

# **MSCI Low Carbon SRI Leaders Indexes Methodology**

February 2024

## Contents

<b>1. Introduction .....</b>	<b>3</b>
<b>2. Constructing the Indexes .....</b>	<b>4</b>
2.1 Defining the Eligible Universe .....	4
2.2 Security Selection .....	5
2.3 Weighting Scheme .....	5
<b>3. Maintaining the Indexes .....</b>	<b>7</b>
3.1 Index Reviews .....	7
3.2 Monthly Review of Controversies .....	7
3.3 Ongoing Event Related Changes .....	8
<b>4. MSCI ESG Research .....</b>	<b>9</b>
4.1 MSCI ESG Ratings .....	9
4.2 MSCI ESG Controversies .....	9
4.3 MSCI ESG Business Involvement Screening Research .....	9
4.4 MSCI Climate Change Metrics .....	9
<b>Appendix I: MSCI China Low Carbon SRI Leaders Capped Index .....</b>	<b>11</b>
<b>Appendix II: Controversial Business Involvement Criteria .....</b>	<b>12</b>
<b>Appendix III: MSCI Low Carbon Transition Risk Assessment .....</b>	<b>14</b>
<b>Appendix IV: MSCI Low Carbon SRI Leaders Capped Indexes .....</b>	<b>15</b>
<b>Appendix V: MSCI AC ex Japan Low Carbon SRI Leaders Capped Index .....</b>	<b>18</b>
<b>Appendix VI: Calculation of Carbon Emissions Intensity .....</b>	<b>19</b>
<b>Appendix VII: Methodology Set .....</b>	<b>20</b>
<b>Appendix VIII: Changes to this Document .....</b>	<b>21</b>

## 1. Introduction

The MSCI Low Carbon SRI Leaders Indexes<sup>1</sup> (the ‘Indexes’) are designed to represent the performance of companies that are selected from underlying MSCI Indexes (“Parent Indexes”) based on the following Environmental, Social and Governance (ESG) criteria:

- Exclusion of companies associated with Controversial Business Involvement Screening and Climate Change Metrics.
- Exclusion of companies which are assessed as Asset Stranding and have a low carbon transition management score based on Low Carbon Transition Management Score by MSCI ESG Research.
- High Environmental, Social and Governance (ESG) ratings relative to their sector peers by targeting 50% free float-adjusted market capitalization coverage of each Global Industry Classification Standard (GICS®)<sup>2</sup> sector by selecting constituents based on ESG rating, the trend in that rating and the company’s industry adjusted ESG Score.
- Applying a reduction in carbon emissions intensity of more than 50% relative to the corresponding Parent Indexes.

The Indexes<sup>2</sup> achieve diversification and avoid concentration risk capping securities to a maximum issuer weight of 5%.

<sup>1</sup> The Indexes are governed by a set of methodology and policy documents (“Methodology Set”), including the present index methodology document. The Methodology Set for the Indexes can be accessed from MSCI’s webpage <https://www.msci.com/index-methodology> in the section ‘Search Methodology by Index Name or Index Code’.

<sup>2</sup> GICS, the global industry classification standard jointly developed by MSCI Inc. and S&P Dow Jones Indices.

<sup>2</sup> Please refer to Section 2 for the list of Indexes covered by this methodology book.

## 2. Constructing the Indexes

The Indexes use company ratings and research provided by MSCI ESG Research<sup>3</sup> for the Index construction.

### 2.1 Defining the Eligible Universe

The Eligible Universe for the Indexes includes all the constituents of their corresponding market capitalization weighted indexes (the “Parent Index”), as shown in the table below.

Index Name	Parent Index
MSCI World Low Carbon SRI Leaders Index	MSCI World Index
MSCI USA Low Carbon SRI Leaders Index	MSCI USA Index
MSCI Europe Low Carbon SRI Leaders Index	MSCI Europe Index
MSCI Japan Low Carbon SRI Leaders Index	MSCI Japan Index
MSCI EM Low Carbon SRI Leaders Index	MSCI EM Index
MSCI EMU Low Carbon SRI Leaders Index	MSCI EMU Index
MSCI China Low Carbon SRI Leaders Index	MSCI China Index

The eligible securities for the Index are selected from the Parent Indexes by excluding securities of companies based on the criteria below:

**Controversial Business Involvement Screens:** Companies that meet the business involvement criteria as defined in section 2.2.1 (Controversial Business Involvement Criteria) of the MSCI SRI Indexes Methodology<sup>4</sup>. In addition to the Controversial Business Involvement Criteria defined in section 2.2.1 of the MSCI SRI Indexes Methodology, the Indexes use MSCI ESG Business Involvement Screening Research to identify companies that are involved in the controversial business activities as detailed in Appendix II.

**Low Carbon Transition (LCT) Category<sup>5</sup>:** All companies with Low Carbon transition (LCT) category of Asset Stranding are excluded.

<sup>3</sup> See section 4 for further information regarding ESG and climate data used in the Indexes that MSCI Limited sources from MSCI ESG Research LLC, a separate subsidiary of MSCI Inc. MSCI ESG Research is solely responsible for the creation, determination and management of such data. MSCI Limited is the benchmark administrator for the MSCI indexes.

<sup>4</sup> Please refer to the MSCI SRI Indexes methodology at <https://www.msci.com/index/methodology/latest/SRI>

<sup>5</sup> For more details on LCT Category, please refer to Appendix III.

