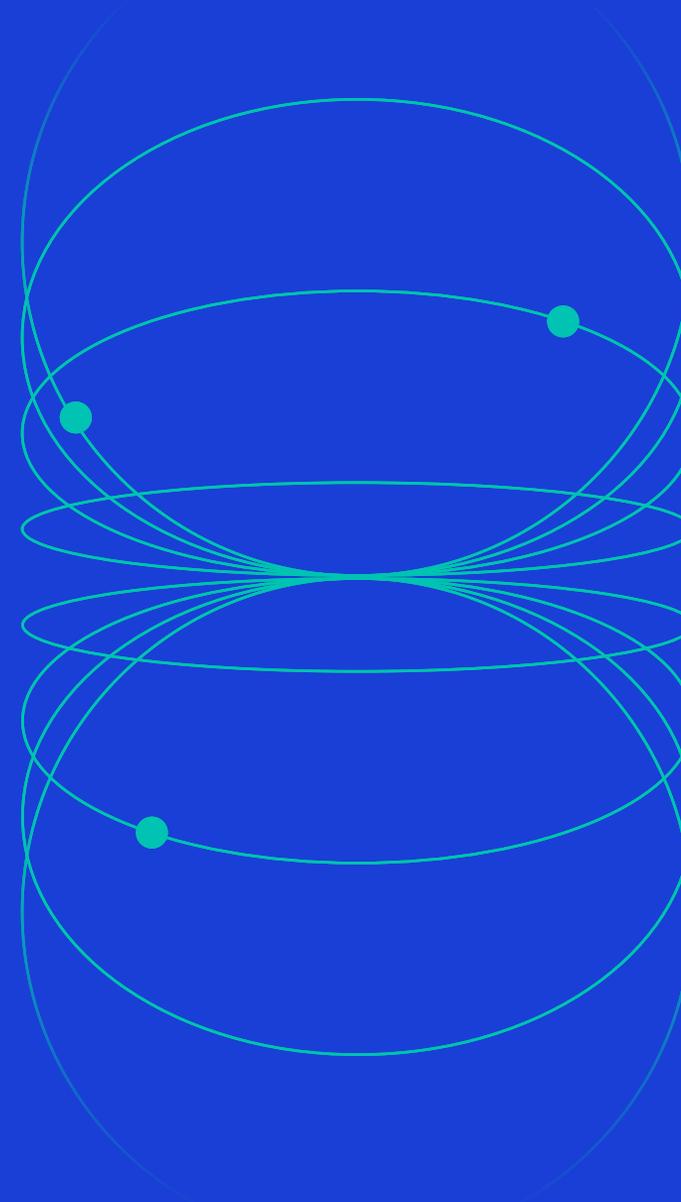




Consultation on MSCI Climate Action Indexes Methodology

March 2026

This consultation may or may not lead to the implementation of any or all of the proposed changes in the highlighted or any other MSCI indexes. Consultation feedback will remain confidential. MSCI may publicly disclose feedback if specifically requested by specific market participants. In that case, the relevant feedback would be published together with the result of the consultation



Summary

MSCI proposes to enhance the MSCI Climate Action Indexes methodology to reduce tracking error relative to the parent index, and to simplify methodology components to continue capturing companies best positioned for the climate transition

PROPOSALS 1-6

Streamlined Screens and Capping

- Simplify the Climate Risk Management Score (CRMS) screen
- Remove the Nuclear Weapons screen
- Enhance Capping to consider the Parent Index weight, and to better balance Issuer and Sector exposures

PROPOSAL 7

Tilt-Based Approach

- Use a tilt-based approach to reweight companies based on transition risks and opportunities relative to sector peers
- Select all eligible companies, instead of only the top 50% per sector

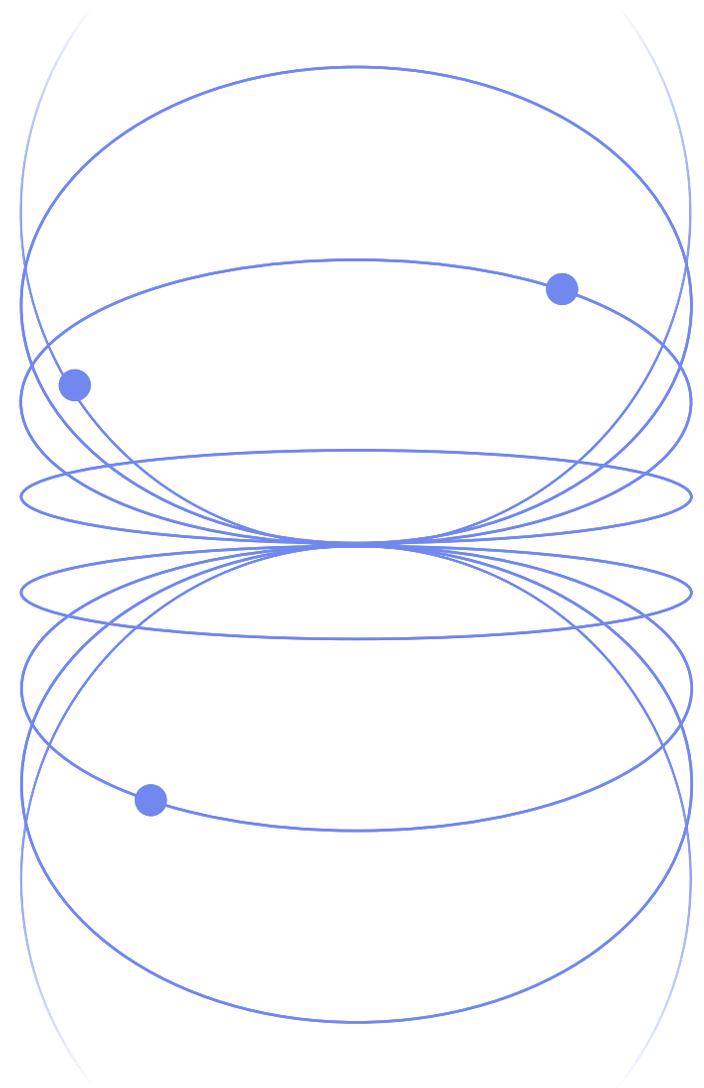
PROPOSAL 8

Unified Transition Signal

- Adopt the Energy Transition Readiness Score as a unified measure, for a more holistic and robust differentiation across companies

MSCI invites feedback from market participants on or before April 3, 2026, and will announce the consultation results and implementation timeline¹ on or before April 10, 2026.

Background & Rationale

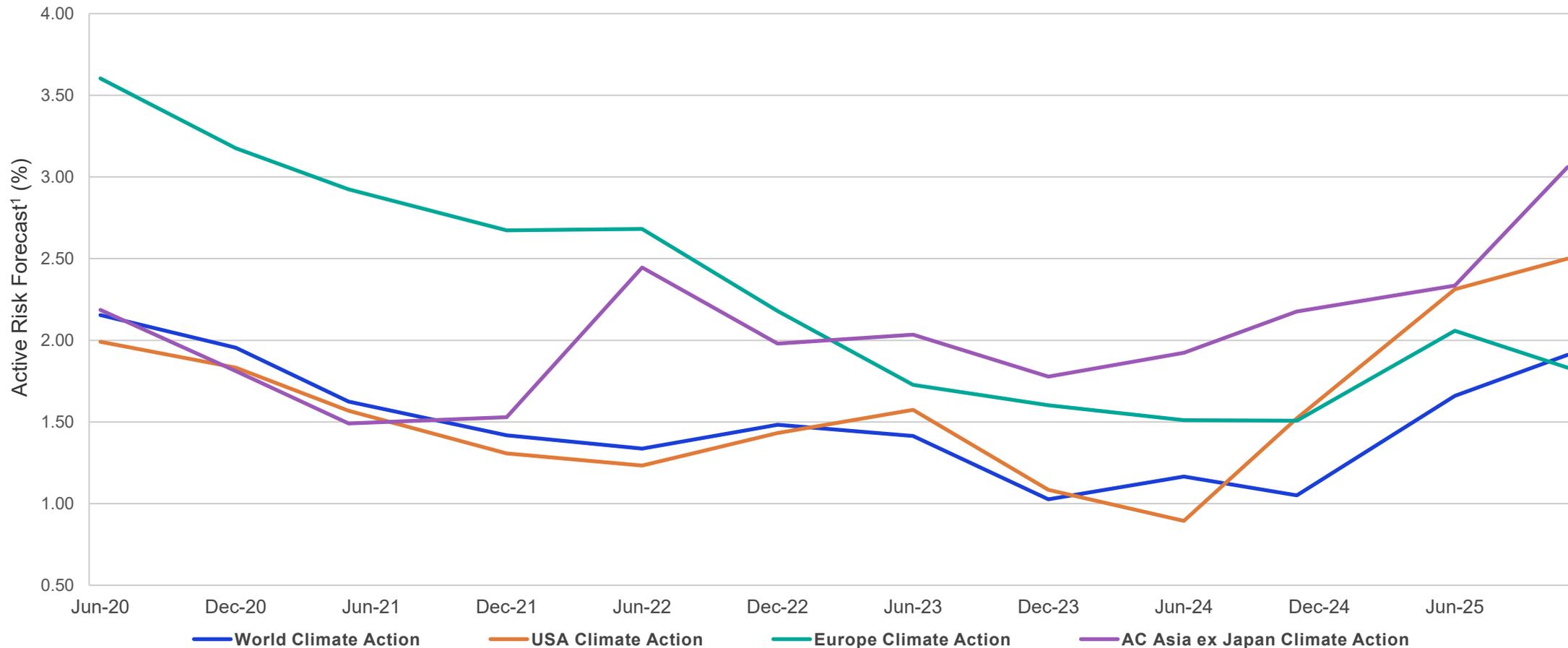


Overview of Proposed Enhancements

- The **MSCI Climate Action Indexes** are designed to support **transition leaders** across all sectors — helping investors support decarbonization organically through exposure to selected companies, while maintaining market like returns and achieving modest turnover.
- Since launch, the **MSCI Climate Action Indexes** have generally delivered on their climate objectives. However, over the last 12–18 months, **rising market concentration** and **increased SBTi adoption** have resulted in an increase in tracking error and turnover during index rebalancing.
- The proposed changes would help in the following areas:
 - Issuer level capping would be relaxed which will help address the increased active weights and tracking error.
 - Simplification of the methodology to help reduce the one-way turnover.
 - Apply tilting instead of hard inclusion/exclusion rules – this helps ensure that transition leaders – as indicated by companies with approved **Science Based Targets** among other metrics – have better representation in the indexes.
- In summary, **Proposals 1-6** will preserve the objectives of the MSCI Climate Action Indexes methodology while improving key metrics such as tracking error and turnover. **Proposals 7 & 8** are structural enhancements to the methodology which further improve the same key metrics while continuing to support transition leaders across sectors.

