



MSCI ESG Enhanced Focus CTB Indexes

SUPPORTING INSTITUTIONAL INVESTORS SEEKING TO INTEGRATE ESG AND LOW CARBON IN THEIR INVESTMENTS



Designed to Maximize the ESG profile while minimizing 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 CTB Indexes are designed to maximize their exposure to positive ESG factors while maintaining risk and return characteristics similar to those of their respective underlying market capitalization weighted indexes.

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

MSCI ESG Enhanced Focus CTB Indexes

Each index is constructed in part by selecting constituents of a market capitalization weighted index through an optimization process that aims to maximize exposure to ESG factors for a target tracking error budget and exceed the minimum standards of the EU Climate Transition Benchmark (CTB).

- MSCI World ESG Enhanced Focus CTB Index
- MSCI EM ESG Enhanced Focus CTB Index
- MSCI Europe ESG Enhanced Focus CTB Index
- MSCI EMU ESG Enhanced Focus CTB Index
- MSCI USA ESG Enhanced Focus CTB Index
- MSCI Japan ESG Enhanced Focus CTB Index
- MSCI Pacific ex Japan ESG Enhanced Focus CTB Index
- MSCI World Small Cap ESG Enhanced Focus CTB Index

▶ **Excludes companies involved in controversies**

MSCI ESG Enhanced Focus CTB Indexes – key features

- Designed to exceed the minimum technical requirements laid out for EU Climate Transition Benchmarks in the EU Delegated Acts.
- Targets 30% reduction in the weighted average greenhouse gas (GHG) intensity
- Targets 7% reduction in the weighted average greenhouse gas (GHG) intensity on an annualized basis
- Targets 30% reduction in the weighted average potential emissions intensity
- Includes equivalent ratio of weighted average “Green Revenues” to weighted average “Fossil Fuels-based Revenues” as that of the underlying investment universe.
- Aims to maximize the weight of companies with credible carbon reduction targets through the weighting scheme
- Designed to be sector-diversified and target companies with high ESG ratings in each sector.

▶ **Excludes controversial weapons and tobacco producers**

Overview of the Exclusion Screens

E	S	G
Thermal Coal	Tobacco	UN Global Compact
<p>Companies deriving 5% or more revenue from mining of thermal coal or 5% or more revenue from thermal coal-based power generation</p>	<p>Companies classified as producer or deriving 5% or more aggregate revenue from production, distribution, retail, and supply of tobacco-related products</p>	<p>MSCI ESG Global Norms Screening is designed to help investors determine which publicly traded companies breach the standards of conduct enumerated by the United Nations Global Compact Principles, the United Nations Guiding Principles on Business and Human Rights, and the ILO Conventions. All companies determined as failing to comply with the UNGC principles are excluded.</p>
Unconventional Oil and Gas	Controversial Weapons	
<p>Companies deriving 5% or more revenue from oil sands, oil shale (kerogen-rich deposits), shale gas, shale oil, coal-seam gas, coal-bed methane as well as Arctic onshore/offshore reserves</p>	<p>Companies with ties to cluster munitions, landmines, depleted uranium weapons, chemical and biological weapons, blinding laser weapons, non-detectable fragments, incendiary weapons</p>	
	Civilian Firearms	
	<p>Companies classified as:</p> <ul style="list-style-type: none"> • Producer of firearms and small arms ammunition for civilian market • Deriving 5% or more revenue from the distribution of firearms and small arms 	
	Nuclear Weapons	
	<p>All Companies connected with nuclear weapons as:</p> <ul style="list-style-type: none"> • Manufacturer, provider of components or auxiliary services related to nuclear warheads and missiles, Assembler of delivery platforms for nuclear weapons 	
	Conventional Weapons	
	<p>Companies deriving 5% or more revenue from the production of conventional weapons or deriving 10% or more aggregate revenue from weapons systems, components and support systems and services</p>	

Other Exclusion Criteria

- **Missing Controversy Score** – Companies not assessed by MSCI ESG Research’s MSCI ESG Controversy Scores are excluded from the index.
- **Missing ESG Rating or ESG Score** – Companies which are not rated by MSCI ESG Research for an MSCI ESG Rating are excluded from the index.



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.

To learn more, please visit msci.com/msci-esg-focus-indexes

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