

# MSCI Climate Paris Aligned Indexes

## Equity and Fixed Income Indexes for Net-Zero Strategies

Analysis by the MSCI Climate Risk Center has shown the increasingly significant threat climate change poses to the long-term resilience of investment portfolios<sup>1</sup>. Our aim is to equip investors with the tools to benchmark, measure and manage exposure to climate risk and identify sustainable investment opportunities.

MSCI's new range of equity and fixed income climate indexes is designed to address climate change in a holistic way and to meet the needs of investors seeking to reduce their exposure to transition & physical climate risks and aim to help investors seeking to align with a net-zero world.



### What are the Climate Paris Aligned Indexes and how can they help investors seeking a net-zero strategy?

The indexes are constructed using MSCI's climate metrics and models, including forward-looking data from MSCI ESG Research's enhanced Climate Value-at-Risk Transition and Physical risk models with extensive emissions capture and green revenue data, Low Carbon Transition Score, Scope 3 emissions data and companies' carbon emission reduction targets<sup>2</sup>.

Designed to for investors looking to address climate change holistically and allocate in a way that supports the decarbonization of the economy while being compatible with the Paris Agreement, the MSCI Climate Paris Aligned Indexes incorporate the recommendations of the Task Force on Climate Related Financial Disclosures and are designed to exceed the minimum requirements for the EU Paris Aligned Benchmark<sup>3,4</sup>.

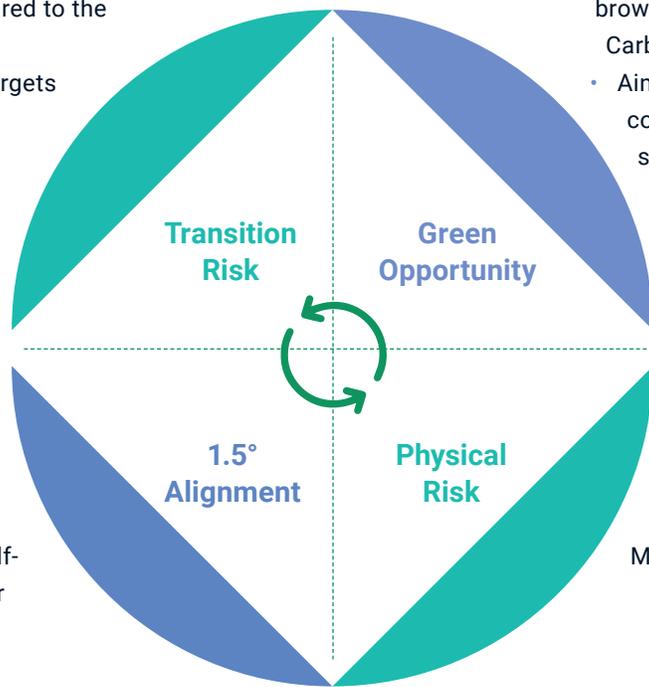
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### Designed to address climate change risks and opportunities holistically

The indexes aim to represent the performance of an investment strategy that reweights or excludes securities based on the risks and opportunities associated with the climate transition, and follows a decarbonization trajectory in order to align with a 1.5°C scenario, while seeking to minimize exclusions from the parent index.

**The MSCI Climate Paris Aligned indexes follow a transparent and rules based optimized index methodology with the following objectives:**

- Targets at least 50 reduction in Weighted Average Carbon Intensity compared to the reference index
- Incentivize companies setting targets
- Aims to maximize its exposure to companies with carbon reduction targets
- Underweights high carbon emitters based on Scope 1,2 and 3 emissions
- Aims to lower its Fossil Fuel exposure
- Designed to align with a 1.5° scenario using MSCI Climate Value-at-Risk and an ongoing self-decarbonization rate of 10% year on year
- Shift the weight of constituents from brown to green activities using MSCI Low Carbon Transition score
- Aims to maximize its exposure to companies providing Clean Technology solutions
- Aims to reduce Physical Risk Climate by at least 50% using MSCI Climate Value-at-Risk



