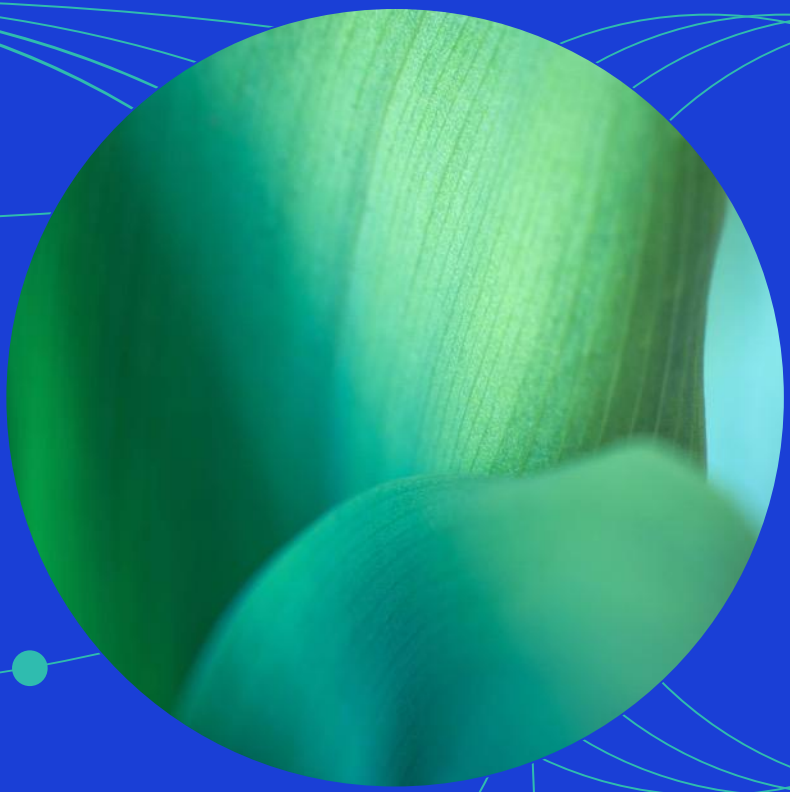
Index Methodology

November 2026

MSCI Europe ex UK ex Switzerland Climate Change Select CTB Index Methodology



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1 Introduction

The MSCI Europe ex UK ex Switzerland Climate Change Select CTB Index Methodology (the 'Index') aims to represent the performance of an investment strategy that re-weights securities based upon the opportunities and risks associated with the transition to a lower carbon economy. The Index also excludes companies meeting the below exclusion criteria –

- Companies with ESG Ratings below 'BBB'
- Companies involved in manufacturing of Controversial Weapons
- Companies involved in Controversies
- Companies involved in Environmental Controversies
- Companies involved in the Tobacco-related businesses
- Companies involved in Thermal Coal extraction and mining

The Index is constructed from the MSCI Europe ex UK ex Switzerland Index (the 'Parent Index') and uses the MSCI Low Carbon Transition[1] (LCT) score and category to reweight constituents of the Parent Index to increase exposure to companies participating in opportunities associated with transition and decrease exposure to companies exposed to risks associated with transition. As a final step, the Index is designed to exceed the minimum standards of the EU Climate Transition Benchmark (CTB)[2].

The Index applies a *heuristics-based* approach in order to meet the following objectives –

- Reduce the weighted average greenhouse gas intensity by 30% (compared to the underlying investment universe.
- Reduce the weighted average greenhouse gas (GHG) intensity by 7% on an annualized basis
- Reduce the weighted average potential emissions intensity by 30% (compared to the underlying investment universe.
- Maintain the same aggregate weight in the Aerospace & Defense industry as in the Parent Index.
- Maintain a ratio of weighted average Green Revenues to weighted average Fossil Fuels-based Revenues that are at least equal to that of the underlying investment universe[3]

[1] Please refer to Appendix II: MSCI Low Carbon Transition Risk Assessment and https://www.msci.com/climate-change-solutions for further details regarding the MSCI Low Carbon Transition score and category.

