



# MSCI Climate Indexes

## We help bring clarity to climate investing



This is an  
interactive brochure



CLARITY DRIVES ACTION



# Introduction

Climate change may well be the defining challenge of the 21st century and, for many institutional investors, addressing climate risk and opportunities has become an ever-more important tenet of the investment process.

Increasingly, governments, businesses and investors worldwide are actively exploring the transition to a low carbon economy.



# Why use **climate indexes**?

Climate indexes are part of the toolset investors have at their disposal to incorporate their climate goals in the investment process.

We highlight three areas that should be considered:

## Governance and oversight

1

Investors are familiar with market cap indexes which represent and measure global equity markets. Climate indexes share similarities, such as being rules based, available for all size segments and regions used in asset allocation and are subject to similar governance and maintenance processes. They support objectivity and efficiency by being third party calculated. They differ however by being outcome oriented and the variety of investors preferences or constraints means there is more than one single climate index.

For asset owners, a climate index can be designed to develop a climate strategy aligned with climate commitments which can then be vetted by the board. Climate index methodologies can evolve over time to reflect changing objectives. The climate index carries the rules chosen by the asset owner. The indexes can then be licensed to external asset managers.

## Portfolio construction

2

For index investors, climate indexes offer a rules based approach to integrating climate considerations in portfolios. For active investors, climate indexes help measure both the financial and climate performance of a portfolio. Market cap and climate indexes can be used side by side and climate indexes can incorporate preset constraints to manage tracking error or turnover vs the starting universe.

## Transparency and communication

3

Climate indexes facilitate the communication of climate goals internally and externally, and report on progress. A variety of metrics and analytical tools help understand drivers of change in the indexes.

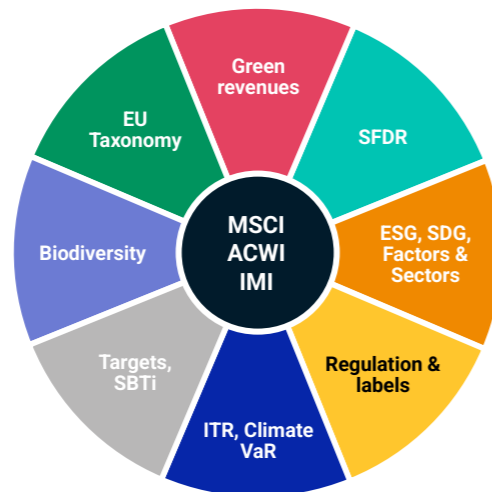
# Climate indexes designed to align with your goals

The MSCI Climate Indexes consider both the opportunities and risks associated with the transition to a low carbon economy. Our rules-based, transparent indexes are designed to be replicable for clients seeking to implement a climate strategy intended to mitigate climate risk, capture opportunities or align with the goals of the Paris Agreement.

To support clients seeking to incorporate climate in portfolios, MSCI has designed a range of indexes that support the main approaches to climate investing:

## MSCI offers multi asset and customization options

- Combine with ESG or Factors in equity and fixed income indexes.
- Use as a standalone index or as an overlay to an ESG strategy.
- Customize the index to meet your particular investment needs.



Reduce	Contribute	Align
<p><b>Indexes aiming to minimize carbon intensity</b></p>	<p><b>Indexes offering exposure to companies best prepared for the transition</b></p>	<p><b>Indexes aiming to reduce transition and/or physical climate risks, increase exposure to climate solutions and which incorporate a decarbonization trajectory</b></p>
<p><b>Equity</b></p> <ul style="list-style-type: none"> <li>● MSCI Low Carbon Target</li> <li>● MSCI Low Carbon Target Core</li> <li>● MSCI Low Carbon Leaders</li> <li>● MSCI Low Carbon Leaders Core</li> <li>● MSCI Fossil Fuel Exclusion</li> </ul>	<p><b>Equity</b></p> <ul style="list-style-type: none"> <li>● MSCI Climate Action</li> <li>● MSCI Resilient Future</li> <li>● MSCI Global Environment</li> </ul>	<p><b>Equity</b></p> <ul style="list-style-type: none"> <li>● MSCI Climate Paris Aligned</li> <li>● MSCI Climate Change</li> </ul>
<p><b>Fixed Income</b></p> <ul style="list-style-type: none"> <li>● MSCI Climate Tilted Government Bond</li> </ul>	<p><b>Fixed Income</b></p> <ul style="list-style-type: none"> <li>● MSCI Climate Action Corporate Bond</li> <li>● MSCI Glidepath</li> </ul>	<p><b>Fixed Income</b></p> <ul style="list-style-type: none"> <li>● MSCI Climate Transition Corporate Bond</li> <li>● MSCI Climate Change Corporate Bond</li> <li>● MSCI Climate Paris Aligned Corporate Bond</li> <li>● Bloomberg MSCI Corporate Paris-Aligned</li> </ul>