Minimum tracking error relative to parent and low turnover

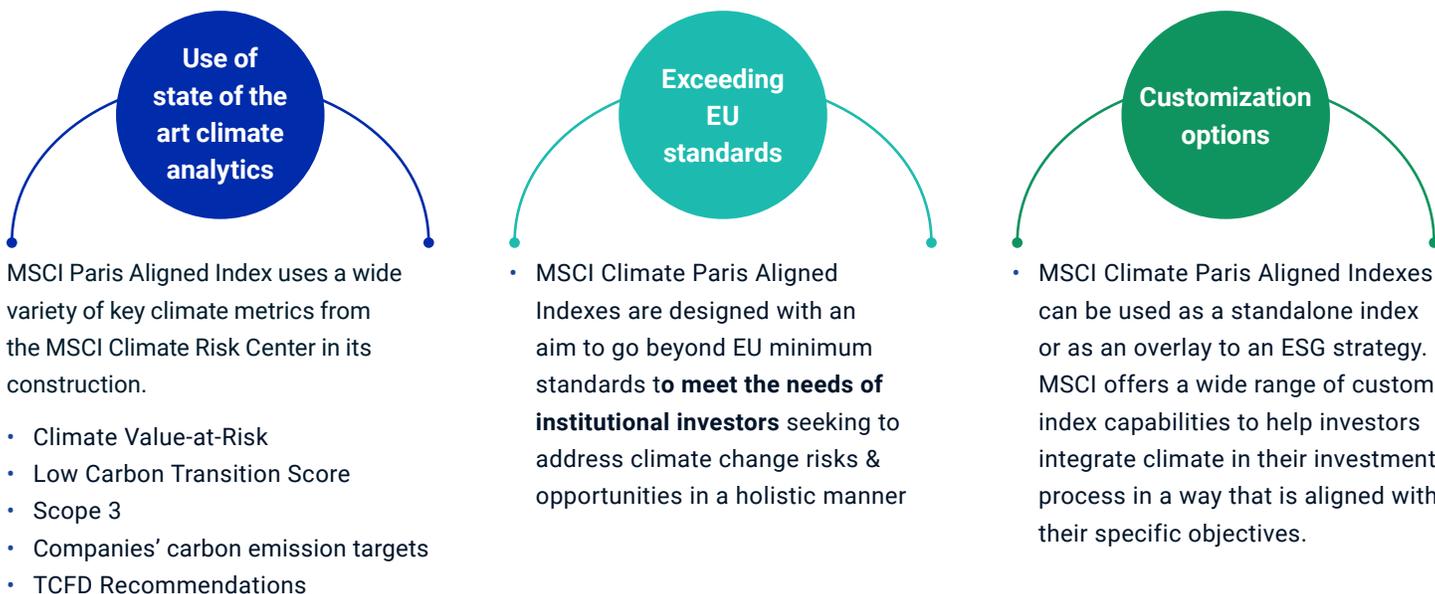
**Climate Paris Aligned Index – Examples of potential use cases**

The MSCI Climate Paris Aligned Indexes are **rules based, transparent and may be used as part of a climate strategy implementation**

ASSET ALLOCATION	FINANCIAL INSTRUMENTS	PERFORMANCE BENCHMARK	ENGAGEMENT TOOL
<ul style="list-style-type: none"> <li>• Index can be used as policy benchmark for strategic asset allocation</li> <li>• Leading Asset Owners have adopted MSCI Climate Indexes in order to align their benchmarks with their climate objectives</li> </ul>	<ul style="list-style-type: none"> <li>• Index can be used as underlying for passive products (e.g. ETF and mutual funds)</li> <li>• Several asset managers have launched financial products tracking MSCI Climate Indexes</li> </ul>	<ul style="list-style-type: none"> <li>• Index can be used as benchmark to measure performance of active managers</li> <li>• Managers can use the MSCI Climate Indexes as a performance benchmark and as a tool to understand the impact of climate related risks on the risk and return drivers of portfolios</li> </ul>	<ul style="list-style-type: none"> <li>• Index can be used as a scalable way to engage companies to improve ESG performance</li> <li>• Investors can use MSCI Climate Indexes to engage with companies as indexes are rules based and transparent.</li> </ul>

## Key features of the MSCI Climate Paris Aligned Index

The MSCI Climate Paris Aligned Indexes are **rules based, transparent and may be used as part of a** Climate strategy implementation



1 <https://www.msci.com/our-solutions/esg-investing/climate-solutions>

2 MSCI CVaR, carbon and emissions data are produced by MSCI ESG Research LLC. MSCI ESG Indexes and Analytics utilize information from, but are not provided by, MSCI ESG Research LLC. MSCI Indexes and Analytics are products of MSCI Inc. MSCI Indexes are administered by MSCI Limited (UK).

3 The EU Paris Aligned Benchmark is contained in the EU Commission's Technical Expert Group on Sustainable Finance's Final Report on Climate Benchmarks and Benchmarks' ESG Disclosures: [https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/eu-climate-benchmarks-and-benchmarks-esg-disclosures\\_en](https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/eu-climate-benchmarks-and-benchmarks-esg-disclosures_en)

4 MSCI Paris-Aligned Climate Indexes are part of the MSCI Climate Toolkit which includes tools for climate reporting, risk management, portfolio construction and engagement.

## 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.

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