MSCI

2026 Fixed Income Index Consultation

Consultation Agenda

01

MSCI Fixed Income Index Calculation Methodology

Scheduled coupon cashflows for a given month are recognized within the same month

02

Applying Liquidity Screen on MSCI Corporate Bond Index

Introduction of Liquidity score screen to improve replicability of the MSCI Corporate Bond Indexes

03

Inclusion of 2nd Lien Bonds

Inclusion of 2nd Lien Bonds in the MSCI Corporate Bond Indexes

04

MSCI Selection Corporate Bond Index Methodology

Enhancements to existing BISR screens as well as introduction of New Climate and Coverage screens

05

MSCI Climate Action Corporate Bond Indexes

Simplifying eligibility screens and enhancing the methodology with tilt-based weighting

06

MSCI Climate Paris Aligned PAB Corporate Bond Indexes

Improve investability while maintaining low active share and EU PAB compliant decarbonization

MSCI Fixed Income Index Calculation Methodology

CONSULTATION PERIOD

Aug 2026 – Sep 2026

Proposal: Coupon cashflows falling due within the month are realized in the same month

CURRENT

Month End Coupon on a Holiday/Weekend → Recognized on **First Business Day of the Next Month**

For example, if coupon cashflow is on 28^{th} Feb which is a Saturday, the coupon will be recognized on 2^{nd} Mar which is first business day of the next month.

PROPOSED

Month End coupon on a Holiday/Weekend → recognized on **Last Business Day of the Same Month**

For example, if coupon cashflow is on 28th Feb which is a Saturday, the coupon will be recognized on 27^{th} Feb which is last business day of the same month.

Illustration: UST 1.125% Aug 2028 (ISIN: US91282CCV19) on Feb 28, 2026 coupon

Thu 26 — **Fri 27** — **Sat 28 (Scheduled)** — Sun 01 — **Mon 02**

Consultation Feedback Question:

Proposed change in coupon cashflow recognition logic allows for reinvestment of these cashflows at the month-end rebalancing and eliminates cash drag for an additional one month. Do you agree with the proposed change?

Applying Liquidity Screen on MSCI Corporate Bond Index

MSCI

Proposed Liquidity Screening to Improve Replicability of the MSCI Corporate Bond Indexes

1

Strategies & Coverage

A liquidity screen applied across the MSCI Corporate Bond Index suite, based on the MarketAxess Relative Liquidity Score (RLS). Relatively illiquid bonds are excluded at each monthly rebalancing.

2

Observation Window

Each bond's RLS is averaged over a rolling 3-month (63d) window; bonds with Rolling-3M-Average-RLS < 0.5 are screened out.

3

Currency Coverage

Applied to the four currencies with liquidity coverage – USD, EUR, GBP and CHF.

4

Lock-Out & Re-Entry Gate

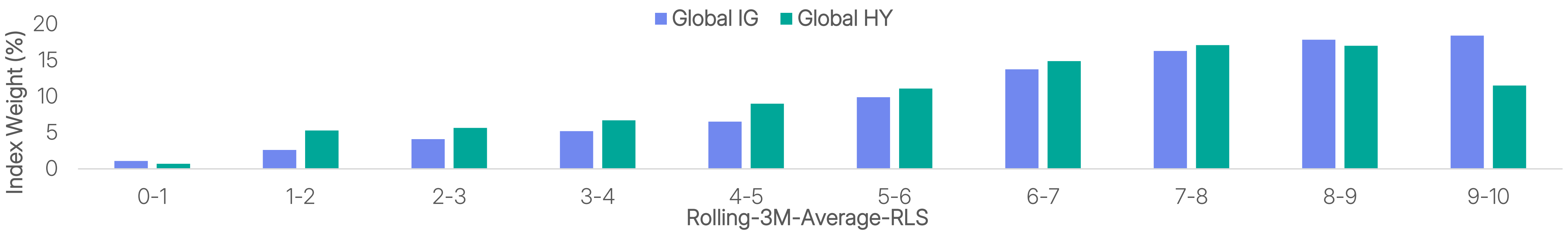
A 6-month lock-out stabilizes rebalancing turnover: screened-out bonds are excluded for the full 6-month period and must clear a stricter 3-month average RLS threshold of 3.0 to be eligible to re-enter.

Proposing a liquidity screen of 0.5 (3M-Avg-RLS) to balance the index coverage and liquidity

Bonds excluded by the liquidity screen and their index weight at three rolling 3M-average RLS thresholds: 1.0, 0.5, 0.25

	3M Avg RLS Threshold	Metric	Global IG	USD IG	EUR IG	GBP IG	Global HY	USD HY	EUR HY
		Total Bonds in Index	**16,080**	**9,544**	**3,910**	**887**	**2,585**	**1,865**	**588**
Liquidity Screen	**< 1**	**# Bonds**	312	235	52	11	36	29	3
		Index Weight (%)	1.08%	1.15%	0.97%	1.30%	0.72%	0.73%	0.29%
	< 0.5	**# Bonds**	200	138	45	9	30	26	1
		Index Weight (%)	0.78%	0.77%	0.83%	1.22%	0.65%	0.71%	0.08%
	< 0.25	**# Bonds**	158	99	45	7	26	22	1
		Index Weight (%)	0.67%	0.61%	0.83%	1.09%	0.60%	0.64%	0.08%

Index Weight Distribution across Liquidity



Liquidity screen of 0.5 sharpens investability with negligible impact on index characteristics

		Global IG	USD IG	EUR IG	GBP IG	Global HY	USD HY	EUR HY
Bond Count	**Current**	16,080	9,544	3,910	887	2,585	1,865	588
	Proposed	15,880	9,406	3,865	878	2,555	1,839	587
Standard Index Weight (%)	**Current**	100	100	100	100	100	100	100
	Proposed	99.2	99.2	99.2	98.8	99.4	99.3	99.9
Liquidity Score	**Current**	6.86	6.57	7.56	7.35	6.31	6.27	6.54
	Proposed	6.91	6.62	7.62	7.44	6.35	6.32	6.55
Yield (%)	**Current**	4.70	5.17	3.57	5.69	6.58	6.87	5.29
	Proposed	4.70	5.17	3.57	5.68	6.62	6.93	5.29
Duration (yrs)	**Current**	5.74	6.35	4.44	5.61	2.99	3.01	2.9
	Proposed	5.74	6.35	4.44	5.58	3.00	3.02	2.91
Spread (bps)	**Current**	87	86	86	87	277	271	284
	Proposed	87	86	86	86	275	269	284

As of 1 May 2026. Proposed Index applies a 3-month Average RLS < 0.5 liquidity screen on the Current Index.

Sector composition weights holds steady under the proposed 0.5 liquidity screen

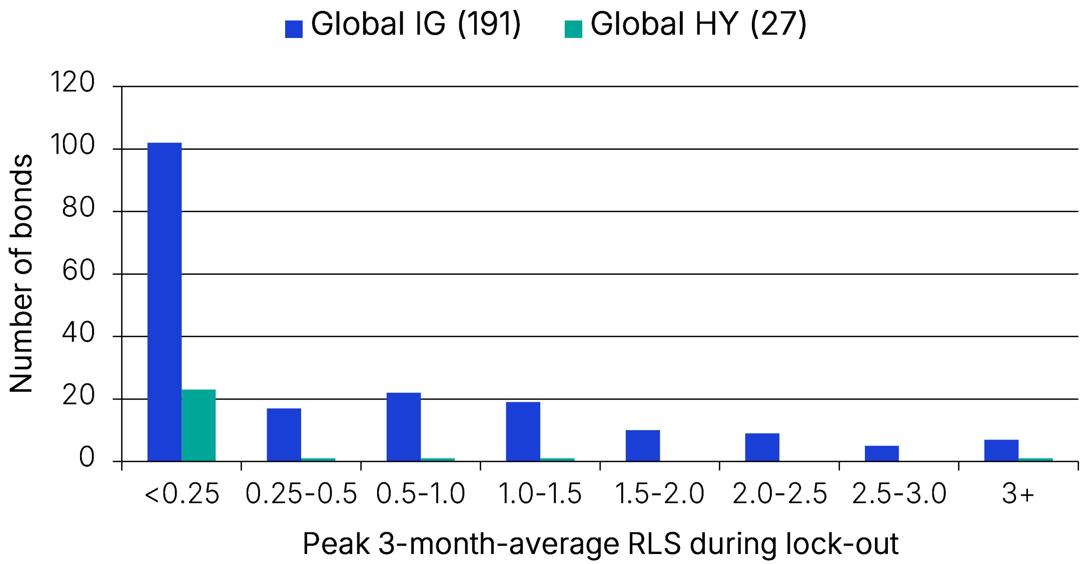
Sector	Global IG		USD IG		EUR IG		Global HY		USD HY		EUR HY	
	Current	Proposed	Current	Proposed	Current	Proposed	Current	Proposed	Current	Proposed	Current	Proposed
Financials	35.9	35.7	33.0	33.0	39.9	39.4	9.6	9.6	10.1	10.0	7.8	7.8
Utilities	9.2	9.2	9.2	9.2	7.6	7.7	4.2	4.2	3.6	3.6	4.2	4.2
Health Care	8.7	8.7	10.5	10.5	6.3	6.3	9.2	9.2	9.3	9.3	10.4	10.4
Industrials	8.5	8.6	8.1	8.0	10.1	10.2	14.0	14.0	14.1	14.0	14.0	14.0
Communication Services	7.0	6.9	6.9	6.9	6.9	6.9	16.6	16.6	15.7	15.6	19.4	19.4
Consumer Discretionary	6.7	6.8	6.3	6.3	8.4	8.5	17.4	17.4	16.2	16.3	21.2	21.2
Consumer Staples	5.9	5.9	5.5	5.5	7.5	7.6	3.4	3.3	2.9	2.8	4.2	4.2
Energy	5.8	5.8	7.1	7.2	2.6	2.6	8.4	8.4	10.4	10.4	1.6	1.6
Information Technology	5.3	5.3	7.3	7.4	1.8	1.8	4.9	5.0	5.5	5.6	3.5	3.5
Real Estate	4.3	4.3	3.5	3.5	5.3	5.3	4.0	4.1	3.8	3.9	5.0	5.0
Materials	2.7	2.8	2.6	2.6	3.7	3.8	8.3	8.3	8.5	8.5	8.8	8.8
Total	100	100	100	100	100	100	100	100	100	100	100	100

Index Weight as of 1 May 2026. Proposed Index applies a 3-month Average RLS < 0.5 liquidity screen on the Current Index.