**Low Carbon Transition (LCT) Score<sup>6</sup>:** All companies in bottom 25% of the Parent Index<sup>7</sup> by LCT Score are excluded such that cumulative weight of securities remaining in each sector is at least 50% of the weight of the sector in the Parent Index.

## 2.2 Security Selection

Apply MSCI ESG Leaders Indexes Methodology<sup>8</sup> on the Eligible Universe with the following exceptions:

- Companies are required to have an MSCI ESG Rating of 'BBB' or above to be eligible for selection.
- Companies assessed as having involvement in environmental controversies that are classified as Red (MSCI Environmental Controversy Score of 0) or Orange Flags (MSCI Environmental Controversy Score of 1) are excluded from the eligible universe.
  - A Red Flag indicates an ongoing, Very Severe ESG controversy implicating a company directly through its actions, products, or operations.
  - An Orange Flag indicates an ongoing Severe ESG controversy implicating a company directly, or a Very Severe ESG controversy that is either partially resolved or indirectly attributed to the company's actions, products, or operations.
- Exclusions based on Controversial Business Involvement Criteria as defined in section 2.2.3 of the MSCI ESG Leaders Indexes Methodology are not applied.

After applying MSCI ESG Leaders Indexes methodology, if the Scope 1+2+3 Carbon Emissions Intensity<sup>9</sup> of the Index is greater than or equal to 50% of the Scope 1+2+3 Carbon Emissions Intensity of the Parent Index, then the security with the highest Scope 1+2+3 Carbon Emissions Intensity is removed from the Index. This step is repeated till the Scope 1+2+3 Carbon Emissions Intensity of the Index is less than 50% of the Scope 1+2+3 Carbon Emissions Intensity of the Parent Index.

## 2.3 Weighting Scheme

The Indexes are constructed by weighting the eligible constituents in proportion of their free float adjusted market capitalization.

The maximum overweight of any issuer in the MSCI Low Carbon SRI Leaders Indexes is capped at 5%. The excess weight of the capped issuers is distributed among the remaining constituents in proportion of their existing weights in the index. After applying issuer capping, if the Scope 1+2+3 Carbon Emissions Intensity of the index is greater than or equal to 50% of the Scope 1+2+3 Carbon Emissions Intensity of the Parent Index, then the security with the highest Scope 1+2+3 Carbon

<sup>6</sup> While applying the LCT Score screen, no security with LCT Category of Neutral or Solutions is removed even if these are in the bottom 25% by LCT Score. Also, if the sector weight is already less than 50% of the sector weight in the Parent Index due to earlier screens, then no security will be removed from that sector.

<sup>7</sup> Since, the MSCI ESG Leaders methodology is applied at a regional level, the Parent Index used to apply the LCT score exclusion for Europe, EMU, Japan and China are also applied at regional level.

<sup>8</sup> Please refer to the MSCI ESG Leaders Indexes methodology at <https://www.msci.com/index/methodology/latest/ESG>

<sup>9</sup> For more details on Carbon Emissions Intensity, please refer to Appendix V.

Emissions Intensity is removed from the portfolio. This step is repeated till the maximum overweight of any issuer is capped at 5% and the Scope 1+2+3 Carbon Emissions Intensity of the index is less than 50% of the Scope 1+2+3 Carbon Emissions Intensity of the Parent Index.

## 3. Maintaining the Indexes

### 3.1 Index Reviews

The Indexes are reviewed on a quarterly basis to coincide with the regular Index Reviews of the MSCI Global Investable Market Indexes. The changes are generally implemented as of the close of the last business day of February, May, August, and November. The pro forma Index is in general announced nine business days before the effective date.

In general, MSCI uses MSCI ESG Research data<sup>10</sup> (including MSCI ESG Ratings, MSCI ESG Controversies, MSCI Business Involvement Screening Research and MSCI Climate Change Metrics) as of the end of the month preceding the Index Reviews for the rebalancing of the MSCI ESG Leaders Indexes. For some securities, such data may not be published by MSCI ESG Research by the end of the month preceding the Index Review. For such securities, MSCI will use ESG data published after the end of month, when available, for the rebalancing of the MSCI ESG Leaders Indexes.

### 3.2 Monthly Review of Controversies

Index constituents for the indexes listed in the below table are reviewed on a monthly basis for the involvement in ESG controversies<sup>11</sup>. Existing constituents will be deleted if they are assessed as having involvement in ESG controversies that are classified as Red Flags (MSCI ESG Controversies Score of 0). A Red Flag indicates an ongoing, Very Severe ESG controversy implicating a company directly through its actions, products, or operations.

MSCI uses MSCI ESG Controversies data as of the end of the month preceding the review (e.g., end of June data for the end of July monthly review). For some securities, such data may not be published by MSCI ESG Research by the end of the month preceding the review. For such securities, MSCI will use ESG data published after the end of month, when available, for the monthly review of the Indexes.

The pro forma Index is generally announced nine business days before the first business day of the month.

Index Name
MSCI World Low Carbon SRI Leaders Index
MSCI USA Low Carbon SRI Leaders Index
MSCI Europe Low Carbon SRI Leaders Index
MSCI Japan Low Carbon SRI Leaders Index
MSCI EM Low Carbon SRI Leaders Index
MSCI EMU Low Carbon SRI Leaders Index

<sup>10</sup> See section 4 for details of data sourced from MSCI ESG Research used in the Indexes.