[2] On December 3, 2020, the European Commission has published the delegated acts in the Official Journal (https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32020R1818&from=EN) which contain the minimum technical requirements for the EU Climate Transition Benchmarks. In case there are changes in the EU delegated acts and an update to the Index methodology is required, MSCI will issue an announcement prior to implementing the changes in the methodology. MSCI will not conduct a formal consultation for such an update.

[3] The Index is governed by a set of methodology and policy documents ("Methodology Set"), including the present index methodology document. Please refer to Appendix VIII for more details.

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2 Constructing the Indexes

2.1 Eligibility Criteria

The Index use company ratings and research provided by MSCI Solutions LLC ("MSCI Solutions")[4] to determine eligibility for Index inclusion.

2.2 Minimum Requirements

The requirements[5] imposed for the Index is detailed in Table 1.

Table 1: Requirements imposed for the Index

Requirements	Values
Minimum reduction in Weighted Average Scope 1+2+3 Carbon Emissions Intensity (WACI) relative to Parent Index	30%
Minimum reduction in Weighted Average Potential Emissions Intensity relative to Parent Index	30%
Baseline Exclusions	• Controversial Weapons • Controversy Score of 0 • Tobacco Involvement • Orange Flag Environmental Controversies • Thermal coal mining
Minimum average reduction (per annum) in WACI relative to WACI in the Base Date	7%
Minimum ratio of Green Revenue/ Fossil fuels-based Revenue relative to Parent Index	At least equivalent
Active weight in High Climate Impact Sector relative to Parent Index	0%

2.3 Eligible Universe

The Eligible Universe is constructed from the constituents for the Parent Index by excluding securities based on the exclusion criteria listed below:

[4] See Section 4 for further information regarding sustainability 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.

[5] The minimum requirements for EU Climate Transition Benchmarks in the EU Delegated Acts are detailed in Appendix VI.

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- **Controversial Weapons**: Companies involved in Controversial Weapons as defined by the methodology of the MSCI Ex-Controversial Weapons Indexes.
- **Controversies**: All 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.
- **Tobacco**: All companies with involvement in Tobacco as defined by the methodology of the MSCI Global ex Tobacco Involvement Indexes.
- **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 controversy implicating a company directly through its actions, products, or operations.
  - An Orange Flag indicates an ongoing Severe controversy implicating a company directly, or a Very Severe controversy that is either partially resolved or indirectly attributed to the company's actions, products, or operations.
- **Thermal Coal Mining**: All companies that derive 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 does not cover revenue from metallurgical coal, coal mined for internal power generation (e.g., in the case of vertically integrated power producers), intracompany sales of mined thermal coal, and revenue from coal trading (either reported or estimated).
- **ESG Ratings**: All companies assessed with an ESG Rating of 'BB', 'B' or 'CCC'.

2.4 Determination Of Combined Score

Each company in the Eligible Universe is assigned a Combined Score, which is calculated using a company's LCT Category and its Low Carbon Transition Score as outlined below.

2.4.1 Category Tilt Score

The 'Category Tilt Score' is used to express relative tilt towards or away from a stock based on the LCT Category. Based on the LCT Category of a company, a Category Tilt Score is assigned based on the table below:

LCT Category	Category Tilt Score
Solutions	2
Neutral	1
Operational Transition	0.667
Product Transition	0.333
Asset Stranding	0.167

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2.4.2 Relative Tilt Score

The 'Relative Tilt Score' differentiates companies within an LCT Category. Companies with higher LCT Score are determined by MSCI Solutions to be relatively better at managing their climate related risk compared to their peers with worse LCT Score.

