



Consultation on MSCI Screened Indexes

Potential Enhancements to MSCI Screened
Indexes Methodology

November 2025

*Please note that the proposal may or may not result in changes in the
MSCI Screened Indexes Methodology

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Executive Summary

MSCI proposes to enhance the MSCI Screened Indexes methodology by putting forward two proposals for discussion with the investment community

PROPOSAL 1

Review and update the screening criteria

- Make changes to the Nuclear Weapons, Civilian Firearms and Tobacco screens.
- Remove the biodiversity-related controversies screens on Land Use and Supply Chain Management.
- Add explicit screens on compliance with international standards for labor rights & human rights.

PROPOSAL 2

Enhance the GHG Intensity Reduction process

- Adjust the process as follows to mitigate reverse turnover:
 - Introduce a waiting period before an excluded company can be added back.
 - Do not add back companies with very high GHG intensity.

MSCI invites feedback from market participants on or before December 2, 2025, and will announce the results of the consultation as well as the implementation timeline on or before December 5, 2025.

Additional Details on the Proposals

In **Proposal 1**, MSCI proposes to update the screening criteria to exclude only companies with primary involvement in controversial business activities. This aims to address the following:

- Evolving political and regulatory views on the defence sector, particularly in Europe,
- Latest feedback on the screening criteria,
- Higher observed tracking error of MSCI Screened Indexes, particularly over the last 3 years.

In **Proposal 2**, MSCI proposes to enhance the GHG Intensity Reduction process to mitigate reverse index turnover when there has been no material change in a security's carbon profile.

MSCI additionally seeks **feedback** from market participants on the following areas:

- 1) Potential consideration of the Treaty on the Non-Proliferation of Nuclear Weapons (NPT) in the Nuclear Weapons screen
- 2) Other aspects of the GHG Intensity Reduction process.

1. Screens added in May 2022
2. Screens added in February 2023.
 - Screens proposed for additions.
 - Screens proposed for refinement.
 - Screens proposed for removal.

Proposal 1: Screening Criteria

Proposal 1a: Nuclear Weapons

Update the screening criteria for nuclear weapons to focus on primary involvement

Current Methodology	Proposed Changes	Rationale	Simulated Impact*
The current methodology screens out companies that have any involvement in the following Nuclear Weapons categories: • Warheads / Missiles • Exclusive use Components • Exclusive use Delivery Platforms • Dual-use Components • Dual-use Delivery Platforms • Components of Dual-use Delivery Platforms • Support Services	Refine the Nuclear Weapons screen to focus on primary Involvement categories: • Warheads / Missiles • Fissile Materials • Exclusive use Components • Exclusive use Delivery Platforms	• Align the Screened methodology with the principle of excluding companies with primary involvement in controversial business activities. • Consider the evolving political and regulatory views on the defense sector, particularly in Europe. • Mitigate the impact on tracking error	Developed : 5 companies added: ROLLS ROYCE GROUP, THALES, LEONARDO, WARSTILLA, DASSAULT AVIATION Emerging: 1 company added: HINDUSTAN AERONAUTICS

* See Appendix for more details

The Simulation is as of the August 2025 Index Review

Consultation questions:

- Is it appropriate to continue applying a screen on Nuclear Weapons given the evolving political and regulatory views on the defence sector?
- If yes, do you agree with refining the screen to focus on primary involvement in the development or production of nuclear weapons?

Proposal 1b: Civilian Firearms

Change the screening criteria from “Highly Restrictive” to “Least Restrictive”

Current Methodology	Proposed Changes	Rationale	Simulated Impact
The methodology applies the following Civilian Firearms screens: • Civilian Firearms Producer • Civilian Firearms Aggregate Revenue (Production & Distribution) >= 5%	Change the Civilian Firearms screen as follows: • The Producer screen to be refined to Producer of Automatic or Semi-Automatic firearms which derive 10% or more revenue from production of firearms • The 5% aggregate revenue screen will no longer be applied.	• Align the Screened methodology with the principle of excluding companies with primary involvement in controversial business activities. • Mitigate the impact on tracking error.	Developed : 1 company added: Compagnie Financiere RICHEMONT Emerging: No impact

The Simulation is as of the August 2025 Index Review

Consultation questions:

- Do you agree with refining the screen to focus on primary involvement, hence no longer considering revenue from distribution activities?
- Do you agree to target producers of automatic or semi-automatic firearms, hence no longer excluding companies that manufacture ammunitions?

Proposal 1c: Tobacco

Target companies with primary involvement in the production of tobacco products (including alternative smoking products)

Current Methodology	Proposed Changes	Rationale	Simulated Impact
The methodology applies the following Tobacco screens: • Tobacco Producer • Tobacco Aggregate Revenue of 5% from Production, Distribution, Licensing & Retail.	Continue applying the Tobacco Producer screen but remove the 5% aggregate revenue screen.	• Align the Screened methodology with the principle of excluding companies with primary involvement in controversial business activities. • Align with the minimum requirement applicable to EU Climate Transition Benchmarks (CTBs).	Developed : 4 companies added: ALIMENTATION COUCHE, SEVEN & I HOLDINGS, AMCOR, AVOLTA Emerging : No Impact

The Simulation is as of the August 2025 Index Review

The proposed change will result in companies becoming eligible for inclusion if they are not tobacco producers, such as Seven & I Holdings (retailer) and Amcor (provides packaging services).

Consultation questions:

- Do you agree with refining the screen to focus on primary involvement (tobacco producers), hence no longer excluding companies based on other involvement ties (e.g., retailing, packaging)?

Proposal 1d: Biodiversity

Remove the biodiversity-related controversies screens

Current Methodology	Proposed Changes	Rationale	Simulated Impact*
The following Biodiversity screens are applied: • Palm Oil (5% revenue) • Arctic Oil & Gas (5% revenue) • Environment - Land Use and Biodiversity Score = 1 (Orange Flags) • Environment - Supply Chain Management Score = 1 (Orange Flags)	Remove the following screens: • Environment - Land Use and Biodiversity Score = 1 (Orange Flags) • Environment - Supply Chain Management Score = 1 (Orange Flags)	• The 2023 MSCI ESG Controversies* methodology change resulted in the downgrade of many companies to Orange Flag on Environmental Controversies. • As a result, the number and aggregate weight of companies excluded from the MSCI Screened Indexes due to biodiversity-related controversies (in particular: land use and biodiversity controversies) increased significantly. • The proposal aims to mitigate the impact of the biodiversity screen on the tracking error of the MSCI Screened Indexes.	Developed : 13 companies added: Top 5: Procter & Gamble, Coca-Cola, Nestle, Pepsico, Unilever Emerging: 7 companies added: Top 5: Posco Holdings, Electobras, Adani Ports & Sez, JBS, Indofood Sukes Makmur.