Proposed re-entry threshold of 3M average RLS of at least 3 readmits only bonds that have demonstrated a sustained recovery in liquidity

Requiring liquidity to recover well beyond the exit level ensures re-entries reflect durable improvement, not short-term noise

Peak 3-month-average RLS reached during the 6-month lock-out



Peaks span the whole lock-out, so touching 3.0 is not enough: 3 IG bonds reach 3.0 mid-lock-out but fall back below it by expiry.

Bonds clearing each threshold at lock-out expiry (1 May 2026)

Re-entry threshold	IG (191)	HY (27)
>= 0.5 (current rule)	57	2
>= 1.0	37	2
>= 1.5	16	1
>= 2.0	10	1
>= 2.5	8	1
>= 3.0 (proposed)	**4**	**1**

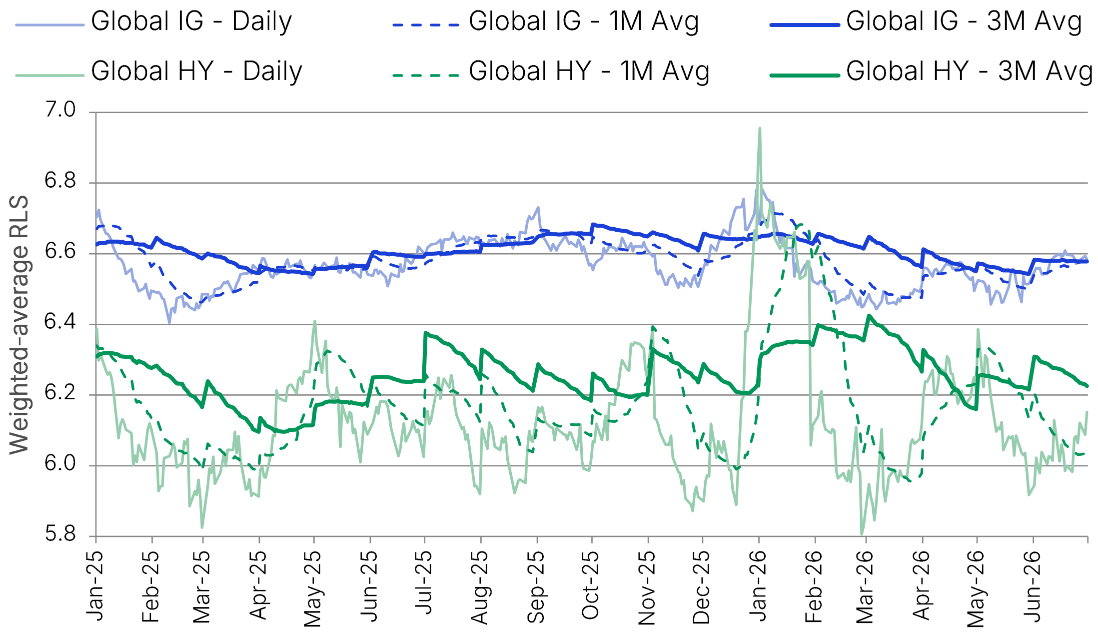
At the proposed >= 3.0 test, 5 of 218 removed bonds requalify at expiry - versus 59 at the current 0.5 line - materially limiting re-entry churn.

Source: MarketAxess daily RLS. 218 bonds removed from Global IG (191) + Global HY (27) at the 0.5 screen (Nov 2025). Re-entry assessment done at May 2026 rebalancing.

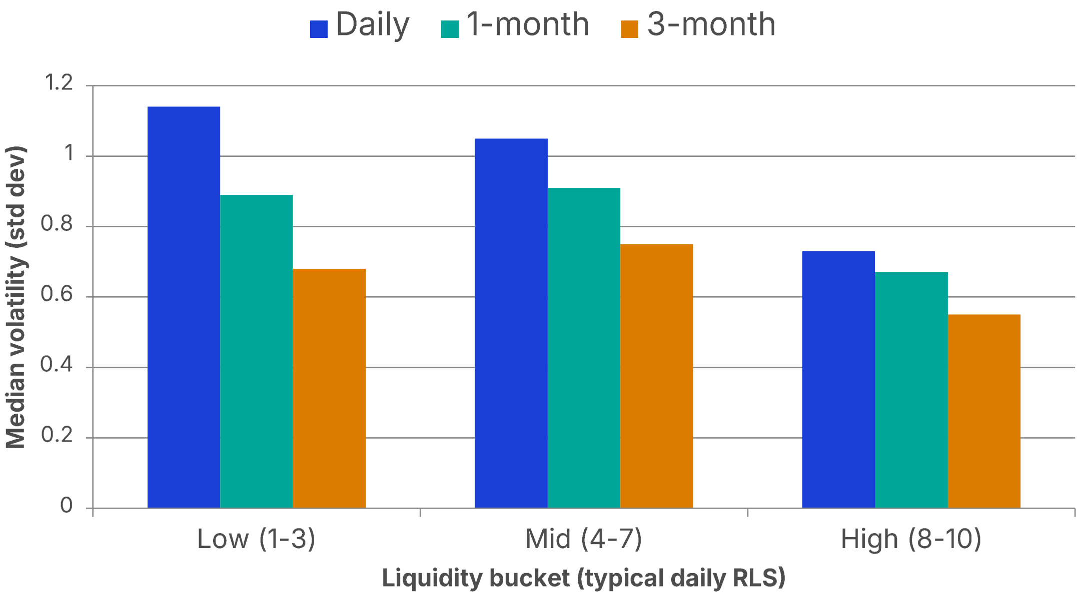
Averaging RLS cuts day-to-day volatility, turning the score into a reliable screen

Smoothing preserves the underlying liquidity signal while making it stable enough to apply as a rules-based inclusion/exclusion criterion.

Index-level RLS: daily swings vs 3-month average



Averaging cuts volatility across liquidity; most gains captured by 3M



Source: MarketAxess daily RLS. Left: index-level weighted-average RLS for Global IG and Global HY, Jan-2025 to Jun-2026. Right: per-bond volatility (std dev under each window) across the Global IG + Global HY universe, by liquidity bucket.

Consultation Feedback Questions

CONSULTATION PERIOD

Aug 2026 – Sep 2026

Q1 Do you support the application of liquidity screen in MSCI Corporate Bond Indexes?

Q2 Does a 3M-average RLS threshold of 0.5 strike the right balance between coverage and liquidity?

Q3 Would a 6-month lock-out, with re-entry gated by a higher 3M-average RLS cut-off of 3.0, be appropriate for bonds removed by the liquidity screen?

Q4 Is the November 2026 month-end rebalancing the right point to introduce this change?

Inclusion of 2nd Lien Bonds

Proposed 2nd Lien Bonds Inclusion in MSCI Corporate Bond Indexes

1

Proposal

MSCI proposes to include eligible 2nd lien bonds in its standard suite of MSCI Corporate Bond Indexes. These bonds would follow the same eligibility criteria applied to other corporate debt, including minimum size, currency, and credit rating requirements.

2

Index Impact

Impact is well contained: the incoming 2nd lien bonds are predominantly high yield, leaving IG indexes virtually unchanged. The largest number of additions is in the MSCI USD HY Corporate Bond Index at 54 bonds.

3

Implementation Window

We propose to apply the index inclusion at the October 2026 month end rebalancing

Minimal Index Impact: Duration, Yield, and Spread Remain Largely Unchanged

Global IG Corporate Bond

	Actual Index	Index incl. 2nd Lien bonds
# of Bonds	16,080	16,081
Duration	5.74	5.74
Yield	4.70	4.70
Credit Spread	87	87
# 2nd Lien Bonds	-	1
Weight of 2nd Lien Bonds	-	0.01%

Global HY Corporate Bond

	Actual Index	Index incl. 2nd Lien bonds
# of Bonds	2,585	2,640
Duration	3.00	2.99
Yield	6.66	6.72
Credit Spread	277	281
# 2nd Lien Bonds	-	55
Weight of 2nd Lien Bonds	-	2.15%

MSCI USD IG Corporate Bond

	Actual Index	Index incl. 2nd Lien bonds
# of Bonds	9,544	9,544
Duration	6.35	6.35
Yield	5.17	5.17
Credit Spread	86	86
# 2nd Lien Bonds	-	0
Weight of 2nd Lien Bonds	-	0.00%

MSCI USD HY Corporate Bond

	Actual Index	Index incl. 2nd Lien bonds
# of Bonds	1,865	1,919
Duration	3.04	3.02
Yield	6.99	7.03
Credit Spread	271	276
# 2nd Lien Bonds	-	54
Weight of 2nd Lien Bonds	-	2.82%

MSCI EUR HY Corporate Bond

	Actual Index	Index incl. 2nd Lien bonds
# of Bonds	588	588
Duration	2.92	2.92
Yield	5.30	5.30
Credit Spread	284	284
# 2nd Lien Bonds	-	0
Weight of 2nd Lien Bonds	-	0.00%

Consultation Feedback Questions

CONSULTATION PERIOD

Aug 2026 – Sep 2026

Q1 Are you in favour of including 2nd Lien Bonds in the MSCI Corporate Bond Indexes?

Q2 Would October 2026 month-end be a suitable rebalance to implement this change?

Additional Questions for Client Feedback

CONSULTATION PERIOD

Aug 2026 – Sep 2026

Q1 **Should bonds with a single C credit rating be eligible for inclusion in the MSCI High Yield Corporate Bond Indexes?**

Only 6 bonds from 5 issuers are currently rated C across the Global High Yield Universe.

Q2 **Would retail bonds be appropriate for inclusion in the MSCI Government Bond Indexes?**

These securities represent approximately 1.5% of the Eurozone government bond market and 0.4% of the Japanese government bond curve.

MSCI Selection (and Sustainability) Corporate Bond Index Methodology

Proposal to replace absolute revenue thresholds with percentage revenue thresholds and introduce new Climate and Issuer Coverage screens

Retained (3 Screens)

- **ESG Controversy Score**
  Excluded if controversy score is below 1
- **ESG Ratings**
  Excluded if ESG rating is below BB
- **Controversial Weapons**
  Excluded if any of 18 weapon datapoints is flagged TRUE

Rules, datapoints & thresholds fully preserved.