Tracking error is on the rise.

The ex-ante tracking error¹ in select MSCI Climate Action Indexes has been increasing, notably since 2024.

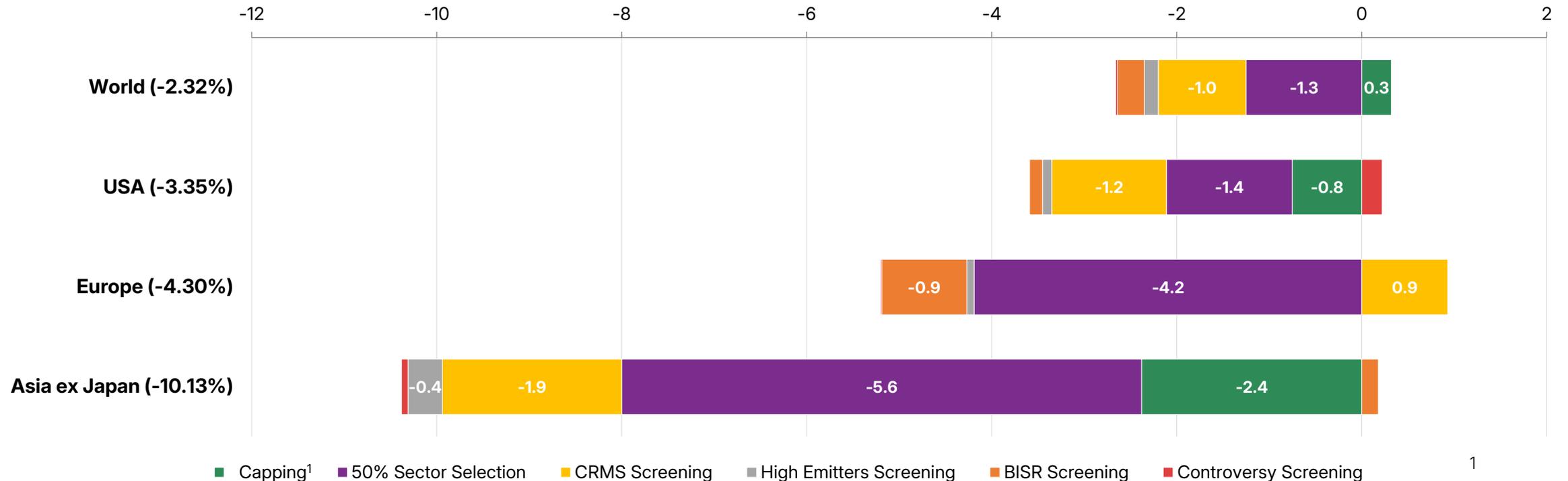


Background & Rationale

Key methodology components have contributed to recent underperformance.

An attribution of the 2025 underperformance to each methodology component highlights that the current selection-based approach has not been rewarded. The capping and screening steps have additionally detracted from performance of key indexes.

Active Return Attribution - 2025 Full-Year (%)



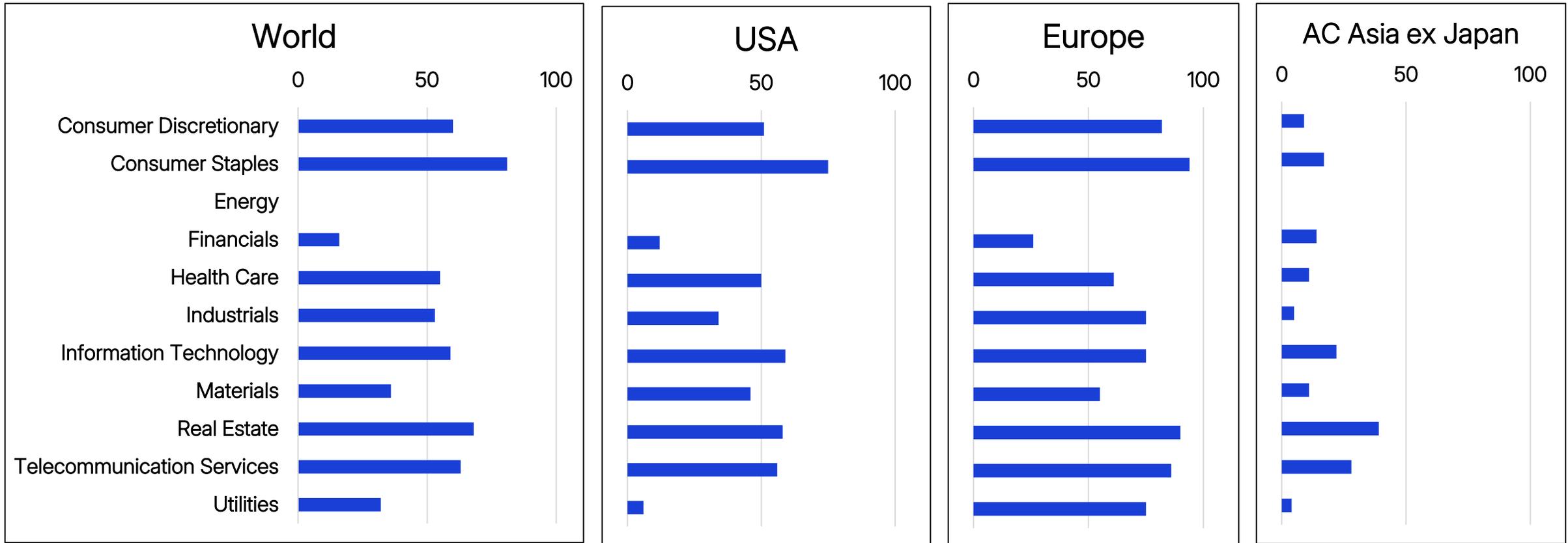
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Background & Rationale

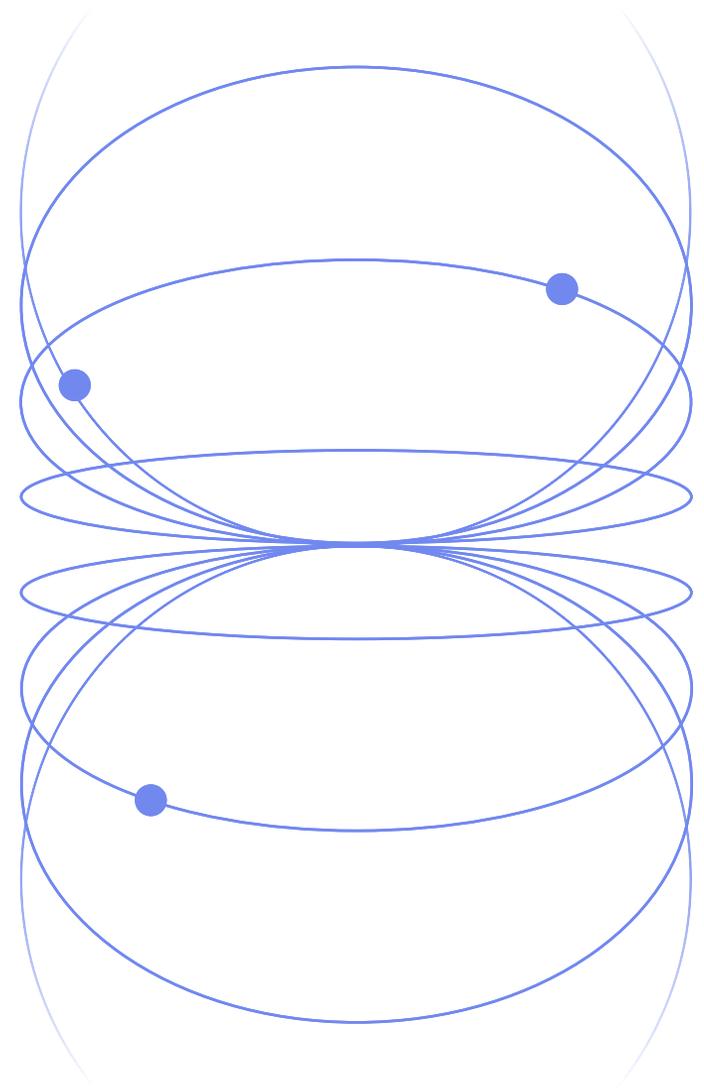
Companies are increasingly adopting science-based targets.

Selecting only 50% of companies within each GICS sector excludes a significant proportion of companies with SBTi-approved targets.