# Our climate indexes can help you:

Integrate climate considerations in equity and fixed income portfolios

Uncover opportunities in the shift to a clean-energy economy

Sharpen your view of climate-related risks and analyze future scenarios

Set climate targets and assess climate risks

Create climate-focused investment, financial and insurance products

Set target list for engagement

Benchmark your fund's climate performance

## Climate Indexes Key Features

Objective	MSCI Index	GHG emissions used in the index	Are there business activity and UNGC screens?	How does the index address climate reputational risk?	Are emission reduction targets used?	Is climate risk management considered?	Does index reward green business?	Does index meet EU PAB/CTB	Index constituent weighting	Does index meet EU PAB/CTB standards?
Reduce Emissions	Ex Fossil Fuel			✓ Removes cos with fossil fuel reserves						Market cap
	Low Carbon Target	Scope 1, 2 & 3	✓	✓ Thermal Coal						Optimized
Contribute to the Transition	Climate Action	Scope 1, 2 & 3	✓	✓ Removes worst emitters with no SBTi	✓ SBTi, credible track record		✓	✓		Market cap
	Resilient Future		✓	✓ Thermal coal, oil & gas				✓		Market cap
Align	Climate Change	Scope 1, 2 & 3	✓	✓ Thermal coal	✓ Captured in the LCT score		✓ Captured in the LCT score	✓	✓ CTB	Weight tilt
	Climate Paris Aligned	Scope 1, 2 & 3	✓	✓ Oil & gas, power generation, thermal coal	✓ Targets and track record	✓	✓ Captured in the LCT score	✓	✓ PAB	Optimized

# The MSCI difference

**We believe that our position at the intersection of capital markets deepens the data and insights available to clients. Our climate metrics are calibrated with widely adopted disclosure and accounting frameworks and designed to help you keep pace with global standards.**

## **We turn climate data into insight**

We make data decision useful. Our climate indexes are designed to harness the depth of our data and the collective insight of our analysts, whose expertise helps you understand drivers of return, quantify risk and adapt your strategy accordingly.

- MSCI Climate indexes leverage advanced climate analytics, including Climate Value-at-Risk, Low Carbon Transition Score, Scope 3 emission estimates and companies' targets.
- We offer consistent data set and methodology frameworks across equity and fixed income indexes. Our new climate engagement toolkit can help you to quickly identify companies that are prime candidates for engagement — and to scale your engagement efforts across sectors. You receive key metrics every month on carbon emissions disclosures and validity of emissions reduction targets that help you assess which companies are—and are not—making progress in the low carbon transition.

- MSCI Total Portfolio Footprinting is designed to help you measure and analyze emissions associated with your investments, lending or underwriting across both listed and unlisted equities, fixed income and real assets.
- MSCI One, our open architecture technology platform, delivers cloud-based access to our toolkits and data for intelligent, data-driven investment decision-making.

## **Innovation and expertise for navigating a rapidly changing world**

MSCI's Climate Risk Center brings together some of the best minds in quantitative finance and climate science to build new types of models and analytics for pricing climate risk, allocating capital, and deepening understanding of how the climate transition influences financial markets.

## **A clear view of your climate journey**

Our indexes, end-to-end solutions and data help you integrate climate change into your investment process at every stage. Whether you are defining your objectives, making climate considerations part of portfolio construction and risk management, engaging with companies and external stakeholders or reporting on progress, we help you find the right solution at every stage.