Changed (From Absolute Revenue Thresholds to Percentage Revenue Thresholds)

- **Civilian Firearms**
  Excluded if producer or revenue ≥ 5%
  Was: revenue >$100M or revenue share ≥ 50%
- **Tobacco**
  Excluded if producer or revenue ≥ 5%
  Was: revenue >$1B or revenue share ≥ 50%
- **Alcohol**
  Excluded if revenue ≥ 10%
  Was: producer and revenue >$1B or revenue share ≥ 50%
- **Conv. Weapons**
  Excluded if revenue ≥ 10%
  Was: system/component maker and revenue ≥$3B or revenue share ≥ 50%
- **Gambling**
  Excluded if revenue ≥ 10%
  Was: operator/supporter and revenue >$1B or revenue share ≥ 50%
- **Nuclear Power**
  Excluded if revenue ≥ 10%
  Was: capacity ≥ 6,000 MW or capacity share ≥ 50%
- **Nuclear Weapons**
  All datapoints replaced with new categories
  Was: system, component, fuel, reactor, uranium mining

New (Climate & Coverage Screens)

- **Fossil Fuel Extraction**
  Excluded if thermal coal and unconventional oil/gas revenue ≥ 5%
- **Arctic Oil & Gas**
  Excluded if combined Arctic exposure ≥ 5%
- **Thermal Coal Power**
  Excluded if power generation revenue from thermal coal ≥ 5%
- **Palm Oil**
  Excluded if palm oil production revenue ≥ 5%
- **Missing BISR**
  Excluded if business involvement screening status is not verified
- **Missing Climate Metrics**
  Excluded if climate change metrics have not been researched

No Screens Were Dropped — All 10 current screens are carried forward (3 unchanged, 7 with updated thresholds) + 6 new screens added

The removal of ESG Trend as a ranking parameter streamlines the selection methodology, resulting in lower rebalancing turnover and associated transaction costs

Current Selection Ranking		Updated Selection Ranking	
1	Exclusions	Exclusions	1
2	ESG Rating	ESG Rating	2
3	ESG Trend	~~ESG Trend~~	
4	Current Index Member	Current Index Member	3
5	ESG Score	ESG Score	4
6	Market Value	Market Value	5

Tightening the 50% coverage tier from 'AAA' and 'AA' issuers to 'AAA' issuers only raises the credit quality of eligible issuers, without changing the four-step selection order

Current Eligible Issuer Criteria	Updated Eligible Issuer Criteria
1 Issuers in the top 35% cumulative market value coverage of the ranked universe.	Issuers in the top 35% cumulative market value coverage of the ranked universe. 1
2 'AAA' and 'AA' rated issuers in the top 50% cumulative market value coverage of the ranked universe.	'AAA' rated issuers in the top 50% cumulative market value coverage of the ranked universe. 2
3 Current index constituent issuers in the top 65% cumulative market value coverage of the ranked universe.	Current index constituent issuers in the top 65% cumulative market value coverage of the ranked universe. 3
4 Remaining eligible issuers in the ranked universe.	Remaining eligible issuers in the ranked universe. 4

Initial portfolio changes are primarily driven by the introduction of new climate-related screens, particularly Thermal Coal Power and Fossil Fuel Extraction exclusions

Index	Additions Turnover*		Deletions Turnover		Maintenance Turnover		Total Turnover	
	Current Meth	New Meth	Current Meth	New Meth	Current Meth	New Meth	Current Meth	New Meth
USD IG	0.70%	2.50%	0.09%	3.95%	0.28%	1.95%	1.07%	8.40%
USD HY	0.69%	1.99%	0.13%	3.62%	0.27%	2.27%	1.09%	7.88%
EUR IG	1.10%	0.08%	0.07%	1.15%	0.21%	1.97%	1.37%	3.20%
EUR HY	1.87%	0.49%	1.63%	1.03%	0.37%	1.73%	3.87%	3.26%

* One-way Proforma Turnover as of June 2026

Index	Reason	Issuers Added	Weight (Adds)	Issuers Deleted	Weight (Dels)
USD IG	Fossil Fuel Extraction (New)	-	-	17	1.72%
	Thermal Coal Power (New)	-	-	50	4.82%
	Tobacco (Updated)	-	-	2	0.11%
	Nuclear Power (Updated)	-	-	5	1.10%
	Ranking Movements	34	5.00%	4	0.14%
	Index Total	**34**	**5.00%**	**78**	**7.89%**
USD HY	Fossil Fuel Extraction (New)	-	-	13	3.28%
	Thermal Coal Power (New)	-	-	6	0.78%
	Nuclear Weapons (Updated)	-	-	1	0.07%
	Civilian Firearms (Updated)	-	-	1	0.00%
	Tobacco (Updated)	-	-	3	1.81%
	Nuclear Power (Updated)	-	-	2	0.70%
	Ranking Movements	14	3.98%	4	0.60%
	Index Total	**14**	**3.98%**	**30**	**7.24%**
EUR IG	Thermal Coal Power (New)	-	-	3	0.49%
	Fossil Fuel Extraction (New)	-	-	1	0.04%
	Arctic Oil & Gas Production (New)	-	-	1	0.24%
	Civilian Firearms (Updated)	-	-	1	0.27%
	Tobacco (Updated)	-	-	1	0.15%
	Nuclear Power (Updated)	-	-	1	0.38%
	Ranking Movements	2	0.16%	10	0.73%
	Index Total	**2**	**0.16%**	**18**	**2.30%**
EUR HY	Tobacco (Updated)	-	-	2	2.07%
	Ranking Movements	8	3.04%	1	0.00%
	Index Total	**8**	**3.04%**	**3**	**2.07%**

* Impact of methodology transition. Proforma Index simulated as of May 15th, 2026

Proposed methodology improves carbon efficiency while maintaining a broadly comparable ESG Profile across the Selection Indexes

	EUR IG SELECTION		EUR HY SELECTION		USD IG SELECTION		USD HY SELECTION	
Metric	**Current**	**New**	**Current**	**New**	**Current**	**New**	**Current**	**New**
ESG & CLIMATE (as of May 15th 2026)								
ESG Score	8.58	8.59	7.07	7.16	7.98	7.92	6.67	6.60
ESG Leaders (%)	88.83	88.17	53.02	54.36	78.61	74.22	39.91	38.41
ESG Laggards (%)	-	-	-	-	-	-	-	-
ESG Trend Positive (%)	25.94	25.13%	26.32	23.79%	24.38	21.21%	23.1	19.48%
ESG Trend Negative (%)	4.73	4.77%	15.49	14.92%	3.49	4.61%	10.55	10.17%
Environmental Pillar Score	7.82	7.86	6.81	6.87	7.47	7.51	6.01	6.04
Social Pillar Score	5.45	5.45	4.88	4.98	5.34	5.28	4.94	4.93
Governance Pillar Score	6.73	6.74	6.17	6.18	6.31	6.27	6.28	6.25
WACI Scope 1+2+3 (t CO_2e/$M)	612	553	734	710	866	663	1,362	1 052

Consultation Feedback Questions

CONSULTATION PERIOD

Aug 2026 – Sep 2026

Q1 How do you view the transition from absolute exposure thresholds to revenue-based thresholds for the current business involvement screens?

Q2 Do you support the introduction of data coverage and new climate screens to strengthen data quality, completeness, and the climate risk profile of the index?

Q3 Views on removing ESG Rating Trend from the ranking framework to reduce unnecessary turnover?

Q4 What is your view on narrowing the 50% coverage tier from 'AAA' and 'AA' rated issuers to 'AAA' issuers only?

Q5 Is the proposed implementation during the November 2026 month-end rebalancing appropriate?

MSCI Climate Action Corporate Bond Indexes

Summary: The proposed enhancements simplify the methodology while preserve the Climate Action Index objective

Current Strategy	Proposed Strategy
1 Parent	1 Parent
2 BISR & High Emitters Exclusions	2 BISR (With Amendment to Nuclear Weapon) & High Emitters Exclusions
3 CRM Lowest Quartile Exclusion	3 [New Additions in the Lowest Quartile + Lowest Decile] – SBTi Exclusions
4 Selection	4 Selection
5 Buffer to Incorporate Current Index Issuers First	~~Buffer to Incorporate Current Index Issuers First~~
6 Market Value Weighted of the Selected Issuers	5 Market Value × Scaling Factor of the Selected Issuers
7 Issuer Capping Then Sector Capping	6 Issuer + Sector Capping Simultaneously

Index Snapshot Statistics: Collectively, Proposals 1–6 broaden index coverage while preserving credit characteristics that remain closely aligned with the existing methodology

	Parent (EUR IG Corporate Bond)	Existing EUR IG Climate Action	Proposed EUR IG Climate Action
Index credit metrics			
Coupon	2.86	2.89	2.85
Yield	3.57	3.56	3.55
Credit Spread	86	85	84
Time to Maturity (in yrs.)	6.08	6.15	6.18
Duration	4.5	4.51	4.57
Credit Rating	A-	A-	A-
Index capacity metrics			
Number of Constituents	3,910	2,987	3,306
Number of Issuers	848	586	665
Max Ticker Weight	1.75	2.19	2.06
Parent Coverage	100.0	77.56	85.87
Top-5 issuer weight (%)	7.33	8.38	7.7
Active share vs Parent (%)	-	22.44	18.50
Carbon footprint			
Financed carbon emissions (Scope 1+2+3) (t CO2e/$M EVIC)	331.08	221.52	225.56
Climate metrics & Other Norms			
Green Bonds (%)	6.63	7.44	6.66
Exposure to carbon-related assets (%)	6.7	5.58	5.56
Has SBTi (%)	49.98	53.83	59.54
Nuclear Weapons (%)	0.4	-	0.38

	Parent USD IG Corporate Bond	Existing USD IG Climate Action	Proposed USD IG Climate Action
Index credit metrics			
Coupon	4.55	4.54	4.51
Yield	5.17	5.15	5.14
Credit Spread	86	86	85
Time to Maturity (in yrs.)	11.29	11.25	11.33
Duration	6.47	6.46	6.49
Credit Rating	A-	A-	A-
Index capacity metrics			
Number of Constituents	9,544	7,118	7,646
Number of Issuers	1437	908	978
Max Ticker Weight	2.12	2.45	2.84
Parent Coverage	100.0	80.04	84.86
Top-5 issuer weight (%)	9.13	10.48	11.41
Active share vs Parent (%)	-	19.97	20.02
Carbon footprint			
Financed carbon emissions (Scope 1+2+3) (t CO2e/$M EVIC)	370.12	211.43	187.87
Climate metrics & Other Norms			
Green Bonds (%)	0.94	1.02	0.89
Exposure to carbon-related assets (%)	13.49	12.29	11.6
Has SBTi (%)	34.15	38.07	42.0
Nuclear Weapons (%)	1.9	-	0.59

