

MSCI Climate Choice ex Selected Securities Index*

* A Custom Index Calculated by MSCI based On the Stock Exclusion List defined by Nykredit Bank A/S

May 2025

Contents

1	Introduction.....	3
2	Constructing the Indexes.....	4
2.1	Eligible Universe	4
2.1.1.	ESG Ratings Eligibility	4
2.1.2.	ESG Controversy Scores	4
2.1.3.	Controversial Business Involvement Criteria	4
2.2	Security Selection and Weighting.....	6
2.3	Determining the Optimized Index.....	8
3	Maintaining the Indexes.....	9
3.1	Quarterly Index Reviews.....	9
3.2	Ongoing Event Related Changes	9
4	MSCI ESG Research	11
4.1	MSCI ESG Ratings	11
4.2	MSCI ESG Controversies.....	11
4.3	MSCI ESG Business Involvement Screening Research	11
4.4	MSCI Climate Change Metrics	11
4.4.1	Fossil Fuels and Power Generation Metrics	12
4.4.2	Greenhouse Gas (GHG) Emissions.....	12
4.4.3	Low-Carbon Transition (LCT) Risk Assessment	12
4.5	MSCI Impact Solutions: Sustainable Impact metrics	12
4.6	MSCI Impact Solutions: SDG Alignment.....	13
	Appendix I: Underlying Investment Universe	14
	Appendix II: Calculation of Target Metrics	15
	Appendix III: MSCI Low Carbon Transition Risk Assessment	18
	Appendix IV: Decarbonization Trajectory of Indexes	20
	Appendix V: Implementation of New Base Date	21
	Appendix VI: Barra Equity Model Used in the Optimization.....	22
	Appendix VII: New Release of Barra® Equity Model or Barra® Optimizer	23
	Appendix VIII: Methodology Set.....	24
	Appendix IX: Changes to this Document	25
	Contact Us.....	28

1 Introduction

The Climate Choice ex Selected Securities Indexes¹ (“Indexes”)² aim to represent the performance of an investment strategy that is designed to apply the Sustainable Investment Policy from Nykredit Bank A/S along with applying certain business involvement and climate-change-based exclusions, followed by an optimization-based approach to meet the following climate objectives at each Index Review:

- Reduce the weighted average greenhouse gas intensity by 50% compared to the underlying investment universe³ (the “Parent Indexes”),
- Reduce the weighted average GHG intensity by 7% on an annualized basis,
- Increase the weight of companies deriving revenues from products or services with positive environmental impact (“green revenue”) relative to revenues from “fossil fuels-based” products or services compared to their corresponding Parent Indexes,
- Have a weighted average LCT Score at least equivalent to that of the corresponding Parent Indexes,
- Have a weighted average ESG Score at least equivalent to that of the corresponding Parent Indexes,
- Have a weighted average SDG Score at least equivalent to that of the corresponding Parent Indexes.
- Achieve a weighted average EU Taxonomy aligned revenue of at least 6%.
- Achieve a modest tracking error compared to the Parent Indexes.

¹ The Indexes are governed by a set of methodology and policy documents (“Methodology Set”), including the present index methodology document. Please refer to Appendix IX for more details.

² See Appendix I for comprehensive list of the Indexes and their respective Parent Indexes³ The underlying investment universe for MSCI Climate Choice ex Selected Securities Indexes are referenced in Appendix I.

³ The underlying investment universe for MSCI Climate Choice ex Selected Securities Indexes are referenced in Appendix I.

2 Constructing the Indexes

2.1 Eligible Universe

The Eligible Universe of the Indexes is constructed from existing constituents of the Parent Indexes⁴ by applying exclusions based on Nykredit Bank A/S Policy for Sustainable Investment⁵ and screening criteria based on MSCI ESG Rating, MSCI ESG Controversies and controversial business activities based on MSCI Business Involvement Screening Research and MSCI Climate Change Metrics.

2.1.1. ESG Ratings Eligibility

The Indexes use company ratings and research provided by MSCI ESG Research to determine eligibility for index construction.

Securities that have an ESG Rating of BB or above are eligible for inclusion in the Indexes.

2.1.2. ESG Controversy Scores

The Indexes use MSCI ESG Controversies Score to identify companies that are involved in very serious controversies involving the environmental, social, or governance impact of their operations and/or products and services. There are two category of exclusions that are applied to the Indexes, and they are described below:

ESG Controversies: All companies assessed as having involvement in ESG controversies that are classified as Red Flags (MSCI ESG Controversy Score of 0). A Red Flag indicates an ongoing, Very Severe ESG controversy implicating a company directly through its actions, products, or operations.

Environmental Harm: All companies assessed as having involvement in environmental controversies that are classified as Red (MSCI Environmental Controversy Score of 0) or Orange Flags (score of 1).

- A Red Flag indicates an ongoing, Very Severe ESG controversy implicating a company directly through its actions, products, or operations.
- An Orange Flag indicates an ongoing Severe ESG controversy implicating a company directly, or a Very Severe ESG controversy that is either partially resolved or indirectly attributed to the company's actions, products, or operations.

2.1.3. Controversial Business Involvement Criteria

The Indexes use MSCI ESG Business Involvement Screening Research and MSCI Climate Change Metrics to identify companies that are involved in the following business activities. Companies that meet the business involvement criteria are excluded from the Indexes.

⁴ See Appendix I for comprehensive list of the Indexes and their respective Parent Indexes.

