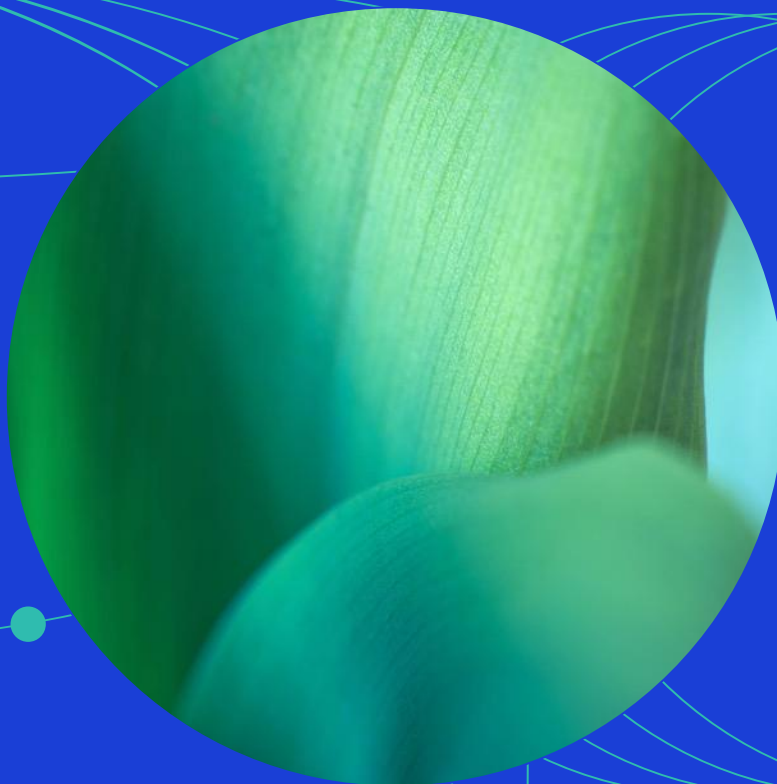




# MSCI Climate Solutions Target Select Indexes Methodology



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## 1 Introduction

The MSCI Climate Solutions Target Select Indexes<sup>1</sup>, (the “Indexes”) are designed to represent the performance of strategies that seeks systematic integration of environmental, social and governance (ESG) norms, multiple dimensions of carbon exposure (carbon emissions and fossil fuel reserves) and green revenue in index construction, while minimizing the ex-ante tracking error relative to market capitalization weighted indexes (the “Parent Indexes”)<sup>2</sup> respectively.

The Indexes are constructed using risk-constrained optimization along with specific ESG Score, carbon exposure and green revenue exposure criteria. The Index construction aims to improve the Indexes’ ESG profile, reduce the carbon exposure (carbon emissions relative to sales or enterprise value including cash and potential emissions) and improve green revenue exposure (clean technologies solutions) relative to the Parent Indexes.

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

<sup>2</sup> Please refer to Appendix V for more details on the list of indexes.

## 2 Constructing the Indexes

The Indexes use company ratings and research provided by MSCI Solutions LLC (“MSCI Solutions”)<sup>3</sup> to determine eligibility for index construction.

The Indexes are constructed based on an optimization process applied to the underlying Parent Indexes using a Barra Equity Model while controlling the tracking error relative to the Parent Indexes. The steps for constructing the Indexes are described below.

### 2.1 Applicable Universe

The Applicable Universe includes all the existing constituents of an underlying Parent Index. This approach aims to provide an opportunity set with sufficient liquidity and capacity.

### 2.2 Eligible Universe

The Eligible Universe consists of the securities in the Parent Index that are not involved in the following criteria.

#### 2.2.1 Controversies Score Eligibility

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

#### 2.2.2 Controversial Business Involvement Criteria

The Indexes use MSCI 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. Please refer to Appendix III for details on these criteria.

- Controversial Weapons
- Nuclear Weapons
- Tobacco
- Thermal Coal (Mining & Power Generation)

### 2.3 Constituent Selection

The selection and weighting of constituents from the Applicable Universe is performed by using an optimization process. The optimization is performed using a base currency. The default currency is the US Dollar.