** Index statistics are as of May 01 2026.*

** Yield, Duration & Time to Maturity use market-value weights; Coupon uses notional weights; Credit Spread uses duration-adjusted market-value weights.*

Two-Way Turnover: Implementation drives a one-time increase in turnover, which declines substantially at the subsequent rebalancing across both EUR IG and USD IG

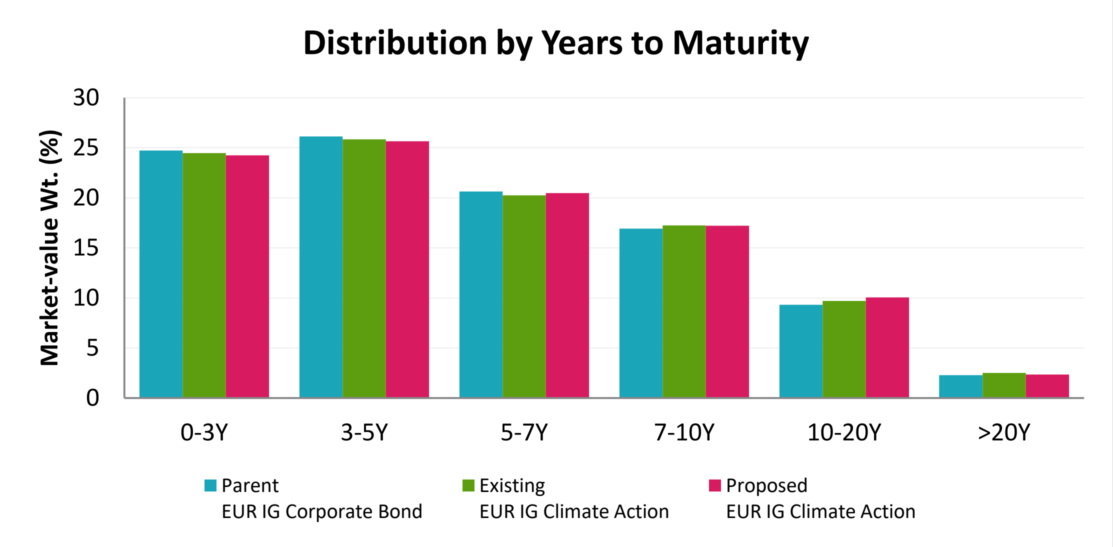
EUR IG Two-way turnover	Parent	Existing Index	Proposed Index
Apr → May	2.8%	5.4%	28.4%
May → Jun (Proforma)	3.6%	7.0%	6.2%

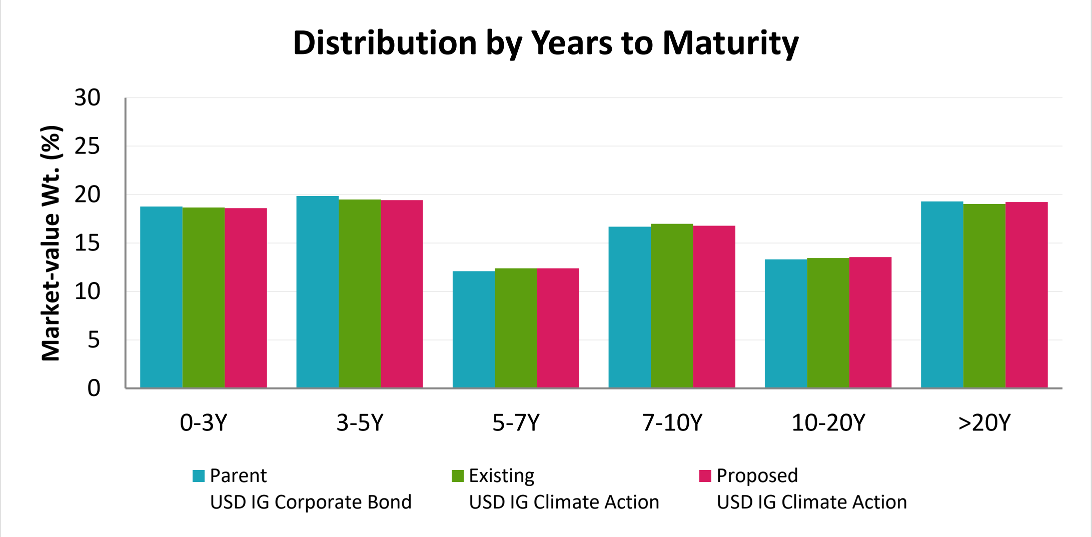
Component	Turnover contribution	Rationale
New Names Entering	**11.4%**	• Broader rules let in more companies • Nuclear-weapon change adds back a few defense names (0.38%) • Plus ordinary new bonds issued Apr→May
Reweighting of Held Names	**14.2%**	• The climate promotion-score tilt • Company scores don't change - only the weights
Names Being Removed	**2.9%**	• A few companies no longer qualify under the new rules • Plus bonds that matured or left the index Apr→May
Two-way Turnover	**28.4%**	

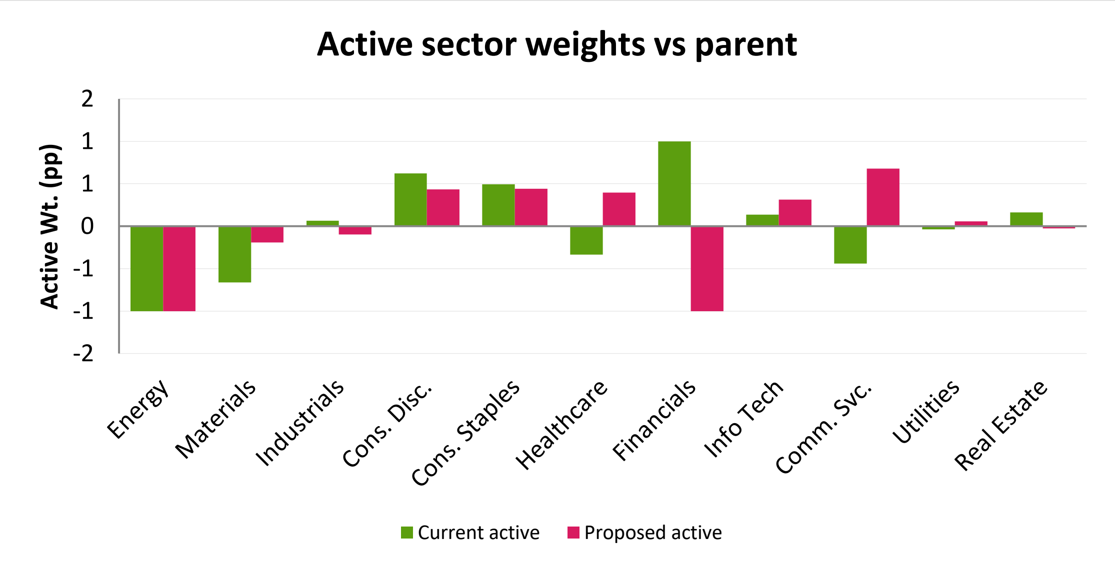
USD IG Two-way turnover	Parent	Existing Index	Proposed Index
Apr → May	3.5%	5.3%	24.8%
May → Jun (Proforma)	2.8%	3.4%	5.4%

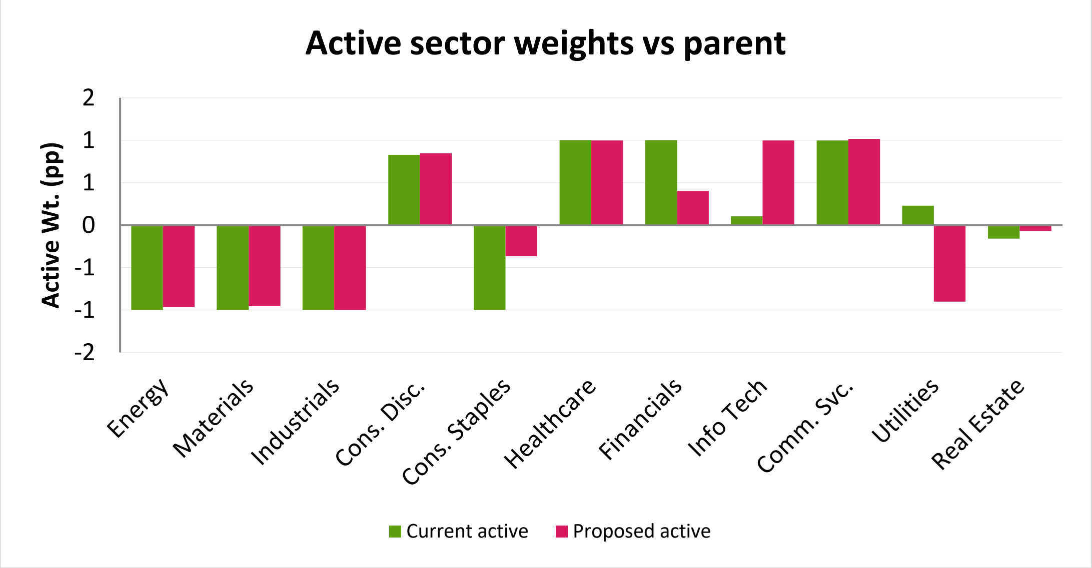
Component	Turnover contribution	Rationale
Reweighting of held names	**15.1%**	• The climate promotion-score tilt • Company scores don't change - only the weights
New names entering	**6.9%**	• Broader rules let in more companies • Nuclear-weapon change adds back a few defense names (0.59%) • Plus ordinary new bonds issued Apr→May
Names Being Removed	**2.8%**	• A few companies no longer qualify under the new rules • Plus bonds that matured or left the index Apr→May
Two-way turnover	**24.8%**	

Other Metrics: In EUR IG, the revised issuer level tilts shift the Financials sector allocation, with the ±1% active sector constraints moderating the final allocation









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** Active weight = index weight minus parent weight (percentage points).*

Consultation Questions

CONSULTATION PERIOD

Aug 2026 – Sep 2026

Q1	What is your view on modifying the Nuclear Weapons screen to align it with the Treaty on the Non-Proliferation of Nuclear Weapons, excluding only companies with nuclear-weapons ties that are classified in non-signatory countries?
Q2	How do you see simplifying the Climate Risk Management Score (CRMS) definition to focus on management of carbon emissions?
Q3	Would granting companies with approved SBTi targets an exemption from the CRMS eligibility screen be appropriate?
Q4	What are your thoughts on extending the buffer rules so that existing issuers are only dropped if they fall into the bottom decile based on CRMS?
Q5	What is your perspective on replacing the current 75% Ranking & Selection approach with a tilting mechanism based on Issuer Level Assessment of Carbon Intensity?
Q6	Is applying issuer and sector-level capping simultaneously an appropriate approach to achieve a more balanced outcome?
Q7	What are your views on incorporating Green Bonds into the Climate Action Index methodology?