The Relative Tilt Score is calculated by normalizing security level LCT score relative to the maximum[6] LCT Score of the LCT Category within the Parent Index. The 'Relative Tilt Score' is floored at 0.5 to balance its effect on the final weight of index constituents.

$$Relative\ Tilt\ Score = \frac{LCT\ Score}{Maximum^{2}\ LCT\ Score\ in\ LCT\ Category}$$

2.4.3 Combined Score

The Combined Score is calculated for each company as follows:

Combined Score = Category Tilt Score * Relative Tilt Score.

2.5 Weighting Scheme

At each rebalancing, all the securities from the Eligible Universe are weighted by the product of their weight in the Parent Index and the Combined Score.

$$Security\ Weight = Combined\ Score * Weight\ in\ Parent\ Index$$

The above weights are then normalized to 100%.

2.5.1 Intermediate Universe

Each security in the Parent Index is classified into one of two climate impact sectors[7] based on its NACE section code. A stock can be assigned to either a 'High Climate Impact' or 'Low Climate Impact' sector. The Eligible Universe is broken into two smaller universes as described below:

2.5.1.1 High Climate Impact Intermediate Universe

High Climate Impact Intermediate Universe is constructed in following two steps –

- Select all securities in the High Climate Impact Sector from the Parent Index.
- Renormalize the weights of securities so that the aggregate weight of securities is equal to the weight of High Climate Impact Sector in the Parent Index.

2.5.1.2 Low Climate Impact Intermediate Universe

Low Climate Impact Intermediate Universe is constructed in following two steps –

[6] To account for potential outliers within each LCT Category, the category maximum LCT Score is calculated after winsorizing the security level LCT Score at 90th percentile of the LCT Category.

[7] 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.

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- Select all securities in the Low Climate Impact Sector from the Parent Index.
- Renormalize the weights of securities so that the aggregate weight of securities is equal to the weight of Low Climate Impact Sector in the Parent Index.

2.5.2 Final Universe

The Final Universe is constructed by combining the High Impact Intermediate Universe and the Low Impact Intermediate Universe. The High Impact Sector and Low Impact Sector weights are equal to their respective weights in the Parent Index.

The security weight within the High Impact and Low Impact sectors are in proportion of the security's LCT Category[8] and LCT Score. Compared to the Parent Index, the Final Universe typically has

- Lower Carbon Footprint
- Higher Green Revenue to Fossil fuels-based Revenue ratio
- Equal weight in High Impact and Low Impact Sector

The weight of securities in the Final Universe is capped as per the below table:

No.	Constraints	Capping Level
1.	Issuer Weights Limits	Max (5%, Parent Issuer Weight) at Issuer Level for Broad[9] Indexes Max (10%, Parent Issuer Weight) at Issuer Level for Narrow[10] Indexes
2.	Active Sector Weights[11] (the Energy GICS® Sector is not constrained) relative to the Parent Index	+/- 5%
3.	Min Active Solutions Category Weights relative to the Parent Index	+2%
4.	High Climate Impact Sector and Low Climate Impact Sector Weights relative to the Parent	+/-0%
5.	Aerospace & Defense (GICS Code: 201010)	Aggregate weight equal to the Parent Index

Please refer to Appendix VII for more details on capping and relaxation.

[8] For details regarding the LCT Category and LCT Score, please refer to Appendix II: MSCI Low Carbon Transition Risk Assessment.

[9] Broad Indexes are defined as those Indexes for which the maximum market capitalization weight in the Parent Index does not exceed 10%.

[10] Narrow Parent Indexes are defined as those indexes for which the maximum market capitalization weight in the Parent Index is more than 10%.

[11] Securities classified in the Aerospace & Defense Industry (GICS 201010) are not subject to the Active Sector Weight constraint in detailed in row 2.

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2.5.3 EU CTB Check

The Final Universe is assessed against the minimum requirements detailed in Table 1. In case the Final Universe is found deficient on any of the minimum requirements, then the weights of the securities in the Final Universe are determined through an iterative process as described in Appendix V.

