Introducing MSCI Climate Change Indexes

Part of a holistic toolkit to enable clients to build more climate resilient portfolios

MSCI offers a range of climate indexes designed for institutional investors seeking to address climate change.

The new MSCI Climate Change Indexes are designed to represent the performance of a strategy that reweights securities based upon the opportunities and risks associated with the transition to a low carbon economy, enabling institutional investors and wealth managers to integrate climate risk considerations in their global equity investment process.

Key features

Shift from brown to green
- Indexes aim to reduce their exposure to stranded assets
- Indexes aim to increase their exposure to low carbon solution providers

Broad & diversified
- Indexes use a simple rules-based reweighting methodology
- No exclusions based on climate change criteria

Multifunctional
- Implementable as a standalone index
- Or can be used as part of an existing ESG strategy

MSCI Climate Change Indexes methdology

MSCI Climate Change Indexes reweight securities based on their Low Carbon Transition Score

The diagram below is for illustrative purposes only:

Low carbon transition categories & scores*
Measures a company’s absolute exposure to and management of economically relevant risks and opportunities related to the Low Carbon Transition.

* Provided by MSCI ESG Research
**Key use cases**

The MSCI Climate Change Indexes are rules-based, transparent and designed to be replicable for clients seeking to implement a climate strategy.

**Asset allocation**
- May be used as a policy benchmark for strategic asset allocation

**Performance benchmark**
- May be used as benchmark to measure performance of active managers

**Financial instruments**
- May be used as an underlying index for passive products (e.g. ETF and mutual funds)

**Engagement tool**
- May be used as a scalable way to engage companies to improve ESG performance

MSCI ESG Indexes and MSCI Risk Analytics utilize information from, but are not provided by, MSCI ESG Research LLC. MSCI Equity Indexes are products of MSCI Inc. and are administered by MSCI UK Limited.

**Cumulative index performance (November 2013 - May 2019)**

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<thead>
<tr>
<th></th>
<th>MSCI ACWI</th>
<th>MSCI ACWI Climate Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tracking Error</td>
<td>0.96%</td>
<td></td>
</tr>
<tr>
<td>Average Number of Stocks</td>
<td>2,529</td>
<td>2,391</td>
</tr>
<tr>
<td>Number of Stocks – 31st May ’19</td>
<td>2,852</td>
<td>2,746</td>
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MSCI Climate Indexes suite

The new MSCI Climate Change Indexes are part of a range of MSCI climate indexes that aim to meet the needs of institutional investors seeking to address climate change.

- **Low Carbon Indexes**
  Designed to significantly reduce the index’s carbon footprint while retaining similar characteristics to the parent index

- **Ex Fossil Fuel Indexes**
  Designed to exclude securities with proven fossil fuel reserves for energy purposes

- **Environmental Indexes**
  Concentrated indexes designed to include ‘pure play’ securities with significant revenue exposure to products & services providing environmental solutions

**Mitigate risk**
Aims to offer broad market exposure, reduce climate risk through lower exposure to companies with high-carbon products as well as just reduce the carbon footprint, reduce exposure to potential transition risks and strongly increase exposure to opportunities and companies providing solutions

**Asset Owners**

**Capture Disruptive Technologies**

**Promote Stewardship**

**MSCI Climate Change Solutions**

The MSCI climate index suite utilizes MSCI ESG Research tools and data including the Low Carbon Transition Categories and Score, data on fossil fuel and clean tech exposure, carbon emissions, and carbon risk management and portfolio reporting.

For information visit msci.com/climate-change-solutions
About MSCI ESG Research products and services

MSCI ESG Research products and services are provided by MSCI ESG Research LLC, and are designed to provide in-depth research, ratings and analysis of environmental, social and governance-related business practices to companies worldwide. ESG ratings, data and analysis from MSCI ESG Research LLC. are also used in the construction of the MSCI ESG Indexes. MSCI ESG Research LLC. is a Registered Investment Adviser under the Investment Advisers Act of 1940 and a subsidiary of MSCI Inc.

About MSCI

MSCI is a leading provider of critical decision support tools and services for the global investment community. With over 45 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.