* See Appendix for more details
The Simulation is as of the August 2025 Index Review

Consultation questions:

- Do you agree with the removing the two biodiversity-related controversies screens (typically capturing controversy cases related to plastic pollution, deforestation, and ecosystem impact) while retaining the revenue-based screens on Palm Oil and Arctic Oil & Gas?

Proposal 1e: Global Norms

Add explicit screens on compliance with international standards for labor rights and human rights.

Current Methodology	Proposed Changes	Rationale	Simulated Impact*
The methodology applies the following Controversies & Global Norms screens: • ESG Controversies • UN Global Compact	Add the following screens: • Labor Rights: This screen will flag companies that are assessed by MSCI Solutions as failing the standards defined by the International Labour Organization (ILO). • Human Rights: This screen will flag companies that are assessed by MSCI Solutions as failing the standards defined by the United Nations Guiding Principles for Business and Human Rights (UNGP).	Labor Rights and Human Rights considerations are present in various industry labels.	No additional impact given the MSCI Screened methodology already excludes companies that have are assessed as ESG Read Flags (ESG Controversies Score = 0)

* See Appendix for more details
The Simulation is as of the August 2025 Index Review

- Consultation questions:
- Do you agree with adding explicit screens on compliance with international standards for labor rights and human rights?

Proposal 1 – Impact

Simulated Exclusions – MSCI World, Emerging Markets Indexes

	World				Emerging Markets			
	Current Methodology – Simulation		Proposal 1 - Simulation		Current Methodology – Simulation		Proposal 1 - Simulation	
	# Stocks	Weight	# Stocks	Weight	# Stocks	Weight	# Stocks	Weight
Parent Index	1,320	100%	1,320	100%	1,189	100%	1,189	100%
ESG Controversies	2	0.06%	2	0.06%	25	1.32%	25	1.32%
UN Global Compact*	1	0.05%	1	0.05%	10	0.91%	10	0.91%
Biodiversity Controversies	17	2.67%	0	0.00%	10	1.00%	0	0.00%
Controversial Weapons	3	0.44%	3	0.44%	6	0.73%	6	0.73%
Nuclear Weapons	17	1.76%	11	1.28%	1	0.11%	0	0.00%
Civilian Firearms	1	0.11%	0	0.00%	0	0.00%	0	0.00%
Tobacco	9	0.83%	5	0.72%	4	0.32%	4	0.32%
Palm Oil	0	0.00%	0	0.00%	5	0.17%	5	0.17%
Fossil Fuel Extraction	21	1.21%	21	1.21%	21	0.75%	21	0.75%
Thermal Coal Power	20	0.86%	20	0.86%	29	1.12%	29	1.12%
Arctic Oil & Gas	1	0.15%	1	0.15%	0	0.00%	0	0.00%
Human Rights & Labor Rights*	0	0.00%	1	0.001%	0	0.00%	9	0.50%
Total – All Screens**	84	6.98%	61	4.45%	87	4.55%	79	3.95%
Eligible Universe (prior to the GHG Intensity Reduction Step)	1,236	93.02%	1,259	95.55%	1,102	95.45%	1,110	96.05%

The sum of companies excluded under each screen does not equal to the total number of exclusions as companies can be excluded by more than one screen.

* There will be no additional impact of exclusions

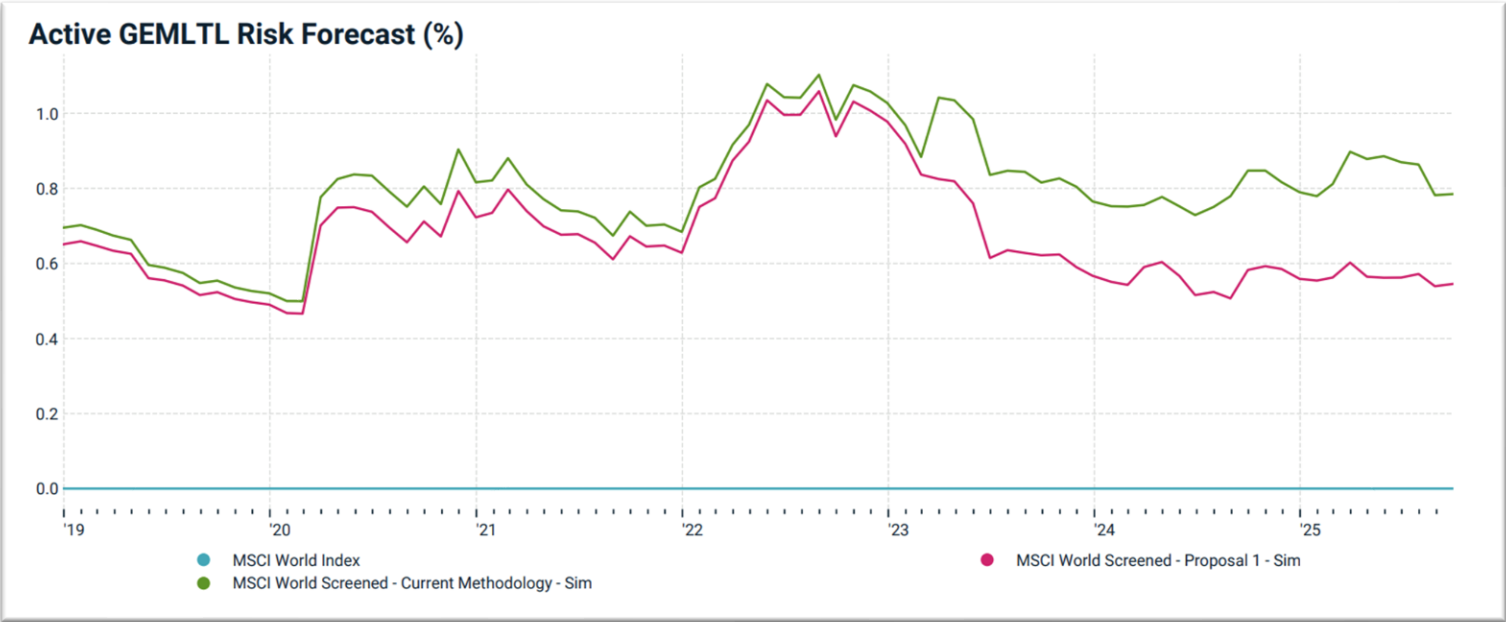
** Represents total exclusions, which are lower than the sum of exclusion categories because a company can be excluded for multiple reasons. Simulation as of the August 2025 Index Review, based on data from MSCI Solutions (previously MSCI ESG Research) as of July 31, 2025.

Simulated Ex-Ante Tracking Error – MSCI World Screened Index

→ The analysis below shows the impact of the combined proposals 1a-1e on the number and weight of excluded securities and on the ex-ante tracking error of the MSCI World Screened Index.