The weight of issuers in the iterative process is capped as per the below table:

For Broad Indexes[9]	Max(5%, Max (Parent Issuer Weight))
For Narrow Indexes[10]	Max(10%, Max(Parent Issuer Weight))

Securities classified under GICS 201010 (Aerospace & Defense) are neither downweighted nor upweighted in the iterative process described in Appendix V. Their aggregate weight remains equal to the Parent Index throughout the iterative process.

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 Index:

- MSCI Controversies
- MSCI Climate Change Metrics
- MSCI Business Involvement Screening Research (BISR)

For the treatment of unrated companies in the calculation of target metrics, please refer to Appendix III.

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3 Maintaining the Index

3.1 Index Reviews

The Index is reviewed on a semi-annual basis, as of the close of the last business day of May and November, coinciding with the May and November Index Review of the MSCI Global Investable Market Indexes. The pro forma Index is in general announced nine business days before the effective date.

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

3.2 Ongoing Event Related Changes

The general treatment of corporate events in the Index 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.

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	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/latest/CE.

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4 MSCI Solutions

The Index is a product of MSCI Inc. that utilizes information such as company ratings and research produced and provided by MSCI Solutions LLC ("MSCI Solutions"), a subsidiary of MSCI Inc. In particular, the Index uses the following MSCI sustainability and climate products: MSCI ESG Ratings, MSCI Controversies, MSCI Business Involvement Screening Research, and MSCI Climate Change 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/sustainability-and-climate-resources-and-disclosures.

4.2 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.

4.3 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. .

4.4 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

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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.

4.4.1 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).

4.4.2 Greenhouse Gas (GHG) Emissions

MSCI Solutions 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 Solutions' 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 Solutions 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.

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Appendix I: Companies Involved in Controversial Weapons Business

Companies which meet the following Controversial Weapons criteria are excluded from the Index.

- **Cluster Bombs**

  MSCI Solutions' cluster bomb research identifies public companies that are involved in the production of cluster bombs and munitions, or the essential components of these products.

- **Landmines**

  MSCI Solutions' landmines research identifies public companies that are involved in the production of anti - personnel landmines, anti - vehicle landmines, or the essential components of these products.

- **Depleted Uranium Weapons**

  MSCI Solutions' depleted uranium weapons research identifies public companies involved in the production of depleted uranium weapons and armor.

- **Chemical and Biological Weapons**

  MSCI Solutions' chemical and biological weapons research identifies public companies that are involved in the production of chemical and biological weapons, or the essential components of these products.

- **Blinding Laser Weapons**

  MSCI Solutions' blinding laser weapons research identifies public companies that are involved in the production of weapons utilizing laser technology to cause permanent blindness.

- **Non-Detectable Fragments**

  MSCI Solutions' non-detectable fragments research identifies public companies that are involved in the production of weapons that use non-detectable fragments to inflict injury.

- **Incendiary Weapons (White Phosphorus)**

  MSCI Solutions' incendiary weapons research identifies companies that are involved in the production of weapons using white phosphorus.

Involvement criteria:

- Producers of the weapons
- Producers of key components of the weapons (only applies to cluster bombs, landmines, depleted uranium weapons as well as chemical and biological weapons)
- Ownership of 20% or more of a weapons or components producer

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- The minimum limit is raised to 50% for financial companies having an ownership in a company that manufactures controversial weapons or key components of controversial weapons
- Owned 50% or more by a company involved in weapons or components production

Revenue limits:

Any identifiable revenues, i.e., zero tolerance.

For details, please refer to MSCI Global ex Controversial Weapons Indexes Methodology at https://www.msci.com/index/methodology/latest/XCW.

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Appendix II: MSCI Low Carbon Transition Risk Assessment

MSCI Solutions' Low Carbon Transition Risk assessment[11] is designed to identify potential leaders and laggards by measuring companies' exposure to and management of risks and opportunities related to the low carbon transition. The assessment is derived from company disclosures and estimates.