MSCI Climate Paris Aligned PAB Corporate Bond Indexes

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Summary of Proposal - Current vs Proposed Methodology

There are four proposed enhancements to the MSCI Climate Paris Aligned PAB Corporate Bond Indexes:

Proposal	Constraint / Objective	Change	What changes (Current* → Proposed)
1	**Extreme-Weather Climate VaR****	**Modification**	≥50% → ≥30% reduction relative to Parent Index
	Aggregate Climate VaR**	**Removal**	Objective removed: Aggregate Climate VaR ≥ Max(-5, Aggregate Climate VaR of Parent Index)
2	**Low Carbon Transition (LCT) Score**	**Removal**	Objective removed: LCT Score is 5% higher relative to Parent Index
3	**Self-decarbonization**	**Modification**	10% → 7% Self-decarbonization per year since latest Base Date
4	**Green revenue**	**Modification**	Exclude IT Optimization & Services from the calculation of the constraint

*For the complete methodology, please refer to the MSCI Climate Paris Aligned PAB Corporate Bond Indexes Methodology at Index Methodology or simultaneously refer to Appendix Slide 53.
**Climate VaR changes apply to MSCI USD IG Core and EUR IG Climate Paris Aligned PAB Corporate Bond Indexes only.

Cumulative Impact of Proposals 1–4 on the Climate Paris Aligned PAB Corporate Bond Indexes

Four proposed enhancements simplify the methodology and broaden the investable universe. The rationale for each is summarized below:

1 Climate VaR

Removing the Aggregate Climate VaR objective eliminates redundancy: transition risk is already captured by the portfolio's decarbonization constraints, and the technology-opportunity dimension is addressed through the Green Revenue objective. This streamlines the methodology without diluting its climate ambition.

2 Low Carbon Transition Score

The Low Carbon Transition Score improvement target overlaps substantially with both the decarbonization objective and the Green Revenue objective of increasing exposure to climate-solution enablers. Removing it reduces redundancy, while the score continues to improve relative to the parent index.

3 Self-decarbonization 10% → 7%

Relaxing the annual self-decarbonization requirement from 10% to 7% keeps the target achievable over time while maintaining alignment with the EU Delegated Act.

4 Green Revenue

Excluding IT Optimization & Services from the Green Revenue calculation focuses the metric on activities with a direct, measurable environmental contribution. This tightens the definition of green revenue and broadens eligible coverage across the investable universe.

Combined effect: parent coverage increases across all four universes, while active share remains broadly consistent with the current PAB.

- Proposed = current PAB methodology with Proposals 1–4 applied together.
- Impact of Individual Proposals separately is showcased in Appendix Slides 54-57

Cumulative Impact of Proposals 1–4 on the Climate Paris Aligned PAB Corporate Bond Indexes

	USD IG CORE			EUR IG			USD HY			EUR HY		
Metric	**Parent**	**Current PAB**	**Proposed**	**Parent**	**Current PAB**	**Proposed**	**Parent**	**Current PAB**	**Proposed**	**Parent**	**Current PAB**	**Proposed**
Number of constituents	4,446	3,414	3,654	3,910	3,268	3,445	1,865	1,270	1,305	588	387	426
Number of Issuers Tickers	541	421	439	703	574	598	824	517	524	304	181	191
Active share (%)	–	25.83	25.31	–	21.50	21.97	–	33.24	33.28	–	36.26	36.14
Parent coverage (%)	100.00	79.97	85.15	100.00	85.07	89.26	100.00	68.39	70.16	100.00	66.90	73.77
Turnover (Two-Way)*	3.78%	5.88%	15.91%	2.64%	3.84%	13.03%	5.50%	6.60%	14.90%	6.66%	8.20%	14.60%
Turnover (Two-Way)**	2.86%	6.50%	10.96%	3.76%	6.14%	11.40%	3.44%	3.70%	10.32%	3.64%	8.02%	10.90%
Yield (%)	5.16	5.16	5.14	3.57	3.58	3.58	6.87	7.09	6.97	5.29	5.56	5.56
Duration (yrs)	6.49	6.24	6.25	4.50	4.45	4.42	2.96	3.03	3.01	2.90	2.95	2.92
Credit spread (bps)	86	91	88	86	88	87	271	280	272	284	283	280
S&C Metric												
Carbon emissions S1+2+3 (mn tCO2e)	54.37	18.25	18.30	43.78	13.74	13.77	14.65	5.01	5.02	13.31	4.93	4.95
Low carbon transition score	5.83	6.35	6.32	5.94	6.30	6.32	5.49	6.04	6.03	5.92	6.14	6.16
Green/FF-based revenue ratio	1.15	11.08	10.49	6.81	227.40	278.00	1.31	23.81	24.00	6.07	456.00	303.67
Green revenue (wtd avg %)	1.58	5.87	3.17	5.04	11.33	10.07	2.73	6.13	5.47	4.08	9.00	8.16
Physical Risk	-3.71	-0.91	-1.02	-4.41	-1.52	-1.31	-	-	-	-	-	-
Has SBTi (%)	35.51	37.94	38.25	49.98	53.75	52.59	16.45	21.50	21.47	45.09	53.56	52.70

1 **Remove Aggregate Climate VaR & relax Physical-Risk VaR to 30%**

Physical Risk improves in EUR IG; similar in USD IG Core.

2 **Remove the Low Carbon Transition (LCT) Score objective**

LCT Score still improves vs. Parent Indexes, given its correlation with other objectives.

3 **Reduce annual self-decarbonization from 10% to 7%**

Parent coverage rises ~4–7% across universes, staying aligned with the EU Delegated Act.

4 **Exclude IT Optimization & Services from Green Revenue**

Moves the metric toward measurable environmental activities; widens coverage.

Parent: Respective Parent Index constituents. **Current**: Respective current MSCI Climate Paris-Aligned (PAB) Corporate Bond Index constituents.
Proposed: Constituents based on current MSCI Climate Paris-Aligned (PAB) Corporate Indexes methodology modified with the specific proposed enhancement.

Impact analysis is based on a hypothetical transition (T) from current methodology to proposed methodology. Turnover is additionally assessed at the subsequent rebalance after transition.
** Index statistics are as of May 01 2026 (T). ** As of the next subsequent rebalance.*

Consultation Feedback Questions

CONSULTATION PERIOD

Aug 2026 – Sep 2026

Q1 Do you support removing the maximum -5% Aggregate Climate Value at Risk (VaR) objective from the methodology and relaxing the Physical Risk CVaR reduction objective to 30% instead of 50%?

Q2 Is the removal of the Low Carbon Transition Score improvement target from the methodology appropriate?

Q3 Given the current GHG emissions trend, should the annual decarbonization target be relaxed going forward to align with the 7% requirement of the EU Paris Aligned Benchmarks?

Q4 Should IT Optimization Services be excluded from the calculation of Green Revenue companies?

Appendix

Additional Details on Changes to Selection Indexes

Current BISR Screen: MSCI Selection Corporate Bond Indexes Methodology

Category	Datapoints	Details (Exclusion Rule)
ESG Rating	IVA_COMPANY_RATING	Exclude if rating < BB
ESG Controversy Score	OVERALL_SCORE	Exclude if score < 1
Controversial Weapons	WEAP_BIO_CHEM_SYSTEM, WEAP_BIO_CHEM_COMPONENT, WEAP_OWNBYBIOCHEM, WEAP_OWNOFBIOCHEM, DU_WEAP, WEAP_OWNBYDU, WEAP_OWNOFDU, CB_TIE, LM_TIE, WEAP_BLINDING_LASER, WEAP_BLINDING_LASER_OWN_BY, WEAP_BLINDING_LASER_OWN_OF, WEAP_NONDETECTABLE_FRAGMENTS, WEAP_NDF_OWN_BY, WEAP_NDF_OWN_OF, WEAP_INCENDIARY_OWN_BY, WEAP_INCENDIARY_OWN_OF, WEAP_INCENDIARY_WP	Exclude if any datapoint = TRUE
Nuclear Weapons	WEAP_NUC_SYSTEM, WEAP_NUC_COMPONENT, NUC_FUEL_ENRICH, NUC_REACTORDESIGN, NUC_URANIUM_MINE	Exclude if any datapoint = TRUE
Nuclear Power	NUCLEAR_CAPACITY, NUCLEAR_CAPACITY_SHARE	Exclude if capacity ≥ 6,000 OR share ≥ 50%
Civilian Firearms	PROD_CIV_ARMS, FIREARM_REV_DERIVED, FIREARM_MAX_REV_PCT	Exclude if producer = TRUE AND (revenue > $100M OR ≥ 50%)
Tobacco	TOB_PRODUCER, TOB_MAX_REV, TOB_MAX_REV_PCT	Exclude if producer = TRUE AND (revenue > $1B OR ≥ 50%)
Alcohol	ALC_PRODUCER, ALC_TOTAL_MAX_REV, ALC_MAX_REV	Exclude if producer = TRUE AND (revenue > $1B OR ≥ 50%)
Gambling	GAM_OPERATIONS, GAM_SUPPORT, GAM_MAX_REV, GAM_MAX_REV_PCT	Exclude if (operations OR support = TRUE) AND (revenue > $1B OR ≥ 50%)
Conventional Weapons	WEAP_CONV_SYSTEM, WEAP_CONV_COMPONENT, WEAP_CONV_TOTAL_MAX_REV, WEAP_CONV_MAX_REV_PCT	Exclude if (system OR component = TRUE) AND (revenue ≥ $3B OR ≥ 50%)