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<sup>3</sup> See section 4 for further information regarding ESG and climate data used in the Indexes that MSCI Limited and MSCI Deutschland GmbH source from MSCI Solutions LLC (“MSCI Solutions”), a separate subsidiary of MSCI Inc. MSCI Solutions is solely responsible for the creation, determination and management of such data as a provider to MSCI Limited and MSCI Deutschland GmbH. MSCI Limited and MSCI Deutschland GmbH are the benchmark administrators for the MSCI indexes.

## 2.4 Optimization Constraints

At each Index Review, the Indexes are constructed using an optimization process to minimize the ex-ante tracking error relative to the respective Parent Index subject to the following constraints:

No.	Climate Constraints	Values
1	Minimum reduction in Weighted Average Greenhouse Gas (GHG) Intensity (Scope 1+2/ Sales) relative to the Parent Index	50%
2	Minimum reduction in Weighted Average Greenhouse Gas (GHG) Intensity (Scope 3 / Sales) relative to the Parent Index	<= Parent Index
3	Minimum reduction in the Weighted Average Greenhouse Gas (GHG) Intensity (Scope 1+2 / Enterprise Value including Cash) relative to the Parent Index	50%
4	Minimum reduction in the Weighted Average Greenhouse Gas (GHG) Intensity (Scope 3 / Enterprise Value including Cash) relative to the Parent Index	<= Parent Index
5	Minimum reduction in Weighted Average Potential Emissions Intensity relative to the Parent Index	50%
6	Minimum increase in Weighted Average Green Revenue relative to the Parent Index	50%
7	Minimum increase in ESG Score relative to the respective Parent Index	10%
8	High Climate Impact Sector Weight <sup>4</sup>	+/- 2%
9	Minimum increase in the aggregate weight of companies with approved Science Based Targets Initiative (SBTi) relative to the aggregate Parent Index weight of such companies that meet the eligibility criteria.  The eligibility criteria is defined in Section 2.2.	10%

<sup>4</sup> For further details on how MSCI assigns companies to either the high or low climate impact sectors, please refer to the MSCI EU CTB/PAB Index Framework available on <https://www.msci.com/index/methodology/latest/EUCTBPABIndexFramework>.

## Diversification Constraints

No.	Parameter	Values
1	Minimum Constituent Weight <sup>5</sup>	0.005%
2	Asset Lower Bound	Max (Parent Index - 2%, 0)
3	Asset Upper Bound	Large Caps: Min (Parent Index + 2%, 10x security weight in Parent Index) Small Caps: Min (Parent Index + 2%, 7.5x security weight in Parent Index).
4	Active Sector Weights	All Indexes (except UK IMI): +/- 2% relative to the Parent Index UK IMI: +/- 2% relative to the Parent Index for all sectors except Energy; the Energy sector weight is unconstrained.
5	Active Country Weights <sup>6</sup>	Countries that have >= 2.5% in Parent Index: + / - 2% Countries that have < 2.5% in Parent Index: 3x their weight in Parent Index
6	Exposure to Size and Midcap Barra Style Factors (relative to Parent Index)	+/- 0.25 standard deviations
7	Liquidity Constraint	Weighted Average 6-Month Average Traded Value >= 90% of Parent Index
8	One Way Turnover during Index Reviews <sup>7</sup>	2.5%
9	Specific Risk Aversion <sup>8</sup>	0.015
9	Common Factor Risk Aversion <sup>9</sup>	0.0015
10	Ex-Ante Tracking Error	Minimized during the optimization process

<sup>5</sup> Constituents with weights below 0.005% after the optimization process will be removed and the total weight of removed constituents will be distributed among the remaining constituents in the proportion of their existing weights.

<sup>6</sup> The country weight constraint will also apply on China A Stock Connect listings as a group separately in addition to the usual country weight constraint on China.

<sup>7</sup> The one-way turnover was not applied during the May 2026 Index Review to implement the methodology transition.

