

MSCI ESG Screened Indexes

An off-the-shelf approach to exclusionary screens

Exclusionary Screens:

A longstanding approach

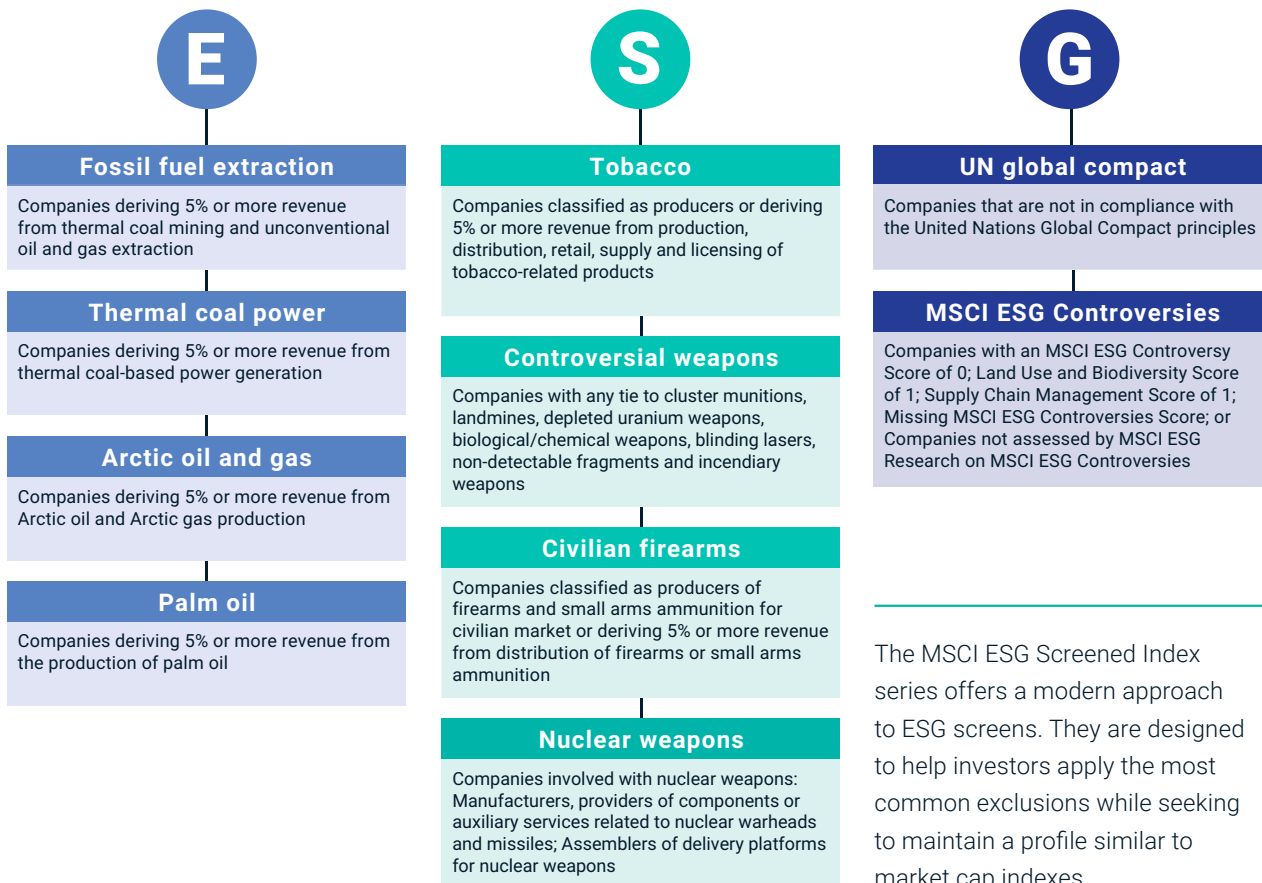
For over 20 years MSCI has calculated exclusions-based indexes for some of the world's largest endowment and pension funds.

We've observed a growing interest among investors for market cap indexes with exclusions built into the index. Historically, this has been achieved through custom indexes which can add time and cost.

MSCI ESG Screened Indexes

The MSCI ESG Screened Index methodology is MSCI's first standard index methodology to incorporate a range of ESG exclusions while seeking to maintain a profile similar to market cap indexes.

In addition to targeting at least a 30% reduction in carbon emission intensity relative to the underlying parent indexes, the Indexes exclude companies based on the following Environmental, Social and Governance (ESG) framework:



The MSCI ESG Screened Index series offers a modern approach to ESG screens. They are designed to help investors apply the most common exclusions while seeking to maintain a profile similar to market cap indexes.

MSCI ESG Screened Indexes series

The indexes aim to exclude companies:

- » associated with civilian and nuclear weapons, tobacco, palm oil, arctic oil and gas and other controversial products
- » deriving revenues from thermal coal power and fossil fuel extraction
- » not in compliance with the United Nations Global Compact principles
- » involved in very severe controversies including those related to biodiversity

The Indexes also target at least a 30% reduction in carbon emission intensity relative to underlying parent indexes.

Key features

- » **Mitigates headline risk:** incorporates the most common exclusions while aiming for a similar profile as market cap indexes
- » **Easy to access:** available as part of MSCI's standard ESG Index Module and Enhanced Module offering
- » **Easy to implement:** designed to be easy to use and efficient for investors who seek an off the shelf ESG exclusion index

Key benefits

- » Designed to maintain a broad coverage with similar profile to market cap index
- » Targets zero exposure to controversial weapons or tobacco producers
- » Aims to exclude companies involved in controversial companies and businesses
- » Limited exclusions designed to minimize tracking error relative to the parent index
- » Aims to reduce Carbon Footprint

Applications

The Indexes can be used to support:

- » **Strategic asset allocation:** consistent, broad indexes that aim to represent the performance of the full spectrum of the global equity opportunity set without home bias
- » **Performance benchmark and attribution:** an industry-leading suite for global mandates, with regional, country, sector and other subsets available for more targeted investment mandates
- » **Research:** a leading source for global equity markets and underlying security-level data for sell-side research

MSCI ESG Indexes

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.

MSCI ESG Indexes also provide institutional investors with transparency into ESG sustainability and values alignment, together with the ability to compare holdings.

MSCI – A leader in ESG indexing

#1 ESG index provider in by equity ETF assets linked to its ESG indexes¹

2,650 institutional investor clients around the world²

\$644bn in assets are benchmarked to MSCI ESG Indexes³



¹ As of December 31, 2022. Sourced from Refinitiv; defined as each share class of an exchange traded fund, as identified by a separate Lipper ID. Only primary listings, and not cross-listings, are counted. MSCI does not guarantee the accuracy of third-party data.

² To calculate the number of clients, we use the shipping address of the ultimate customer utilizing the product, which counts affiliates, user locations or business units within a single organization as separate clients; As of December 2021

³ Total assets comprised of (1) actively managed assets under management (AUM) as of June 30, 2022, reported on or before September 30, 2022, using data from eVestment for active institutional funds, Morningstar for active retail funds and internal MSCI data; (2) indexed non-ETF AUM as of June 30, 2022 using data directly collected by MSCI; and (3) indexed ETF AUM as of June 2022. ETF AUM based on data from Refinitiv and MSCI for periods on or after April 26, 2019 and from Bloomberg and MSCI for periods prior to April 26, 2019. ETF is defined as each share class of an exchange traded fund, as identified by a separate ticker; only primary listings, and not cross-listings, are counted. MSCI does not guarantee the accuracy of third-party data.



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To learn more, please visit www.msci.com/esg-investing

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