New BISR Screen: MSCI Selection Corporate Bond Indexes Methodology

Category	Datapoints	Details (Exclusion Rule)
ESG Ratings	IVA_COMPANY_RATING	Exclude if rating < BB
ESG Controversy Score	OVERALL_SCORE	Exclude if score < 1
Controversial Weapons	WEAP_BIO_CHEM_SYSTEM, WEAP_BIO_CHEM_COMPONENT, WEAP_OWNBYBIOCHEM, WEAP_OWNOFBIOCHEM, DU_WEAP, WEAP_OWNBYDU, WEAP_OWNOFDU, CB_TIE, LM_TIE, WEAP_BLINDING_LASER, WEAP_BLINDING_LASER_OWN_BY, WEAP_BLINDING_LASER_OWN_OF, WEAP_NONDETECTABLE_FRAGMENTS, WEAP_NDF_OWN_BY, WEAP_NDF_OWN_OF, WEAP_INCENDIARY_OWN_BY, WEAP_INCENDIARY_OWN_OF, WEAP_INCENDIARY_WP	Exclude if any datapoint = TRUE
Nuclear Weapons (Updated)	WEAP_NUC_MISSILE, WEAP_NUC_EXCL_COMPONENT, WEAP_NUC_EXCL_DELIVERY, WEAP_NUC_SUPPORT, WEAP_NUC_DUAL_COMPONENT, WEAP_NUC_DUAL_DELIVERY, WEAP_NUC_EXCL_DELIVERY_PART	Exclude if any datapoint = TRUE
Civilian Firearms (Updated)	PROD_CIV_ARMS, FIREARM_MAX_REV_PCT	Exclude if producer = TRUE OR revenue ≥ 5%
Tobacco (Updated)	TOB_PRODUCER, TOB_MAX_REV_PCT	Exclude if producer = TRUE OR revenue ≥ 5%
Alcohol (Updated)	ALC_PROD_MAX_REV_PCT	Exclude if revenue ≥ 10%
Conventional Weapons (Updated)	WEAP_CONV_MAX_REV_PCT	Exclude if revenue ≥ 10%
Gambling (Updated)	GAM_OPER_MAX_REV_PCT	Exclude if revenue ≥ 10%
Nuclear Power (Updated)	NUC_UTIL_MAX_REV_PCT	Exclude if revenue ≥ 10%
Fossil Fuel Extraction (New)	THERMAL_COAL_MAX_REV_PCT, UNCONV_OIL_GAS_MAX_REV_PCT	Exclude if combined exposure ≥ 5%
Thermal Coal Power (New)	GENERAT_MAX_REV_THERMAL_COAL	Exclude if revenue ≥ 5%
Missing BISR (New)	BISR_COVERAGE_STATUS	Exclude if status ≠ "Involved" or "Not Involved – verified"
Missing Climate Change Metrics (New)	CLIMATE_CHANGE_METRICS_RESEARCHED	Exclude if not researched (≠ TRUE)
Palm Oil (New)	PALM_PROD_MAX_REV_PCT	Exclude if revenue ≥ 5%
Arctic Oil & Gas Production (New)	ARCTIC_OIL_MAX_REV_PCT, ARCTIC_GAS_MAX_REV_PCT	Exclude if combined exposure ≥ 5%

Additional Details on Changes to Climate Action Indexes

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Proposed Index Methodology

EUR/USD IG CORP

EXCLUSIONS

Screens

- Controversies
- Tobacco
- Controversial weapons
- Thermal coal mining
- Oil Sands
- Revised Nuclear Weapon

Additional exclusions

- Top 5% highest emitters without SBTi-approved targets
- Bottom companies based on simplified Climate Risk Management Score
  - Except companies with SBTi-approved targets
  - Exclude bottom decile of existing constituents, and bottom quartile of new constituents

SELECTION/TILT & CAPPING

	Proposals 1-6
Intensity Score	Securities are assigned an **intensity score of 1 to 4** based on their sector-relative GHG Intensity Quartile* (**Score of 4 = lowest intensity quartile**)
Promotion Score	- **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
Final Score	Final score of 1 to 4 determined as: **Min (4, Intensity Score + Promotion Score)**
Weighting	**Tilting (Weight in Parent Index* Final Score)**
Capping	- Issuer Capping (3%) - Active Sector Capping (+/-1%)

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

Impact of Nuclear Weapon Amendment

	Parent EUR IG Corporate Bond	Existing EUR IG Climate Action	Proposed EUR IG Climate Action
Values & Norms			
Tobacco involvement (%)	0.71	-	-
Ties to controversial weapons (%)	-	-	-
Thermal coal mining (%)	0.41	0.05	0.01
Red flag controversies (%)	-	-	-
Nuclear Weapons (%)	0.4	-	0.38

	Parent USD IG Corporate Bond	Existing USD IG Climate Action	Proposed USD IG Climate Action
Values & Norms			
Tobacco involvement (%)	1.18	-	-
Ties to controversial weapons (%)	0.72	-	-
Thermal coal mining (%)	0.39	0.07	0.02
Red flag controversies (%)	0.08	-	-
Nuclear Weapons (%)	1.9	-	0.59

Issuer Name (EUR IG)	Weight in parent	Weight in proposed index	Status
Airbus SE	0.175%	**0.164%**	Selected + tilted
Thales SA	0.088%	**0.109%**	Selected + tilted
Honeywell International Inc	0.061%	**0.057%**	Selected + tilted
Babcock International Group Plc	0.019%	**0.024%**	Selected + tilted
Safran SA	0.022%	**0.021%**	Selected + tilted
RTX Corp	0.017%	**0.005%**	Selected + tilted
Rolls-Royce Holdings Plc	0.019%	**0.000%**	Screened out
Total	**0.402%**	**0.381%**	

Issuer Name (USD IG)	Weight in parent	Weight in proposed index	Status
Honeywell International Inc	0.266%	**0.269%**	Selected + tilted
RTX Corp	0.356%	**0.120%**	Selected + tilted
L3Harris Technologies Inc	0.110%	**0.074%**	Selected + tilted
BAE Systems Plc	0.072%	**0.073%**	Selected + tilted
Northrop Grumman Corp	0.160%	**0.054%**	Selected + tilted
Boeing Co	0.481%	**0.000%**	Screened out by climate rules
Lockheed Martin Corp	0.243%	**0.000%**	Screened out by climate rules
General Dynamics Corp	0.071%	**0.000%**	Screened out by climate rules
Leidos Holdings Inc	0.060%	**0.000%**	Screened out by climate rules
Textron Inc	0.038%	**0.000%**	Screened out by climate rules
Huntington Ingalls Industries Inc	0.034%	**0.000%**	Screened out by climate rules
Total	**1.891%**	**0.590%**	

** Index ESG statistics are as of May 2026.*

** Issuers lacking coverage are dropped and weights re-normalized; missing emissions/intensity data backfilled using industry-group/sector averages.*

Largest Newly Added Issuers: Proposals 1–3 expand the eligible issuer universe, resulting in the addition of previously excluded issuers, with a more pronounced impact in EUR IG than USD IG

Issuer Ticker	Issuer Name	Existing Weight (%)	New Additions in Proposed (%)
HSBA	HSBC HOLDINGS PLC	-	0.74%
T	AT&T INC	-	0.73%
VIE	VEOLIA ENVIRONNEMENT SA	-	0.61%
GOOGL	ALPHABET INC	-	0.58%
MCABG	AMPRION GMBH	-	0.53%
LIN	LINDE PLC	-	0.50%
FRNTK	NYKREDIT REALKREDIT A/S	-	0.47%
ESLX	ESSILORLUXOTTICA SA	-	0.29%
TMO	THERMO FISHER SCIENTIFIC INC	-	0.27%
BAYG	BAYER AG	-	0.25%
TMO	THERMO FISHER SCIENTIFIC (FINANCE I) BV	-	0.24%
SGEF	AUTOROUTES DU SUD DE LA FRANCE SA	-	0.21%
MTFGI	MITSUBISHI UFJ FINANCIAL GROUP INC	-	0.20%
HTRA	TRATON FINANCE LUXEMBOURG SA	-	0.19%
BOUY	BOUYGUES SA	-	0.19%
SGEF	VINCI SA	-	0.18%
MICP	COMPAGNIE GENERALE DES ETABLISSEMENTS MICHELIN SCA	-	0.17%
SAN	SANTANDER UK GROUP HOLDINGS PLC	-	0.17%
AIR	AIRBUS SE	-	0.16%
DGDUF	DIGITAL DUTCH FINCO BV	-	0.14%
AD	KONINKLIJKE AHOLD DELHAIZE NV	-	0.14%
AAPL	APPLE INC	-	0.14%
OTHERS			4.00%
TOTAL		-	11.11%

Applying the proposed methodology adds 99 issuers not held in the existing index — 11.11% of index weight in total, of which the 22 largest account for 7.11%.
Methodology effect only; existing and proposed both as of 01-May-2026.

Issuer Ticker	Issuer Name	Existing Weight (%)	New Additions in Proposed (%)
AAPL	APPLE INC	-	0.92%
MET	METLIFE INC	-	0.27%
HONCE	HONEYWELL AEROSPACE INC	-	0.19%
PRU	PRUDENTIAL FINANCIAL INC	-	0.18%
KHC	KRAFT HEINZ FOODS CO	-	0.17%
WELL	WELLTOWER OP LLC	-	0.13%
SYY	SYSCO CORP	-	0.13%
RTX	RTX CORP	-	0.12%
MDLZ	MONDELEZ INTERNATIONAL INC	-	0.10%
HPQ	HP INC	-	0.10%
NYLIN	NEW YORK LIFE GLOBAL FUNDING	-	0.10%
EXR	EXTRA SPACE STORAGE LP	-	0.09%
PH	PARKER-HANNIFIN CORP	-	0.09%
TSN	TYSON FOODS INC	-	0.09%
SO	GEORGIA POWER CO	-	0.09%
PEG	PUBLIC SERVICE ENTERPRISE GROUP INC	-	0.09%
PSA	PUBLIC STORAGE OPERATING CO	-	0.08%
KLAC	KLA CORP	-	0.08%
HON	HONEYWELL INTERNATIONAL INC	-	0.08%
EIX	EDISON INTERNATIONAL	-	0.08%
OTHERS		-	2.46%
TOTAL		-	5.65%

Applying the proposed methodology adds 105 issuers not held in the existing index — 5.65% of index weight in total, of which the 20 largest account for 3.2%.
Methodology effect only; existing and proposed both as of 01-May-2026.