<sup>8</sup> The Specific Risk Aversion penalizes idiosyncratic (asset-specific) risk during the optimization process.

<sup>9</sup> The Common Risk Aversion penalizes systematic risk during the optimization process.

## 2.5 Determining the Optimized Index

The Indexes are constructed using the Barra Open Optimizer in combination with the relevant Barra Equity Model<sup>10</sup>. The optimization uses the universe of eligible securities and the specified optimization objective and constraints to determine the Index. The handling of infeasible optimizations is explained in Appendix I.

## 2.6 Treatment of Unrated Companies

Companies not assessed by MSCI Solutions on data for any of the following MSCI sustainability and climate products are not eligible for inclusion in the Indexes.

- MSCI Controversies
- MSCI Climate Change Metrics<sup>11</sup>
- MSCI Business Involvement Screening Research (BISR)

For the treatment of unrated companies in the calculation of Carbon Emissions Intensity, please refer to Appendix IV.

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<sup>10</sup> Please refer to Appendix II for further details on the Barra Open Optimizer.

<sup>11</sup> If Scope 1+2 carbon emissions and/or EVIC and/or Sales are not available, the average Scope 1+2 intensity of all the constituents of the MSCI ACWI in the same GICS Industry Group in which the security belongs is used.

## 3 Maintaining the Indexes

### 3.1 Index Reviews

The Indexes are reviewed on a quarterly basis, to coincide with the regular Index Reviews of the MSCI Global Investable Market Indexes. The changes are implemented as of the close of the last business day of February, May, August and November.

In general, MSCI uses MSCI Solutions data (including MSCI Controversies Scores, MSCI Business Involvement Screening Research and MSCI Climate Change Metrics) as of the end of the month preceding the Index Reviews for the rebalancing of the Index. For some securities, such data may not be published by MSCI Solutions by the end of the month preceding the Index Review. For such securities, MSCI will use ESG data published after the end of month, when available, for the rebalancing of the Index.

Similarly the Barra Equity Model uses data as of the end of January, April, July and October respectively. This approach aims to capture timely updates to the risk characteristics of the companies and coincide with the rebalancing frequency of the relevant Parent Index.

The pro forma Indexes are in general announced nine business days before the effective date.

### 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 Indexes, the changes made to the Parent Index during intermediate Index Reviews will be neutralized in the Indexes.

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

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 this Index 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 Solutions

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

### 4.1 MSCI Controversies

MSCI 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 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 Controversies Score falls on a 0-10 scale, with “0” being the most severe controversy.

The MSCI Controversies methodology can be found at:

<https://www.msci.com/legal/sustainability-and-climate-resources-and-disclosures>

### 4.2 MSCI Business Involvement Screening Research

MSCI 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/sustainability-and-climate-resources-and-disclosures>.

### 4.3 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/sustainability-and-climate-resources-and-disclosures>

#### 4.3.1 Fossil Fuels and Power Generation Metrics

MSCI Solutions 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).

#### 4.3.2 Greenhouse Gas (GHG) Emissions

MSCI Solutions collects reported emissions and uses proprietary estimation methodologies that follows the GHG Protocol in including carbon dioxide (CO<sub>2</sub>) and the five other principal GHGs: hydrofluorocarbons (HFCs), methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O), perfluorocarbons (PFCs), and sulfur hexafluoride (SF<sub>6</sub>). Emissions of these other gases are accounted for in terms of the quantity of CO<sub>2</sub> that has an equivalent global warming potential.

## Appendix I: Handling Infeasible Optimizations

During the Index Review, if an optimal solution that satisfies all the optimization constraints defined in Section 2.4 is not found, then the following constraints are exhaustively relaxed until an optimal solution is found:

- Relax the turnover constraint in steps of 1.25% up to a maximum value of 15%.
- Relax the active sector constraints in steps of 1% up to a maximum value of 5%.
- Relax the active constraints around High Climate Impact sectors in steps of 1% up to a maximum value of 5%.
- Relax the ESG Score constraint in steps of 1% until the minimum required ESG Score of the Index is at least 5% higher (instead of 10% higher) than the ESG Score of the respective Parent Index.