Proposal	Simulated Index-Securities Added	MSCI World weight (%)
Biodiversity Controversies	13	2.06%
Nuclear Weapons	5	0.24%
Tobacco	4	0.12%
Civilian Firearms	1	0.11%
Global Norms	0	-
Total	23	2.53%

Securities that are added to the simulated index and are not excluded due to any other screen(s).



The "Current Methodology – Sim" index applies the current methodology for the entire simulated period (2019-2025).
The "Proposal 1 – Sim" index applies Proposal 1 for the entire simulated period (2019-2025).

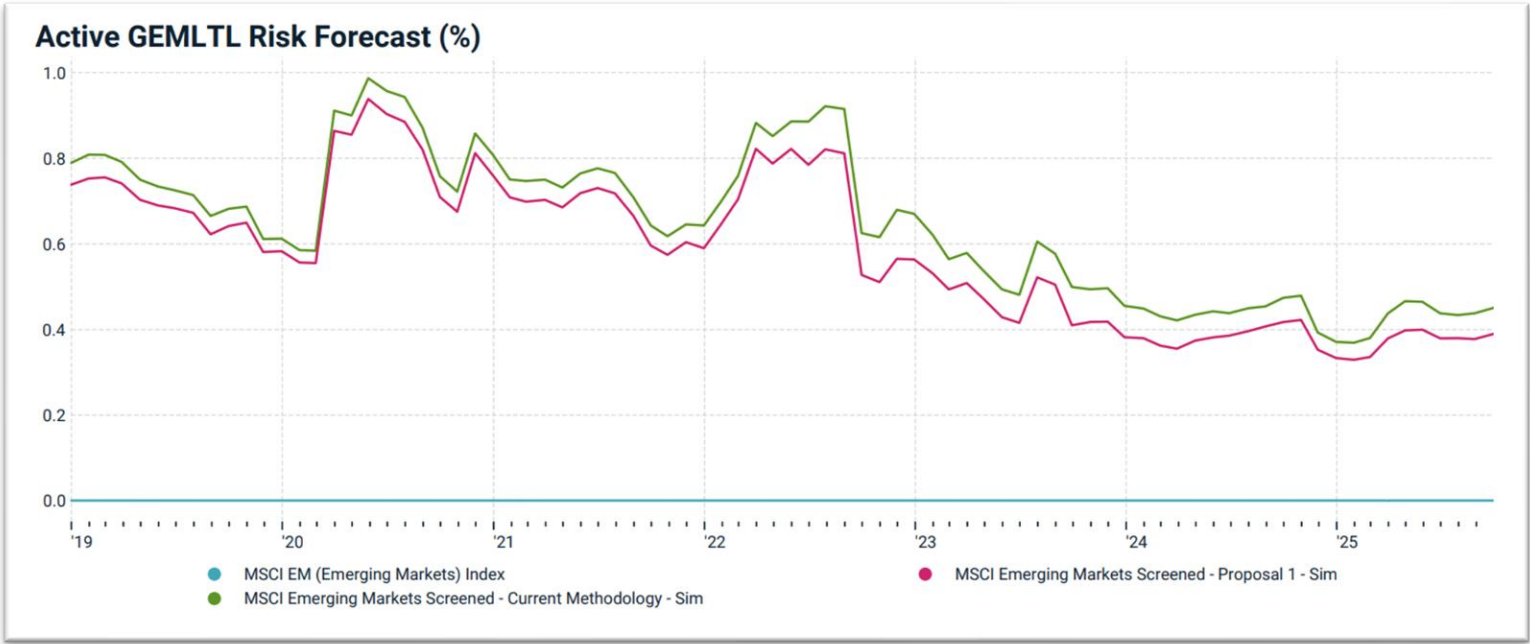
Proposal 1 – Impact

Simulated Ex-Ante Tracking Error – MSCI Emerging Markets Screened Index

→ The analysis below shows the impact of the combined proposals 1a-1e on the number and weight of excluded securities and on the ex-ante tracking error of the MSCI Emerging Markets Screened Index.

Proposal	Simulated Index-Securities Added	MSCI EM weight (%)
Biodiversity Controversies	7	0.49%
Nuclear Weapons	1	0.10%
Tobacco	0	-
Civilian Firearms	0	-
Global Norms	0	-
Total	8	0.59%

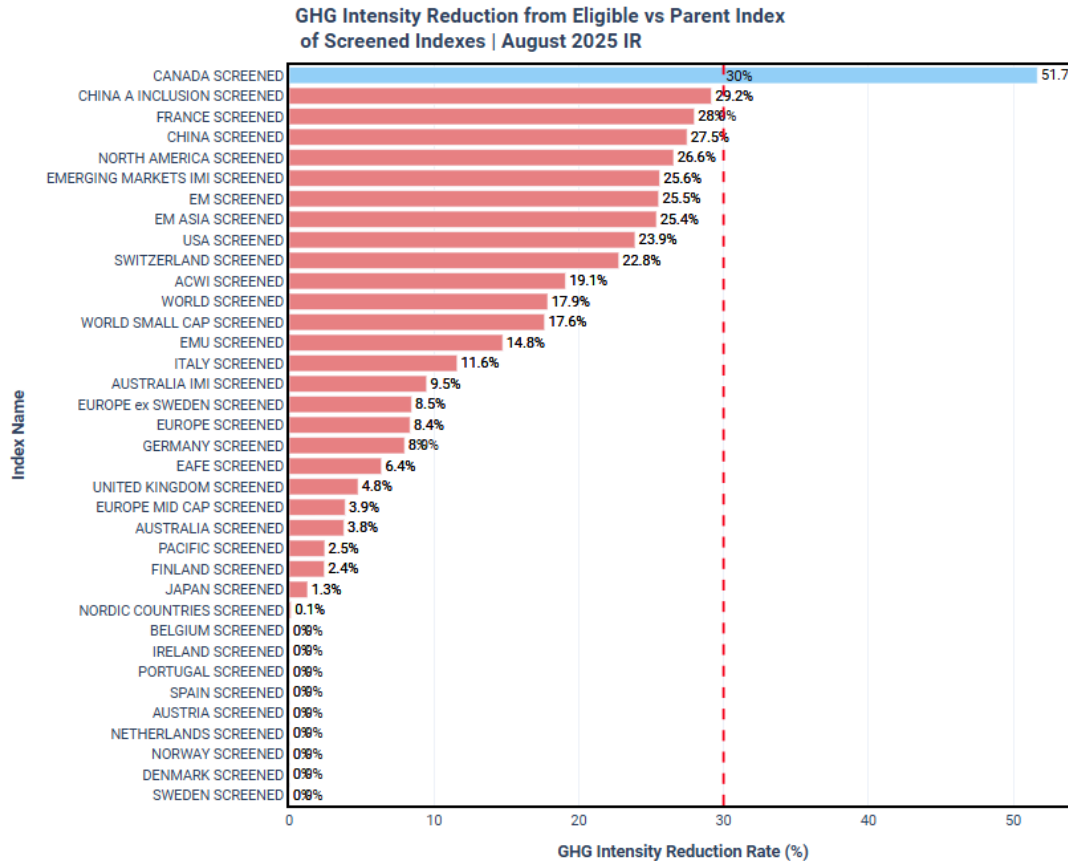
Securities that are added to the simulated index and are not excluded due to any other screen(s).