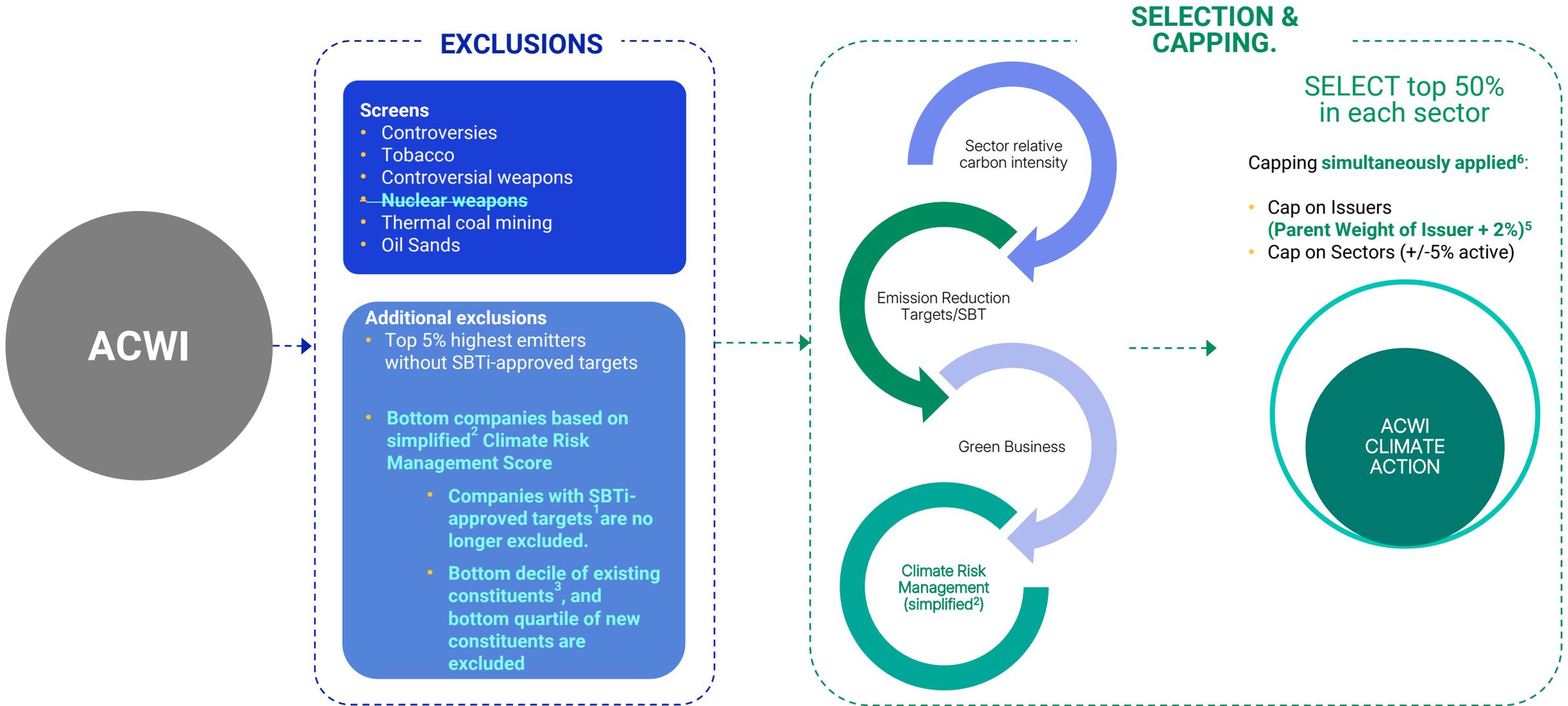
Proportion of companies (%) with SBTi-approved targets across key regions¹



Overview of Proposals 1-6



Proposed Methodology (Proposals 1-6)



Proposed Enhancements

Proposals 1-6 include methodology enhancements to (a) streamline the eligibility screens and (b) improve issuer and sector exposures.

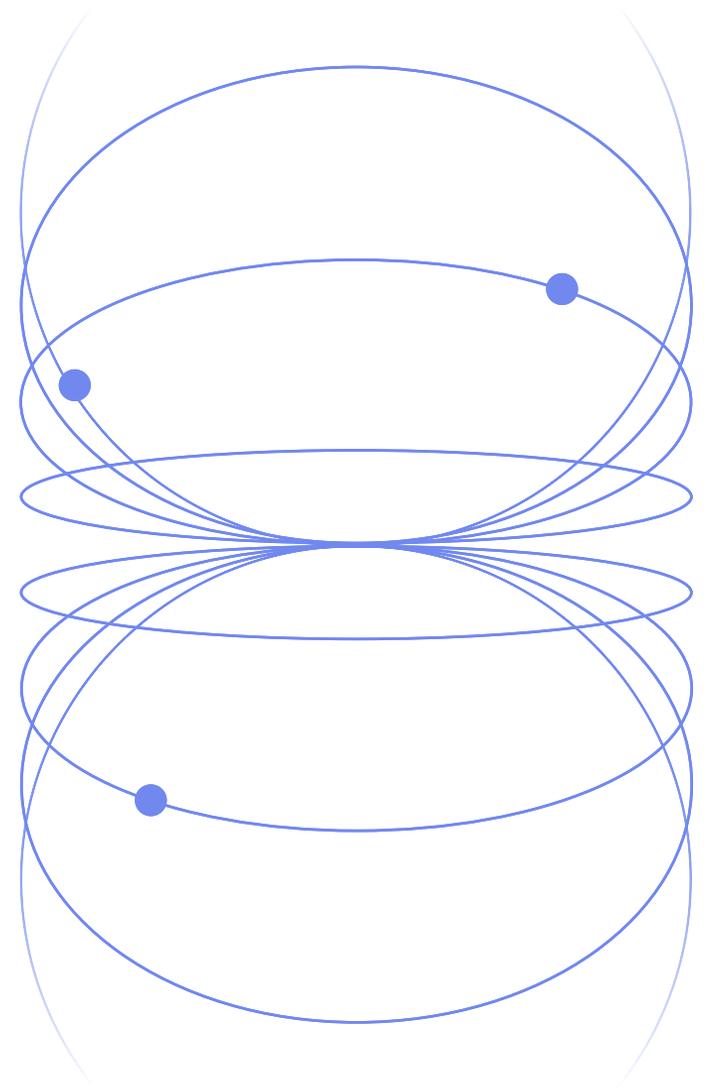
Proposals	Rationale
<p>Proposal 1: Exempt companies with SBTi-approved targets from the Climate Risk Management Score (CRMS) eligibility screen</p>	<ul style="list-style-type: none"> • Broadening the coverage of companies with SBTi-approved targets: A “free-pass” provision is applied such that the index reflects the global expansion of companies with science-based targets. • The exemption of companies with SBTi-approved targets is consistent with the high-emitters screen.
<p>Proposal 2: Simplify the CRMS metric to target only Carbon Emissions management</p> <p><i>Only use the key issue “Product Carbon Footprint Management Score” if available, else only use “Carbon Emissions Management Score”</i></p>	<ul style="list-style-type: none"> • Targeted approach focusing on carbon emissions key issues: This simplifies the current broader definition that additionally covers green opportunity- and biodiversity- related key issues.
<p>Proposal 3: Differentiate between new and existing constituents in the CRMS eligibility</p> <p><i>NEW: sector-relative CRMS quartile > 1, EXISTING: sector-relative CRMS decile > 1</i></p>	<ul style="list-style-type: none"> • Mitigating turnover from on-going data updates: In the absence of a buffer, CRMS data updates results in frequent index additions and deletions.

Proposed Enhancements

Proposals 1-6 include methodology enhancements to (a) streamline the eligibility screens and (b) improve issuer and sector exposures.

Proposals	Rationale
<p>Proposal 4: Remove the Nuclear Weapons screen</p> <p>Alternate Proposal: Modify the Nuclear Weapons screen to:</p> <ul style="list-style-type: none"> • Warheads / Missiles • Exclusive-Use Components 	<ul style="list-style-type: none"> • Evolving market views on the defense sector: The proposal to remove the Nuclear Weapons screen reflects the evolving political and regulatory views on the defense sector (especially in Europe). Client feedback was received during the MSCI led Client Engagement on Weapons in 2025. • Tracking Error: This change also helps mitigate the ex-ante tracking error.
<p>Proposal 5: Replace the absolute 5% Issuer Cap with a cap relative to the Parent Index weight</p> <p><i>Each issuer will be capped at its Parent Index Weight + 2%</i></p>	<ul style="list-style-type: none"> • Large cap underexposure drives tracking error: The indexes currently underweight securities with higher Parent Index weights, increasing tracking error and contributing to underperformance.
<p>Proposal 6: Implement the Issuer Cap and Sector Cap simultaneously at the same step</p>	<ul style="list-style-type: none"> • Balanced capping: A simultaneous step limits the possibility of the sector cap overriding the issuer cap in the current sequential approach.

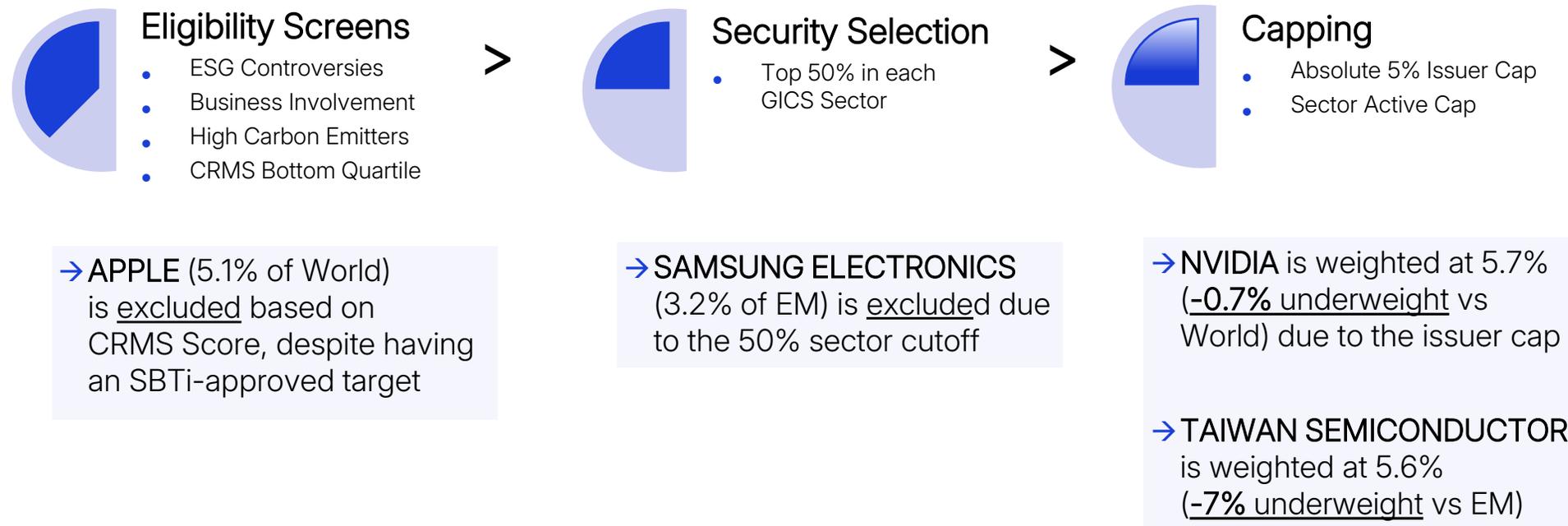
Simulated Impact of Proposals 1-6



Drivers of tracking error within the index construction (select examples as of the November 2025 Index Review)

The ex-ante tracking error in the current MSCI Climate Action Indexes is driven by:

- Eligibility screens, and the selection-based approach, which together exclude a significant proportion of the parent universe
- Absolute 5% issuer cap and subsequent +/-5% sector caps, resulting in significant active weights



Adjustments to the CRMS Score Eligibility Screen

Proposals 1-3 would reduce the exclusions due to the CRMS Score screen, expanding the eligible universe.