For example, constraints relaxation for the first few relaxations, will be executed in the sequence as follows:

Step	Turnover (%)	Active Sector Lower (%)	Active Sector Upper (%)	HCI Lower (%)	HCI Upper (%)	ESG Score (%)
0	2.50	-2.00	2.00	-2.00	2.00	10.00
1	3.75	-2.00	2.00	-2.00	2.00	10.00
2	5.00	-2.00	2.00	-2.00	2.00	10.00
3	6.25	-2.00	2.00	-2.00	2.00	10.00
4	7.50	-2.00	2.00	-2.00	2.00	10.00
5	8.75	-2.00	2.00	-2.00	2.00	10.00
6	10.00	-2.00	2.00	-2.00	2.00	10.00
7	11.25	-2.00	2.00	-2.00	2.00	10.00
8	12.50	-2.00	2.00	-2.00	2.00	10.00
9	13.75	-2.00	2.00	-2.00	2.00	10.00
10	15.00	-2.00	2.00	-2.00	2.00	10.00
11	15.00	-3.00	2.00	-2.00	2.00	10.00
12	15.00	-3.00	3.00	-2.00	2.00	10.00
13	15.00	-4.00	3.00	-2.00	2.00	10.00
14	15.00	-4.00	4.00	-2.00	2.00	10.00
15	15.00	-5.00	4.00	-2.00	2.00	10.00
16	15.00	-5.00	5.00	-2.00	2.00	10.00
17	15.00	-5.00	5.00	-3.00	2.00	10.00
18	15.00	-5.00	5.00	-3.00	3.00	10.00
19	15.00	-5.00	5.00	-4.00	3.00	10.00
20	15.00	-5.00	5.00	-4.00	4.00	10.00
21	15.00	-5.00	5.00	-5.00	4.00	10.00
22	15.00	-5.00	5.00	-5.00	5.00	10.00
23	15.00	-5.00	5.00	-5.00	5.00	9.00
24	15.00	-5.00	5.00	-5.00	5.00	8.00
25	15.00	-5.00	5.00	-5.00	5.00	7.00
26	15.00	-5.00	5.00	-5.00	5.00	6.00

27	15.00	-5.00	5.00	-5.00	5.00	5.00
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If no optimal solution is found after all constraints have been fully relaxed, the Index will not be rebalanced for that Index Review.

## Appendix II: New release of Barra<sup>®</sup> Equity Model or Barra<sup>®</sup> Optimizer

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

## Appendix III: Controversial Business Involvement Criteria

- **Controversial Weapons:**

- All companies that are involved in the production of cluster bombs and munitions, or the essential components of these products.
- All companies that are involved in the production of anti-personnel landmines, anti-vehicle landmines, or the essential components of these products.
- All companies involved in the production of depleted uranium weapons and armour.
- All companies that are involved in the production of chemical and biological weapons, or the essential components of these products.
- All companies that are involved in the production of weapons utilizing laser technology to cause permanent blindness.
- All companies that are involved in the production of weapons that use nondetectable fragments to inflict injury.
- All companies that are involved in the production of weapons using white phosphorus.

- **Tobacco:**

- All companies classified as a "Producer".
- All companies deriving 5% or more aggregate revenue from the production, distribution, retail, supply and licensing of tobacco-related products.

- **Thermal Coal:**

- All companies deriving 5% or more aggregate revenue (either reported or estimated) from the mining and sale to external parties of thermal coal (including lignite, bituminous, anthracite and steam coal) and the extraction of unconventional oil and gas.
  - Thermal Coal Mining: does not cover 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.
  - Unconventional Oil & Gas: covers revenues from oil sands, oil shale (kerogen-rich deposits), shale gas, shale oil, coal seam gas, and coal bed methane. It does not cover all types of conventional oil and gas production including Arctic onshore/offshore, deep water, shallow water and other onshore/offshore.
- All companies deriving 5% or more revenue (either reported or estimated) from thermal coal-based power generation.