The “Current Methodology – Sim” index applies the current methodology for the entire simulated period (2019-2025).
The “Proposal 1 – Sim” index applies Proposal 1 for the entire simulated period (2019-2025).

Proposal 2: GHG Intensity Reduction

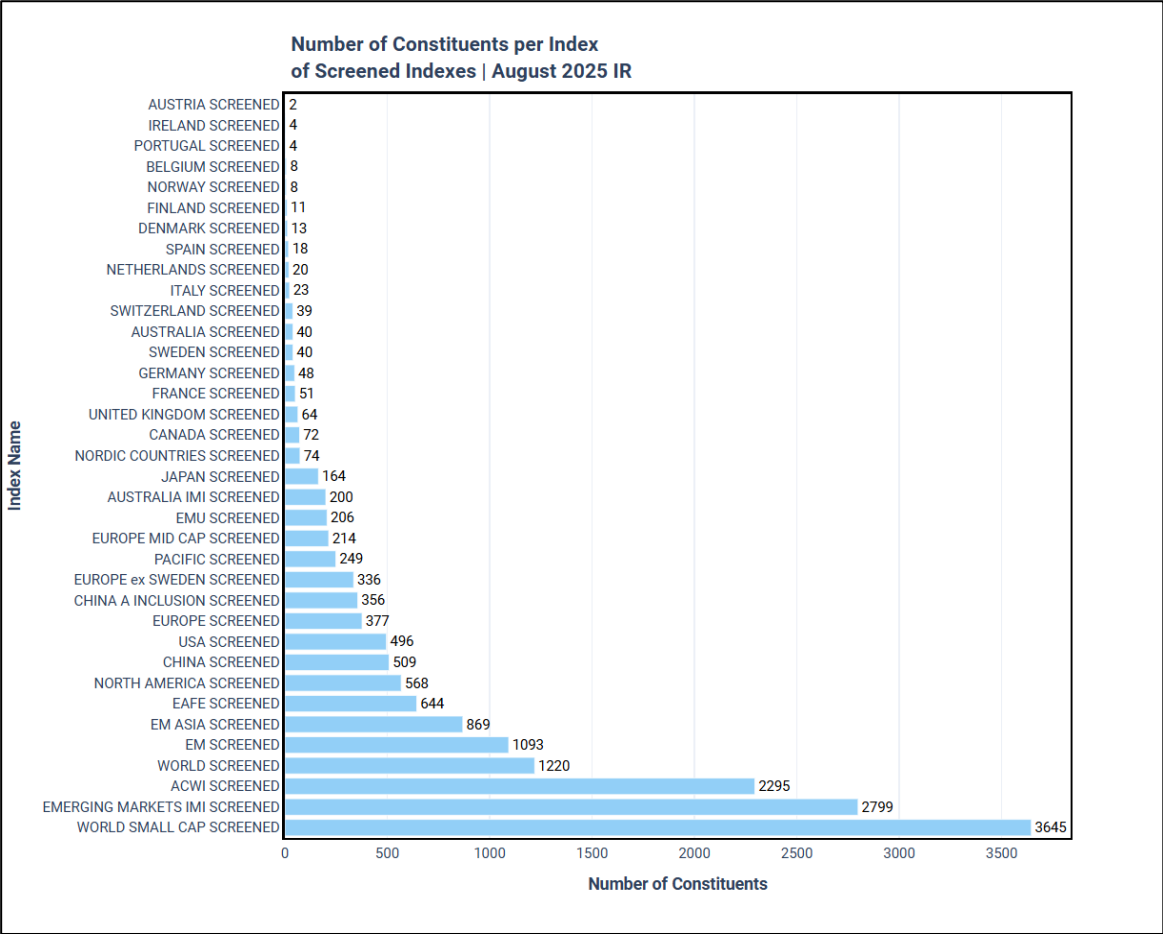
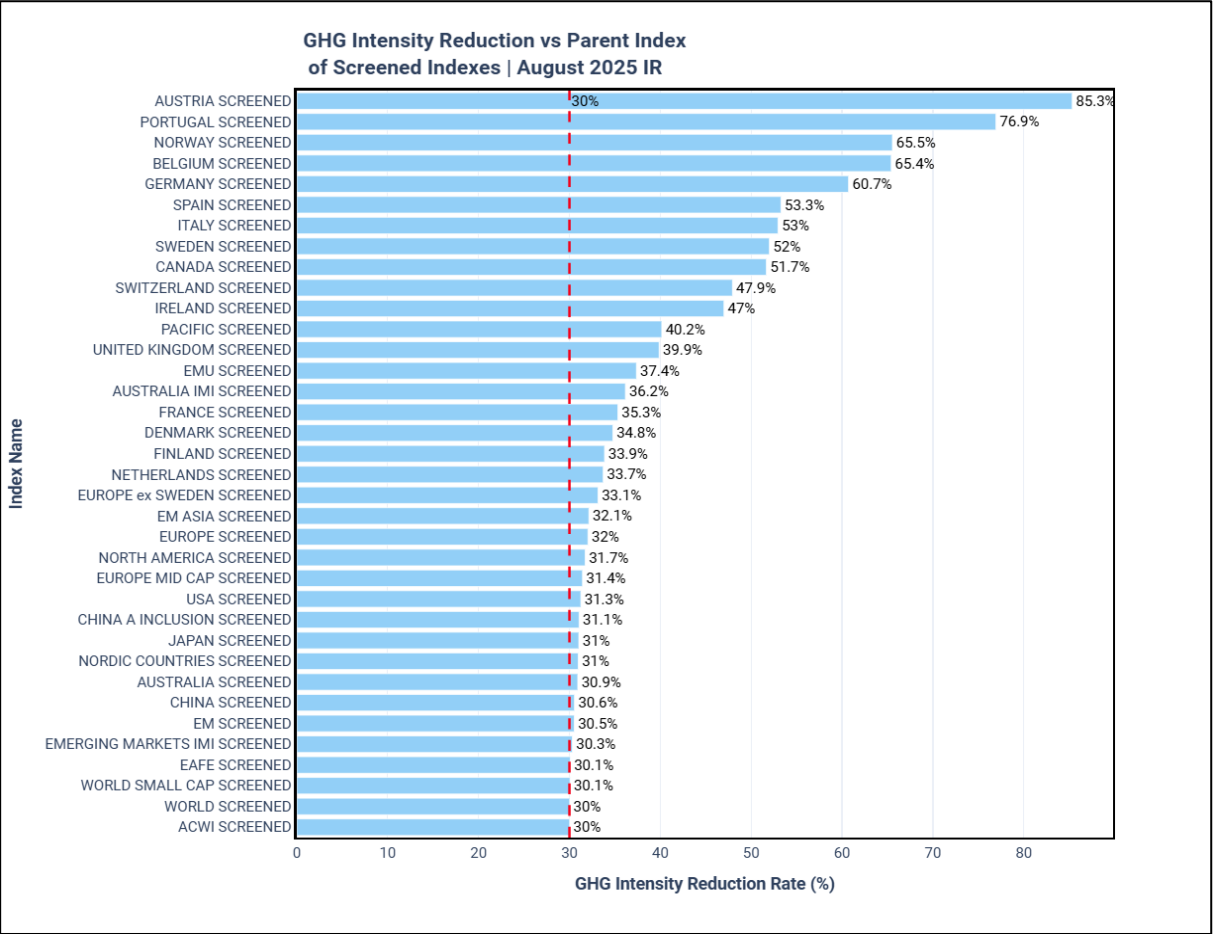
Current Methodology - Greenhouse Gas Intensity (GHG) reduction prior to the Reduction Step