Proposals	World Climate Action	EM Climate Action	Top Newly Eligible Securities
<p>Proposal 1: Exempt companies with SBTi-approved targets from the Climate Risk Management Score (CRMS) eligibility screen</p>	<p>An additional 87 securities would be eligible (9.1% weight in MSCI World)</p>	<p>An additional 10 securities would be eligible (0.6% Weight in MSCI EM)</p>	<p><u>World</u> Apple – 4.9% Home Depot – 0.45% Thermo Fisher Corp – 0.27% <u>EM</u> Asia Vital Components – 0.15% Asustek Computers – 0.14%</p>
<p>Proposal 2: Simplify the CRMS metric to target only Carbon Emissions management</p>	<p>Total weight of securities in bottom quartile by CRMS Score would be reduced to 13.5% (from 20.1%)</p>	<p>Total weight of securities in bottom quartile by CRMS Score would be reduced to 7.3% (from 12.3%)</p>	<p><u>World</u> Apple – 4.9% GE Aerospace – 0.4% Chevron Corp – 0.35% <u>EM</u> SK HYNIX – 2.2% Hanhwa Aerospace – 0.21% SK Square Co – 0.19%</p>
<p>Proposal 3: Differentiate between new and existing constituents in the CRMS eligibility</p>	<p>24 of the 334 securities currently excluded (bottom <i>quartile</i>) are existing constituents that would be eligible (as they are not in the bottom <i>decile</i>)</p>	<p>25 of the 300 securities currently excluded (bottom <i>quartile</i>) are existing constituents that would be eligible (as they are not in the bottom <i>decile</i>)</p>	<p><u>World</u> Home Depot – 0.45% Chevron Corp – 0.36% Thermo Fisher Scientific – 0.35% <u>EM</u> Bharat Electronics - 0.17% Samsung Heavy Electricals – 0.12%</p>

The data used for this analysis is as of the November 2025 Index review.

Proposal 4

Removing the Nuclear Weapons Screen

The below companies are currently ineligible¹ due to the Nuclear Weapons screens.

Company	Country	Weight in World/ EM	Excluded due to Controversial Weapons?
RTX	USA	0.29%	
BOEING CO ³	USA	0.18%	True
AIRBUS	FRANCE	0.18%	
SAFRAN	FRANCE	0.16%	
HONEYWELL INTERNATIONAL	USA	0.15%	
ROLLS-ROYCE GROUP ³	UNITED KINGDOM	0.15%	
LOCKHEED MARTIN CORP	USA	0.12%	True
GENERAL DYNAMICS CORP	USA	0.10%	True
NORTHROP GRUMMAN CORP	USA	0.09%	
BAE SYSTEMS ³	UNITED KINGDOM	0.09%	
L3HARRIS TECHNOLOGIES	USA	0.07%	
THALES ³	FRANCE	0.03%	
LEONARDO ³	ITALY	0.03%	
LEIDOS HOLDINGS	USA	0.03%	
WARTSILA ³	FINLAND	0.02%	
TEXTRON	USA	0.02%	
DASSAULT AVIATION ³	FRANCE	0.01%	
HINDUSTAN AERONAUTICS ³	INDIA	0.10%	

Nuclear weapons screens assessed in the MSCI Climate Action Indexes

- Warheads & Missiles
- Exclusive-Use Components
- Exclusive Delivery Platforms
- Support Services
- Dual Components
- Dual Delivery Platforms
- Components of Dual Delivery Platforms

Proposals 5-6

Capping in the Current Methodology

Some of the largest stocks are currently underweighted in key MSCI Climate Action Indexes.

Top 5 Issuer — Parent Index vs. Climate Action Index

Top 5 Constituents — MSCI World vs. World Climate Action			
Issuer	Parent (%)	Weight in Climate Action Index – Pre-Capping(%)	Weight in Climate Action Index – Post-Capping(%)
NVIDIA	5.69%	8.42%	5.00%
APPLE	4.91%	—	—
MICROSOFT CORP	4.36%	6.45%	5.00%
AMAZON.COM	2.84%	4.20%	4.47%
ALPHABET A	2.02%	2.98%	2.71%

— Not present in CA Index
Data as of the November 2025 Index Review.

Top 5 Constituents — MSCI EM vs. EM Climate Action			
Issuer	Parent (%)	Weight in Climate Action Index – Pre-Capping(%)	Weight in Climate Action Index – Post-Capping(%)
TAIWAN SEMICONDUCTOR MFG	11.43%	16.68%	5.80%
TENCENT HOLDINGS LI (CN)	5.29%	7.71%	4.81%
ALIBABA GRP HLDG (HK)	3.38%	4.94%	4.81%
SAMSUNG ELECTROINCS CO	3.25%	—	—
SK HYNIX	2.24%	—	—

— Not present in CA Index
Data as of the November 2025 Index Review.

Proposals 1-6

Simulated Impact - World and EM

Proposals 1-6 would have lowered tracking error and turnover. Exposure companies with SBTi-approved targets would also increase for World (mainly driven by simulated inclusion of Apple).

Metrics	World	World Climate Action	Simulated Index (Proposals 1-6)
NOC	1321	661	663
Weight of Top 5 Constituents	19.8%	20.2%	26.2%
Count of Companies with SBTi Approved Targets	622	427	443
Weight of Companies with SBTi Approved Targets	56.8%	62.4%	67.6%
Turnover		6.1%	2.9%
Ex-ante Tracking Error		1.9%	1.5%

Data as of the November 2025 Index Review.

Metrics	Emerging Markets (EM)	EM Climate Action	Simulated Index (Proposals 1-6)
NOC	1196	589	591
Weight of Top 5 Constituents	24.9%	19.5%	30.0%
Count of Companies with SBTi Approved Targets	164	144	148
Weight of Companies with SBTi Approved Targets	21.4%	32.1%	29.6%
Turnover		9.6%	7.9%
Ex-ante Tracking Error		2.8%	1.7%

Data as of the November 2025 Index Review.

Proposals 1-6

Simulated Impact – USA & AC Asia ex Japan

Similarly, Proposals 1-6 would also lower tracking error and turnover in the USA and AC Asia ex Japan Indexes.

Metrics	USA	USA Climate Action	Simulated Index (Proposals 1-6)
NOC	544	276	276
Weight of Top 5 Constituents	27.4%	24.7%	34.4%
Count of Companies with SBTi Approved Targets	223	166	169
Weight of Companies with SBTi Approved Targets	58.0%	60.1%	68.3%
Turnover		8.2%	1.9%
Ex-ante Tracking Error		2.5%	1.4%

Data as of the November 2025 Index Review.

Metrics	AC Asia ex Japan	AC Asia ex Japan Climate Action	Simulated Index (Proposals 1-6)
NOC	1,009	497	498
Weight of Top 5 Constituents	28.9%	20.3%	33.3%
Count of Companies with SBTi Approved Targets	141	125	132
Weight of Companies with SBTi Approved Targets	23.8%	36.8%	32.8%
Turnover		10.4%	8.2%
Ex-ante Tracking Error		3.1%	1.9%

Data as of the November 2025 Index Review.

Proposals 1-6

Simulated Impact – Europe & World ex USA

Similarly, Proposals 1-6 would also lower tracking error and turnover in the World ex USA Index.

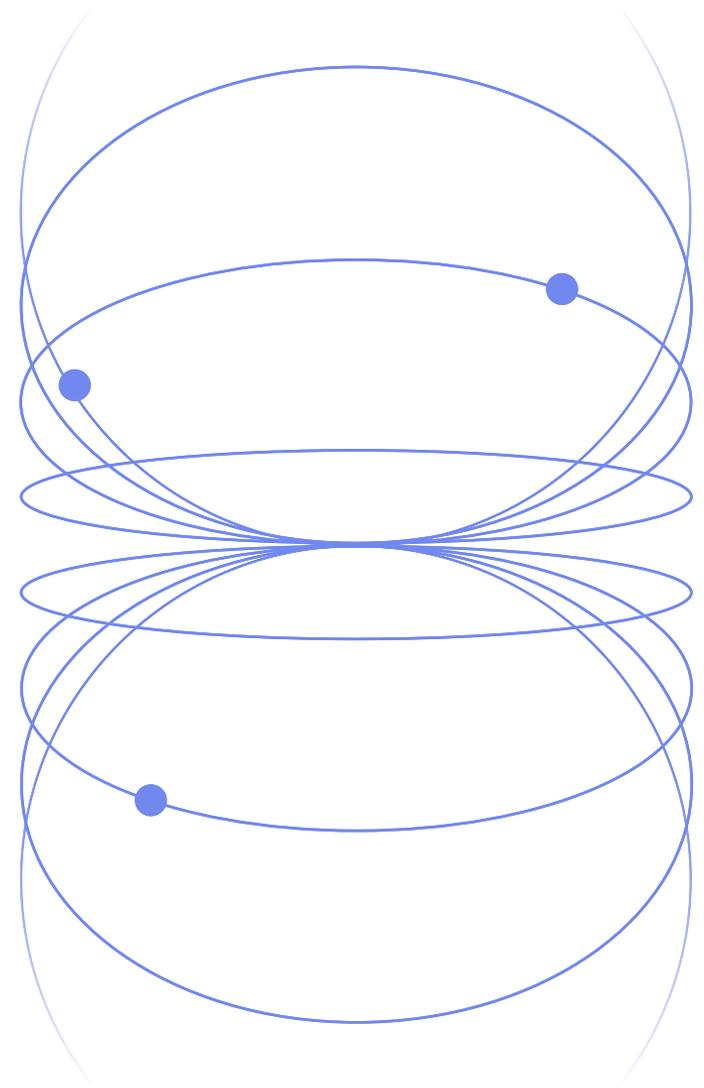
Metrics	Europe	Europe Climate Action	Simulated Index (Proposals 1-6)
NOC	404	201	201
Weight of Top 5 Constituents	11.0%	16.2%	16.9%
Count of Companies with SBTi Approved Targets	257	164	165
Weight of Companies with SBTi Approved Targets	65.6%	78.4%	78.3%
Turnover		8.0%	6.3%
Ex-ante Tracking Error		1.8%	1.9%

Data as of the November 2025 Index Review.