<sup>11</sup> The monthly review of ESG controversies is applied in the Indexes listed in the table from July 2023.

### 3.3 Ongoing Event Related Changes

The general treatment of corporate events in the MSCI Low Carbon SRI Leaders Indexes aims to minimize turnover outside of Index Reviews. The methodology aims to appropriately represent an investor's participation in an event based on relevant deal terms and pre-event weighting of the Index constituents that are involved.

The following section briefly describes the treatment of common corporate events within the MSCI Low Carbon SRI Leaders Indexes.

No new securities will be added (except where noted below) to the Index between Index Reviews. For cases where additions are noted below, securities will be added to the Index only if added to the Parent Index. Parent Index deletions will be reflected simultaneously.

EVENT TYPE	EVENT DETAILS
<b>New additions to the Parent Index</b>	A new security added to the parent index (such as IPO and other early inclusions) will not be added to the index.
<b>Spin-Offs</b>	All securities created as a result of the spin-off of an existing Index constituent will not be added to the Index at the time of event implementation.
<b>Merger/Acquisition</b>	<p>For Mergers and Acquisitions, the acquirer's post event weight will account for the proportionate amount of shares involved in deal consideration, while cash proceeds will be invested across the Index.</p> <p>For Mergers and Acquisitions, If an existing Index constituent is acquired by a non-Index constituent, the existing constituent will be deleted from the Index and the acquiring non constituent will not be added to the Index.</p>
<b>Changes in Security Characteristics</b>	A security will continue to be an Index constituent if there are changes in characteristics (country, sector, size segment, etc.) Reevaluation for continued inclusion in the Index will occur at the subsequent Index Review.

Further detail and illustration regarding specific treatment of corporate events relevant to this Index can be found in the MSCI Corporate Events Methodology book.

The MSCI Corporate Events methodology book is available at:  
<https://www.msci.com/index/methodology/latest/CE>.



## 4. MSCI ESG Research

The Indexes are products of MSCI Inc. that utilizes information such as company ratings and research produced and provided by MSCI ESG Research LLC (MSCI ESG Research), a subsidiary of MSCI Inc. In particular, the Indexes use the following MSCI ESG Research products: MSCI ESG Ratings, MSCI ESG Controversies, MSCI Business Involvement Screening Research and MSCI Climate Change Metrics. MSCI Indexes are administered by MSCI Limited.

### 4.1 MSCI ESG Ratings

MSCI ESG Ratings aim to measure entities' management of environmental, social and governance risks and opportunities. MSCI ESG Ratings use a weighted average key issue calculation that is normalized by industry to arrive at an industry-adjusted ESG score (0-10), which is then translated to a seven-point scale from 'AAA' to 'CCC', indicating how an entity manages relevant key issues relative to industry peers.

The MSCI ESG Ratings methodology can be found at: <https://www.msci.com/esg-and-climate-methodologies>.

### 4.2 MSCI ESG Controversies

MSCI ESG Controversies provide assessments of controversies concerning the potential negative environmental, social, and/or governance impact of company operations, products and services. The evaluation framework used in MSCI ESG Controversies is designed to be consistent with international norms represented by the UN Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, and the UN Global Compact. MSCI ESG Controversies Score falls on a 0-10 scale, with "0" being the most severe controversy.

The MSCI ESG Controversies methodology can be found at: <https://www.msci.com/esg-and-climate-methodologies>.

### 4.3 MSCI ESG Business Involvement Screening Research

MSCI ESG Business Involvement Screening Research (BISR) aims to enable institutional investors to manage environmental, social and governance (ESG) standards and restrictions reliably and efficiently.

For more details on MSCI ESG Business Involvement Screening Research, please refer to [http://www.msci.com/resources/factsheets/MSCI\\_ESG\\_BISR.pdf](http://www.msci.com/resources/factsheets/MSCI_ESG_BISR.pdf).

### 4.4 MSCI Climate Change Metrics

MSCI Climate Change Metrics provides climate data & tools to support institutional investors seeking to integrate climate risk & opportunities into their investment strategy and processes. This includes investors seeking to achieve a range of objectives, including measuring and reporting on climate risk exposure, implementing low carbon and fossil fuel-free strategies, alignment with temperature pathways and factoring climate change research into their risk management processes, in particular through climate scenario analysis for both transition and physical risks.



The dataset spans across the four dimensions of a climate strategy: transition risks, green opportunities, physical risks and 1.5° alignment.

For more details on MSCI Climate Change Metrics, please refer to <https://www.msci.com/climate-change-solutions>.

## Appendix I: MSCI China Low Carbon SRI Leaders Capped Index

The MSCI China Low Carbon SRI Leaders Capped Index is created on top of the MSCI China Low Carbon SRI Leaders Index by capping the maximum weight of any issuer in the MSCI China Low Carbon SRI Leaders Index at 18% in accordance with the MSCI Capped Indexes methodology<sup>12</sup>. The excess weight of the capped issuers is distributed among the remaining constituents in proportion of their existing weights in the Index.

---

<sup>12</sup> Please refer to the MSCI Capped Indexes methodology at <https://www.msci.com/index/methodology/latest/Capped>.