Removed Issuers: Proposals 1–3 refine CRMS eligibility, replacing a limited number of issuers while delivering a net expansion of the eligible universe across both EUR IG and USD IG

Issuer Ticker	Issuer Name	Existing Weight (%)	Proposed Weight (%)	Change in Weight (%)
F	FORD MOTOR CREDIT COMPANY LLC	0.41%	0.00%	(0.41%)
ELI	EUROGRID GMBH	0.39%	0.00%	(0.39%)
FOUG	APRR SA	0.26%	0.00%	(0.26%)
SYORT	SYDNEY AIRPORT FINANCE COMPANY PTY LTD	0.14%	0.00%	(0.14%)
SGEF	COFIROUTE SA	0.13%	0.00%	(0.13%)
CNDTL	CAISSE NATIONALE DE REASSURANCE MUTUELLE AGRICOLE GROUPAMA	0.09%	0.00%	(0.09%)
AUPAI	AUSTRALIA PACIFIC AIRPORTS (MELBOURNE) PTY LTD	0.09%	0.00%	(0.09%)
AGES	AGEAS SA	0.07%	0.00%	(0.07%)
SIXG	SIXT SE	0.06%	0.00%	(0.06%)
VIGR	VIENNA INSURANCE GROUP WIENER VERSICHERUNG GRUPPE AG	0.05%	0.00%	(0.05%)
UPS	UNITED PARCEL SERVICE INC	0.04%	0.00%	(0.04%)
STON	STONEWEG EREIT LUX FINCO SARL	0.04%	0.00%	(0.04%)
FFH	FAIRFAX FINANCIAL HOLDINGS LTD	0.03%	0.00%	(0.03%)
COFA	COFACE SA	0.03%	0.00%	(0.03%)
TKR	TIMKEN CO	0.03%	0.00%	(0.03%)
AVLA	SUMISHO AIR LEASE CORP	0.03%	0.00%	(0.03%)
GXO	GXO LOGISTICS CAPITAL BV	0.02%	0.00%	(0.02%)
AGES	AG SA	0.02%	0.00%	(0.02%)
CAIV	CA IMMOBILIEN ANLAGEN AG	0.02%	0.00%	(0.02%)
ABRTH	SANEF SA	0.01%	0.00%	(0.01%)
Total		**1.96%**	**0.00%**	**(1.96%)**

In Proposed (May) but not Current (May): 20 issuers | Top 20 issuers weight: 1.96% | Combined Weight 1.96%. Methodology effect only - both as of 01-May-2026

Issuer Ticker	Issuer Name	Existing Weight (%)	Proposed Weight (%)	Change in Weight (%)
WPL	WOODSIDE FINANCE LTD	0.19%	0.00%	(0.19%)
TXN	TEXAS INSTRUMENTS INC	0.19%	0.00%	(0.19%)
AVLA	SUMISHO AIR LEASE CORP	0.17%	0.00%	(0.17%)
CMSX	CONSUMERS ENERGY CO	0.13%	0.00%	(0.13%)
ROP	ROPER TECHNOLOGIES INC	0.12%	0.00%	(0.12%)
GATX	GATX CORP	0.10%	0.00%	(0.10%)
FFH	FAIRFAX FINANCIAL HOLDINGS LTD	0.09%	0.00%	(0.09%)
EXC	PECO ENERGY CO	0.08%	0.00%	(0.08%)
NSARO	NSTAR ELECTRIC CO	0.08%	0.00%	(0.08%)
INVH	INVITATION HOMES OPERATING PARTNERSHIP LP	0.06%	0.00%	(0.06%)
MKL	MARKEL GROUP INC	0.05%	0.00%	(0.05%)
CNA	CNA FINANCIAL CORP	0.04%	0.00%	(0.04%)
AEP	OHIO POWER CO	0.04%	0.00%	(0.04%)
FTS	ITC HOLDINGS CORP	0.04%	0.00%	(0.04%)
VRTXX	VERTIV HOLDINGS CO	0.03%	0.00%	(0.03%)
MZTF	MIZRAHI TEFAHOT BANK LTD	0.02%	0.00%	(0.02%)
TOL	TOLL BROTHERS FINANCE CORP	0.02%	0.00%	(0.02%)
MTZ	MASTEC INC	0.02%	0.00%	(0.02%)
SYORT	SYDNEY AIRPORT FINANCE COMPANY PTY LTD	0.02%	0.00%	(0.02%)
OTHERS		0.19%	0.00%	(0.19%)
TOTAL				**(1.66%)**

In Proposed (May) but not Current (May): 35 issuers | Top 20 issuers weight: 1.48% | Combined Weight 1.66%. Methodology effect only - both as of 01-May-2026

Additional Details on Changes to Climate PAB Indexes

Consolidated Methodology Proposal

Criteria	Current Methodology Details	Proposed Methodology Details
Starting Universe	MSCI Market Value-Weighted Index ("Parent Index")	
Exclusions	• Controversial Weapons • Issuers with Red Flag Controversies and missing Controversary Scores • Tobacco Involvement • PAB Activity – Thermal Coal Mining, Oil & Gas, Power Generation • Do No Significant Harm (DNSH) • Nuclear Weapons • Civilian Firearms	
Optimization Objective	Exclusions are applied to the universe before optimization, at which point Climate objectives are applied as index-level constraints. The optimization objective is to minimize the active share relative to the respective Parent Indexes while meeting all objectives.	
Climate VaR Constraints*	• Aggregate Climate VaR ≥ Max(-5, Aggregate Climate VaR of Parent Index) • At least 50% reduction in Extreme Weather Climate VaR relative to Parent Index	Removal **(Proposal 1)**: Aggregate Climate VaR ≥ Max(-5, Aggregate Climate VaR of Parent Index). Modification **(Proposal 1)**: At least 30% reduction in Extreme Weather Climate VaR relative to Parent Index.
Decarbonizations and other Climate Constraints	• Relative decarbonization** of at least 50% relative to Parent Index (missing value treatment based on average of top quartile (highest emitters) within corresponding GICS Industry Group) • Self-decarbonization** of at least 10% per year since latest base date. • Potential emission is at least 50% lower relative to Parent Index. • 20% higher weight to 'Companies Setting Targets' (w.r.t to Screened Parent***). The criteria to identify 'Companies Setting Targets' will include companies with approved Science Based Targets. • LCT Score is 5% higher relative to Parent Index. • Green revenue ≥ 2x of Parent Index. • Green/Fossil Fuel-based revenue ratio ≥ 4x of Parent Index.	Removal **(Proposal 2)**: LCT Score is 5% higher relative to Parent Index. Modification **(Proposal 3)**: Self-decarbonization** of at least 7% per year since latest base date. Modification **(Proposal 4)**:Green revenue ≥ 2x of Parent Index, with excluding the IT Optimization & Services.
Diversification Constraints	• Turnover Constraint (4% per rebalance). • Max(Parent Index Wt.- 2%,0) ≤ Security Wt. ≤ min(Parent Index Wt. + 2%, 10*Parent Index Wt.). • Index sector exposure : +/- 5% relative to Parent Index. • Index country exposure : +/- 5% relative to Parent Index. • Index effective duration : +/- 0.25 relative to Parent Index (soft constraint). • Index credit rating **** : +/- 0.25 relative to Parent Index (soft constraint). • Index yield to worst : +/- 0.25 relative to Parent Index (soft constraint). • Issuer capping constraint (3%)*****	

* Applicable to MSCI USD IG Core and MSCI EUR IG Climate Paris Aligned PAB Corporate Bond Indexes only. The MSCI Climate Paris Aligned PAB Corporate Bond Indexes based on USD HY, EUR HY, GBP IG and CAD IG Corporate Bond Indexes do not include this constraint.
** Based on absolute GHG Emissions as a measure of carbon footprint for fixed income indexes, as allowed by EU Delegated Act.
*** Screened Parent represents the investable universe derived from the Parent Index after applying the exclusions defined in the methodology.
**** Based on credit rating scale defined in Appendix Section 4.2 of MSCI Fixed Income Index Calculation Methodology.
***** Issuer capping is applied at 4% in MSCI CAD IG Climate Paris Aligned PAB Corporate Bond Index.

Proposal 1: Removal of Aggregate Climate VaR (CVaR) Constraints and Relaxation of Physical Risk constraint from 50% to 30%.

	USD IG CORE			EUR IG		
Metric	**Parent**	**Current PAB**	**Proposed**	**Parent**	**Current PAB**	**Proposed**
Number of constituents	4,446	3,414	3,654	3,910	3,268	3,445
Number of Issuers Tickers	541	421	439	703	574	598
Active share (%)	-	25.83	25.63	-	21.50	22.22
Parent coverage (%)	100.00	79.97	85.15	100.00	85.07	89.26
Turnover (Two-Way)*	3.78%	7.34%	15.68%	2.64%	3.84%	13.10%
Turnover (Two-Way)**	2.94%	6.52%	10.88%	4.02%	6.34%	11.20%
Coupon (%)	4.55	4.52	4.51	2.86	2.89	2.90
Yield (%)	5.16	5.16	5.15	3.57	3.58	3.59
Duration (yrs)	6.49	6.24	6.25	4.50	4.45	4.42
Credit spread (bps)	86	91	89	86	88	88
Time to maturity (yrs)	11.43	10.93	10.93	6.08	5.98	5.94
Credit rating	A-	A-	A-	A-	A-	A-
S&C Metric						
Carbon emissions S1+2+3 (mn tCO2e)	54.43	18.25	18.25	43.95	13.74	13.74
Green/FF-based revenue ratio	1.15	11.08	13.04	6.81	227.40	284.00
Physical Risk	-3.71	-0.92	-0.97	-4.41	-1.52	-1.32

Note: Partial CVaR (Climate VaR constraint) applies to IG indexes only; not applicable to other Fixed Income Climate Paris Aligned Benchmark Indexes.

Parent: Respective Parent Index constituents. **Current**: Respective existing MSCI Climate Paris Aligned PAB Corporate Bond Indexes constituents.
Proposed: Constituents based on existing MSCI Fixed Income Climate Paris Aligned Indexes methodology modified with the specific proposed enhancement.
Impact analysis is based on a hypothetical transition (T) from existing methodology to proposed methodology. Turnover is additionally assessed at the subsequent rebalance after transition.