- **Nuclear Weapons:**

- All companies that manufacture nuclear warheads and/or whole nuclear missiles
- All companies that manufacture components that were developed or are significantly modified for exclusive use in nuclear weapons (warheads and missiles)

- All companies that manufacture or assemble delivery platforms that were developed or significantly modified for the exclusive delivery of nuclear weapons
- All companies that provide auxiliary services related to nuclear weapons
- All companies that manufacture components that were not developed or not significantly modified for exclusive use in nuclear weapons (warheads and missiles) but can be used in nuclear weapons
- All companies that manufacture or assemble delivery platforms that were not developed or not significantly modified for the exclusive delivery of nuclear weapons but have the capability to deliver nuclear weapons
- All companies that manufacture components for nuclear-exclusive delivery platforms

## Appendix IV: Calculation of Carbon Exposure Metrics

### Greenhouse Gas (GHG) Emissions Intensity

MSCI Solution collects company-specific direct (Scope 1) and indirect (Scope 2) greenhouse gas emissions (GHG) data from company public documents and/or the Carbon Disclosure Project. If a company does not report GHG emissions, then MSCI Solutions estimates Scope 1 and Scope 2 GHG emissions.

MSCI Solution estimates company-specific indirect (Scope 3) GHG emissions from the Scope 3 Carbon Emissions Estimation Model. The data is generally updated on an annual basis.

### Security Level GHG Emissions Intensity relative to EVIC

Carbon emissions of a company are normalized for size by dividing annual carbon emissions by Enterprise Value including Cash (EVIC). The Carbon Emissions Intensity is calculated using the latest Scope 1+2 carbon emissions, Scope 3 carbon emissions and EVIC of a company.

Unadjusted Security Level GHG Intensity (Scope 1+2) relative to EVIC =

$$\frac{(Scope\ 1 + 2\ Carbon\ Emissions)}{EVIC\ (in\ M\$)}$$

If Scope 1+2 carbon emissions and/or EVIC are not available, the average Scope 1+2 intensity of all the constituents of the MSCI ACWI in the same GICS Industry Group in which the security belongs is used.

Unadjusted Security Level GHG Intensity (Scope 3) =

$$\frac{(Scope\ 3\ Carbon\ Emissions)}{EVIC\ (in\ M\$)}$$

If Scope 3 carbon emissions and/or EVIC are not available, the average Scope 3 intensity of all the constituents of the MSCI ACWI in the same GICS Industry Group in which the security belongs is used.

### Security Level GHG Emissions Intensity relative to Sales

Unadjusted Security Level GHG Intensity (Scope 1+2) relative to Sales =

$$\frac{(Scope\ 1 + 2\ Carbon\ Emissions)}{Sales\ (in\ M\$)}$$

If Scope 1+2 carbon emissions and/or Sales are not available, the average Scope 1+2 intensity of all the constituents of the MSCI ACWI in the same GICS Industry Group in which the security belongs is used.

Unadjusted Security Level GHG Intensity (Scope 3) relative to Sales =

$$\frac{(Scope\ 3\ Carbon\ Emissions)}{Sales\ (in\ M\$)}$$

If Scope 3 carbon emissions and/or Sales are not available, the average Scope 3 intensity of all the constituents of the MSCI ACWI in the same GICS Industry Group in which the security belongs is used.

### Weighted Average GHG Emissions Intensities relative to EVIC or Sales –

Weighted Average GHG Emissions Intensity of Derived Index =

$$\sum (Index\ Weight * Security\ Level\ GHG\ Emissions\ Intensity)$$

### Calculation of Potential Carbon Emissions Intensity

Security Level Potential Carbon Emissions (PCE) Intensity =

$$\frac{Absolute\ Potential\ Emissions}{EVIC\ (in\ M\$)}$$

If Absolute Potential Emissions data is not available, MSCI uses zero fossil fuel reserves.