⁵ An overview of the Nykredit Bank A/S Sustainable Investment Policy can be found on:
<https://www.nykredit.com/globalassets/nykredit.com/pdf/sustainable-investment-policy.pdf>

A detailed methodology of the Nykredit Bank A/S Sustainable Investment Policy can be found on:
<https://www.nykreditinvest.dk/globalassets/nykreditinvest.dk/pdf/methodologies-related-to-sustainable-investments-nykreditinvest.pdf>

- **Controversial Weapons:** All companies involved in Controversial Weapons as defined by the methodology of the MSCI Ex-Controversial Weapons Indexes⁶.
- **Tobacco:** All companies that are involved in the production of tobacco products. Tobacco products include nicotine-containing products, including traditional and alternative tobacco smoking products.
- **Thermal Coal:**
 - **Thermal Coal Mining:** All companies deriving 1% or more revenue (either reported or estimated) from the mining of thermal coal (including lignite, bituminous, anthracite and steam coal) and its sale to external parties. It excludes revenue from metallurgical coal, coal mined for internal power generation (e.g. in the case of vertically integrated power producers), intra-company sales of mined thermal coal, and revenue from coal trading (either reported or estimated).
 - **Thermal Coal Distribution:** All companies with evidence of thermal coal distribution or transport involvement. This includes transport of thermal coal by road, rail, shipping or air, and physical trading of thermal coal. It does not include involvement in storage of thermal coal, or involvement in metallurgical coal-related activities.
- **Oil & Gas Activities:**
 - All companies deriving 10% or more aggregate revenue (either reported or estimated) from the following oil and gas-related activities:
 - **Oil & Gas Extraction and Production:** Revenue from the extraction and production of oil and gas
 - **Oil & Gas Equipment and Services:** Revenue from equipment and services for the exploration and production of oil and natural gas
 - **Oil & Gas Refining:** Revenue from refining oil and gas
 - **Oil & Gas Pipelines and Transportation:** Revenue from oil and gas pipelines and transportation
 - **Oil & Gas Distribution/Retail:** Revenue from the distribution and retailing of oil and gas and related products. It covers revenues from crude and petroleum products storage facilities and terminals, bulk stations, gasoline and fuel oil retail stations as well as liquefied petroleum gas stations and natural gas distribution
- **Power Generation:** All companies deriving 50% or more aggregate revenue from thermal coal based power generation, liquid fuel based power generation and natural gas based power generation⁷.

⁶ For more details regarding the MSCI Ex-Controversial Weapons Index methodology, please refer to <https://www.msci.com/index/methodology/latest/XCW>.

⁷ As per https://www.ipcc.ch/site/assets/uploads/2018/02/ipcc_wg3_ar5_chapter7.pdf, thermal coal based power generation, liquid fuel based power generation and natural gas based power generation have median lifecycle emissions exceeding 100gCO₂/kWh.

2.2 Security Selection and Weighting

Securities in the Eligible Universe are selected and weighted following an optimization-based approach to achieve replicability and investability, as well as minimize ex-ante tracking error relative to the Parent Index subject to the following constraints:

1. Transition and physical risk objectives – constraints detailed in Table 1
2. Climate transition opportunities and other ESG objectives – constraints detailed in Table 2
3. Diversification objectives – constraints detailed in Table 3

The definitions of the target metrics for the optimization are detailed in Appendix II.

Table 1: Constraints imposed to meet transition and physical risk objectives

No.	Transition and Physical Risk Objective	Values
1	Minimum reduction in Greenhouse Gas (GHG) Intensity (Scope 1+2+3 ⁸) relative to the Parent Index	50%
2	Minimum average reduction (per annum) in GHG Intensity relative to EVIC relative to the GHG Intensity of the Index at the Base Date ⁹	7%
3	Minimum active weight in High Climate Impact Sector relative to the Parent Index	0%
4	Minimum reduction in Weighted Average Potential Emissions Intensity relative to the Parent Index	50%
5	Minimum increase in weighted average Low Carbon Transition (LCT) Score relative to the Parent Index Please see more detail on LCT Score in Appendix III	0%

Table 2: Constraints imposed in order to meet climate transition opportunity and other ESG objectives

No.	Climate Transition Opportunity and other ESG Objective	Values
6	Minimum increase in weighted average LCT Score relative to the Parent Index ¹⁰	0%

⁸ Prior to the May 2020 Quarterly Index Review (SAIR) of the Indexes, the Weighted Average Carbon Emissions Intensity has been calculated based on Scope 1+2 Emissions.

⁹ Prior to the May 2020 Quarterly Index Review (SAIR) of the Indexes, the average reduction in WACI has been calculated using Scope 1+2 Emissions since Inception. The Base Date may be updated based on the rules identified in Appendix VI.

¹⁰ The constraint on increase in LCT Score is designed to underweight companies with a low LCT Score (assessed as companies facing risks from a low carbon transition) and overweight companies with a high LCT Score (assessed as companies which may have opportunities from a low carbon transition). Thus, the constraint has been repeated in Table 2 to illustrate how the constraint meets both the objectives.

7	Minimum ratio of Weighted Average Green Revenue/ Weighted Average Fossil fuels-based Revenue relative to the Parent Index	4 times
8	Minimum increase in weighted average ESG Score relative to the Parent Index	0%
9	Minimum increase in the weighted average SDG Score ¹¹ relative to the Parent Index	0%
10	Minimum weighted average EU Taxonomy aligned revenue ¹²	6%

Table 3: Constraints imposed to meet diversification objectives

No.	Diversification Objective	Values
10	Constituent Active Weight relative to the Parent Index	+ 5%
11	Maximum Issuer Weight	15%
12	Security Weight as a multiple of its weight in the Parent Index	0.1x/20x
13	Active Sector Weights (the Energy GICS® ¹³ Sector is not constrained) relative to the Parent Index	+/- 5%
14	Active Country Weight ¹⁴	+/- 5%
15	One Way Turnover in Index Reviews	5%
16	Common Factor Risk Aversion ¹⁵	0.0075
17	Specific Risk Aversion ¹⁶	0.075

During the Quarterly Index Review, in the event that there is no optimal solution that satisfies all the optimization constraints, the following constraints will be relaxed, until an optimal solution is found:

- Relax the one-way index turnover constraint in steps of 1% up to 20%
- Relax the active sector weight constraint in steps of 1% up to +/-20%

¹¹ Security SDG Score is calculated as the sum of the SDG 1-17 Net Alignment Scores

¹² This constraint uses reported EU Taxonomy aligned revenue when available, estimated if the reported value is not available.

¹³ GICS, the global industry classification standard jointly developed by MSCI Inc. and S&P Dow Jones Indices.