- For all Screened indexes except Canada Screened, the GHG Intensity reduction versus the parent index is below 30% after the screening criteria are applied
- Hence, additional exclusions are required to achieve a reduction of GHG intensity of at least 30%.

Current Methodology - GHG Intensity after the 30% Reduction Step

→ For multi-region Screened Indexes (e.g., ACWI, World), the GHG Intensity Reduction Step brings the reduction level to just above 30%, while it can be significantly higher for country-based indexes.



Introduction & Details of Proposal 2

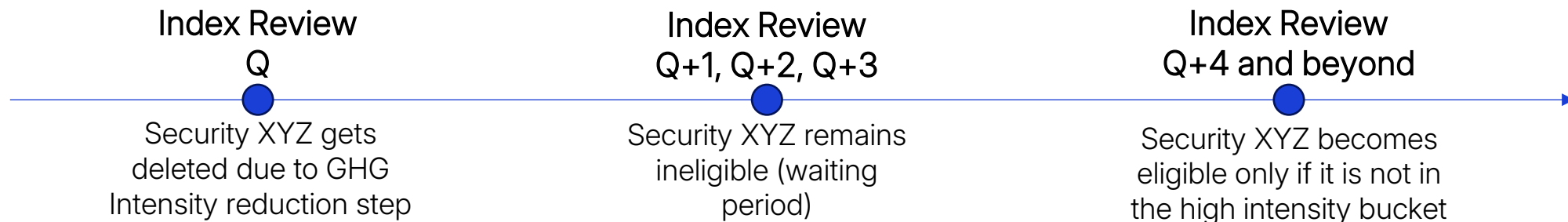
- **Description:** Apply conditions for a security to be eligible for index inclusion after it has been deleted due to the GHG Intensity reduction process
- **Rationale:** Mitigate reverse turnover, i.e., additions of securities previously deleted due to the GHG Intensity reduction process

Condition 1

→ **Waiting period:** after a security is excluded due to the GHG Intensity Reduction process, it needs to wait for 12 months (four Index Reviews) before it is eligible again

Condition 2

→ **High intensity bucket:** securities previously deleted due to the GHG Intensity Reduction process may be added back only if they are not in the top 5 percentile by GHG intensity of the parent index



Proposal 2

Simulated Impact (Condition 1)

Based on simulations, this proposal would result in:

- A reduction in reverse turnover for multi-region and single country Screened indexes.
- Lower one-way index turnover at Quarterly Index Reviews for most regions.

The simulated results shared below apply Condition 1* (defined on the previous slide) and the results highlight less cases of reverse turnover and a slightly lower one-way turnover for most regions.

Regions	Current Methodology – Reverse Turnover Cases	One-Way Turnover – Current Methodology - Simulation	Proposed Methodology – Reverse Turnover Cases	One-Way Turnover –Proposal 2 – Simulation
ACWI Screened	42	4.4%	14	4.3%
World Screened	19	4.3%	6	4.3%
EM Screened	16	6.6%	6	6.5%
USA Screened	5	4.2%	0	4.2%
Europe Screened	6	5.6%	4	5.7%

Period: Feb 28, 2023 to Sep 30, 2025

The Simulated Impact for Proposal 2 with Condition 2 applied is still in progress and will be shared by on the MSCI Index Consultations webpage soon.

Feedback

Consultation Questions and Discussion Points

Consultation Questions – 1 of 2

Proposal 1: Update the screening criteria to target companies with primary involvement in controversial business activities

Nuclear Weapons

- Is it appropriate to continue applying a screen on Nuclear Weapons given the evolving political and regulatory views on the defense sector?
- If yes, do you agree with refining the screen to focus on primary involvement in the development or production of nuclear weapons?

Civilian Firearms

- Do you agree with refining the screen to focus on primary involvement, hence no longer considering revenue from distribution activities?
- Do you agree to target producers of automatic or semi-automatic firearms, hence no longer excluding companies that manufacture ammunitions?

Tobacco

- Do you agree with refining the screen to focus on primary involvement (tobacco producers), hence no longer excluding companies based on other involvement ties (e.g., retailing, packaging)?

Consultation Questions – 2 of 2

Biodiversity

- Do you agree with removing the two biodiversity-related controversies screens (typically capturing controversy cases related to plastic pollution, deforestation, and ecosystem impact) while retaining the revenue-based screens on Palm Oil and Arctic Oil & Gas?

Human Rights & Labor Rights

- Do you agree with adding explicit screens on compliance with international standards for labor rights and human rights?

Proposal 2: Enhance the GHG Intensity Reduction process

- Do you agree to introduce a waiting period of 12 months (four Index Reviews) for securities to be eligible for index addition after they have been excluded due to the GHG Intensity Reduction process?
- In addition, do you agree that such securities should have to move outside the High Intensity bucket to be eligible for index addition?
- Does this proposal achieve a reasonable balance between index stability and methodological complexity?

Implementation Timeline:

- Do you agree to implement changes from this consultation (if any) as part of the February 2026 Index Review?

Discussion Points

Discussion Points

Nuclear Weapons

- Would it be appropriate to exclude companies differently if they operate in countries that are parties vs. non-parties to the Treaty on the Non-Proliferation of Nuclear Weapons (NPT)?

GHG Intensity Reduction process – Metric

- Would you have any feedback, or would you suggest any changes to the metric used for the GHG Intensity Reduction process?
- Current GHG intensity metric: *Latest Available GHG emissions Scope 1 + 2 + 3 / Latest available Enterprise Value including Cash (EVIC)*.