## Appendix II: Controversial Business Involvement Criteria

In addition to the Controversial Business Involvement Criteria defined in section 3.2.1 of the MSCI SRI Indexes Methodology, the MSCI Low Carbon SRI Leaders Indexes use MSCI ESG Business Involvement Screening Research to identify companies that are involved in the controversial business activities detailed below:

- **Controversial Weapons**

- All companies with any tie to Controversial Weapons (cluster munitions, landmines, depleted uranium weapons, biological/chemical weapons, blinding lasers, non-detectable fragments and incendiary weapons), as defined by the methodology of the MSCI Global Ex-Controversial Weapons.

- **Nuclear Weapons**

- All companies that manufacture nuclear warheads and/or whole nuclear missiles
- All companies that manufacture components that were developed or are significantly modified for exclusive use in nuclear weapons (warheads and missiles)
- All companies that manufacture or assemble delivery platforms that were developed or significantly modified for the exclusive delivery of nuclear weapons
- All companies that provide auxiliary services related to nuclear weapons
- All companies that manufacture components that were not developed or not significantly modified for exclusive use in nuclear weapons (warheads and missiles) but can be used in nuclear weapons
- All companies that manufacture or assemble delivery platforms that were not developed or not significantly modified for the exclusive delivery of nuclear weapons but have the capability to deliver nuclear weapons
- All companies that manufacture components for nuclear-exclusive delivery platforms

- **Tobacco**

- All companies deriving 10% or more aggregate revenue from the production, distribution, retail, supply and licensing of tobacco-related products

- **Thermal Coal**

- All companies deriving 10% or more revenue (either reported or estimated) from thermal coal mining.
- All companies generating 10% or more power from thermal coal – All companies with 10% or more installed capacity for thermal coal – All companies deriving 10% or more revenue from thermal coal-based power generation

- **Nuclear Power**

- All companies generating 30% or more of their total electricity from nuclear power in a given year

- All companies that have 30% or more of their installed capacity attributed to nuclear sources in a given year
- All companies deriving 30% or more revenue (either reported or estimated) from the ownership or operation of nuclear power plants
- **Oil and Gas**
  - All companies deriving any revenue from unconventional oil and gas (including revenue from arctic oil and gas).
  - All companies deriving 5% or more revenue from oil and gas related activities, including pipelines and transportation, refining and equipment and services.
- **Weapons**
  - All companies deriving 5% or more revenue from weapons systems, components, and support systems and services
- **Conventional Oil & Gas Extraction**
  - All companies deriving any revenue (either reported or estimated) from conventional oil and gas production. It includes revenue from the production of deepwater, shallow water, and other onshore/offshore oil and gas. It excludes revenue from unconventional oil and gas production (oil sands, shale oil, shale gas) and onshore/offshore oil and gas production in the Arctic region
- **Oil & Gas-based Power Generation**
  - All companies generating more than 30% of their total electricity from liquid fuel and natural gas in a given year
  - All companies that have more than 30% of installed capacity attributed to liquid fuel and natural gas in a given year
  - All companies deriving more than 30% revenue (either reported or estimated) from liquid fuel- and natural gas-based power generation
- **Fossil Fuel and Nuclear Energy based Power Generation<sup>13</sup>**
  - All companies deriving any revenue from Fossil Fuel based or Nuclear energy based Power Generation.
  - All companies deriving 50% or more revenue from nuclear power activities.
- **United Nations Global Compact Principles:**
  - All companies which are unrated on United Nations Global Compact Principles compliance

<sup>13</sup> Such companies, where the total revenue derived from any of the six environmental impact themes including alternative energy, energy efficiency, green building, pollution prevention, sustainable water, or sustainable agriculture is greater than or equal to 50, are exempted from this screen. Similarly, companies with one or more active carbon emissions reduction target/s approved by the Science Based Targets initiative (SBTi) are exempted from this screen.

## Appendix III: MSCI Low Carbon Transition Risk Assessment

MSCI ESG Research's Low Carbon Transition Risk assessment<sup>14</sup> is designed to identify potential leaders and laggards by holistically measuring companies' exposure to and management of risks and opportunities related to the Low Carbon Transition.

The final output of this assessment is two company-level factors as described below:

- (1) **Low Carbon Transition Category:** This factor groups companies in five categories that highlight the predominant risks and opportunities they are most likely to face in the transition (Exhibit 1).
- (2) **Low Carbon Transition Score:** This score is based on a multi-dimensional risks and opportunities assessment and considers both predominant and secondary risks a company faces. It is industry agnostic and represents an absolute assessment of a company's position vis-à-vis the transition.