Metrics	World ex USA	World ex USA Climate Action	Simulated Index (Proposals 1-6)
NOC	777	387	389
Weight of Top 5 Constituents	6.4%	10.2%	10.3%
Count of Companies with SBTi Approved Targets	399	265	274
Weight of Companies with SBTi Approved Targets	53.1%	65.6%	65.6%
Turnover		7.3%	6.0%
Ex-ante Tracking Error		1.8%	1.6%

Data as of the November 2025 Index Review.

Overview of Proposals 7-8



Proposed Enhancements

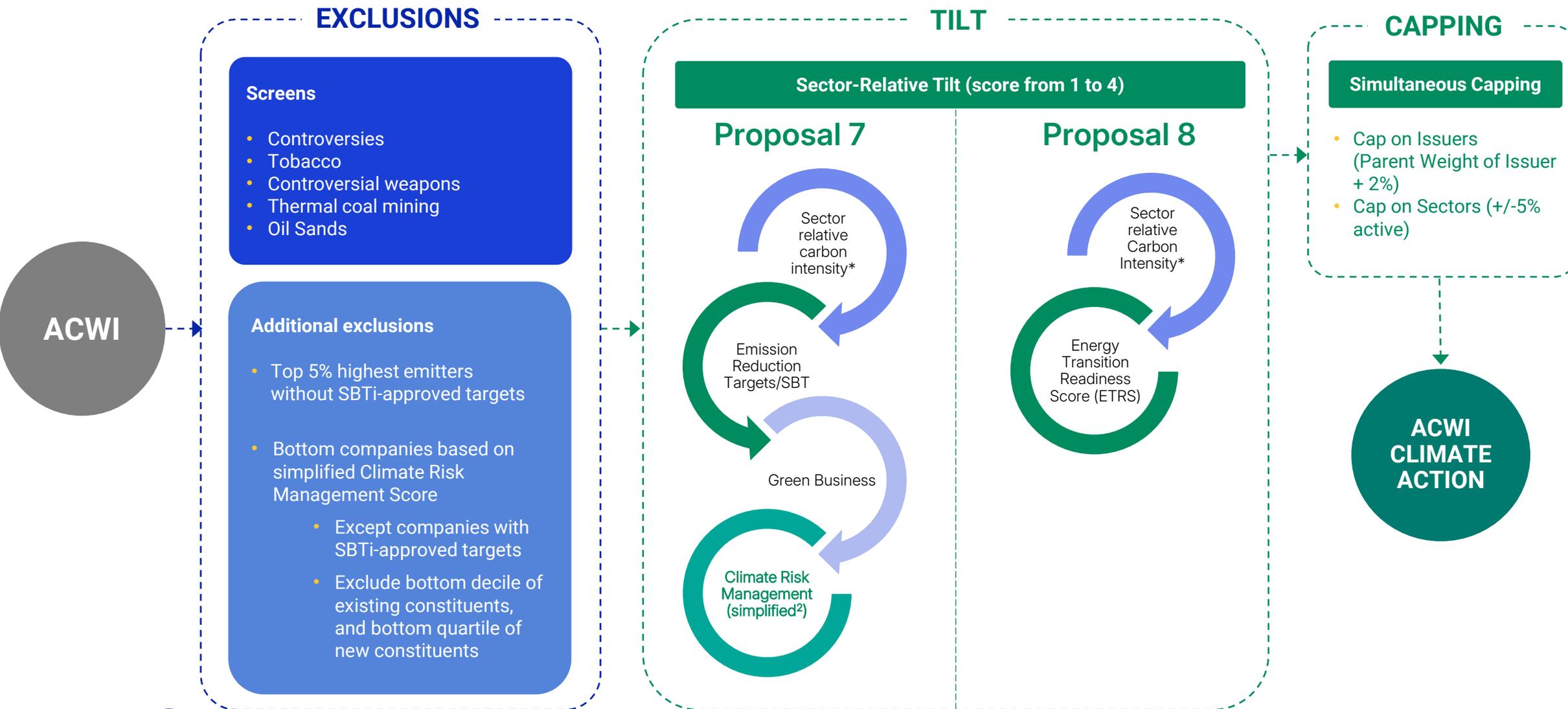
Proposals 7-8 include structural changes that aim to broaden the indexes and improve differentiation of companies based on transition readiness.

Proposals	Rationale
<p>Proposal 7: Replace the Selection-based approach (50% within each GICS sector) with a Tilt-based reweighting approach</p> <p><i>Tilting factor = Min (4, inverted sector-relative GHG Intensity Quartile¹ + Current Promotion Score²)</i></p>	<ul style="list-style-type: none"> • Organic transition without outright exclusion: Upweighting companies best prepared for the transition, while keeping a lower exposure to companies that need to improve their readiness, favors engagement and encourages companies to take appropriate action. • Reducing tracking error and concentration: A tilt-based approach mitigates the diversification concerns inherent in a selection-based approach.
<p>Proposal 8: Introduce the Energy Transition Readiness Score (ETRS) as basis for adjusting the weight tilt factor</p> <p><i>New Promotion Score used in the Tilting factor =</i></p> <ul style="list-style-type: none"> - <i>2 for companies in the best quartile (fourth quartile) by Energy Transition Readiness Score</i> - <i>1 for companies in the third quartile by Energy Transition Readiness Score</i> 	<ul style="list-style-type: none"> • Unified transition assessment: The MSCI Energy Transition Framework provides a holistic sector-relative evaluation of each company's transition readiness, thus enabling a more robust differentiation across companies. It extends beyond, and combines, the transition themes captured in the current index construction methodology. Currently, the scores used for security selection is adjusted based on: (1) climate risk management, (2) green revenues, (3) SBTi approved targets, and (4) credible track record.

1. Within each sector, Quartile 4 includes securities with the lowest carbon intensity (Scope 1+2+3 Carbon Emissions / EVIC), while Quartile 1 includes securities with the highest carbon intensity ("Top Emitters").

2. The promotion score as defined in the MSCI Climate Action Indexes Methodology as of March 2026.

Proposed Index Methodology



* GHG Intensity is calculated as Scope (1 + 2 + 3) Emissions / EVIC

Proposed Index Methodology – Comparison (3 Approaches)



SELECTION/TILT & CAPPING

	Proposals 1-6	Proposals 1-7	Proposals 1-8
Intensity Score	Securities are assigned an intensity score of 1 to 4 based on their sector-relative GHG Intensity Quartile* (Score of 1 = lowest intensity quartile)	Securities are assigned an intensity score of 1 to 4 based on their inverted sector-relative GHG Intensity Quartile* (Score of 1 = highest intensity quartile)	
Promotion Score	<ul style="list-style-type: none"> - Promotion Score = 2 for companies with SBTi approved target, or assessed to have Credible Track Record - Promotion Score = 1 for remaining companies in the best quartile (fourth quartile) of their sector by simplified Climate Risk Management Score or by Green Revenue 		<ul style="list-style-type: none"> - Promotion Score = 2 for companies in the best quartile (fourth quartile) by Energy Transition Readiness Score - Promotion Score = 1 for companies in the third quartile by Energy Transition Readiness Score
Final Score	Final score of 1 to 4 determined as: Max (1, Intensity Score – Promotion Score)	Final score of 1 to 4 determined as: Min (4, Intensity Score + Promotion Score)	
Weighting	Selection of top 50% by count in each sector , in ascending order of Final Score and descending order of market cap	Tilting (Weight in Parent Index* Final Score)	
Capping	<ul style="list-style-type: none"> - Issuer Capping (Parent Weight of Issuers + 2%) - Active Sector Capping (+/-5%) 		



* GHG Intensity is calculated as Scope (1 + 2 + 3) Emissions / EVIC

The MSCI Energy Transition Framework

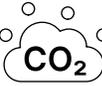
Energy Transition Score (0-10):
 A company's preparedness to mitigate risks and grow with future opportunities relative to its level of transition pressure.

$$\text{Energy Transition Score} = 5 \cdot \text{Transition Pressure}^* + \text{Transition Readiness}$$

Transition Pressure Score (0-10):
 A company's exposure to strategic business risks related to the energy transition

 <p>Business Pressure</p> <ul style="list-style-type: none"> → Expected Emissions intensity <ul style="list-style-type: none"> → Segment-based material emissions scopes → Technology pressure <ul style="list-style-type: none"> → Assessed for +90 technologies 	 <p>Policy Pressure</p> <ul style="list-style-type: none"> → Geographic exposure → Policy commitments of countries
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Transition Readiness Score (0-10):
 A company's preparedness to mitigate future transition risks resulting from policy and technology pressures and grow with future opportunities

 <p>Company Targets</p> <ul style="list-style-type: none"> → Completeness → Progress → Verification (SBTi) 	 <p>Transition Solutions</p> <ul style="list-style-type: none"> → Solutions revenues → Technology readiness
 <p>Strategy & Governance</p> <ul style="list-style-type: none"> → Board oversight and pay → Management & strategy → Capex 	 <p>Emissions Performance</p> <ul style="list-style-type: none"> → Emissions intensity → Trend in emissions intensity

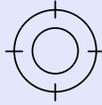
*A constant scaling factor is added to the Transition Pressure and Transition Readiness scores to help scale the distribution. Transition Pressure is adjusted in the aggregation step.