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

(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 and represents an absolute 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 CAGTEGORY		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

[11] For more details on MSCI Climate Change Metrics, please refer to https://www.msci.com/climate-change-solutions

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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 Solutions 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 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 Solutions 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.

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Appendix III: Calculation of Target Metrics

Greenhouse Gas (GHG) Emissions Intensity

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

MSCI Solutions 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.

Calculation of GHG Intensity

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.

Security Level GHG Intensity (Scope 1+2+3) =

*(Unadjusted Security Level GHG Intensity (Scope 1+2) + Unadjusted Security Level GHG Intensity (Scope 3)) * (1 + EVIAF)*

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

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

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.

Enterprise Value Inflation Adjustment Factor (EVIAF)[12] =

[12] Average Enterprise Value + Cash is calculated for securities in the Eligible Universe

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$$\left(\frac{Average(EVIC)}{Previous\ (Average(EVIC))}\right) - 1$$

Weighted Average GHG Intensity of Parent Index =

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

Weighted Average GHG Intensity of Derived Index =

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

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 Derived Index =

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

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 aggregate 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.

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- 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 aggregate 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:

$$= \sum(Weight\ in\ Index * \ Fossil\ fuels\ based\ Revenue\%)$$

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:

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$$= \frac{Weighted\ Average\ Green\ Revenue\%}{Weighted\ Average\ Fossil\ fuels\ based\ Revenue\%}$$

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Appendix IV: Decarbonization Trajectory of Index

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

$$W_t = W_1 * \ 0.93^{\frac{(t-1)}{2}}$$

Where 't' is the number of Semi-Annual Index Reviews since the Base Date. The table below shows the Weighted Average GHG Intensity on the Base Date (W_1) for each of the regions where the Index is constructed:

Index	Parent Index	Base Date	W_1 (tCO2/M$ Enterprise Value + Cash)
MSCI Europe ex UK ex Switzerland Climate Change Select CTB Index	MSCI Europe ex UK ex Switzerland Index	May 28, 2021	296.74

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Appendix V: Iterative Process

The iterative down weighting process is applied on the securities of the Final Universe with the objective of meeting all the minimum requirements[13] detailed in Table 1.

ITERATIVE DOWNWEIGHTING

Starting with the Final Universe, an iterative down weighting process is applied in order to meet with the minimum requirements for the Indexes. The iterative down weighting stops when all the requirements defined in above are met. The steps followed in the iterative downweighting (Exhibit 2) are outlined below:

Additionally, securities classified under GICS 201010 (Aerospace & Defense) are not eligible for downweighting nor for upweighting in any of the following steps. The neutral exposure to Aerospace & Defense carries through to the Index.

Step 1. Check whether all targets for the Index are met. If all targets are met, then no downweighting is required.

Step 2. Securities in the Applicable Universe are sorted in increasing order of their Scope 1+2+3 Carbon Emissions Intensity and securities in the top half of the sorted list are identified as “Top Half” securities. Securities in the bottom half of the sorted list are identified as "Bottom Half” securities.

Step 3. If the target based on Minimum reduction in WACI relative to Parent Index and the Minimum average reduction in WACI (per annum) is not met, the lowest ranked “Bottom Half” stock in ascending order of Scope 1+2+3 Carbon Emissions Intensity is selected for downweighting and the weight is reduced by 25% of its weight in the Final Universe. Note that stocks with an LCT Category of Solutions are not eligible for downweighting. If this target is met, but

a. If the target based on Weighted Average Potential Emissions Intensity relative to Parent Index is not met, the “Bottom Half” stock with highest Potential Carbon Emissions Intensity is downweighted.

b. Otherwise if the target based on Minimum ratio of Green Revenue/ Fossil fuels-based Revenue relative to Parent Index is not met, the “Bottom Half” stock with largest difference between its Fossil fuels-based Revenue% and its Green Revenue% is downweighted

Step 4. If the targets are still not met, the stock is downweighted in steps of 25% of its weight in the Final Universe till a maximum downweighting of 75%.