¹⁴ In case there are countries in the parent index which weigh less than 2.5% in the parent index then for such countries the active country upper bound of +5% is not applicable. When a country weighs less than 2.5% in parent index then the upper bound of country weight in the Index is set at three times of the country's weight in parent index.

¹⁵ The Common Risk Aversion penalizes systematic risk during the optimization process.

¹⁶ The Systematic Risk Aversion penalizes idiosyncratic (asset-specific) risk during the optimization process.

- The one-way index turnover constraint and the active sector weight constraint are alternately relaxed until a feasible solution is achieved.

In the event that no optimal solution is found after the above constraint relaxations are exhausted, the relevant Index will not be rebalanced for that Quarterly Index Review.

2.3 Determining the Optimized Index

The Index is constructed using the Barra Open Optimizer¹⁷ in combination with the relevant Barra Equity Model. The optimization uses universe of eligible securities and the specified optimization objectives and constraints to determine the constituents of and the weights of constituents in the Index.

¹⁷ Please refer to Appendix VII and VIII for more details.

3 Maintaining the Indexes

3.1 Quarterly Index Reviews

The Indexes are rebalanced on a quarterly basis, as of the close of the last business day of February, May, August and November, coinciding with the Quarterly Index Review of the MSCI Global Investable Market Indexes. The pro forma Indexes are in general announced nine business days before the effective date.

In general, MSCI uses MSCI ESG Research data (including MSCI ESG Ratings, MSCI Climate Change Metrics, MSCI Impact Solutions, MSCI ESG Controversies, and MSCI Business Involvement Screening Research) as of the end of the month preceding the Index Reviews for the rebalancing of the Indexes.

3.2 Ongoing Event Related Changes

The general treatment of corporate events in the Indexes aims to minimize turnover outside of Index Reviews. The methodology aims to appropriately represent an investor's participation in an event based on relevant deal terms and pre-event weighting of the index constituents that are involved. Further, changes in index market capitalization that occur as a result of corporate event implementation will be offset by a corresponding change in the Variable Weighting Factor (VWF) of the constituent.

Additionally, if the frequency of Index Reviews in the Parent Index is greater than the frequency of Index Reviews in the Index, the changes made to the Parent Index during intermediate Index Reviews will be neutralized in the Index.

The following section briefly describes the treatment of common corporate events within the Index.

No new securities will be added (except where noted below) to the Index between Index Reviews. Parent Index deletions will be reflected simultaneously.

EVENT TYPE

EVENT DETAILS

New additions to the Parent Index

A new security added to the parent index (such as IPO and other early inclusions) will not be added to the index.

Spin-Offs

All securities created as a result of the spin-off of an existing Index constituent will be added to the Index at the time of event implementation. Reevaluation for continued inclusion in the Index will occur at the subsequent Index Review.

Merger/Acquisition

For Mergers and Acquisitions, the acquirer's post event weight will account for the proportionate amount of shares involved in deal consideration, while cash proceeds will be invested across the Index.

If an existing Index constituent is acquired by a non-Index constituent, the existing constituent will be deleted from the Index and the acquiring non-constituent will not be added to the Index.

Changes in Security Characteristics

A security will continue to be an Index constituent if there are changes in characteristics (country, sector, size segment, etc.) Reevaluation for continued inclusion in the Index will occur at the subsequent Index Review.

Further detail and illustration regarding specific treatment of corporate events relevant to the Indexes can be found in the MSCI Corporate Events Methodology book under the sections detailing the treatment of events in Capped Weighted and Non-Market Capitalization Weighted indexes.

The MSCI Corporate Events methodology book is available at: <https://www.msci.com/index-methodology>

4 MSCI ESG Research

The Indexes are products of MSCI Inc. that utilize information such as company ratings and research produced and provided by MSCI ESG Research LLC (MSCI ESG Research), a subsidiary of MSCI Inc. In particular, the Index uses / Indexes use the following MSCI ESG Research products: MSCI ESG Ratings, MSCI ESG Controversies, MSCI ESG Business Involvement Screening Research, MSCI Climate Change Metrics, MSCI Impact Solutions, MSCI ESG Ratings, and MSCI ESG Governance Metrics. MSCI Indexes are administered by MSCI Limited and MSCI Deutschland GmbH.

4.1 MSCI ESG Ratings

MSCI ESG Ratings aim to measure entities' management of environmental, social and governance risks and opportunities. MSCI ESG Ratings use a weighted average key issue calculation that is normalized by industry to arrive at an industry-adjusted ESG score (0-10), which is then translated to a seven-point scale from 'AAA' to 'CCC', indicating how an entity manages relevant key issues relative to industry peers.

The MSCI ESG Ratings methodology can be found at: <https://www.msci.com/legal/disclosures/esg-disclosures>.

4.2 MSCI ESG Controversies

MSCI ESG Controversies provide assessments of controversies concerning the potential negative environmental, social, and/or governance impact of company operations, products and services. The evaluation framework used in MSCI ESG Controversies is designed to be consistent with international norms represented by the UN Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, and the UN Global Compact. MSCI ESG Controversies Score falls on a 0-10 scale, with "0" being the most severe controversy.

The MSCI ESG Controversies methodology can be found at: <https://www.msci.com/legal/disclosures/esg-disclosures>.

4.3 MSCI ESG Business Involvement Screening Research

MSCI ESG Business Involvement Screening Research (BISR) aims to enable institutional investors to manage environmental, social and governance (ESG) standards and restrictions reliably and efficiently.

The MSCI Business Involvement Screening Research methodology can be found at: <https://www.msci.com/legal/disclosures/esg-disclosures>.

4.4 MSCI Climate Change Metrics

MSCI Climate Change Metrics provides climate data and tools to support institutional investors seeking to integrate climate risk and opportunities into their investment strategy and processes. This includes investors seeking to achieve a range of objectives, including measuring and reporting on climate risk exposure, implementing low carbon and fossil fuel-free strategies, alignment with temperature pathways and factoring climate change research into their risk management processes, in particular through climate scenario analysis for both transition and physical risks.

The dataset spans across the four dimensions of a climate strategy: transition risks, green opportunities, physical risks and 1.5° alignment.

