy purposes is excluded. For the MSCI Global ex Fossil Fuels Indexes, any constituent identified as having fossil fuel reserves (proved & probable coal reserves and/or oil & natural gas reserves), that are used for energy purposes is excluded. Any constituent that is deleted from the Parent index as a result of an index review is also deleted from the MSCI Global Fossil Fuels Exclusion Indexes.

### **4.2 ONGOING EVENT-RELATED MAINTENANCE**

The MSCI Corporate Events Methodology is applied for the maintenance of the MSCI Global Fossil Fuels Exclusion Indexes between index reviews. In general, there will be no additions to the indexes between two index reviews. Intra quarter deletions from the Parent Index because of a corporate event are reflected simultaneously in the MSCI Global Fossil Fuels Exclusion Indexes. The details relating to the handling of specific corporate event types can be found in the MSCI Corporate Events Methodology book available at:

<http://www.msci.com/products/indexes/size/standard/methodology.html>

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Our line of products and services includes indexes, analytical models, data, real estate benchmarks and ESG research.

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