Weighted Average Potential Emissions Intensity of Parent Index =

$$\sum (Weight\ in\ Parent\ Index * Security\ Level\ PCE\ Intensity)$$

Weighted Average Potential Emissions Intensity of Index =

$$\sum (Index\ Weight * Security\ Level\ PCE\ Intensity)$$

## Appendix V: The Parent Indexes

The table below shows the Parent Indexes for each Climate Solutions Target Select Index

No.	Index Name	Parent Index
1.	MSCI AC Asia Pacific ex Japan Climate Solutions Target Select Index	MSCI AC Asia Pacific ex Japan Index
2.	MSCI Emerging Markets Climate Solutions Target Select Index	MSCI Emerging Markets Index
3.	MSCI Europe ex UK Climate Solutions Target Select Index	MSCI Europe ex UK Index
4.	MSCI Japan Climate Solutions Target Select Index	MSCI Japan Index
5.	MSCI UK IMI Climate Solutions Target Select Index	MSCI UK IMI Index
6.	MSCI USA Climate Solutions Target Select Index	MSCI USA Index
7.	MSCI World Climate Solutions Target Select Index	MSCI World Index

## Appendix VI: 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 – <http://www.msci.com/index/methodology/latest/XCW>
- ESG Factors In Methodology\*

The Methodology Set for the Indexes 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 VII: Changes to this Document

### The following sections have been modified effective December 2022:

#### Section 3.3 Optimization Constrains:

- Update to reference Appendix IV

#### Appendix IV: Calculation of Carbon Exposure Metrics

- Added to reference formula used for Carbon Emission Intensity and Potential Emissions per dollar of market capitalization calculation

### The following sections have been modified as of October 2025

- The Methodology Name and Index Names were updated, effective October 6, 2025; MSCI Select ESG Climate Solutions Target Indexes have been renamed as MSCI Climate Solutions Target Select Indexes.

#### Section 2.2: Eligible Universe

- Updated section to add more details on the screening criteria

#### Section 2.6: Treatment of Unrated Companies

- New section detailing the treatment of companies with ratings and research not available from MSCI ESG Research

#### Section 4: MSCI ESG Research

- Added a sub-section under Climate Change Metrics to provide additional details on Fossil Fuels related activities and Greenhouse Gas Emissions

#### Appendix V: Appendix V: The Parent Indexes

- New Section providing details on the Parent Indexes

#### Appendix IV: Calculation of Carbon Exposure Metrics

- Provided clarification on the carbon emissions scopes applied

#### Appendix VI: Methodology Set

- Added details on the Methodology Set of the Index

### The following sections have been modified as of May 2026

#### Section 1: Introduction

- Updated the description of carbon exposure based to reflect changes to the calculation of carbon intensity and potential emissions.

#### Section 2.2.2: Controversial Business Involvement Criteria

- Renamed "Thermal Coal" to "Thermal Coal (Mining & Power Generation)" for clarity.
- Updated the ordering of exclusion criteria.

#### Section 2.4: Optimization Constraints

- Restructured section to a numbered constraint table
- The Carbon Intensity constraints were updated: Scope 1+2 and Scope 3 GHG Emissions Intensity are now applied as four separate constraints (relative to Sales and relative to EVIC), replacing the previous single combined Carbon Emission Intensity constraint.
- The minimum increase in ESG Score relative to the respective Parent Index was updated.
- The high climate impact sector and Science-Based Target constraint were introduced.
- A liquidity constraint was introduced.
- The active security weights and security multipliers were modified.
- The ex-ante tracking error constraint was removed.

#### Section 2.6: Treatment of Unrated Companies

- Added the treatment of companies when business involvement screening research and Climate Change Metrics are not available from MSCI ESG Research

#### Appendix I: Handling Infeasible Optimization

- The infeasible optimization was updated to include active sector weights, high climate impact sector and ESG Score.
- A detailed step-by-step relaxation table was added

#### Appendix IV: Calculation of Carbon Exposure Metrics

- Updated carbon intensity formulas to use Enterprise Value including Cash (EVIC) and Sales as normalisers, replacing the previous market capitalisation-based formula.
- Added separate Scope 3 GHG Emissions Intensity formulas (relative to EVIC and Sales).
- Added missing data treatment for carbon emissions and sales.

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