GHG Intensity Reduction process – Buffer

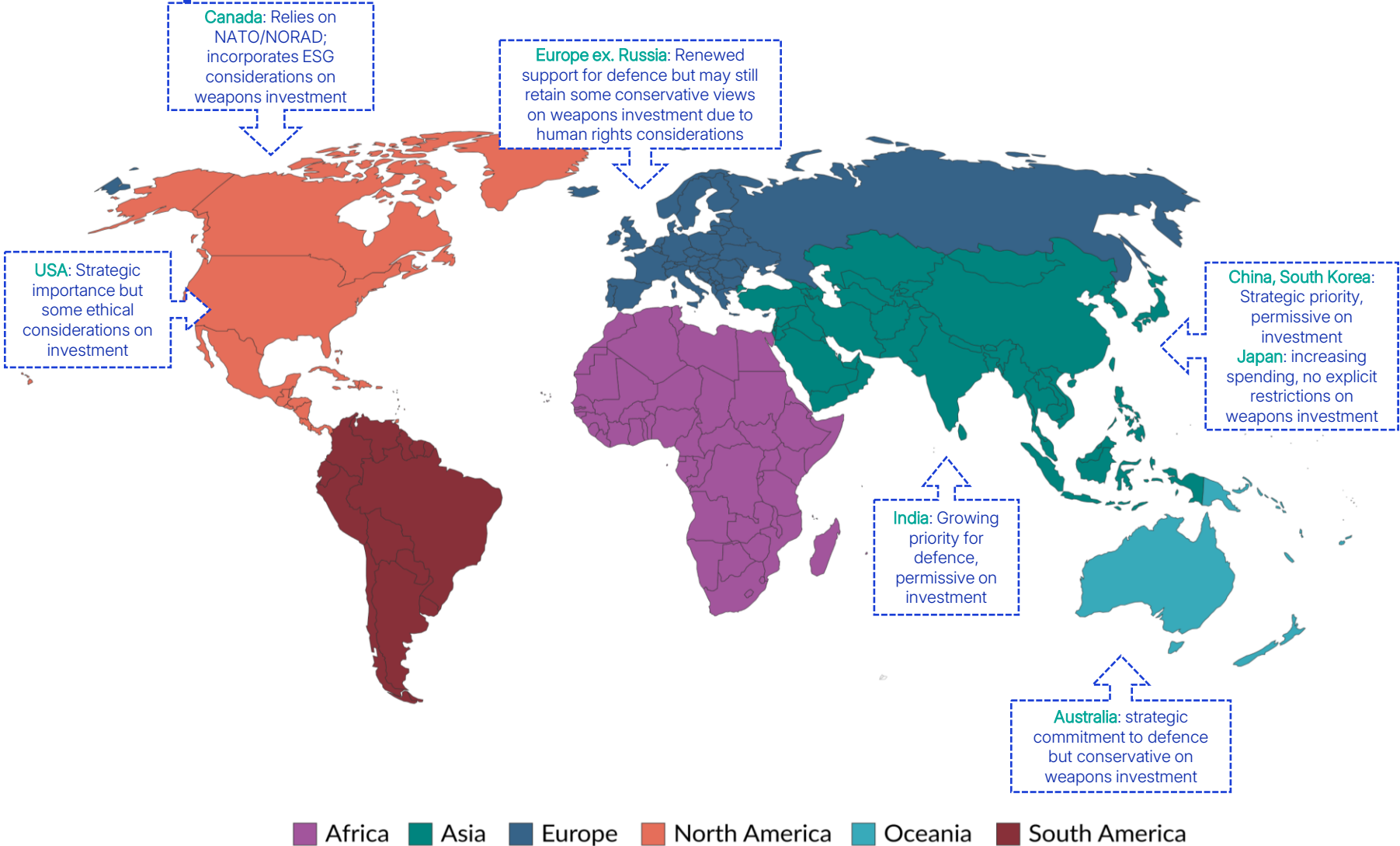
- Would it be appropriate to incorporate a buffer above the 30% GHG Intensity reduction (e.g., 31%) at each Quarterly Index Review to account for changes between the percentage reduction calculated on the rebalancing date (i.e., nine business days before the Index Review effective date) and the actual percentage reduction achieved on the effective date?

Forward Looking constraints

- Would you be interested in including forward-looking metrics related to climate transition, such as Green Revenues or SBTi-approved targets?

Appendix

Global Weapons Investment – General Observations



Recent European regulatory / political developments

Increased Spending on Defence

UK (March 2025)¹: The defence Reform programme includes plans to increase spending on defence to 2.5% of GDP from April 2027.

EU (March 2025)²: The ReArm Europe plan includes 1) the use of public funding in defence at national level, 2) provision of new instrument (loans) for defence investment, and 3) the use of EU budget to redirect towards defence-related investments.

Political Pressures on Investors

UK (March 2025): Labour MPs push ESG investors to include defence companies

Norway (May 2025): opposition calls Government Sovereign Wealth Fund to allow nuclear weapons

Shifts in Weapons Requirements on ESG Funds

Germany (November 2024): BVI guidelines removed the 10% weapons exclusion for ESG funds

UK (March 2025): The FCA clarified that its sustainability rules do not prohibit investments in or financing of defence companies

EU (December 2024): ESMA clarified that exclusions of controversial weapons should refer to the list provided in PAI Indicator 14 of the SFDR

Sources:

¹ <https://www.gov.uk/government/news/government-to-turbocharge-defence-innovation>

² https://ec.europa.eu/commission/presscorner/detail/en/statement_25_673

Weapons Criteria

Typology of Nuclear Weapons

Ties to nuclear weapons are delineated by involvement in specific products and/or services with varying level of contribution to harm. These can be categorized as primary vs. secondary involvement, which may inform the level of restriction or comfort by investors.

	Short Description	Involvement Level
Warheads & Missiles	Development of country's missile program	●
Fissile Materials	Production & handling of fissile materials	●
Exclusive Components	Essential components for nuclear weapons	●
Exclusive Delivery Platforms	Sole purpose is to deploy nuclear weapons	●
Nuclear Weapons Support Services	Includes R&D, repair, command & control systems	●
Components of Exclusive Delivery Platforms	Components for nuclear-exclusive delivery platforms	●
Dual-use Components	Not customized for nuclear weapons applications	●
Dual-use Delivery Platforms		●
Components of Dual-use Delivery Platforms		●

● Primary ● Secondary

Proposal 1

Proposal 1a: Impact on MSCI World & EM Indexes

- Based on a simulation as of August 2025, 5 companies in World and 1 company in Emerging Markets would be added to the Screened indexes if the proposed changes to the Nuclear Weapons screen were implemented.
- The table on the right lists all securities that are excluded due to the current Nuclear Weapons screen.

