

MSCI Calls on Capital to Lead the Net-Zero Revolution

NEW YORK – April 20, 2021 – Addressing climate change will require the largest reconstruction of the global economy since the Industrial Revolution, according to a report published today by MSCI Inc. (NYSE: MSCI), a leading provider of critical decision support tools and services for the global investment community.

[‘The Role of Capital in the Net-Zero Revolution’](#) highlights how capital markets participants must be a powerful and positive force to urgently drive the systemic transformation needed to avert climate catastrophe. This call to action identifies specific steps that companies as well as owners and managers of capital must take to drive the achievement of a net-zero economy by 2050.

Analysis by MSCI of its All Country World Investable Markets Index (MSCI ACWI IMI) - a measure of approximately 9,000 publicly listed companies across 50 developed and emerging markets with a market value of over USD 70 trillion¹ – revealed those companies annually emit an estimated 11.2 gigatons of carbon dioxide equivalent (CO₂e)². Our model indicates that, without any change to current practices, the annual emissions of these companies could reach 16.8 gigatons of CO₂e by 2050³, leading to a planet that is 3.5°C warmer by the end of the century⁴. This trajectory demonstrates the tremendous challenge in reaching net-zero and the urgency to act now.

Therefore, MSCI calls upon:

- **Asset owners** including sovereign wealth funds, pension funds, endowments, insurance companies and individuals to reallocate capital to less emission intensive investments and to green solutions aligned with accepted warming scenarios; target a year-on-year decarbonization of portfolios that allows for a reduction in the world’s total emissions by 10% a year; and transition to a policy benchmark to help portfolios move toward net-zero
- **Asset managers** to use their voting rights and direct engagement with companies to urge them to align with net-zero targets; support owners of capital by building expertise to fund clean energy; and develop risk management and reporting expertise in accordance with the guidelines of the Task Force on Climate-related Financial Disclosures (TCFD)
- **Banks** to support businesses with capital to invent and scale clean energy; and drive developments in corporate lending and corporate debt and equity issuance linking terms of capital to net-zero objectives
- **Companies** to set emissions targets to reach net-zero no later than 2050; articulate credible and specific strategies to achieve these reductions; and incorporate best practices when reporting and disclosing data and initiatives undertaken

¹ Based on the sum of the free-float-adjusted market capitalization of all MSCI ACWI IMI constituents as of March 31, 2021.

² Calculated as of March 31, 2021, based on the sum of MSCI ACWI IMI constituents’ Scope 1 emissions, using publicly reported data where available and MSCI’s Carbon Estimation Methodology where no reporting is available. One gigaton is equal to one billion tons.

³ Projection based on the sum of MSCI ACWI IMI constituents’ Scope 1 emissions, taking into account publicly announced carbon-emissions reduction targets. The projection uses an annual emission growth rate of 1.4%, which is the average annual emission growth rate of the world between 2010 and 2019. See: “Emission Gap Report 2020.” UNEP, Dec. 9, 2020.

⁴ Compared to pre-industrial temperatures, as estimated by MSCI’s Warming Potential model, as of March 31, 2021. As highlighted in the TCFD’s Forward Looking Financial Sector Metrics consultation, the financial industry is currently working on aligning the core parameters between the methodologies for implied Temperature Rise metrics such as MSCI’s Warming Potential model.

Reflective of MSCI's commitment to support the transparency needed to evaluate the progress of decarbonization, MSCI will publish quarterly the MSCI ACWI IMI Net-Zero Tracker. This report will indicate the aggregate temperature alignment of MSCI ACWI IMI with a 1.5°C trajectory, as well as highlight the companies and sectors that have made the greatest progress in the path toward net-zero and identify the world's laggards. MSCI will consult with market participants to develop and enhance the report over time.

Henry Fernandez, Chairman and Chief Executive Officer, MSCI, comments, "On the current trajectory, MSCI ACWI IMI will be scarcely greener in 2050 than in 2020, with an estimated 80% of companies exceeding the emissions budget needed to be well below 2.0°C⁵. This is not a path to net-zero. Capital markets are an essential and critical force to drive the transition to net-zero with concerted action from all participants, ranging from a reallocation of capital by asset owners, to effective channelling of funds by asset managers and banks to greener investments and innovation, alongside the commitment of companies.

"A global index such as the MSCI ACWI IMI can serve as a measure of the carbon trajectory of the world's companies. By acting as the objective and transparent measure of progress, we can help drive accountability, reflect the voice of the world's largest investors and identify the companies making progress to power the systemic transformation needed for a net-zero revolution."

MSCI, as a company, has committed to the goal of net-zero emissions throughout its global operations before 2040. MSCI's transition strategy focuses on reducing emissions through carbon-reduction initiatives and engaging suppliers to achieve shared net-zero goals. More information about MSCI's net-zero commitment can be found [here](#).

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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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⁵ ["Climate Reality Bites: Actually, We Will Not Always Have Paris."](#) December 2020. MSCI.com

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