Step 5. Stocks of the Final Universe in the “Top Half”, belonging to the same “Climate Impact Sector” as the stock being downweighted are proportionally upweighted to ensure that the overall

[13] In the steps detailed for the iterative process, “targets” refers to all the minimum requirements as detailed in Table 1.

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allocation to the High Climate Impact Sector is the same as that in the Parent Index and the sum of the weights of all constituents is 1.

Step 6. While upweighting stocks, the security weights of the stocks being upweighted is capped as per Appendix VII, with the excess weight being distributed among the remaining securities that are being upweighted. The issuers which already satisfy the below conditions after Appendix VII will not be upweighted:

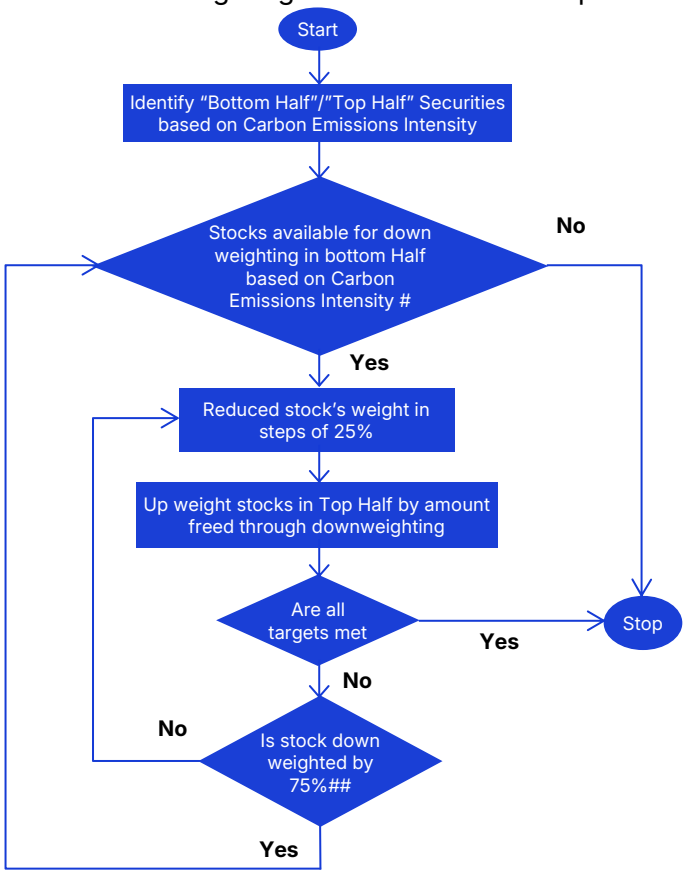
- Issuers which already have a weight greater than 5% for Broad Indexes or 10% for Narrow Indexes.
- Issuers which already have a weight greater than Parent+2% for Broad Indexes or Parent+5% for Narrow Indexes.

Step 7. If the targets are still not met, the iterative process continues and Steps 3-6 are repeated.

Step 8. If the targets are not met and all "Bottom Half" stocks of the Final Universe are downweighted by 75% of the weight in the Final Universe, Steps 3-7 are repeated, with a maximum downweighting of 90% in a single downweighting step of 15 percentage points of the weight in the Final Universe.

Step 9. If the targets are not met after the maximum downweighting of 90% of all "Bottom Half" stocks, then stocks are iteratively excluded in the same order as outlined in Step 3.

Step 10. If the targets are not met after excluding all the "Bottom Half" stocks, then the index will rebalance using the constituents and weighting of stocks as after Step 9.