LOW CARBON TRANSITION SCORE	LOW CARBON TRANSITION CATEGORY		LOW CARBON TRANSITION RISK / OPPORTUNITY	
Score = 0	ASSET STRANDING		Potential to experience “stranding” of physical / natural assets due to regulatory, market, or technological forces arising from low carbon transition.	Coal mining & coal based power generation; Oil sands exploration/production
	TRANSITION	PRODUCT	Reduced demand for carbon-intensive products and services. Leaders and laggards are defined by the ability to shift product portfolio to low-carbon products.	Oil & gas exploration & production; Petro/diesel based automobile manufacturers, thermal power plant turbine manufacturers etc.
		OPERATIONAL	Increased operational and/or capital cost due to carbon taxes and/or investment in carbon emission mitigation measures leading to lower profitability of the companies.	Fossil fuel based power generation, cement, steel etc.
	NEUTRAL		Limited exposure to low carbon transition carbon risk. Though companies in this category could have exposure to physical risk and/or indirect exposure to low carbon transition risk via lending, investment etc.	Consumer staples, healthcare, etc.
	SOLUTIONS		Potential to benefit through the growth of low-carbon products and services.	Renewable electricity, electric vehicles, solar cell manufacturers etc.
Score = 10				

*Exhibit 1: Low Carbon Transition Categories and Scores*

<sup>14</sup> For more details on MSCI Climate Change Metrics, please refer to <https://www.msci.com/climate-change-solutions>

## Appendix IV: MSCI Low Carbon SRI Leaders Capped Indexes

The MSCI AC Asia ex Japan Low Carbon SRI Leaders Capped Index, MSCI EM LATAM Low Carbon SRI Leaders Capped Index, and MSCI EM EMEA Low Carbon SRI Leaders Capped Index (herein, “MSCI Low Carbon SRI Leaders Capped Indexes”) are designed to represent the performance of companies that are selected from an underlying index based on ESG criteria and have low carbon exposure than that of the broad market. These ESG criteria exclude constituents based on involvement in specific business activities, as well as ESG ratings and exposure to ESG controversies. The Indexes are free float-adjusted market capitalization weighted.

### Eligible Universe

The Eligible Universe for MSCI Low Carbon SRI Leaders Capped Indexes includes all the constituents of their respective MSCI Parent Index (the “Parent Index”), as shown in the table below.

Index Name	Parent Index
MSCI AC Asia ex Japan Low Carbon SRI Leaders Index	MSCI AC Asia ex Japan Index
MSCI EM LATAM Low Carbon SRI Leaders Index	MSCI EM LATAM Index
MSCI EM EMEA Low Carbon SRI Leaders Index	MSCI EM EMEA Index

### Selecting Companies with the Lowest Carbon Exposure and Based on ESG Criteria

The two rules described below are applied independently, and securities selected by both rules are eligible for inclusion in the Index.

#### Lowest Carbon Exposure Selection Rules

From the securities in the Eligible Universe, companies with low exposure to carbon risk, identified as companies with Low Carbon Emission Intensity and Low Potential Emissions per dollar of market capitalization, are selected for inclusion in the Index. The selection is completed in accordance with the below Carbon Emission Exclusions and Potential Emission Exclusions.

The Parent Index constituents are ranked by their Carbon Emission Intensity, and the top 20% of securities are excluded from the Index. The cumulative weight of securities excluded from any sector of the Parent Index has a limit of 30%. If the limit is reached for any sector, no further securities from that sector are excluded.

The Parent Index constituents are ranked by their Potential Emissions per dollar of market capitalization. Securities are excluded until the cumulative potential carbon emission of the excluded securities reaches 50% of the Parent Index.

The two screens mentioned above are applied independently.

#### Highest ESG Performance Selection Rules

The MSCI ESG Leaders Indexes Methodology<sup>15</sup>, using the Controversial Business Involvement Criteria, as defined in section 2.2.1 (Controversial Business Involvement Criteria) of the MSCI SRI

<sup>15</sup> Please refer to the MSCI ESG Leaders Indexes methodology at <https://www.msci.com/index/methodology/latest/ESG>

Indexes Methodology<sup>16</sup>, instead of the Controversial Business Involvement Criteria used in the MSCI ESG Leaders Indexes Methodology, is applied on the Eligible Universe to select the securities based on ESG criteria described in the Methodology.

In addition to the Controversial Business Involvement Criteria defined in section 3.2.1 of the MSCI SRI Indexes Methodology, the MSCI Low Carbon SRI Leaders Indexes use MSCI ESG Business Involvement Screening Research to identify companies that are involved in the controversial business activities as detailed below:

- Weapons
  - All companies deriving 10% or more revenue from weapons systems, components, and support systems and services
- Conventional Oil & Gas Extraction
  - All companies deriving any revenue (either reported or estimated) from conventional oil and gas production. It includes revenue from the production of deepwater, shallow water, and other onshore/offshore oil and gas. It excludes revenue from unconventional oil and gas production (oil sands, shale oil, shale gas) and onshore/offshore oil and gas production in the Arctic region
- Oil & Gas-based Power Generation
  - All companies generating more than 30% of their total electricity from liquid fuel and natural gas in a given year
  - All companies that have more than 30% of installed capacity attributed to liquid fuel and natural gas in a given year
  - All companies deriving more than 30% revenue (either reported or estimated) from liquid fuel- and natural gas-based power generation
- United Nations Global Compact Principles:
  - All companies which are unrated on United Nations Global Compact Principles compliance

## Weighting Scheme

The MSCI Low Carbon SRI Leaders Capped Indexes are constructed by weighting the eligible constituents in proportion of their free-float adjusted market capitalization.

The maximum weight of any issuer in the MSCI Low Carbon SRI Leaders Capped Index is capped at a predetermined level in accordance with the MSCI Capped Indexes methodology<sup>17</sup>. The excess weight of the capped issuers is distributed among the remaining constituents in proportion of their existing weights in the Index.

