MSCI launches Implied Temperature Rise to help investors align their portfolios with global climate goals

The forward-looking metric works with MSCI’s Target Scorecard to track how companies are aligning to global temperature targets

NEW YORK – September 14, 2021 – MSCI, a leading provider of critical decision support tools and services for the global investment community, has announced the launch of its Implied Temperature Rise (or “Temperature Rise”) solution, equipping investors globally with data to map how companies in their investment portfolios are aligning with global temperature targets. The company-level dataset will cover nearly 10,000 publicly listed companies based on the MSCI ACWI Investable Market Index.

The innovative climate solution is launching ahead of COP26 in November and follows the recent report from the Task Force on Climate-Related Financial Disclosures (TCFD), which recommends all financial institutions measure and disclose the alignment of their portfolios with the goals of the Paris Agreement using forward-looking metrics. Despite the growing number of global companies publicly committing to climate-focused goals, the strength and specific details of these commitments vary widely. The Temperature Rise solution comes at a critical time to add clarity and transparency to opaque climate commitments. The solution assesses how strong these commitments are using a simplified and powerful metric: companies’ alignment to global temperature targets.

Used alongside MSCI’s Target Scorecard, a framework to assess companies’ decarbonization and net-zero climate targets, this comprehensive series of analytical tools aims to help investors strengthen their engagement on climate risk and navigate the transition to a net-zero world. To enable investors to analyze the pace at which the companies they invest in are transitioning their businesses to meet their climate goals, the solution captures crucial benchmarks such as the 2°C target, referring to the Intergovernmental Panel on Climate Change’s (IPCC) goal, or the 1.5°C limit, popularized through the Paris Agreement.

MSCI’s Temperature Rise solution converts the current and projected greenhouse gas emissions, taking into consideration emissions reduction targets, of each company to an estimated rise in global temperature. Projections are calculated by comparing those projected emissions with the global carbon budget that remains if the planet is to keep temperature rise this century below 2°C, a benchmark also linked to MSCI’s quarterly Net-Zero Tracker.

The Temperature Rise solution has been modelled to meet the design recommendations set out by the TCFD Portfolio Alignment Team for all segments of the financial sector to measure and disclose temperature alignment of portfolios as well as target-setting frameworks.

Remy Briand, Global Head of ESG and Climate at MSCI, said: “Climate change is the greatest challenge of our time and capital markets participants are critical to driving the systemic transformation needed to avert climate catastrophe. The Implied Temperature Rise metric is an important addition to our evolving suite of climate investing tools and builds on MSCI’s mission to ensure capital markets and its
participants can drive the transition to net-zero. Investors are rapidly sharpening their focus on the financial impacts of climate change, and they need greater transparency and insight on whether their capital may further, or frustrate, the goal of a more sustainable society. With its convenient measure for forward-looking portfolio emission trajectory, investors can use Implied Temperature Rise as a versatile tool to set decarbonization targets and strengthen engagement on climate risk.”

MSCI Implied Temperature Rise is currently available as part of MSCI ESG Research’s Climate Value-at-Risk product.

MSCI has and will continue to conduct proactive outreach to the nearly 10,000 publicly listed companies to call for increased climate disclosure by year end. MSCI invites all issuers to review and provide feedback on their climate targets and commitments through the MSCI ESG Issuer Communications Portal.

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About MSCI Inc.

MSCI is a leading provider of critical decision support tools and services for the global investment community. With over 50 years of expertise in research, data, and technology, we power better investment decisions by enabling clients to understand and analyze key drivers of risk and return and confidently build more effective portfolios. We create industry-leading research-enhanced solutions that clients use to gain insight into and improve transparency across the investment process.

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