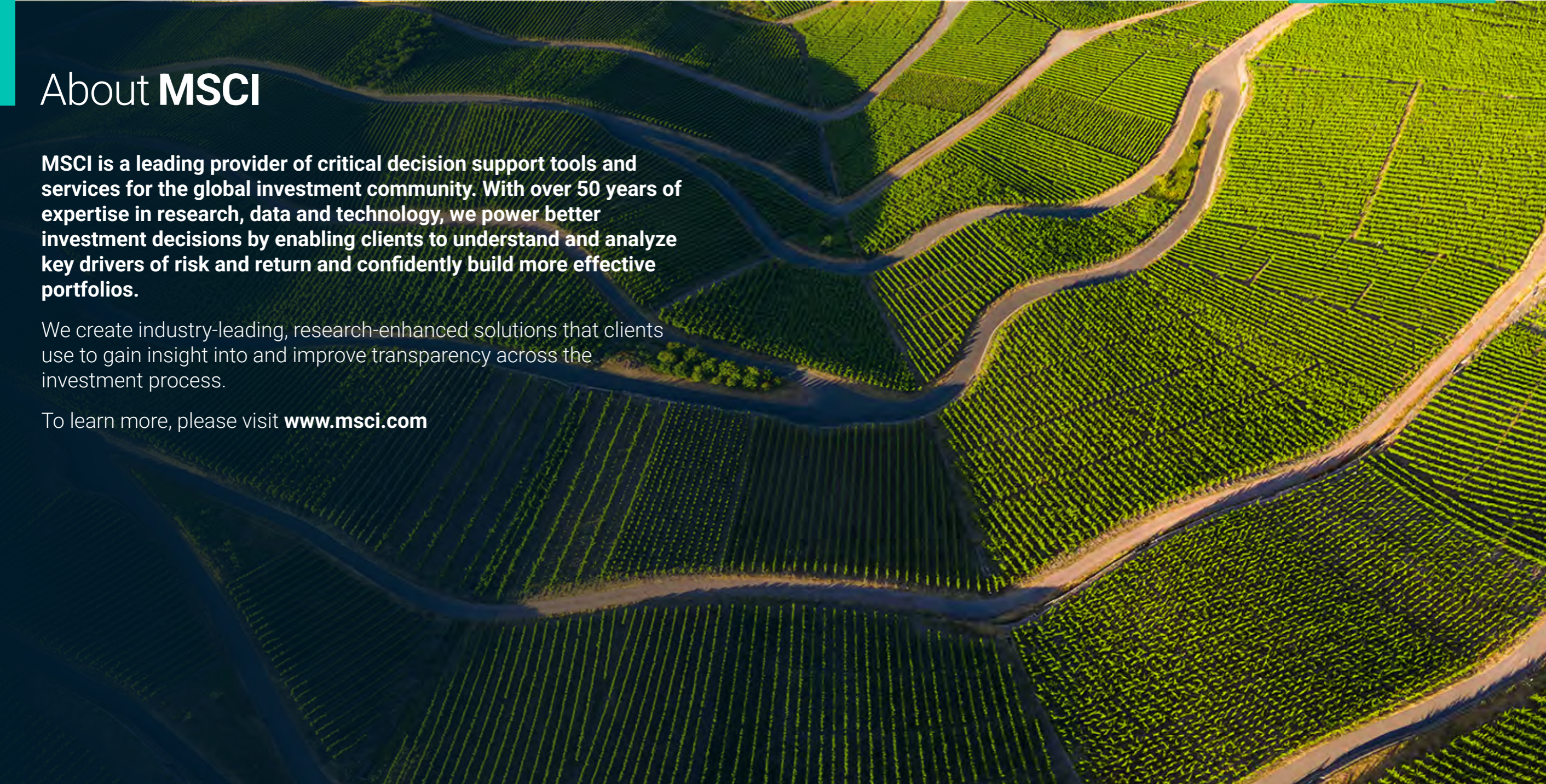


# About MSCI

**MSCI is a leading provider of critical decision support tools and services for the global investment community. With over 50 years of expertise in research, data and technology, we power better investment decisions by enabling clients to understand and analyze key drivers of risk and return and confidently build more effective portfolios.**

We create industry-leading, research-enhanced solutions that clients use to gain insight into and improve transparency across the investment process.

To learn more, please visit [www.msci.com](http://www.msci.com)



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