<sup>16</sup> SRI Indexes methodology at <https://www.msci.com/index/methodology/latest/SRI>

<sup>17</sup> Capped Indexes methodology at <https://www.msci.com/index/methodology/latest/Capped>



Index Name	Issuer Level Capping
MSCI AC Asia ex Japan Low Carbon SRI Leaders Capped Index	10% <sup>18</sup>
MSCI EM EMEA Low Carbon SRI Leaders Capped Index	18%
MSCI EM LATAM Low Carbon SRI Leaders Capped Index	18%

In addition to the issuer level capping for MSCI AC Asia ex Japan Low Carbon SRI Leaders Capped Index, a country level cap is applied for securities in India, further details in Appendix V.

<sup>18</sup> The issuer level capping may not apply for India, given the capping is applied at the country level. Further details in Appendix V.

## Appendix V: MSCI AC ex Japan Low Carbon SRI Leaders Capped Index

The maximum weight of India in the MSCI AC Asia ex Japan Low Carbon SRI Leaders Capped Index is capped<sup>19</sup> at 18%. This capping is applied at the Quarterly Index Review.

A monthly check on securities in India will be applied, such that if the aggregate weight of securities in India exceeds 18%, the Index will be reweighted and the aggregate weight of securities in India will be capped at 18%. The excess weight will be distributed among the remaining constituents in proportion of their existing weights in the index.

A daily check on securities in India will be applied, such that if the aggregate weight of securities in India exceeds 20% at the end of any business day, the index will be reweighted and the aggregate weight of securities in India will be reduced to 18%. The excess weight will be distributed among the remaining constituents in proportion of their existing weights in the Index.

The monthly and daily check is only applied for the country level capping in India.

---

<sup>19</sup> For more details, please refer to the Capped Indexes methodology at <https://www.msci.com/index/methodology/latest/Capped>

## Appendix VI: Calculation of Carbon Emissions Intensity

For Parent Index constituents where the Scope 1+2+3 Emissions Intensity is not available, the average Scope 1+2+3 Emissions Intensity of all the constituents of the MSCI ACWI in the same GICS Industry Group in which the constituent belongs is used.

Security Level Carbon Emissions Intensity =

$$\frac{\text{Scope 1 + 2 + 3 Carbon Emission}}{\text{Enterprise Value + Cash (in M\$)}}$$

## Appendix VII: Methodology Set

Description of methodology set –

<https://www.msci.com/index/methodology/latest/ReadMe>

MSCI Corporate Events Methodology –

<https://www.msci.com/index/methodology/latest/CE>

MSCI Fundamental Data Methodology –

<https://www.msci.com/index/methodology/latest/FundData>

MSCI Index Calculation Methodology –

<https://www.msci.com/index/methodology/latest/IndexCalc>

MSCI Index Glossary of Terms –

<https://www.msci.com/index/methodology/latest/IndexGlossary>

MSCI Index Policies –

<https://www.msci.com/index/methodology/latest/IndexPolicy>

MSCI Global Industry Classification Standard (GICS) Methodology –

[www.msci.com/index/methodology/latest/GICS](http://www.msci.com/index/methodology/latest/GICS)

MSCI Global Investable Market Indexes Methodology –

<https://www.msci.com/index/methodology/latest/GICS>

MSCI ESG Leaders Indexes Methodology –

<https://www.msci.com/index/methodology/latest/GIMI>

MSCI SRI Indexes Methodology –

<https://www.msci.com/index/methodology/latest/SRI>

MSCI Capped Indexes Methodology –

<https://www.msci.com/index/methodology/latest/Capped>

The Methodology Set for the Indexes can also be accessed from MSCI's webpage

<https://www.msci.com/index-methodology> in the section 'Search Methodology by Index Name or Index Code'.

## Appendix VIII: Changes to this Document

### The following sections have been modified since January 2018:

- Update to include the Index construction parameters for the MSCI EM Low Carbon SRI Leaders Index

### The following sections have been modified since March 2018:

- Update to include the Index construction parameters for MSCI AC Asia ex Japan Low Carbon SRI Leaders Index and the MSCI AC Asia ex Japan Low Carbon SRI Leaders 10% Capped Index.

### The following sections have been modified since January 2019:

Update to include:

- The enhanced value business exclusions from the MSCI SRI Indexes methodology
- The updated index names from the MSCI ESG Leaders Low Carbon ex Tobacco Involvement 5% Indexes to the MSCI Low Carbon SRI Indexes

### The following sections have been modified since May 2020:

Update to include the Index construction parameters for the MSCI EMU Low Carbon SRI Leaders Index

### The following sections have been modified since June 2020:

Update to include the Index construction parameters for the MSCI China Low Carbon SRI Leaders Index and the MSCI China Low Carbon SRI Leaders 18% Issuer Capped Index

### The following sections have been modified since August 2020:

Update to include the Index construction parameters for the MSCI EM EMEA Low Carbon SRI Leaders Index, MSCI EM LATAM Low Carbon SRI Leaders Index, MSCI EM EMEA Low Carbon SRI Leaders 18% Issuer Capped Index and MSCI EM LATAM Low Carbon SRI Leaders 18% Issuer Capped Index

### The following sections have been modified since December 2020:

- Section 2.2.2  
Updated to reflect additional Controversial Business Involvement Criteria
- Appendix I  
Updated to reflect new branding of the MSCI Low Carbon SRI Leaders Capped Indexes
- Appendix II  
Updated to reflect detailed description of the additional Controversial Business Involvement Criteria

### The following sections have been modified since May 2022:

- Section 2.1, 2.2, 2.3 and 2.4 to incorporate changes in methodology
- Appendix II to include additional screening criteria

- Appendix III to include MSCI Low Carbon Transition Assessment
- Appendix IV to include the methodology of MSCI Low Carbon SRI Leaders Capped Indexes.

