

MSCI ESG Enhanced Focus Indexes

INTEGRATING ESG AND LOW CARBON IN YOUR INVESTMENTS



Maximizing the ESG profile while managing carbon risk

As institutional investors evaluate the risk and opportunities associated with environmental, social, and governance (ESG) characteristics, the challenge some investors face is how to integrate ESG into their investment process and maintain equity market-like exposure. The MSCI ESG Enhanced Focus Indexes are designed to maximize their exposure to positive ESG metrics while reducing exposure to carbon dioxide (CO2) and other greenhouse gases (GHG) as well as their exposure to potential emissions risk of fossil fuel reserves by thirty percent (30%). The Indexes also aim to maintain risk and return characteristics similar to those of their respective underlying market capitalization weighted indexes.

MSCI ESG Enhanced Focus Indexes

Each index is constructed through an optimization process that aims to maximize exposure to ESG factors for the target tracking error budget and reduce carbon. The indexes aim to be sector-diversified and target companies with high ESG ratings in each sector.

- MSCI World ESG Enhanced Focus Index
- MSCI EM ESG Enhanced Focus Index
- MSCI Europe ESG Enhanced Focus Index
- MSCI EMU ESG Enhanced Focus Index
- MSCI USA ESG Enhanced Focus Index
- MSCI Japan ESG Enhanced Focus Index

MSCI ESG Enhanced Focus Indexes – key features

▶ **Targets a 30% reduction in carbon compared with parent index**

▶ **Excludes companies involved in controversies**

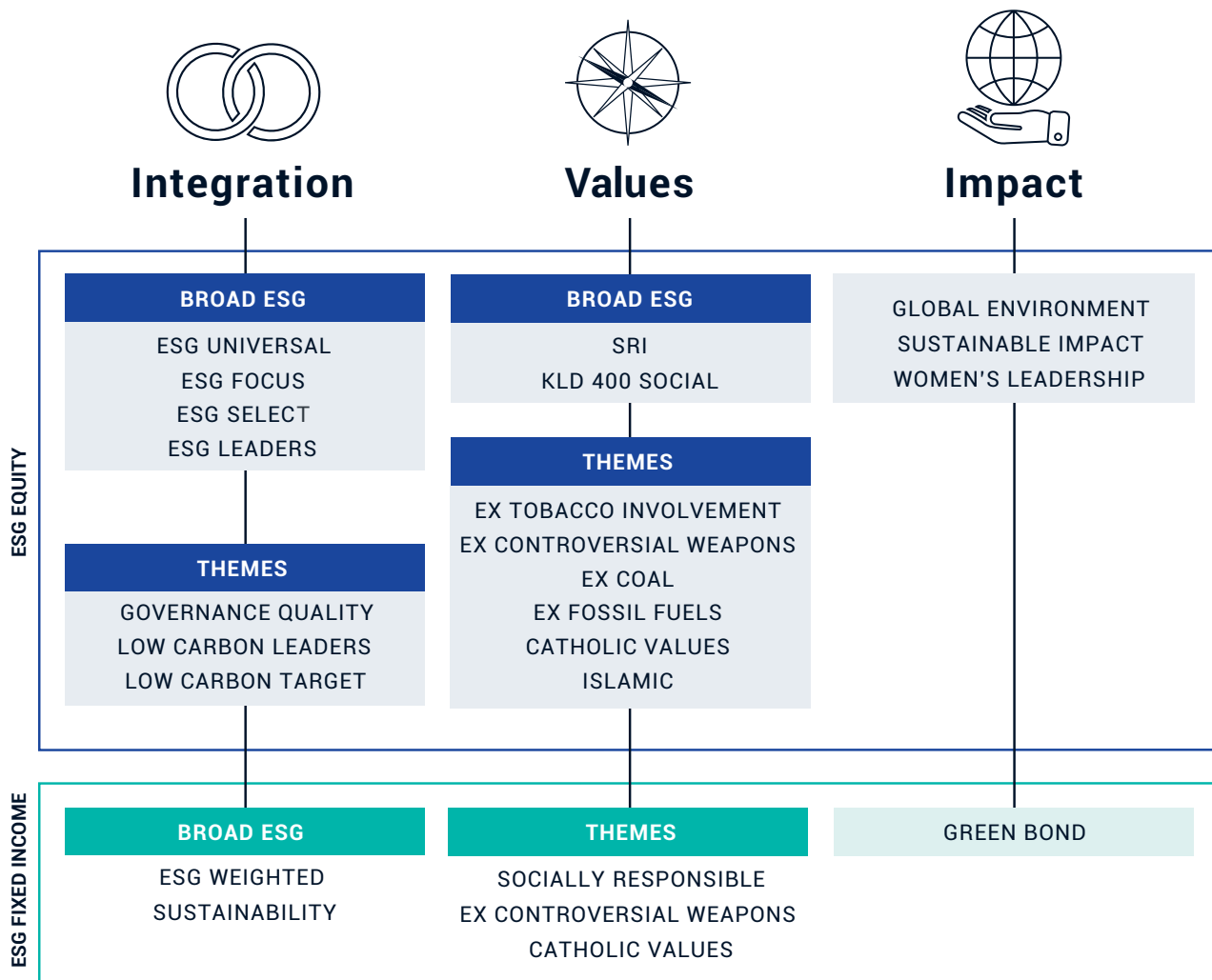
▶ **Excludes controversial weapons and tobacco producers**

Overview of the Exclusion Screens



About MSCI ESG Indexes

The MSCI ESG Indexes are designed to support common approaches to ESG investing and help institutional investors more effectively benchmark to ESG investment performance as well as manage, measure and report on ESG mandates.



BROAD ESG – Methodology is based on ESG Ratings reflecting a combination of environmental, social and governance issues
THEMES – Methodology is based on data for specific ESG issue(s)

Integration

MSCI ESG Indexes that support ESG integration are designed to:

- Target positive ESG exposure through optimization (MSCI ESG Focus)
- Tilt the weight of index constituents based on their ESG characteristics and changes in ESG score (MSCI ESG Universal)
- Select companies with the highest ESG Ratings in each sector (MSCI ESG Leaders)

These MSCI ESG Indexes aim to maintain the key characteristics of the parent free float market capitalization indexes, either through an explicit tracking error constraint or by targeting sector weights that reflect the underlying parent indexes, designed to limit the systematic risk introduced by the ESG selection process.

Other indexes focus on single themes or issues, such as the MSCI Low Carbon Target indexes, which are designed to achieve a target level of tracking error while minimizing carbon exposure.

Values based MSCI ESG Indexes aim to help investors to align their personal or ethical values, or faith, with their investment processes. These include the MSCI SRI Index, MSCI KLD 400 Index and the MSCI ex Controversial Weapons Index.

Impact orientated indexes, such as the MSCI Sustainable Impact Index, include companies whose core business addresses at least one of the world's social and environmental challenges as defined by the United Nations Sustainable Development Goals.



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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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