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Exhibit 2: Schematic Representation of the Iterative Downweighting Process

If the target based on Minimum reduction in WACI relative to Parent Index and the Minimum average reduction in WACI (per annum) is met but the target on Weighted Average Potential Emissions Intensity relative to Parent Index is not met, the "Bottom Half" security with the highest Potential Carbon Emissions Intensity is selected for downweighting. If the target on Weighted Average Potential Emissions Intensity relative to Parent Index is also met but the target on Minimum ratio of Green Revenue/ Fossil fuels-based Revenue relative to Parent Index is not met, the "Bottom Half" security with the highest difference in its Fossil fuels-based Revenue% and Green Revenue% is selected for downweighting.

If the targets are not met and all "Bottom Half" stocks of the Final Universe are downweighted by 75% of the weight in the Final Universe, maximum downweighting is relaxed to 90% in a single downweighting step of 15 percentage points of the weight in the Final Universe.

If the targets are not met after the maximum downweighting of 90% of all "Bottom Half" stocks, then stocks are iteratively excluded in the same order.

If the targets are not met after excluding all the "Bottom Half" stocks then the index will rebalance using the constituents and weighting of stocks at the final step.

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Appendix VI: Minimum Requirements of EU CTB

The below details the minimum requirements of EU CTBs as per the EU Delegated Acts:

Exclusions (Applicable from 2023)

- **Controversial Weapons**: companies involved in any activities related to controversial weapons;
- **Tobacco**: companies involved in the cultivation and production of tobacco
- **Environmental Harm:** companies significantly harm one or more of environmental objectives
- **Controversies:** companies in violation of the United Nations Global Compact (UNGC) principles or the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises;

Objectives

- **Relative Reduction:** 30% minimum reduction in Weighted Average Scope 1+2+3 Carbon Emissions Intensity (WACI) relative to Parent Index
- **Self-Decarbonization**: 7% minimum average reduction (per annum) in WACI relative to WACI in the Base Date
- **Exposure Constraint**: At least equivalent exposure to the High Climate Impact Sector relative to Parent Index

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Appendix VII: The Capping Methodology

The capping methodology is applied on issuer, country, and sector weights to mitigate the concentration in the Index and maintain a minimum index-level sustainable exposure.

A. Parameters for Capping

The maximum weight of an Index constituent at an issuer level will be restricted to max(5%,weight in the Parent Index) for Broad Indexes The maximum weight of an Index constituent at an issuer level will be restricted to max(10%,weight in the Parent Index) for Narrow Indexes.

The maximum/minimum GICS sector weight in the Index will not deviate more than +/-5% from the sector weight in the Parent Index excluding the energy sector.

The aggregate weight of securities classified in GICS 201010 (Aerospace & Defense) is equal to their aggregate weight in the Parent Index.

The minimum solutions category weight in the Index will not deviate less than +2% from the solutions category weight in the Parent Index.

The High Climate Impact and Low Climate Impact sector weight in the Index will be the same as in the Parent Index.

B. The Capping Methodology

The Capping methodology is iteratively applied with the following steps:

- Find the most violating constraint from all the given constraints (issuer maximum bound, solutions minimum bound, sector minimum bound, sector maximum bound, bound for maintaining the same high climate impact and low climate impact sector split as in the Parent Index and bound for maintaining Aerospace & Defense equal to their aggregate weight as in the Parent Index.). For each group (for example, IT sector) within all the constraints, the deviation ratio is calculated based on:
  - ratio of current value (for example, weight of issuer 'A' in the Index) to maximum bound (for example, maximum bound of issuer 'A' weight), in case of maximum bound constraint.
  - ratio of minimum bound value (for example, minimum bound of IT sector weight) to current value (for example, weight of IT sector in the Index), in case of minimum bound constraint.
- The most violating constraint is the maximum of all the deviation ratios.
- The most violating constraint is adjusted first to the respective bound value.
- The excess weight (difference of current value to the respective bound value) is distributed proportionally to all the other constituents
- The iterative capping stops when the most violating constraint ratio (rounded off to 5 decimals) is less than or equal to 1 or it has reached the maximum iteration count. In case of maximum iteration count, the capping steps will return the solution found until this maximum iteration step.
- If the most violating constraint ratio value for each group (for example, IT sector in sector minimum bound) is repeated in more than 10 iterations, the capping methodology applies relaxation steps.