**The following sections have been modified since November 2022:**

- Section 2 added to show ESG Research Products used
- Appendix V to reflect the country level capping in India and the monthly check to ensure securities in India remain below 20% at the beginning of the month.

**The following sections have been modified since May 2023:**

- Section 2.2 clarified the exclusion criteria for companies involved in ESG Controversies.
- Section 3.1 updated to reflect the transition of the MSCI Global Investable Market Indexes (GIMI) to Quarterly Comprehensive Index Reviews. All references to “Semi-Annual Index Reviews” and “Quarterly Index Reviews” of the MSCI GIMI were replaced with “Index Reviews”.

**The following sections have been modified since July 2023:**

- ESG Research Section moved to the end (changed from Section 2 to Section 4). Updated the descriptions of MSCI ESG Research products.
- Section 3.2 added to detail the monthly review of controversies and subsequent sections re-numbered.

**The following sections have been modified since February 2024:**

- Appendix V was updated to reflect new capping criteria for securities in India
- Appendix VIII added details on the Methodology Set for the Indexes

## Contact us

[msci.com/contact-us](https://www.msci.com/contact-us)

### AMERICAS

United States	+ 1 888 588 4567 *
Canada	+ 1 416 687 6270
Brazil	+ 55 11 4040 7830
Mexico	+ 52 81 1253 4020

### EUROPE, MIDDLE EAST & AFRICA

South Africa	+ 27 21 673 0103
Germany	+ 49 69 133 859 00
Switzerland	+ 41 22 817 9777
United Kingdom	+ 44 20 7618 2222
Italy	+ 39 02 5849 0415
France	+ 33 17 6769 810

### ASIA PACIFIC

China	+ 86 21 61326611
Hong Kong	+ 852 2844 9333
India	+ 91 22 6784 9160
Malaysia	1800818185 *
South Korea	+ 82 70 4769 4231
Singapore	+ 65 67011177
Australia	+ 612 9033 9333
Taiwan	008 0112 7513 *
Thailand	0018 0015 6207 7181 *
Japan	+ 81 3 4579 0333

\* toll-free

### About MSCI

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.

To learn more, please visit [www.msci.com](https://www.msci.com).

The process for submitting a formal index complaint can be found on the index regulation page of MSCI's website at: <https://www.msci.com/index-regulation>.

## Notice and disclaimer

This document is research for informational purposes only and is intended for institutional professionals with the analytical resources and tools necessary to interpret any performance information. Nothing herein is intended to promote or recommend any product, tool or service.

This document and all of the information contained in it, including without limitation all text, data, graphs, charts (collectively, the "Information") is the property of MSCI Inc. or its subsidiaries (collectively, "MSCI"), or MSCI's licensors, direct or indirect suppliers or any third party involved in making or compiling any Information (collectively, with MSCI, the "Information Providers") and is provided for informational purposes only. The Information may not be modified, reverse-engineered, reproduced or disseminated in whole or in part without prior written permission from MSCI. All rights in the Information are reserved by MSCI and/or its Information Providers.

The Information may not be used to create derivative works or to verify or correct other data or information. For example (but without limitation), the Information may not be used to create indexes, databases, risk models, analytics, software, or in connection with the issuing, offering, sponsoring, managing or marketing of any securities, portfolios, financial products or other investment vehicles utilizing or based on, linked to, tracking or otherwise derived from the Information or any other MSCI data, information, products or services.

The user of the Information assumes the entire risk of any use it may make or permit to be made of the Information. NONE OF THE INFORMATION PROVIDERS MAKES ANY EXPRESS OR IMPLIED WARRANTIES OR REPRESENTATIONS WITH RESPECT TO THE INFORMATION (OR THE RESULTS TO BE OBTAINED BY THE USE THEREOF), AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, EACH INFORMATION PROVIDER EXPRESSLY DISCLAIMS ALL IMPLIED WARRANTIES (INCLUDING, WITHOUT LIMITATION, ANY IMPLIED WARRANTIES OF ORIGINALITY, ACCURACY, TIMELINESS, NON-INFRINGEMENT, COMPLETENESS, MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE) WITH RESPECT TO ANY OF THE INFORMATION.

Without limiting any of the foregoing and to the maximum extent permitted by applicable law, in no event shall any Information Provider have any liability regarding any of the Information for any direct, indirect, special, punitive, consequential (including lost profits) or any other damages even if notified of the possibility of such damages. The foregoing shall not exclude or limit any liability that may not be applicable law be excluded or limited, including without limitation (as applicable), any liability for death or personal injury to the extent that such injury results from the negligence or willful default of itself, its servants, agents or sub-contractors.

Information containing any historical information, data or analysis should not be taken as an indication or guarantee of any future performance, analysis, forecast or prediction. Past performance does not guarantee future results.