For more details on MSCI Climate Change Metrics, please refer to <https://www.msci.com/legal/disclosures/climate-disclosures>

4.4.1 Fossil Fuels and Power Generation Metrics

MSCI ESG Research identifies companies involved in fossil fuel-related assets and activities including fossil fuel reserves, resource extraction, power generation and generation capacity, revenue from such assets and activities and capital investments in such assets and activities. The metrics are based on disclosed activities, disclosed revenue and estimates of revenue that are extrapolated from company disclosures and eligible third-party sources (such as NGOs).

4.4.2 Greenhouse Gas (GHG) Emissions

MSCI ESG Research collects reported emissions and uses proprietary estimation methodologies that follows the GHG Protocol in including carbon dioxide (CO₂) and the five other principal GHGs: hydrofluorocarbons (HFCs), methane (CH₄), nitrous oxide (N₂O), perfluorocarbons (PFCs), and sulfur hexafluoride (SF₆). Emissions of these other gases are accounted for in terms of the quantity of CO₂ that has an equivalent global warming potential.

4.4.3 Low-Carbon Transition (LCT) Risk Assessment

MSCI ESG Research's LCT data assesses companies' exposure to risks and opportunities related to the low-carbon transition (the transition) based on the carbon-intensive nature of their business lines. In particular, in the event that the transition takes place, demand for carbon-intensive products would decline in favor of low- and zero-carbon products, which would put carbon-intensive companies and industries (for example, coal-based power generation and coal mining) at risk of having stranded assets over the long term (5+ years). MSCI ESG Research considers a company exposed to low-carbon transition risks and opportunities through two main transmission channels: (1) exposure through involvement in carbon-intensive operations, and (2) exposure through involvement in or solutions for carbon-intensive products.

4.5 MSCI Impact Solutions: Sustainable Impact metrics

MSCI Impact Solutions' Sustainable Impact Metrics is designed to identify companies that derive revenue from products or services with positive impact on society and the environment. The Sustainable Impact Metrics are comprised of six Environmental Impact categories and seven Social Impact categories arranged by theme.

MSCI Sustainable Impact Taxonomy

Pillar	Themes	Categories
Environmental Impact	Climate Change	<ol style="list-style-type: none"> 1. Alternative energy 2. Energy efficiency 3. Green building

	Natural capital	4. Sustainable water 5. Pollution prevention 6. Sustainable agriculture
Social Impact	Basic needs	7. Nutrition 8. Major Disease Treatment 9. Sanitation 10. Affordable Real Estate
	Empowerment	11. SME Finance 12. Education 13. Connectivity – Digital divide

Under each of the actionable environmental and social impact themes, MSCI ESG Research has identified specific categories of products and services that it has determined companies can offer as potential solutions to environmental and social challenges.

For more details on MSCI Sustainable Impact Metrics, please refer to <https://www.msci.com/legal/disclosures/esg-disclosures>.

4.6 MSCI Impact Solutions: SDG Alignment

MSCI Impact Solutions' SDG Alignment is designed to provide a holistic view of companies' net contribution – both positive and negative – towards addressing each of the 17 UN Sustainable Development Goals (SDGs). SDG Alignment assessments and scores include analysis of companies' operations, products and services, policies, and practices and their net contribution – positive and adverse – to addressing key global challenges.

The MSCI SDG Alignment framework provides 17 SDG Net Alignment scores and 17 SDG Net Alignment assessments (including Strongly Aligned, Aligned, Neutral, Misaligned and Strongly Misaligned) for each of the 17 global goals. In addition, the model offers assessments and scores for two dimensions, product alignment and operation alignment, for each company and for each of the 17 goals.

The MSCI SDG Alignment methodology can be found at: <https://www.msci.com/legal/disclosures/esg-disclosures>.

Appendix I: Underlying Investment Universe

The Indexes are constructed based on the following underlying investment universe:

Index	Parent Index
MSCI ACWI Climate Choice ex Selected Securities Index	MSCI ACWI Index
MSCI Europe Climate Choice ex Selected Securities Index	MSCI Europe Index
MSCI USA Climate Choice ex Selected Securities Index	MSCI USA Index
MSCI Japan Climate Choice ex Selected Securities Index ¹⁸	MSCI Japan Index

¹⁸ The MSCI Japan Climate Choice ex Selected Securities Index follows an optimization-based approach since inception, unlike the other regions

Appendix II: Calculation of Target Metrics

Calculation of GHG Intensity relative to EVIC

For Parent Index constituents where the Scope 1+2+3 Emissions Intensity is not available, the average Scope 1+2+3 Emissions Intensity of all the constituents of the MSCI ACWI in the same GICS Industry Group in which the constituent belongs is used.

Security Level Carbon Emissions Intensity =

$$\frac{\text{Scope 1 + 2 + 3 Carbon Emissions} * (1 + EVIAF)}{\text{Enterprise Value + Cash(in M\$)}}$$

Enterprise Value Inflation Adjustment Factor (EVIAF) =

$$EVIAF = \left(\frac{\text{Average(Enterprise Value + Cash)}}{\text{Previous (Average(Enterprise Value + Cash))}} \right) - 1$$

Weighted Average Carbon Emissions Intensity of Parent Index =

$$\sum (\text{Weight in Parent Index} * \text{Security Level Carbon Emissions Intensity})$$

Weighted Average Carbon Emissions Intensity of Optimized Index =

$$\sum (\text{Weight in Derived Index} * \text{Security Level Carbon Emissions Intensity})$$

Calculation of Average Decarbonization

On average, the Indexes follow a 7% decarbonization trajectory since the Base Date. The Weighted Average Carbon Intensity at the Base Date (W_1) is used to compute the target Weighted Average Carbon Intensity at any given Quarterly Index Review (W_t) as per the below formula.

$$W_t = W_1 * 0.93^{\frac{(t-1)}{4}}$$

Where 't' is the number of Quarterly Index Reviews (QIR) since the Base Date.

Thus, for the 5th Quarterly Index Review since the Base Date (t=5), the target Weighted Average Carbon Intensity will be $W_1 * 0.93$.