The MSCI Energy Transition Readiness Score

Each component of the Transition Readiness Score¹ maps to a distinct lens on Climate Action — from governance intent to emissions delivery to opportunity capture.

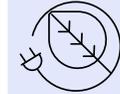
Climate Action through = emissions targets

Multi-dimensional assessment to understand not only the **emissions reduction target** but also its **completeness and track record**



Company Targets

- **Completeness**
- **Progress**
- Verification (SBTi)



Transition Solutions

- Solutions revenues
- **Technology readiness**

Climate Action through transition opportunities

Assessment of whether a company is driving climate action through **capitalizing on commercially-viable climate solutions** or not?

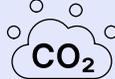
Climate Action through forward-looking strategy and governance

Deeper assessment of a company's **climate action strategy and risk management**



Strategy & Governance

- **Board oversight and pay**
- Management & strategy
- **Capex**



Emissions Performance

- Emissions intensity
- Trend in emissions intensity

Climate Action through measurable reduction

Assessment of a company's **emissions intensity** and **emission reduction trend** relative to its industry peers

The specific components highlighted in bold above are areas that are not yet covered in the existing MSCI Climate Action Indexes methodology.

The Energy Transition Readiness Score captures transition themes beyond the current index methodology² by incorporating aspects such as target completeness, board oversight, and capex.

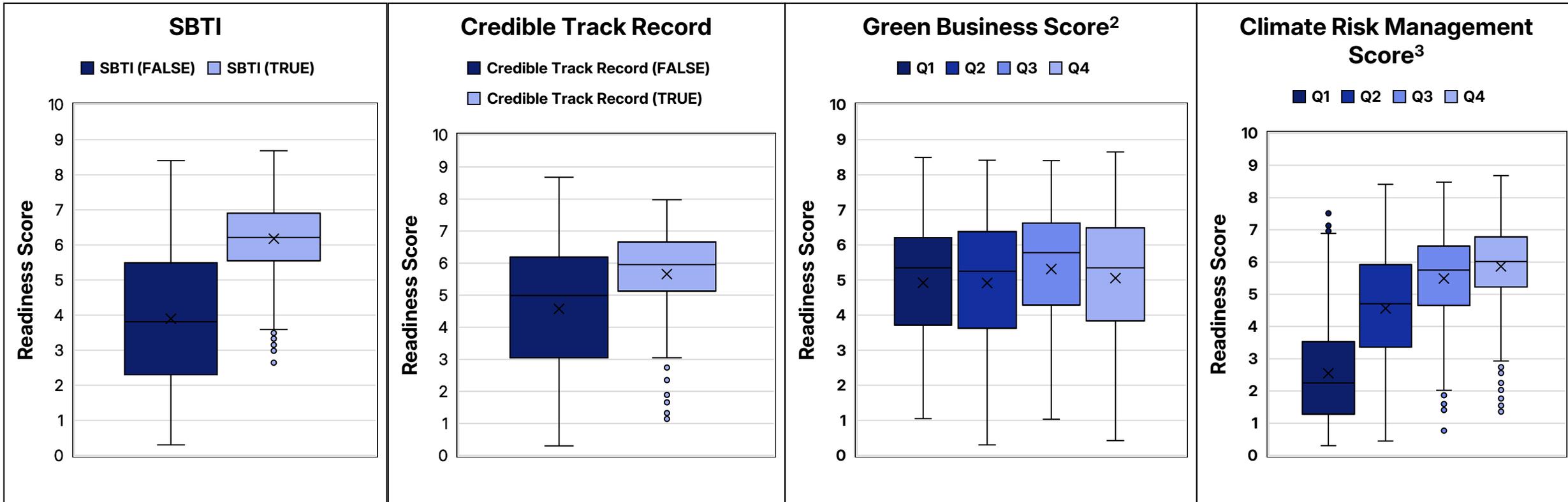
1. Transition Readiness is combined with Transition Pressure as part of the MSCI Energy Transition Framework. Ranging from 0-10, the Transition Readiness Score reflects a company's preparedness to mitigate future transition risks resulting from policy and technology pressures and grow with future opportunities.

2. Currently, companies are initially scored based on sector-relative Carbon Intensity quartiles, with potential adjustment based on – climate risk management, green business, SBTi-approved targets, and credible track record.

Energy Transition Readiness Score vs Current Metrics

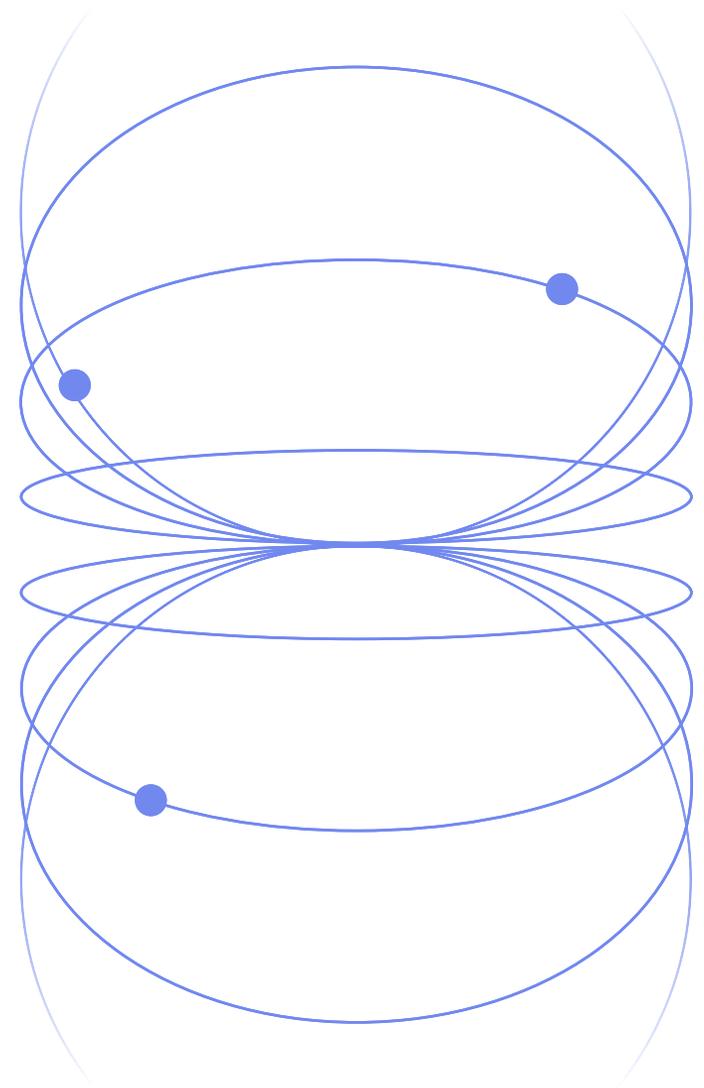
The Energy Transition Readiness Score is designed to capture and unify the transition themes currently used to differentiate companies for selection in the MSCI Climate Action Indexes¹

Distribution of Energy Transition Readiness Score vs each climate transition theme¹



1. Currently, companies are initially scored based on sector-relative Carbon Intensity quartiles, which may be adjusted based on any of these four criteria.
 2. Securities are grouped into quartiles (Q1 – lowest, Q4 – highest scores)
 3. This assessment reflects the simplified approach to only consider carbon emissions management instead of a composite of 7 key issues. Securities are grouped into quartiles (Q1 – lowest, Q4 – highest scores).

Simulated Impact of Combined Proposals on World & EM



Simulated Impact on World

The analysis below provides key metrics for all proposals based on simulations from November 2018 to December 2025 for the World index. The investability & climate metrics are from the November 2025 Index Review.

Metrics	World	World Climate Action	Proposals 1-6	Proposals 1-7	Proposals 1-8
Total Return ¹ (%)	13.9	14.4	14.6	14.5	14.1
Total Risk ¹ (%)	16.4	16.3	16.5	16.5	16.3
Information Ratio ¹	-	0.31	0.44	0.44	0.22
Ex-ante Tracking Error ¹	-	1.9%	1.5%	1.0%	1.2%
NOC ²	1,321	661	663	1,100	1,100
Weight of Top 5 Constituents ²	19.7%	20.2%	26.2%	24%	22.9%
Turnover ²	-	6.1%	2.9%	2.4%	3.2%

Metrics	World	World Climate Action	Proposals 1-6	Proposals 1-7	Proposals 1-8
Carbon Intensity (Scope 1 + 2 + 3) ³	294	157	145	180	179
Green Revenues (Wtd Avg %)	10.5	11.5	12.7	12.1	12.7
Count of Companies with SBTi Approved Targets	621	425	441	614	614
Weight of Companies with SBTi Approved Targets (%)	56.5	62.4	67.3	65.8	63.2