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C. Relaxation Steps

- The following conditions are alternatively relaxed until the most violating constraint ratio (rounded off to 5 decimals) is less than or equal to 1:
- Relax the minimum bound of weight for solutions category in steps of -0.5% up to a maximum of 4 iterations.
- Relax the minimum bound of sector weights in steps of -0.5%, up to a maximum of 10 iterations.
- Relax the maximum bound of sector weights in steps of 0.5%, up to a maximum of 10 iterations. At each step of relaxation, if the most violating constraint ratio value for each group is repeated more than 10 times, the next step of relaxation is initiated

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Appendix VIII: Methodology Set

The Index is governed by a set of methodology and policy documents ("Methodology Set"), including the present index methodology document as mentioned below:

- Description of methodology set – www.msci.com/index/methodology/latest/ReadMe
- MSCI Corporate Events Methodology – www.msci.com/index/methodology/latest/CE
- MSCI Fundamental Data Methodology – https://www.msci.com/index/methodology/latest/FundData
- MSCI Index Calculation Methodology – www.msci.com/index/methodology/latest/IndexCalc
- MSCI Index Glossary of Terms – www.msci.com/index/methodology/latest/IndexGlossary
- MSCI Index Policies – 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 – www.msci.com/index/methodology/latest/GIMI
- MSCI Global ex Controversial Weapons Indexes Methodology – https://www.msci.com/index/methodology/latest/XCW
- MSCI Global ex Tobacco Involvement Index – https://www.msci.com/index/methodology/latest/ExTobacco
- MSCI Climate Change CTB Methodology – http://www.msci.com/index/methodology/latest/ClimateChangeCTB
- MSCI EU CTB/PAB Index Framework – https://www.msci.com/index/methodology/latest/EUCTBPABIndexFramework
- 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.

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Appendix IX: Changes to this Document

The following sections have been modified as of August 2024

Section 4: Solutions

- Updated the description for Solutions Products

Appendix II: MSCI Low Carbon Transition Risk Assessment

- Updated the details for the Low Carbon Transition Category and Score.

The following sections have been modified as of November 2024

Section 2.4.1 Category Tilt

- Updated to reflect New Solutions Multiplier

Section 2.5.2 Final Universe

- Added details of security weighting in the Final Universe

Section 2.5.3 EU CTB Check

- Added details regarding issuer weight capping in the iterative process.

Section 2.6 Treatment of Unrated Companies

- Added the treatment of companies when data on Business Involvement Screening Research is not available from MSCI Solutions

Appendix V: Iterative Process

- Updated details on the iterative process.

Appendix VII: The Capping Methodology

- Added details on the Capping Methodology for the Indexes.

The following sections have been modified as of December 2025

- The methodology and Index names were updated. As of December 3, 2025, the MSCI Europe ex UK ex Switzerland Climate Change Select Index been renamed to MSCI Europe ex UK ex Switzerland Climate Change Select CTB Index

Section 4.4: MSCI Climate Change Metrics.

- 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 III: Methodology Set

- Added reference to the MSCI EU CTB/PAB Index Framework.

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The following sections have been modified as of November 2026

Section 1: Introduction

- Updated Introduction section to reflect the methodology enhancements.

Section 2.5.2: Final Universe

- Updated table to incorporate a new capping constraint to maintain the aggregate Aerospace & Defense (GICS 201010) weight neutral to the Parent Index

Appendix III: Calculation of Target Metrics

- The Climate Impact Sectors subsection was removed, as it is available in the MSCI EU CTB/PAB Index Framework
- The Calculation of Average Decarbonization has been removed, as it is described in Appendix IV

Appendix V: Iterative Process

- Added details for the new Aerospace & Defense constraint

Appendix VII: The Caping Methodology

- Added details for the new Aerospace & Defense constraint

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