The Information may include "Signals," defined as quantitative attributes or the product of methods or formulas that describe or are derived from calculations using historical data. Neither these Signals nor any description of historical data are intended to provide investment advice or a recommendation to make (or refrain from making) any investment decision or asset allocation and should not be relied upon as such. Signals are inherently backward-looking because of their use of historical data, and they are not intended to predict the future. The relevance, correlations and accuracy of Signals frequently will change materially.

The Information should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. All Information is impersonal and not tailored to the needs of any person, entity or group of persons.

None of the Information constitutes an offer to sell (or a solicitation of an offer to buy), any security, financial product or other investment vehicle or any trading strategy.

It is not possible to invest directly in an index. Exposure to an asset class or trading strategy or other category represented by an index is only available through third party investable instruments (if any) based on that index. MSCI does not issue, sponsor, endorse, market, offer, review or otherwise express any opinion regarding any fund, ETF, derivative or other security, investment, financial product or trading strategy that is based on, linked to or seeks to provide an investment return related to the performance of any MSCI index (collectively, "Index Linked Investments"). MSCI makes no assurance that any Index Linked Investments will accurately track index performance or provide positive investment returns. MSCI Inc. is not an investment adviser or fiduciary and MSCI makes no representation regarding the advisability of investing in any Index Linked Investments.

Index returns do not represent the results of actual trading of investible assets/securities. MSCI maintains and calculates indexes, but does not manage actual assets. The calculation of indexes and index returns may deviate from the stated methodology. Index returns do not reflect payment of any sales charges or fees an investor may pay to purchase the securities underlying the index or Index Linked Investments. The imposition of these fees and charges would cause the performance of an Index Linked Investment to be different than the MSCI index performance.

The Information may contain back tested data. Back-tested performance is not actual performance, but is hypothetical. There are frequently material differences between back tested performance results and actual results subsequently achieved by any investment strategy.

Constituents of MSCI equity indexes are listed companies, which are included in or excluded from the indexes according to the application of the relevant index methodologies. Accordingly, constituents in MSCI equity indexes may include MSCI Inc., clients of MSCI or suppliers to MSCI. Inclusion of a security within an MSCI index is not a recommendation by MSCI to buy, sell, or hold such security, nor is it considered to be investment advice.

Data and information produced by various affiliates of MSCI Inc., including MSCI ESG Research LLC and Barra LLC, may be used in calculating certain MSCI indexes. More information can be found in the relevant index methodologies on [www.msci.com](http://www.msci.com).

MSCI receives compensation in connection with licensing its indexes to third parties. MSCI Inc.'s revenue includes fees based on assets in Index Linked Investments. Information can be found in MSCI Inc.'s company filings on the Investor Relations section of [msci.com](http://msci.com).

MSCI ESG Research LLC is a Registered Investment Adviser under the Investment Advisers Act of 1940 and a subsidiary of MSCI Inc. Neither MSCI nor any of its products or services recommends, endorses, approves or otherwise expresses any opinion regarding any issuer, securities, financial products or instruments or trading strategies and MSCI's products or services are not a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such, provided that applicable products or services from MSCI ESG Research may constitute investment advice. MSCI ESG Research materials, including materials utilized in any MSCI ESG Indexes or other products, have not been submitted to, nor received approval from, the United States Securities and Exchange Commission or any other regulatory body. MSCI ESG and climate ratings, research and data are produced by MSCI ESG Research LLC, a subsidiary of MSCI Inc. MSCI ESG Indexes, Analytics and Real Estate are products of MSCI Inc. that utilize information from MSCI ESG Research LLC. MSCI Indexes are administered by MSCI Limited (UK).

Please note that the issuers mentioned in MSCI ESG Research materials sometimes have commercial relationships with MSCI ESG Research and/or MSCI Inc. (collectively, "MSCI") and that these relationships create potential conflicts of interest. In some cases, the issuers or their affiliates purchase research or other products or services from one or more MSCI affiliates. In other cases, MSCI ESG Research rates financial products such as mutual funds or ETFs that are managed by MSCI's clients or their affiliates, or are based on MSCI Inc. Indexes. In addition, constituents in MSCI Inc. equity indexes include companies that subscribe to MSCI products or services. In some cases, MSCI clients pay fees based in whole or part on the assets they manage. MSCI ESG Research has taken a number of steps to mitigate potential conflicts of interest and safeguard the integrity and independence of its research and ratings. More information about these conflict mitigation measures is available in our Form ADV, available at <https://adviserinfo.sec.gov/firm/summary/169222>.

Any use of or access to products, services or information of MSCI requires a license from MSCI. MSCI, Barra, RiskMetrics, IPD and other MSCI brands and product names are the trademarks, service marks, or registered trademarks of MSCI or its subsidiaries in the United States and other jurisdictions. The Global Industry Classification Standard (GICS) was developed by and is the exclusive property of MSCI and S&P Global Market Intelligence. "Global Industry Classification Standard (GICS)" is a service mark of MSCI and S&P Global Market Intelligence.

MIFID2/MIFIR notice: MSCI ESG Research LLC does not distribute or act as an intermediary for financial instruments or structured deposits, nor does it deal on its own account, provide execution services for others or manage client accounts. No MSCI ESG Research product or service supports, promotes or is intended to support or promote any such activity. MSCI ESG Research is an independent provider of ESG data.

Privacy notice: For information about how MSCI collects and uses personal data, please refer to our Privacy Notice at <https://www.msci.com/privacy-pledge>.