* Index statistics are as of May 01 2026 (T). ** As of the next subsequent rebalance.

- The table isolates the impact of Proposal 1 applied on its own, with all other constraints held constant.
- CVaR models rely on complex, evolving assumptions that introduce volatility into index construction, while transition risk is already captured through the decarbonization constraints and the technology-opportunities dimension through Green Revenue.
- Removing the Aggregate CVaR constraint and easing the Physical-Risk target to 30% lowers active share relative to the Parent Index versus the current Paris-Aligned Index and increases the issuer count (by 18 in USD IG Core and 24 in EUR IG), with all other characteristics unchanged.
- Physical Risk is preserved — improving in EUR IG and remaining comparable to the current PAB in USD IG Core.

Proposal 2 : Remove Low Carbon Transition Score Objective

- The table isolates the impact of Proposal 2 applied on its own, with all other constraints held constant. The Low Carbon Transition (LCT) Score objective overlaps with the Green Revenue objective in raising exposure to climate-solution enablers, while the decarbonization constraints already capture current and projected emissions performance.
- Removing this objective improves Parent-Index coverage, with all other characteristics consistent with the current Paris-Aligned Index. Owing to its correlation with the remaining objectives, the LCT Score continues to improve relative to the Parent Index and remains comparable to the current Paris-Aligned Benchmark.

	USD IG CORE			EUR IG			USD HY			EUR HY		
Metric	**Parent**	**Current PAB**	**Proposed**	**Parent**	**Current PAB**	**Proposed**	**Parent**	**Current PAB**	**Proposed**	**Parent**	**Current PAB**	**Proposed**
Number of constituents	4,446	3,414	3,654	3,910	3,268	3,445	1,865	1,270	1,305	588	387	426
Number of Issuers Tickers	541	421	439	703	574	598	824	517	524	304	181	191
Active share (%)	-	25.83	25.63	-	21.50	22.14	-	33.24	33.31	-	36.26	36.15
Parent coverage (%)	100.00	79.97	85.15	100.00	85.07	89.26	100.00	68.39	70.16	100.00	66.90	73.77
Turnover (Two-Way)*	3.78%	7.34%	15.68%	2.64%	3.84%	13.02%	5.50%	6.60%	14.86%	6.66%	8.20%	14.64%
Turnover (Two-Way)**	2.94%	6.52%	10.88%	4.02%	6.34%	11.14%	3.50%	4.02%	10.26%	4.4%	8.00%	10.90%
Coupon (%)	4.55	4.52	4.51	2.86	2.89	2.90	6.54	6.18	6.19	5.15	4.86	4.89
Yield (%)	5.16	5.16	5.15	3.57	3.58	3.59	6.87	7.09	7.00	5.29	5.56	5.56
Duration (yrs)	6.49	6.24	6.25	4.50	4.45	4.41	2.96	3.03	3.00	2.90	2.95	2.91
Credit spread (bps)	86	91	89	86	88	88	271	280	275	284	283	279
Time to maturity (yrs)	11.43	10.93	10.93	6.08	5.98	5.93	5.45	5.44	5.39	6.35	5.28	5.25
Credit rating	A-	A-	A-	A-	A-	A-	B+	BB-	BB-	BB-	BB-	BB-
S&C Metric												
Carbon emissions S1+2+3 (mn tCO2e)	54.43	18.25	18.25	43.95	13.74	13.74	15.77	5.01	5.01	13.54	4.93	4.93
Low carbon transition score	5.83	6.35	6.34	5.94	6.30	6.32	5.49	6.04	6.03	5.92	6.14	6.16
Solutions (%)	4.09	7.89	7.30	3.22	6.31	6.61	0.89	2.24	2.23	1.86	2.46	3.36
Green/FF-based revenue ratio	1.15	11.08	13.04	6.81	227.40	284.00	1.31	23.81	24.76	6.07	456.00	303.33

Parent: Respective Parent Index constituents. **Current**: Respective existing MSCI Climate Paris Aligned PAB Corporate Bond Indexes constituents.
Proposed: Constituents based on existing MSCI Fixed Income Climate Paris Aligned Indexes methodology modified with the specific proposed enhancement.

Impact analysis is based on a hypothetical transition (T) from existing methodology to proposed methodology. Turnover is additionally assessed at the subsequent rebalance after transition.
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Proposal 3: Reduce the annualized decarbonization target from 10% to 7%

- The table isolates the impact of Proposal 3 applied on its own, with all other constraints held constant. As cumulative decarbonization since the base date grows, sustaining a 10% annual self-decarbonization rate is likely to drive greater portfolio concentration.
- Easing the target to 7% materially improves active share and diversification, with all other characteristics consistent with the current Paris-Aligned Index. Parent-Index coverage increases by approximately 4% to 7% across all universes, while decarbonization remains aligned with the EU Delegated Act.

	USD IG CORE			EUR IG			USD HY			EUR HY		
Metric	**Parent**	**Current PAB**	**Proposed**	**Parent**	**Current PAB**	**Proposed**	**Parent**	**Current PAB**	**Proposed**	**Parent**	**Current PAB**	**Proposed**
Number of constituents	4,446	3,414	3,654	3,910	3,268	3,445	1,865	1,270	1,305	588	387	426
Number of Issuers Tickers	541	421	439	703	574	598	824	517	524	304	181	191
Active share (%)	-	25.83	25.53	-	21.50	22.09	-	33.24	33.28	-	36.26	36.13
Parent coverage (%)	100.00	79.97	85.15	100.00	85.07	89.26	100.00	68.39	70.16	100.00	66.90	73.77
Turnover (Two-Way)*	3.78%	7.34%	15.04%	2.64%	3.84%	12.58%	5.50%	6.60%	14.54%	6.66%	8.20%	14.34%
Turnover (Two-Way)**	2.94%	6.52%	10.68%	4.02%	6.34%	11.04%	3.50%	4.02%	10.12%	4.4%	8.00%	10.98%
Coupon (%)	4.55	4.52	4.51	2.86	2.89	2.90	6.54	6.18	6.19	5.15	4.86	4.89
Yield (%)	5.16	5.16	5.15	3.57	3.58	3.59	6.87	7.09	7.00	5.29	5.56	5.56
Duration (yrs)	6.49	6.24	6.25	4.50	4.45	4.41	2.96	3.03	3.00	2.90	2.95	2.91
Credit spread (bps)	86	91	89	86	88	88	271	280	275	284	283	279
Time to maturity (yrs)	11.43	10.93	10.93	6.08	5.98	5.93	5.45	5.44	5.39	6.35	5.28	5.25
Credit rating	A-	A-	A-	A-	A-	A-	B+	BB-	BB-	BB-	BB-	BB-
S&C Metric												
Carbon emissions S1+2+3 (mn tCO2e)	54.43	18.25	18.30	43.95	13.74	13.77	15.77	5.01	5.02	13.54	4.93	4.94
Green/FF-based revenue ratio	1.15	11.08	10.87	6.81	227.40	284.00	1.31	23.81	24.76	6.07	456.00	303.33

Parent: Respective Parent Index constituents. **Current**: Respective existing MSCI Climate Paris Aligned PAB Corporate Bond Indexes constituents.
Proposed: Constituents based on existing MSCI Fixed Income Climate Paris Aligned Indexes methodology modified with the specific proposed enhancement.
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Proposal 4: Excluding IT Optimization Service from the calculation of Green Revenue Constraint

- The table isolates the impact of Proposal 4 applied on its own, with all other constraints held constant. Excluding IT Optimization & Services from the Green Revenue calculation focuses the measure on directly measurable environmental activities.
- This improves Parent-Index coverage, with all other characteristics consistent with the current Paris-Aligned Index.

	USD IG CORE			EUR IG			USD HY			EUR HY		
Metric	**Parent**	**Current PAB**	**Proposed**	**Parent**	**Current PAB**	**Proposed**	**Parent**	**Current PAB**	**Proposed**	**Parent**	**Current PAB**	**Proposed**
Number of constituents	4,446	3,414	3,654	3,910	3,268	3,445	1,865	1,270	1,305	588	387	426
Number of Issuers Tickers	541	421	439	703	574	598	824	517	524	304	181	191
Active share (%)	-	25.83	25.40	-	21.50	22.05	-	33.24	33.31	-	36.26	36.17
Parent coverage (%)	100.00	79.97	85.15	100.00	85.07	89.26	100.00	68.39	70.16	100.00	66.90	73.77
Turnover (Two-Way)*	3.78%	7.34%	15.88%	2.64%	3.84%	13.08%	5.50%	6.60%	14.88%	6.66%	8.20%	14.58%
Turnover (Two-Way)**	2.94%	6.52%	10.90%	4.02%	6.34%	11.24%	3.50%	4.02%	10.28%	4.4%	8.00%	10.90%
Coupon (%)	4.55	4.52	4.52	2.86	2.89	2.90	6.54	6.18	6.19	5.15	4.86	4.89
Yield (%)	5.16	5.16	5.15	3.57	3.58	3.59	6.87	7.09	7.00	5.29	5.56	5.56
Duration (yrs)	6.49	6.24	6.25	4.50	4.45	4.40	2.96	3.03	3.00	2.90	2.95	2.91
Credit spread (bps)	86	91	89	86	88	88	271	280	275	284	283	280
Time to maturity (yrs)	11.43	10.93	10.94	6.08	5.98	5.93	5.45	5.44	5.39	6.35	5.28	5.26
Credit rating	A-	A-	A-	A-	A-	A-	B+	BB-	BB-	BB-	BB-	BB-
S&C Metric												
Carbon emissions S1+2+3 (mn tCO2e)	54.43	18.25	18.25	43.95	13.74	13.74	15.77	5.01	5.01	13.54	4.93	5.99
Green/FF-based revenue ratio	1.15	11.08	10.27	6.81	227.40	277.25	1.31	23.81	24.00	6.07	456.00	303.67
Green revenue (wtd avg %)	2.93	5.87	3.17	5.67	11.33	10.07	3.06	6.13	5.47	4.50	9.00	8.01

Parent: Respective Parent Index constituents. **Current**: Respective existing MSCI Climate Paris Aligned PAB Corporate Bond Indexes constituents.
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