Calculation of Potential Carbon Emissions Intensity

For newly added companies to the index where data is not available yet, MSCI uses zero fossil fuel reserves.

Security Level Potential Carbon Emissions Intensity =

$$\frac{\text{Absolute Potential Emissions} * (1 + EVIAF)}{\text{Enterprise Value + Cash(in M\$)}}$$

Weighted Average Potential Emissions Intensity of Parent Index =

$$\sum (Weight\ in\ Parent\ Index * Security\ Level\ Potential\ Carbon\ Emissions\ Intensity)$$

Weighted Average Potential Emissions Intensity of Derived Index =

$$\sum (Weight\ in\ Derived\ Index * Security\ Level\ Potential\ Carbon\ Emissions\ Intensity)$$

Calculation of Green Revenue to Fossil fuels-based Revenue Multiple

Green Revenue

For each constituent in the Parent Index, the Green Revenue% is calculated as the cumulative revenue (%) from the six CleanTech themes which are as follows:

- Alternative Energy – products and services that support the transmission, distribution and generation of renewable energy and alternative fuels to reduce carbon and pollutant emissions in supporting affordable and clean energy to combat climate change.
- Energy Efficiency – products, and services that support the maximization of productivity in labor, transportation, power and domestic applications with minimal energy consumption to ensure universal access to affordable, reliable and modern energy services.
- Sustainable Water – products, services, infrastructure projects and technologies that resolve water scarcity and water quality issues, through minimizing and monitoring current water demand, improving the quality and availability of water supply to improve resource management in both domestic and industrial use.
- Green Building – design, construction, redevelopment, retrofitting, or acquisition of green-certified properties to promote mechanisms for raising capacity for effective climate change mitigation and adaptation.
- Pollution Prevention – products, services, infrastructure projects and technologies that reduces volume of waste materials through recycling, minimizes introduction of toxic substances, and offers remediation of existing contaminants such as heavy metals and organic pollutants in various environmental media to significantly address pollution in all levels and its negative effects
- Sustainable Agriculture - revenues from forest and agricultural products that meet environmental and organic certification requirements to address significantly biodiversity loss, pollution, land disturbance, and water overuse

The Weighted Average Green Revenue% is calculated as:

$$= \sum (Weight\ in\ Index * Green\ Revenue\ %)$$

Fossil fuels-based Revenue

For each constituent in the Parent Index, the Fossil fuels-based Revenue% is calculated as the cumulative revenue (%) from the following sources:

- Revenue% (either reported or estimated) from the mining of thermal coal (including lignite, bituminous, anthracite and steam coal) and its sale to external parties. It excludes: revenue from metallurgical coal; coal mined for internal power generation (e.g. in the case of vertically integrated power producers); intra-company sales of mined thermal coal; and revenue from coal trading (either reported or estimated)
- Revenue% from the extraction, production and refining of Conventional and Unconventional Oil & Gas. Conventional Oil and Gas includes Arctic onshore/offshore, deepwater, shallow water and other onshore/offshore. Unconventional Oil and Gas includes oil sands, oil shale (kerogen-rich deposits), shale gas, shale oil, coal seam gas, and coal bed methane.
- Revenue% from thermal coal based power generation, liquid fuel based power generation and natural gas based power generation.

The Weighted Average Fossil fuels-based Revenue% is calculated as:

$$= \sum (Weight\ in\ Index * Brown\ Revenue\%)$$

The Green Revenues to Fossil fuels-based Revenues multiple for either the Parent Index or the Index is calculated as a ratio of the Weighted Average Green Revenue to the Weighted Average Fossil fuels-based Revenue as per the formula below:

$$= \frac{Weighted\ Average\ Green\ Revenue\%}{Weighted\ Average\ Brown\ Revenue\%}$$

Appendix III: MSCI Low Carbon Transition Risk Assessment

MSCI ESG Research's Low Carbon Transition Risk assessment¹⁹ is designed to identify potential leaders and laggards by holistically measuring companies' exposure to and management of risks and opportunities related to the low carbon transition.

The final output of this assessment is two company-level factors as described below:

- (1) **Low Carbon Transition Category:** This factor groups companies in five categories that highlight the predominant risks and opportunities they are most likely to face in the transition (Exhibit 1).
- (2) **Low Carbon Transition Score:** This score is based on a multi-dimensional risks and opportunities assessment and considers both primary and secondary risks a company faces. It is industry agnostic assessment of a company's position vis-à-vis the transition.

Exhibit 1: Low Carbon Transition Categories and Scores

LOW CARBON TRANSITION SCORE	LOW CARBON TRANSITION CATEGORY		LOW CARBON TRANSITION RISK / OPPORTUNITY	INDUSTRY EXAMPLES
SCORE = 0	ASSET STRANDING		Potential to experience "stranding" of physical / natural assets due to regulatory, market, or technological forces arising from low carbon transition.	Coal mining & coal-based power generation; industries in the Oil & Gas value chain
	TRANSITION	PRODUCT	Reduced demand for carbon-intensive products and services. Leaders and laggards are defined by the ability to shift product portfolio to low-carbon products.	Petrol/diesel-based automobile manufacturers
		OPERATIONAL	Increased operational and/or capital cost due to carbon taxes and/or investment in carbon emission mitigation measures leading to lower profitability of the companies.	Cement, Steel
	NEUTRAL		Limited exposure to low carbon transition carbon risk. Though companies in this category could have exposure to physical risk and/or indirect exposure to low carbon transition risk via lending, investment etc.	Consumer Staples, Healthcare
SCORE = 10	SOLUTIONS		Potential to benefit through the growth of low-carbon products and services.	Renewable electricity, Electric vehicles, Solar cell manufacturers

Calculation methodology

The Low Carbon Transition Categories and Scores are determined by a combination of each company's current risk exposure and its efforts to manage the risks and opportunities presented by the low carbon transition. The 3-step process followed by MSCI ESG Research is explained below.

Step 1: Measure Low Carbon Transition Risk Exposure

The first step towards measuring the Low Carbon Transition Risk Exposure for a company is the computation of its estimated total net carbon intensity – which considers operational and product

¹⁹ For more details on MSCI Climate Change Metrics, please refer to <https://www.msci.com/climate-change-solutions>

carbon emissions. In the next step, we compute Low Carbon Transition Risk Exposure Category and Score based on total net carbon intensity.