Security Name	Region	Country	Weight in MSCI World / EM	Proposal 1a – Nuclear Weapons	Type of Involvement
Rtx	Developed	USA	0.27%	No	Exclusive Components, Dual-use Components
Boeing	Developed	USA	0.23%	Yes	Dual-use Delivery Platforms
Honeywell International	Developed	USA	0.18%	No	Exclusive Components
Airbus	Developed	FRANCE	0.16%	No	Warheads & Missiles, Dual-use Components
Rolls-Royce	Developed	UK	0.16%	Yes	Exclusive Delivery Components
Safran	Developed	FRANCE	0.16%	No	Warheads & Missiles
Lockheed Martin	Developed	USA	0.12%	No	Warheads & Missiles, Exclusive Components, Dual-use Delivery Platforms
Northrop Grumman Corp	Developed	USA	0.10%	No	Warheads & Missiles, Fissile Materials, Exclusive Components, Exclusive Delivery Components
BAE Systems	Developed	UK	0.09%	No	Exclusive Delivery Platforms
General Dynamics	Developed	USA	0.09%	No	Exclusive Components and Delivery Platforms, Exclusive Delivery Components
L3Harris Technologies	Developed	USA	0.06%	No	Exclusive Components, Exclusive Delivery Components
Thales	Developed	FRANCE	0.03%	Yes	Exclusive Delivery Components
Leonardo	Developed	ITALY	0.03%	Yes	Exclusive Delivery Components, Dual-use Components
Leidos Holdings	Developed	USA	0.03%	No	Fissile Materials, Exclusive Components
Textron	Developed	USA	0.02%	No	Exclusive Components
Wartsila B	Developed	FINLAND	0.02%	Yes	Support Services
Dassault Aviation	Developed	FRANCE	0.01%	Yes	Dual-use Delivery Platforms
Hindustan Aeronautics	Emerging	INDIA	0.11%	Yes	Support Services

Legend:

Simulated addition to Screened index
Newly eligible, but not added due to other screen(s)
Remains ineligible under the proposed screen

Proposal 1

Proposal 1d: Impact on MSCI World and EM Screened Indexes

→ Based on a simulation as of August 2025, 13 companies in World and 7 companies in Emerging Markets would be added to the Screened indexes if the biodiversity-related controversies screens were removed.

Security Name	Country	Sector	Weight in MSCI World	Controversy Theme	Controversy Type
Procter & Gamble Co	USA	Cons. Stap.	0.46%	Biodiversity and Land Use	Plastic Pollution
Coca Cola (The)	USA	Cons. Stap.	0.36%		Plastic Pollution
Philip Morris Intl	USA	Cons. Stap.	0.33%		Plastic Pollution
Nestle	SWITZERLAND	Cons. Stap.	0.29%		Plastic Pollution
Pepsico	USA	Cons. Stap.	0.26%		Plastic Pollution
Unilever Plc (Gb)	UNITED KINGDOM	Cons. Stap.	0.19%		Plastic Pollution
British American Tobacco	UNITED KINGDOM	Cons. Stap.	0.15%		Plastic Pollution
Altria Group	USA	Cons. Stap.	0.14%		Plastic Pollution
Mondelez International	USA	Cons. Stap.	0.10%		Plastic Pollution
Colgate-Palmolive	USA	Cons. Stap.	0.08%		Plastic Pollution
Danone	FRANCE	Cons. Stap.	0.07%		Plastic Pollution
Corteva	USA	Materials	0.06%		Ecosystem Impact
BASF	GERMANY	Materials	0.06%		Ecosystem Impact
Bayer	GERMANY	Health Care	0.04%		Ecosystem Impact
Smurfit Westrock	USA	Materials	0.03%		Ecosystem Impact
First Quantum Minerals	CANADA	Materials	0.02%		Ecosystem Impact
Jardine Matheson	HONG KONG	Industrials	0.01%		Deforestation

Security Name	Country	Sector	Weight in MSCI EM	Controversy Theme	Controversy Type
VALE SA	BRAZIL	Materials	0.39%	Biodiversity and Land Use	Ecosystem Impact
Posco Holdings	KOREA	Materials	0.18%		Deforestation
Eletrobras ON	BRAZIL	Utilities	0.10%		Deforestation / Ecosystem Impact
Adani Ports And Sez	INDIA	Industrials	0.09%		Ecosystem Impact
Astra International	INDONESIA	Industrials	0.07%		Deforestation
JBS SA	BRAZIL	Cons. Stap.	0.06%	Supply Chain Management	Deforestation
Adani Enterprises	INDIA	Industrials	0.05%	Biodiversity and Land Use	Ecosystem Impact
Indofood Sukses Makmur	INDONESIA	Cons. Stap.	0.02%		Deforestation
Posco International	KOREA	Industrials	0.02%		Deforestation
Eletrobras Pn B	BRAZIL	Utilities	0.02%		Deforestation / Ecosystem Impact

Legend:

Simulated addition to Screened index

Newly eligible, but not added due to other screen(s)

Proposal 1e: Mapping Controversy Cases & Global Norms

(Sub)Pillar	Theme	OECD	UNGC	UNGP	ILO
Environment	Biodiversity & Land Use ²	✓-	✓-	X	X
	Toxic Emissions & Waste ²	✓-	✓-	X	X
	Energy & Climate Change	✓-	✓-	X	X
	Water Stress	✓-	✓-	X	X
	Operational Waste (Non-Hazardous)	✓-	✓-	X	X
	Supply Chain Management	✓-	✓-	X	X
Social - Customers	Privacy & Data Security	✓-	X	X	X
	Product Safety & Quality ⁴	✓-	X	X	X
	Anticompetitive Practices	✓-	X	X	X
	Customer Relations ⁴	✓-	X	X	X
	Marketing & Advertising	✓-	X	X	X
Social - Human Rights & Community	Human Rights & Civil Liberties concerns	✓-	✓-	✓-	X
	Censorship & Surveillance	✓-	✓-	✓-	X
	Impact on Vulnerable Demographics ⁶	✓-	✓-	✓-	X
	Controversial sourcing	✓-	✓-	✓-	X
	Impact on Local Communities	✓-	✓-	✓-	X
	Indigenous Peoples Rights	✓-	✓-	✓-	X
Social - Labor Rights & Supply Chain	Child Labor	✓-	✓-	✓-	✓-
	Forced/Slave Labor	✓-	✓-	✓-	✓-
	Kidnapping & Attacks	✓-	X	✓-	✓-
	Working Conditions/Pay	✓-	X	✓-	✓-
	Collective Bargaining & Unionization	✓-	✓-	✓-	✓-
	Health & Safety	✓-	X	✓-	✓-
	Discrimination & Harassment	✓-	✓-	✓-	✓-
Governance	Bribery & Corruption	✓-	✓-	X	X
	Ethics & Fraud	✓-	X	X	X
	Money Laundering	✓-	X	X	X
	Controversial Investments	✓-	✓-	X	X
	Import/Export violations	✓-	X	X	X

Notes: 1) The ILO's fundamental conventions and Declaration on Fundamental Principles and Rights at Work excluding the fundamental principle on a safe and healthy working environment, which has been added as the fifth fundamental ILO Principle in 2022. 2) Includes topics related to Land Use & Logging, Biodiversity & Endangered Species, Marine Biodiversity, Electronic Waste and Packaging Material & Waste. 3) Includes topics related to Pesticides/ Persistent Organic Pollutants, Toxic Releases to Air/Water/Land and Oil Spill. 4) Includes topics related to Pesticides & Chemical Safety and Product & Service Safety/Quality related to Structural Integrity of Materials and related to Transportation & Infrastructure. 5) Includes topics related to Predatory Lending, Fraud & Billing and Restricted Access to Products/ Services. 6) See Appendix C for the vulnerable demographics considered.