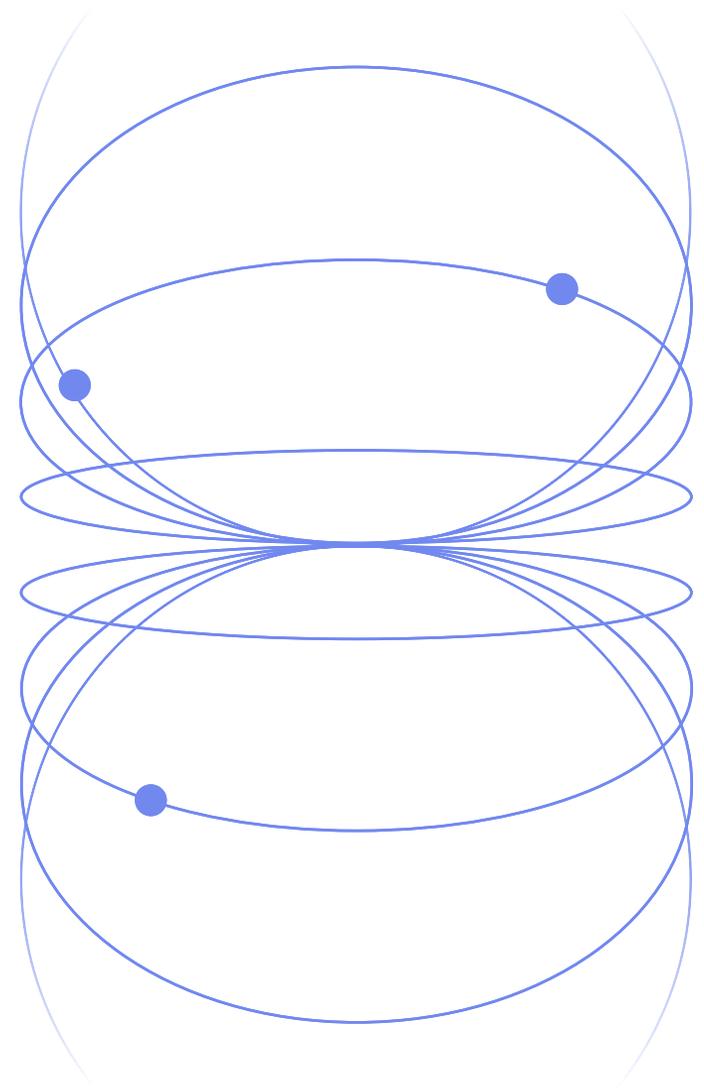
Simulated Impact on EM

The analysis below provides key metrics for all proposals based on simulations from November 2018 to December 2025 for the Emerging Markets index. The investability & climate metrics are from the November 2025 Index Review.

Metrics	Emerging Markets (EM)	EM Climate Action	Proposals 1-6	Proposals 1-7	Proposals 1-8
Total Return ¹ (%)	8.0	7.4	8.3	8.0	8.2
Total Risk ¹ (%)	17.2	17.2	17.8	17.7	17.7
Information Ratio ¹	-	-0.24	0.14	-0.02	0.08
Ex-ante Tracking Error ¹	-	2.8%	1.7%	1.4%	1.2%
NOC ²	1,196	589	591	885	885
Weight of Top 5 Constituents ²	24.9%	19.5%	30.0%	29.1%	29.1%
Turnover ²	-	9.6%	7.9%	6.9%	4.9%

Metrics	Emerging Markets (EM)	EM Climate Action	Proposals 1-6	Proposals 1-7	Proposals 1-8
Carbon Intensity (Scope 1 + 2 + 3) ³	570	272	234	247	261
Green Revenues (Wtd Avg %)	4.1	5.4	4.5	4.5	4.2
Count of Companies with SBTi Approved Targets	171	149	151	162	162
Weight of Companies with SBTi Approved Targets (%)	21.7	33.1	29.9	29.4	27.3

Simulated Impact of Combined Proposals on Other Regions



Simulated Impact on AC Asia ex Japan

Metrics	AC Asia ex Japan	AC Asia ex Japan Climate Action	Proposals 1-6	Proposals 1-7	Proposals 1-8
Total Return ¹ (%)	8.4	7.3	8.1	7.8	8.0
Total Risk ¹ (%)	17.6	17.3	18.0	17.9	17.9
Information Ratio ¹	-	-0.41	-0.16	-0.35	-0.26
Ex-ante Tracking Error ¹	-	3.1%	1.9%	1.6%	1.3%
NOC ²	1009	497	498	752	752
Weight of Top 5 Constituents ²	28.3%	20.3%	33.3%	32.3%	32.4%
Turnover ²	-	10.4%	8.2%	8.5%	5.4%

Metrics	AC Asia ex Japan	AC Asia ex Japan Climate Action	Proposals 1-6	Proposals 1-7	Proposals 1-8
Carbon Intensity (Scope 1 + 2 + 3) ³	485	235	196	208	226
Green Revenues (Wtd Avg %)	4.7	6.3	5.3	5.2	4.9
Count of Companies with SBTi Approved Targets	144	127	133	139	139
Weight of Companies with SBTi Approved Targets (%)	24.0	37.7	32.8	32.1	30.1

Simulated Impact on USA

Metrics	USA	USA Climate Action	Proposals 1-6	Proposals 1-7	Proposals 1-8
Total Return ¹ (%)	15.5	15.7	16.1	16.1	15.6
Total Risk ¹ (%)	17.3	17.2	17.4	17.5	17.3
Information Ratio ¹	-	0.08	0.30	0.37	0.01
Ex-ante Tracking Error ¹	-	2.5%	1.4%	1.1%	1.4%
NOC ²	544	276	276	445	445
Weight of Top 5 Constituents ²	27.2%	24.7%	34.4%	31.6%	29.4%
Turnover ²	-	8.2%	2.0%	4.2%	5.8%

Metrics	USA	USA Climate Action	Proposals 1-6	Proposals 1-7	Proposals 1-8
Carbon Intensity (Scope 1 + 2 + 3) ³	200	134	108	118	123
Green Revenues (Wtd Avg %)	13.0	13.0	15.4	14.8	15.5
Count of Companies with SBTi Approved Targets	223	165	168	220	220
Weight of Companies with SBTi Approved Targets (%)	58.0	60.3	68.2	67.3	64.1

Simulated Impact on World ex USA

Metrics	World ex USA	World ex USA Climate Action	Proposals 1-6	Proposals 1-7	Proposals 1-8
Total Return ¹ (%)	10.6	10.6	10.0	10.4	10.5
Total Risk ¹ (%)	16.2	16.0	16.2	16.0	16.0
Information Ratio ¹	-	0.02	-0.33	-0.14	-0.10
Ex-ante Tracking Error ¹	-	1.8%	1.6%	1.1%	1.1%
NOC ²	777	387	389	651	651
Weight of Top 5 Constituents ²	6.6%	10.2%	10.3%	8.7%	9.4%
Turnover ²	-	7.3%	6.0%	4.4%	6.3%

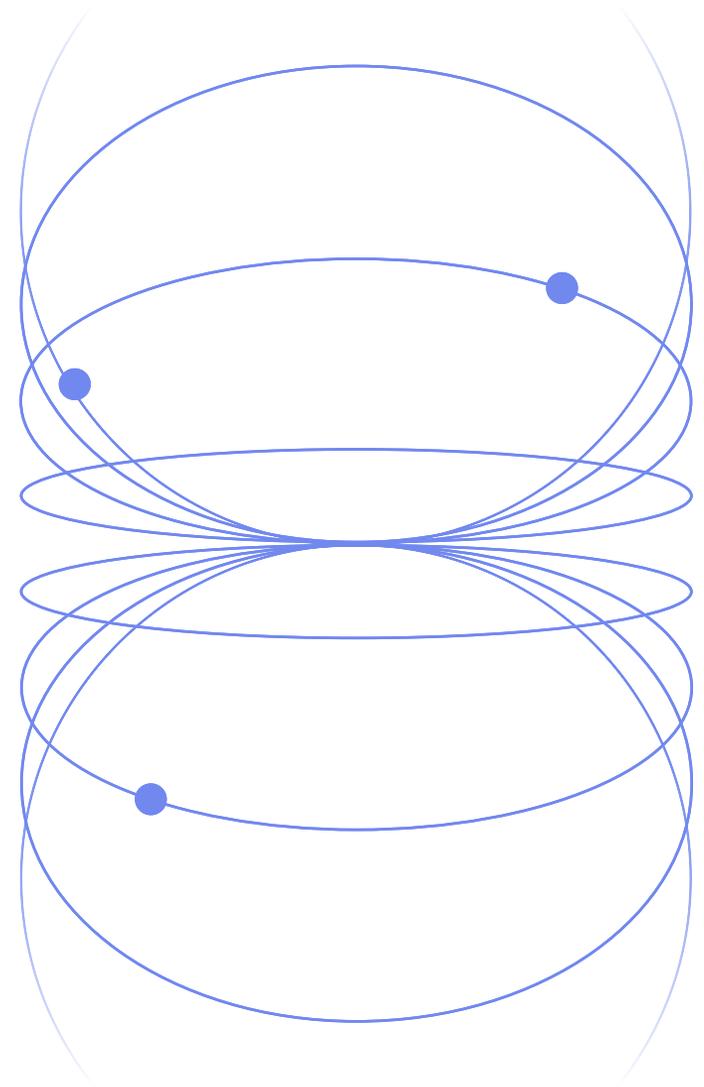
Metrics	World ex USA	World ex USA Climate Action	Proposals 1-6	Proposals 1-7	Proposals 1-8
Carbon Intensity (Scope 1 + 2 + 3) ³	533	251	233	347	318
Green Revenues (Wtd Avg %)	4.2	5.0	4.3	4.8	4.5
Count of Companies with SBTi Approved Targets	398	264	273	394	394
Weight of Companies with SBTi Approved Targets (%)	52.6	65.0	65.3	64.6	61.3

Simulated Impact on Europe

Metrics	Europe	Europe Climate Action	Proposals 1-6	Proposals 1-7	Proposals 1-8
Total Return ¹ (%)	11.2	10.5	10.6	11.1	11.1
Total Risk ¹ (%)	17.5	16.5	16.6	16.9	17.0
Information Ratio ¹	-	-0.29	-0.26	-0.03	-0.06
Ex-ante Tracking Error ¹	-	1.8%	1.9%	1.1%	1.2%
NOC ²	404	201	201	346	346
Weight of Top 5 Constituents ²	11.3%	16.2%	16.9%	14.1%	15.4%
Turnover ²	-	8.0%	6.3%	3.6%	6.7%

Metrics	Europe	Europe Climate Action	Proposals 1-6	Proposals 1-7	Proposals 1-8
Carbon Intensity (Scope 1 + 2 + 3) ³	521	239	260	378	334
Green Revenues (Wtd Avg %)	4.3	5.0	4.5	4.9	4.6
Count of Companies with SBTi Approved Targets	257	164	165	254	254
Weight of Companies with SBTi Approved Targets (%)	65.1	77.9	77.5	75.7	72.4

Consultation Questions



Consultation Questions – Proposal 1 - 6

Screening: Simplify the Climate Risk Management Score (CRMS) and extend buffer rules

- Do you agree with simplifying the CRMS definition to focus on management of carbon emissions?
- Do you agree with granting companies with approved SBTi targets a free pass from the CRMS eligibility screen?
- Do you agree with extending the buffer rules so that existing constituents are only dropped if they fall into the bottom decile based on CRMS?