Step 2: Assess Low Carbon Transition Risk Management

In the second step, MSCI ESG Research assesses a company's management of risks and opportunities presented by the low carbon transition. This assessment is based on policies and commitments to mitigate transition risk, governance structures, risk management programs and initiatives, targets and performance, and involvement in any controversies.

Step 3: Calculate Low Carbon Transition Category and Score

In the final step, the Low Carbon Transition Risk Exposure Category and Score that was calculated in Step 1 is adjusted for the strength of management efforts. Following this adjustment, Low Carbon Transition Risk Exposure Score of companies with top or second quartile risk management improves and some top and second quartile companies may move up one category.

Appendix IV: Decarbonization Trajectory of Indexes

The Weighted Average Carbon Intensity on the Base Date (W_1) is used to compute the target Weighted Average Carbon Intensity at any given Quarterly Index Review (W_t) as per the below formula.

$$W_t = W_1 * 0.93^{\frac{(t-1)}{4}}$$

Where 't' is the number of Quarterly Index Reviews since the Base Date. The table below shows the Weighted Average Carbon Intensity on the Base Date (W_1) for each of the regions where the Indexes are constructed:

Index	Parent Index	Base Date	W_1 (tCO2/M\$ Enterprise Value + Cash)
MSCI ACWI Climate Choice ex Selected Securities Index	MSCI ACWI	May 28, 2021	254.37
MSCI Europe Climate Choice ex Selected Securities Index	MSCI Europe	May 28, 2021	536.48
MSCI USA Climate Choice ex Selected Securities Index	MSCI USA	May 28, 2021	181.58
MSCI Japan Climate Choice ex Selected Securities Index	MSCI Japan	May 28, 2021	418.41

Appendix V: Implementation of New Base Date

The following steps are used to identify whether the Indexes will implement a new Base Date during any Quarterly Index Review:

- Step 1. Calculate the median Scope 3 Emissions of all companies in MSCI ACWI within each GICS Industry Group
- Step 2. Out of the 24 GICS Industry Groups, identify the top 18 GICS Industry Groups with the highest median Scope 3 Emissions.
- Step 3. The percentage change in the median Scope 3 Emissions for each of the 18 GICS Industry Groups is calculated relative to their median Scope 3 Emissions as of the previous Quarterly Index Review.
- Step 4. If either of the following conditions are met, then a new Base Date would be implemented for the MSCI Climate Choice ex Selected Securities Indexes based on the change in Scope 3 Emissions—
 - a. Out of the 18 GICS Industry Groups, at least 2 Industry Groups see a 50% change in the median Scope 3 Emissions
 - b. Out of the 18 GICS Industry Groups, at least 6 Industry Groups see a 20% change in the median Scope 3 Emissions

A new Base Date may also be implemented based on the change in median Scope 1+2 Emissions by applying Steps 1-4 above using Scope 1+2 Emissions instead of Scope 3 Emissions.

When a new Base Date is implemented, either due to the change in median Scope 1+2 Emissions or due to the change in median Scope 3 Emissions, the Indexes will not apply the “Minimum average reduction (per annum) in WACI relative to WACI in the Base Date” as per Table 1 in Section 3.3 as a minimum requirement for the index. After the rebalance of the Index, the Base Date and Weighted Average Carbon Intensity on the Base Date (W_1) as per Appendix VI will be updated. For all subsequent Quarterly Index Reviews, the decarbonization targets will be calculated with the updated Base Date.

Appendix VI: Barra Equity Model Used in the Optimization

The MSCI Indexes currently use an optimization setup using the MSCI Barra Global Equity Model for Long-Term Investors (GEMTLT).

Appendix VII: New Release of Barra® Equity Model or Barra® Optimizer

A major new release of the relevant Barra Equity Model or Barra Optimizer may replace the former version within a suitable timeframe.

Appendix VIII: Methodology Set

The Indexes are governed by a set of methodology and policy documents (“Methodology Set”), including the present index methodology document as mentioned below:

- Description of methodology set –
<https://www.msci.com/index/methodology/latest/ReadMe>
- MSCI Corporate Events Methodology –
<https://www.msci.com/index/methodology/latest/CE>
- MSCI Fundamental Data Methodology –
<https://www.msci.com/index/methodology/latest/FundData>
- MSCI Index Calculation Methodology –
<https://www.msci.com/index/methodology/latest/IndexCalc>
- MSCI Index Glossary of Terms –
<https://www.msci.com/index/methodology/latest/IndexGlossary>
- MSCI Index Policies –
<https://www.msci.com/index/methodology/latest/IndexPolicy>
- MSCI Global Industry Classification Standard (GICS) Methodology –
<https://www.msci.com/index/methodology/latest/GICS>
- MSCI Global Investable Market Indexes Methodology –
<https://www.msci.com/index/methodology/latest/GIMI>
- MSCI Global ex Controversial Weapons Indexes Methodology –
<https://www.msci.com/index/methodology/latest/XCW>
- MSCI EU CTB/PAB Index Framework –
<https://www.msci.com/index/methodology/latest/EUCTBPABIndexFramework>
- ESG Factors In Methodology*

The Methodology Set for the Index can also be accessed from MSCI’s webpage <https://www.msci.com/index-methodology> in the section ‘Search Methodology by Index Name or Index Code’.

* ‘ESG Factors in Methodology’ contains the list of environmental, social, and governance factors considered, and how they are applied in the methodology (e.g., selection, weighting or exclusion). It can be accessed in the Methodology Set as described above.

Appendix IX: Changes to this Document

The following sections have been modified since May 2021-

Introduction

- Change in approach from an iterative process to an optimization-based approach and added objectives on ESG Score and LCT Score

Section 3

- Updated to reflect change in approach from an iterative process to an optimization-based approach and added objectives on ESG Score and LCT Score

Appendix II

- Added additional screen for Alcohol

Appendix IV

- Added definition for Climate Impact Sectors

Appendix V

- Updated decarbonization trajectory based on new Base Date as per the methodology rules in Appendix VI.