Proposal 2

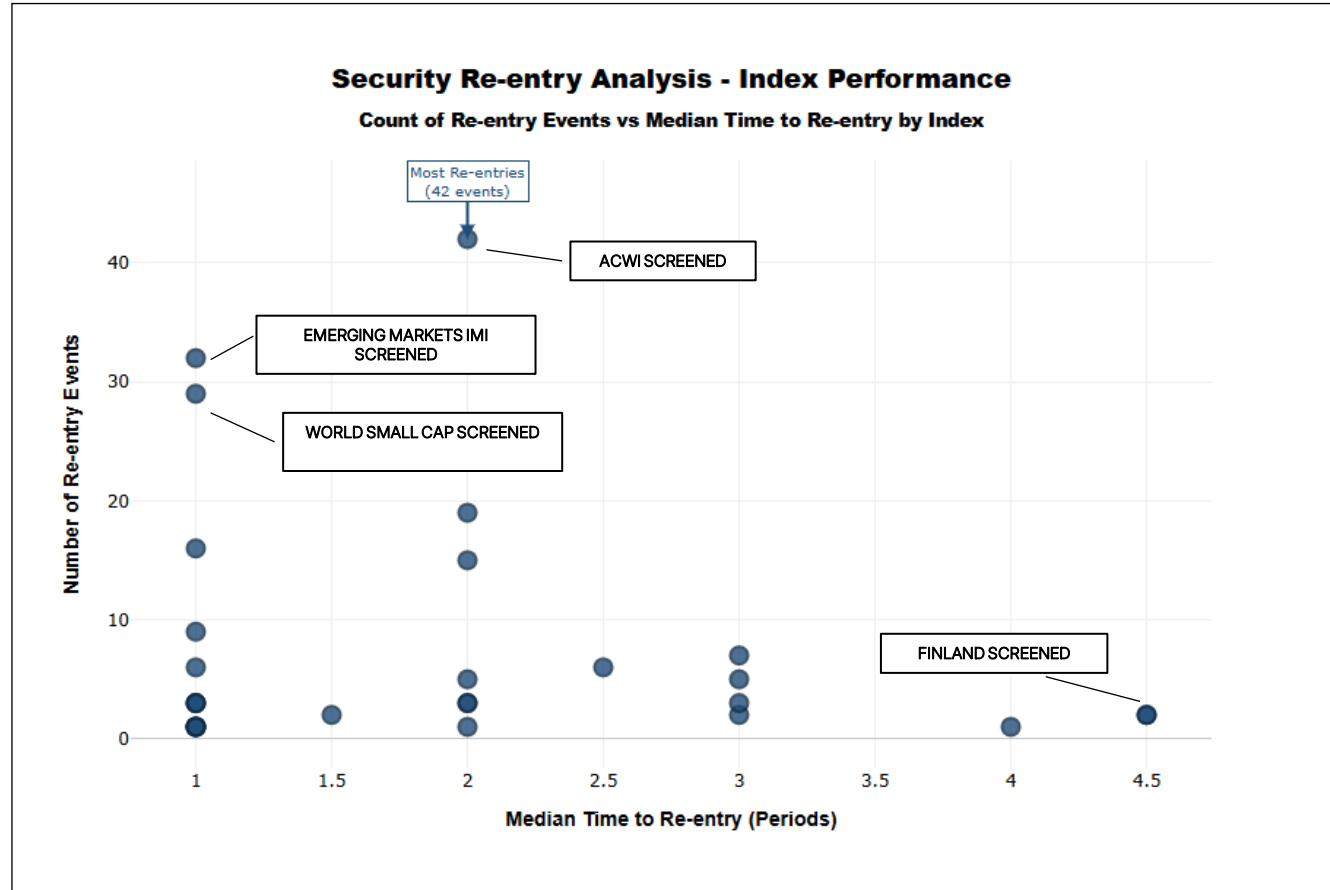
Worked Example

Proposal 2 applies additional conditions to determine if a security is eligible for index inclusion after it has been deleted due to the GHG Intensity reduction process. The two additional conditions and a worked example is below:

- **12-Month Waiting Period:** Excluded securities must wait 12 months (four Index Reviews) before becoming eligible for re-inclusion.
- **Intensity Threshold:** Securities may only be reconsidered if their GHG intensity improves and they are no longer in the top 5% of the parent index by intensity.

Security Name	Step 1: Screening Criteria	Step 2: GHG Intensity Reduction	No of Index Reviews since Excluded	High Intensity Bucket	Future Index Reviews
Security 1	Eligible	Excluded	2	Yes	Not considered eligible due to waiting period.
Security 2	Excluded	Already Excluded at Step 1	Not Relevant	Yes	Eligibly Rule conditions do not apply
Security 3	Eligible	Excluded	4	Yes	Not considered eligible due to high intensity bucket
Security 4	Eligible	Excluded	4	No	Eligible for inclusion
Security 5	Eligible	Not Excluded	Not Relevant	No	Not excluded due to GHG Intensity – remains a constituent

Security Re-entry cases



Data from March 2023 – August 2025

- The MSCI ACWI Screened Indexes have 42 cases of flip flops and median time for a security to be added after being dropped is 2 Index Reviews.
- The delayed eligibility rule in the MSCI Screened Indexes can help reduce reverse turnover.

Contact

The process for submitting a formal index complaint can be found on the index page of MSCI's website at:
<https://www.msci.com/index-regulation>.

Americas

United States
+1 888 588 4567 (toll free)

Canada
+1 416 628 1007

Brazil
+55 11 4040 7830

Mexico
+52 81 1253 4020

Asia Pacific

China
North: 10800 852 1032 (toll free)
South: 10800 152 1032 (toll free)

Hong Kong
+ 852 2844 9333

India
+ 91 22 6784 9160

Malaysia
1800818185 (toll free)

South Korea
800 852 3749 (toll free)

Singapore
800 852 3749 (toll free)

Australia
+612 9033 9333

Taiwan
008 0112 7513 (toll free)

Thailand
0018 0015 6207 7181 (toll free)

Japan
+81 3 4579 0333

Europe, Middle East & Africa

South Africa
+ 27 21 673 0103

Germany
+ 49 69 133 859 00

Switzerland
+ 41 22 817 9777

United Kingdom
+ 44 20 7618 2222

Italy
+ 39 02 5849 0415

France
+ 33 17 6769 810

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