Screening: Relax the nuclear weapons exclusion criteria

- Do you agree with removing the nuclear weapons screening?
- Alternatively, do you agree with modifying the nuclear weapons screening to align with the principle of excluding only companies with primary involvement (manufacturing warheads / missiles, and exclusive-use components)?

Capping: Replace the 5% issuer cap with a 2% active issuer cap

- Do you agree with replacing the absolute 5% issuer cap with an active 2% issuer cap?
- Do you agree with applying issuer-level and sector-level capping simultaneously to ensure a more balanced outcome?

Consultation Questions – Proposal 7, 8

Structural Enhancements and Implementation Timeline

Selection: Replace Ranking & Selection with a Tilting approach

- Do you agree with replacing the current 50% Ranking & Selection approach with a tilting mechanism based on a Security Level Assessment of Carbon Intensity and Transition Readiness?
- Do you agree with the adoption of the Energy Transition Readiness Score?

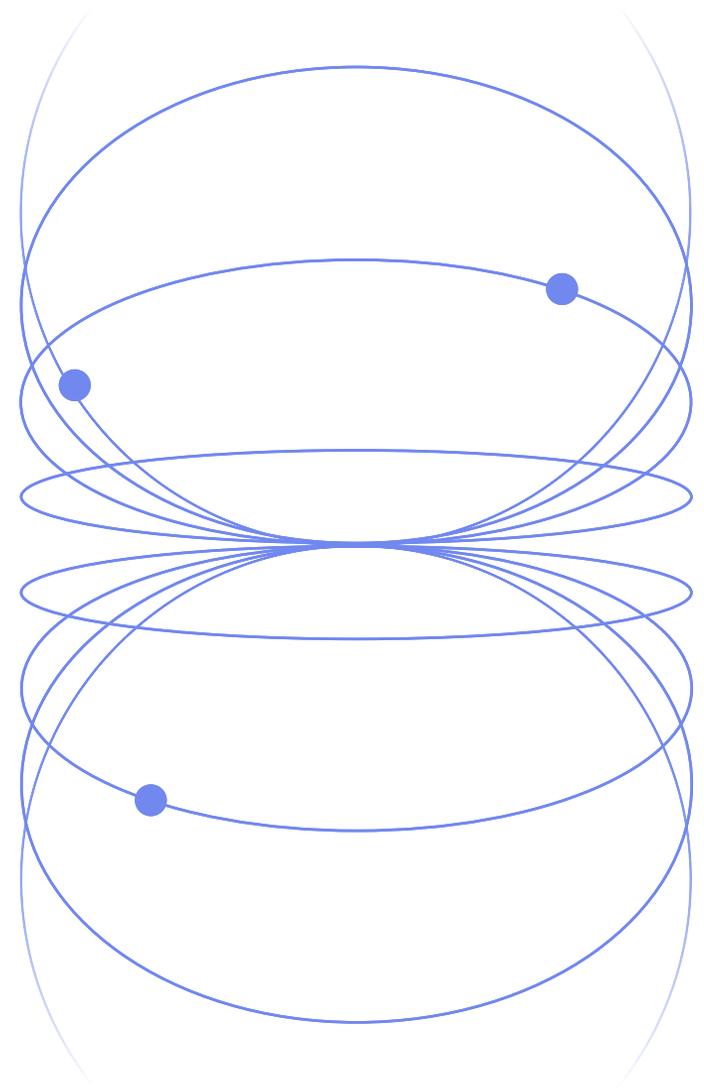
Implementation Timeline:

- Do you have any comments on the proposed implementation timeline (May 2026 Index Review)?

Client Feedback:

- MSCI invites feedback from market participants on or before April 3, 2026. To participate, please provide your feedback through the online survey available at: <https://forms.office.com/r/g1m6nCmU55>

Appendix



Current vs Proposed Index Methodology

The proposed changes to the index construction methodology are highlighted in bold.

Parameter	Current Methodology	Proposed Methodology
Parent Index	MSCI Market Cap Index ("Parent Index")	
Exclusions	Controversies (Red Flags), Controversial Weapons, Tobacco, Thermal Coal, Oil Sands	
	Nuclear Weapons	No Longer applied.
	High emissions intensity or High potential emissions (Top 5% in ACWI), except companies with approved Science-Based Targets (SBTi)	
	Exclude Bottom Quartile by Climate Risk Management Score (CRMS) in each GICS sector CRMS definition includes multiple key issues: <ol style="list-style-type: none"> Carbon Emissions Management Score Product Carbon Footprint Management Score Climate Change Vulnerability Management Score Biodiversity and Land use Management Score Opportunities in Clean Tech Management Score Opportunities in Green Building Management Score Opportunities in Renewable Energy Management Score 	Exclude Bottom Quartile by CRMS in each GICS sector, except companies with SBTi targets: <ul style="list-style-type: none"> New constituents: Exclude <i>bottom quartile</i> by CRMS in each GICS Sector Existing constituents: Exclude <i>bottom decile</i> by CRMS in each GICS Sector The CRMS definition has been reduced to: <ul style="list-style-type: none"> The Product Carbon Footprint Management Score. If the Product Carbon Footprint Management Score is not available, then Carbon Emissions Management Score is used.
Security-Level Assessment	Eligible securities are assigned a score based on sector-relative Carbon Intensity Quartile ¹ , which is then subject to potential adjustments based on sector-relative quartile scores from various criteria: <ul style="list-style-type: none"> Lower by 2: SBTi-approved Target, or Credible Track Record Lower by 1: Top Quartile by CRMS, or by Green Revenue Securities are then ranked based on the score and Free-float Market Cap , and only the top 50% securities by count within each GICS sector is selected (with a buffer applied in the 40-60% rank) ³	<ul style="list-style-type: none"> Proposals 1-6: selection of top 50% securities by count within each GICS sector (same as current methodology, except that the simplified CRMS is used) Proposals 1-7: all eligible securities are selected and are tilted (using metrics similar to the current methodology, except that the simplified CRMS is used) Proposals 1-8: all eligible securities are selected and are tilted as follows: $Promotion\ Score = \text{Max}(0, ET\ Readiness\ Score\ Quartile\ in\ the\ Parent\ Index - 2)$ $Tilt\ Factor = \text{Min}(4, \text{inverted sector-relative Carbon Intensity Quartile}^1 + Promotion\ Score)$
Weighting	The weighting is initially in proportion to Free-float adjusted Market Cap Additionally, a sequential capping mechanism is applied: <ol style="list-style-type: none"> First, an absolute Issuer cap of 5, then active sector limits (+/-5%) 	After the security level assessment, limits on issuer and sector active weights are applied simultaneously as follows: <ol style="list-style-type: none"> Each Issuer has an active +2% capping Each Sector has an Active (+/-5%) limit

Scoring Mechanism: An Illustration

		Companies				
		A	B	C	D	E
Proposals 1-6 (= Current Mechanism)	Intensity Score	2	3	1	4	3
	Approved SBTi	No	No	No	Yes	No
	Credible Track Record	Yes	No	No	No	No
	Simplified Climate Risk Management Quartile*	2	4	2	4	3
	Green Revenue Quartile*	2	1	3	3	4
	Promotion Score	2	1	0	2	1
	Final Score <i>Max (1, Intensity Score – Promotion Score)</i>	1	2	1	2	2
Proposals 1-7	Intensity Score (Inverted)**	3	2	4	1	2
	Promotion Score	2	1	0	2	1
	Final Score <i>Min (4, Intensity Score + Promotion Score)</i>	4	3	4	3	3
Proposals 1-8	Intensity Score (Inverted)**	3	2	4	1	2
	ET Readiness Score Quartile***	2	3	3	4	1
	Promotion Score	0	1	1	2	0
	Final Score <i>Min (4, Intensity Score + Promotion Score)</i>	3	3	4	3	2

* Green Revenue and Climate Risk Management Score are based on Sector Relative Quartiles.

** The Intensity Score used in Proposal 8 is sorted in Ascending order – where Quartile 1 is the highest intensity quartile, whereas Quartile 4 is the lowest intensity quartile.

*** ET Readiness Quartiles are based on the Parent Index.

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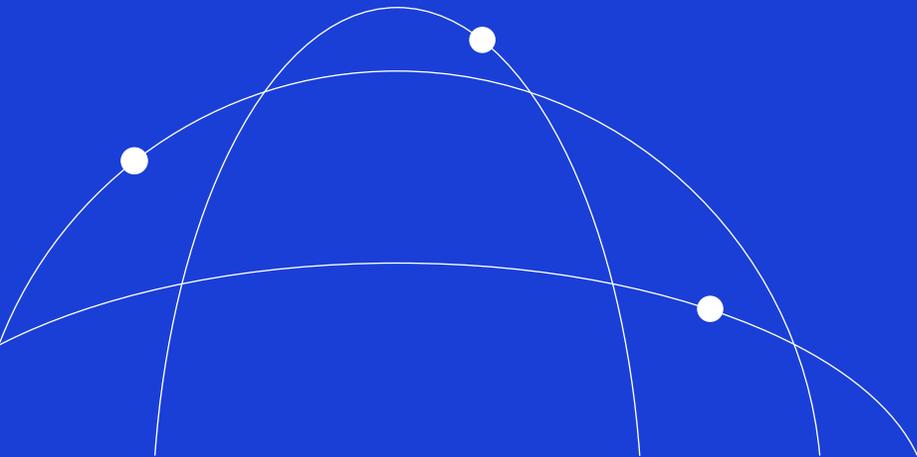
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