Appendix VI

- Deleted appendix detailing iterative process. Appendix VI now contains details on “Implementation of new Base Date”

Appendix VII and VIII

- Added for details on Barra Equity Model and Barra Optimizer

The following sections have been modified effective September 15, 2022-

Introduction

- Added the MSCI Japan ESG Leaders Select Sustainability Index

Section 3.5

- Added a footnote highlighting the application of optimization constraints to the MSCI Japan ESG Leaders Select Sustainability Index on its initial construction and subsequent Quarterly Index Reviews
- Provided clarity on the constituent active weight constraint

Appendix V

- Added relevant information for the MSCI Japan ESG Leaders Select Sustainability Index on its decarbonization trajectory

The following sections have been modified effective November 18, 2022-

Introduction

- Added reference to the new eligibility criteria

Section 3.2

- Moved the reference to additional exclusions criteria to the newly added Section 3.2.1
- Added Section 3.2.2 to include information on the additional eligibility criteria
- (Previous) Section 3.3 Minimum Requirements: Removed section

Appendix I:

- Added to reference the underlying investment universe

Appendix II:

- Modified to include the new and/or revised exclusions criteria
- Moved the exclusions criteria referenced in (Previous) Appendix III

Appendix III and Appendix IV:

- Re-ordered to follow chronological reference in Section 3.3

The following sections have been modified effective November 18, 2022

Appendix II

- Added additional screens for SDG Net Alignment

The following sections have been modified effective February 2025

Section 4: MSCI ESG Research

- Moved that section after the Section 3 (Maintaining the MSCI ESG Leaders Indexes)
- Added a sub-section under Climate Change Metrics to provide additional details on Fossil Fuels related activities, Greenhouse Gas Emissions and Low Carbon Transition (LCT) Risk Assessment

Appendix II: Additional Exclusion Criteria

- Added the description for Thermal Coal distribution

Appendix IV: MSCI Low Carbon Transition Risk Assessment

- Updated language and the Low Carbon Transition Categories and Scores table

Appendix IV: Methodology Set

- Added details on the Methodology Set of the Indexes

The following sections have been modified effective May 2025

- The methodology and index names were updated. Effective June 2, 2025, the MSCI ESG Leaders Select Sustainability Indexes will be renamed to MSCI Climate Choice ex Selected Securities Indexes

Section 1: Introduction

- Changed the introduction to reflect that selection of securities based on the Selection methodology is no longer applied.

- Added that the Indexes are now applying a client driven exclusion list and made minor updates to the Climate objectives.

Section 2.1 Eligible Universe

- Removed the reference to the MSCI Selection methodology
- Removed the multiple ESG screens that were applied to construct the eligible universe.
- Added the client driven exclusion list and added footnotes to provide a public source that provides details on the methodology used by the exclusion criteria.
- Added screening based on ESG ratings and moved the description of ESG controversies and the remaining controversial business screens to this section.

Section 2.2: Security Selection and Weighting

- Referenced the MSCI EU CTB / PAB Index Framework document to provide details on the implementation of high and low climate impact sectors.
- Updated the turnover and added back the EU Taxonomy constraint in Table 2.
- Added footnote for details on the common and systematic Risk Aversion objectives

Appendix II: Calculation of Target Metrics

- Removed the existing definition for climate impact sectors.
- Added references to the MSCI EU CTB/PAB Index Framework for the definition of climate impact sectors.

Appendix IV:

- The name of the indexes was updated, the name change would be effective from June 02, 2025.

Contact Us

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.

msci.com/contact-us

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

AMERICA

United States	+ 1 888 588 4567 *
Canada	+ 1 416 687 6270
Brazil	+ 55 11 4040 7830
Mexico	+ 52 81 1253 4020

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

EUROPE, MIDDLE EAST & AFRICA

China	+ 86 21 61326611
Hong Kong	+ 852 2844 9333
India	+ 91 22 6784 9160
Malaysia	1800818185 *
South Korea	+ 82 70 4769 4231
Singapore	+ 65 67011177
Australia	+ 612 9033 9333
Taiwan	008 0112 7513 *
Thailand	0018 0015 6207 7181
Japan	*
* toll-free	+ 81 3 4579 0333

Notice and disclaimer

This document and all of the information contained in it, including without limitation all text, data, graphs, charts (collectively, the "Information") is the property of MSCI Inc. or its subsidiaries (collectively, "MSCI"), or MSCI's licensors, direct or indirect suppliers or any third party involved in making or compiling any Information (collectively, with MSCI, the "Information Providers") and is provided for informational purposes only. The Information may not be modified, reverse-engineered, reproduced or disseminated in whole or in part without prior written permission from MSCI. All rights in the Information are reserved by MSCI and/or its Information Providers.

The Information may not be used to create derivative works or to verify or correct other data or information. For example (but without limitation), the Information may not be used to create indexes, databases, risk models, analytics, software, or in connection with the issuing, offering, sponsoring, managing or marketing of any securities, portfolios, financial products or other investment vehicles utilizing or based on, linked to, tracking or otherwise derived from the Information or any other MSCI data, information, products or services.

The user of the Information assumes the entire risk of any use it may make or permit to be made of the Information. NONE OF THE INFORMATION PROVIDERS MAKES ANY EXPRESS OR IMPLIED WARRANTIES OR REPRESENTATIONS WITH RESPECT TO THE INFORMATION (OR THE RESULTS TO BE OBTAINED BY THE USE THEREOF), AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, EACH INFORMATION PROVIDER EXPRESSLY DISCLAIMS ALL IMPLIED WARRANTIES (INCLUDING, WITHOUT LIMITATION, ANY IMPLIED WARRANTIES OF ORIGINALITY, ACCURACY, TIMELINESS, NON-INFRINGEMENT, COMPLETENESS, MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE) WITH RESPECT TO ANY OF THE INFORMATION.

Without limiting any of the foregoing and to the maximum extent permitted by applicable law, in no event shall any Information Provider have any liability regarding any of the Information for any direct, indirect, special, punitive, consequential (including lost profits) or any other damages even if notified of the possibility of such damages. The foregoing shall not exclude or limit any liability that may not be applied by law be excluded or limited, including without limitation (as applicable), any liability for death or personal injury to the extent that such injury results from the negligence or willful default of itself, its servants, agents or sub-contractors.

Information containing any historical information, data or analysis should not be taken as an indication or guarantee of any future performance, analysis, forecast or prediction. Past performance does not guarantee future results.

The Information may include "Signals," defined as quantitative attributes or the product of methods or formulas that describe or are derived from calculations using historical data. Neither these Signals nor any description of historical data are intended to provide investment advice or a recommendation to make (or refrain from making) any investment decision or asset allocation and should not be relied upon as such. Signals are inherently backward-looking because of their use of historical data, and they are not intended to predict the future. The relevance, correlations and accuracy of Signals frequently will change materially.

The Information should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. All Information is impersonal and not tailored to the needs of any person, entity or group of persons.

None of the Information constitutes an offer to sell (or a solicitation of an offer to buy), any security, financial product or other investment vehicle or any trading strategy.

It is not possible to invest directly in an index. Exposure to an asset class or trading strategy or other category represented by an index is only available through third party investable instruments (if any) based on that index. MSCI does not issue, sponsor, endorse, market, offer, review or otherwise express any opinion regarding any fund, ETF, derivative or other security, investment, financial product or trading strategy that is based on, linked to or seeks to provide an investment return related to the performance of any MSCI index (collectively, "Index Linked Investments"). MSCI makes no assurance that any Index Linked Investments will accurately track index performance or provide positive investment returns. MSCI Inc. is not an investment adviser or fiduciary and MSCI makes no representation regarding the advisability of investing in any Index Linked Investments.

Index returns do not represent the results of actual trading of investable assets/securities. MSCI maintains and calculates indexes, but does not manage actual assets. The calculation of indexes and index returns may deviate from the stated methodology. Index returns do not reflect payment of any sales charges or fees an investor may pay to purchase the securities underlying the index or Index Linked Investments. The imposition of these fees and charges would cause the performance of an Index Linked Investment to be different than the MSCI index performance.

The Information may contain back tested data. Back-tested performance is not actual performance, but is hypothetical. There are frequently material differences between back tested performance results and actual results subsequently achieved by any investment strategy.

Constituents of MSCI equity indexes are listed companies, which are included in or excluded from the indexes according to the application of the relevant index methodologies. Accordingly, constituents in MSCI equity indexes may include MSCI Inc., clients of MSCI or suppliers to MSCI. Inclusion of a security within an MSCI index is not a recommendation by MSCI to buy, sell, or hold such security, nor is it considered to be investment advice.

Data and information produced by various affiliates of MSCI Inc., including MSCI ESG Research LLC and Barra LLC, may be used in calculating certain MSCI indexes. More information can be found in the relevant index methodologies on www.msci.com.

MSCI receives compensation in connection with licensing its indexes to third parties. MSCI Inc.'s revenue includes fees based on assets in Index Linked Investments. Information can be found in MSCI Inc.'s company filings on the Investor Relations section of msci.com.

MSCI ESG Research LLC is a Registered Investment Adviser under the Investment Advisers Act of 1940 and a subsidiary of MSCI Inc. Neither MSCI nor any of its products or services recommends, endorses, approves or otherwise expresses any opinion regarding any issuer, securities, financial products or instruments or trading strategies and MSCI's products or services are not a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such, provided that applicable products or services from MSCI ESG Research may constitute investment advice. MSCI ESG Research materials, including materials utilized in any MSCI ESG Indexes or other products, have not been submitted to, nor received approval from, the United States Securities and Exchange Commission or any other regulatory body. MSCI ESG and climate ratings, research and data are produced by MSCI ESG Research LLC, a subsidiary of MSCI Inc. MSCI ESG Indexes, Analytics and Real Estate are products of MSCI Inc. that utilize information from MSCI ESG Research LLC. MSCI Indexes are administered by MSCI Limited (UK) and MSCI Deutschland GmbH.

Please note that the issuers mentioned in MSCI ESG Research materials sometimes have commercial relationships with MSCI ESG Research and/or MSCI Inc. (collectively, "MSCI") and that these relationships create potential conflicts of interest. In some cases, the issuers or their affiliates purchase research or other products or services from one or more MSCI affiliates. In other cases, MSCI ESG Research rates financial products such as mutual funds or ETFs that are managed by MSCI's clients or their affiliates, or are based on MSCI Inc. Indexes. In addition, constituents in MSCI Inc. equity indexes include companies that subscribe to MSCI products or services. In some cases, MSCI clients pay fees based in whole or part on the assets they manage. MSCI ESG Research has taken a number of steps to mitigate potential conflicts of interest and safeguard the integrity and independence of its research and ratings. More information about these conflict mitigation measures is available in our Form ADV, available at <https://adviserinfo.sec.gov/firm/summary/169222>.

Any use of or access to products, services or information of MSCI requires a license from MSCI. MSCI, Barra, RiskMetrics, IPD and other MSCI brands and product names are the trademarks, service marks, or registered trademarks of MSCI or its subsidiaries in the United States and other jurisdictions. The Global Industry Classification Standard (GICS) was developed by and is the exclusive property of MSCI and S&P Dow Jones Indices. "Global Industry Classification Standard (GICS)" is a service mark of MSCI and S&P Dow Jones Indices.

MIFID2/MIFIR notice: MSCI ESG Research LLC does not distribute or act as an intermediary for financial instruments or structured deposits, nor does it deal on its own account, provide execution services for others or manage client accounts. No MSCI ESG Research product or service supports, promotes or is intended to support or promote any such activity. MSCI ESG Research is an independent provider of ESG data.

PRIVACY NOTICE: FOR INFORMATION ABOUT HOW MSCI COLLECTS AND USES PERSONAL DATA, PLEASE REFER TO OUR PRIVACY NOTICE AT [HTTPS://WWW.MSCI.COM/PRIVACY-PLEDGE](https://www.msci.com/privacy-pledge)