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MSCI Climate Action Corporate Bond Indexes Methodology



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1 Introduction

The MSCI Climate Action Indexes (the ‘Indexes’) are designed to represent the performance of issuers that have been assessed to have favorable characteristics relative to their sector peers in terms of their positioning and actions relative to climate transition.

Issuers from the underlying parent index (the “Parent Index”) are assessed relative to their sector peers based on their emissions intensity, emissions reduction commitments, climate risk management and revenue from greener businesses. The Indexes¹ uses this assessment to select the top 75% of the companies from each GICS®² sector in the Parent Index. Overall, the Index targets a coverage of 75% of the companies per sector from the Parent Index.

¹ The Index is governed by a set of methodology and policy documents (“Methodology Set”), including the present index methodology document. The Methodology Set for the Index can be accessed from MSCI’s webpage <https://www.msci.com/index-methodology> in the section ‘Search Methodology by Index Name or Index Code’.

The Methodology Set includes a document ‘Sustainability Factors in Methodology’ that contains the list of environmental, social, and governance factors considered, and how they are applied in the methodology (e.g., selection, weighting or exclusion)

² GICS, the global industry classification standard jointly developed by MSCI Inc. and S&P Dow Jones Indices.

2 Index Construction Methodology

The Index uses company ratings and research provided by MSCI Solutions LLC ("MSCI Solutions") for the Index construction³.

Constructing the Index involves the following steps:

- Defining the Applicable Universe
- Defining the Eligible Universe
- Selection of Eligible Issuers
- Weighting of Selected Issuers

2.1 Defining the Applicable Universe

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

2.2 Defining the Eligible Universe

The Eligible Universe is constructed from the Applicable Universe by excluding securities of companies based on the exclusion criteria below:

2.2.1 Controversies Score Eligibility

- Controversies: Issuers assessed as having involvement in controversies that are classified as Red Flags (MSCI Controversies 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 Business Involvement Eligibility

The MSCI Climate Action Corporate Bond 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 MSCI Climate Action Corporate Bond Indexes. Please refer to Appendix I for details on these criteria.

- Controversial Weapons
- Tobacco

³ 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.

- Thermal Coal Mining
- Oil Sands
- Nuclear Weapons

2.2.3 Emission Eligibility

Issuers that either have higher Emission Intensity⁴ than the High Emission Threshold (defined below) or higher total potential emission⁵ than the High Potential Emission Threshold (defined below) and do not yet have approved science-based targets⁶ are excluded.

- High Emission Threshold – Emission Intensity of the constituent(s) of the Parent Index at the 95th percentile based on Emission Intensity.
- High Potential Emission Threshold – Total Potential Carbon Emissions excluding Metallurgical Coal of the constituent(s) of the Parent Index at the 95th percentile based on Total Potential Carbon Emissions excluding Metallurgical Coal. This 95th percentile calculation only includes issuers which are considered most likely to use their fossil fuel reserve for energy applications⁷. Issuers without Total Potential Carbon Emissions data are not included in this calculation of 95th percentile.

For Parent Index constituents where the Emission Intensity is not available, the average of top quartile Emission Intensity (highest emitters) of all the constituents of the Parent Index, within each GICS Industry Group in which the issuer belongs, is used. The average of top quartile Emission Intensity within corresponding GICS Sector is used if all the issuers within the GICS Industry Group have missing data. The average of top quartile Emission Intensity within the Parent Index is used if all issuers in both the corresponding GICS Industry Group and GICS Sector have missing data.

2.2.4 Climate Risk Management Eligibility

All issuers which are in the lowest quartile of their GICS sector based on their Climate Risk Management Score are excluded (broadly speaking, these are issuers with the least favorable assessment of the issuer's approach to key issues related to Climate Change Risk and Environmental Opportunities). The calculation of the Climate Risk Management Score is described in Appendix II.

⁴ The calculation of Emission Intensity is described in Appendix II.

⁵ Total Potential Emission is calculated as the potential carbon emissions of the fossil fuel reserves, excluding metallurgical coal reserves, owned by a company. It is computed as the sum of the potential carbon emissions of the thermal coal, total oil and total gas reserves owned by the company.

⁶ Company level emission reduction targets which have been approved by Science Based Targets initiative (SBTi). More details on SBT are available at <https://sciencebasedtargets.org/companies-taking-action>

⁷ Companies with 'Fossil Fuel Reserves – Energy Application' set to True.

2.3 Selection of Eligible Issuers

2.3.1 Issuer -Level Assessment

- Intensity Score - Each issuer is assigned to a quartile based on its sector relative Scope 1+2+3 Greenhouse Gas (GHG) Intensity⁸.
This quartile is labelled as the 'Intensity Score' and is thus an integer between 1 and 4. For example, issuers which constitute the lowest 25% of their sector based on emissions intensity would be assigned an 'Intensity Score' of 1.
- Each issuer is assigned a final Assessment by adjusting the initial Intensity Score according to the following sequence⁹:
 - The Intensity Score is lowered by two quartiles for all issuers that either have an approved science-based target (SBTi) or are assessed to have Credible Track Record.
 - For the remaining issuers, the Intensity Score is lowered by one quartile for any issuer in the fourth quartile based on sector-relative Climate Risk Management Weighted Average Score or Green Business Revenue.¹⁰
 - The Intensity Score of fourth quartile companies based on sector relative Green Business Revenue is lowered only if the Green Business Revenue \geq 5%.
- The Issuer-Level Assessment is floored at 1. More details on calculation steps of Issuer - Level Assessment are described in Appendix II.
The calculation steps for Intensity Score, Credible Track Record, Climate Risk Management Weighted Average Score¹¹, Green Business Score and Green Business Revenue¹² are also described in Appendix II.

2.3.2 Ranked Universe

The Ranked Universe is constructed by sorting eligible issuers from each GICS sector, in ascending order of Issuer -Level Assessment and descending order of market value.

2.3.3 Issuer Selection

For each GICS sector in the Ranked Universe, 75% of the number of issuers in the Applicable Universe are selected in the following order -

⁸ Prior to the June 2020, the Green House Gas (GHG) Intensity has been calculated based on Scope 1+2 Emissions.

⁹ See Appendix II (Calculation of Issuer Level Assessment) for detailed explanation.

¹⁰ The fourth quartile here corresponds in broad terms to strong climate risk management or high sector-relative green business revenues.

¹¹ See Appendix III for the definition.

¹² See Appendix IV for the definition.

- Issuers are selected from the top until the number of issuers are less than or equal to 60% of the number of issuers in the Applicable Universe.
- Issuers which are ranked between 60% and 90% of the number of issuers in the Applicable Universe, which are also current constituents of the Index, are selected.
- Remaining issuers which are ranked between 60% and 90% of the number of issuers in the Applicable Universe are selected until the total number of selected issuers are less than or equal to 75% of the number of issuers in the Applicable Universe. Any issuer which takes the number of selected issuers beyond 75% of the number of issuers in the Applicable Universe is also selected.

2.4 Weighting Selected Issuers

The Parent Index weights of securities corresponding to the selected issuers are renormalized to 100%. Additionally, the max issuer weights are capped at 3%¹³.

2.4.1 Active GICS Sector Weight Cap and Floor

The Active sector weights of selected securities are restricted to +/-1%. The active sector weights are capped using the following steps:

- Active sector weights are calculated by aggregating the active weight of securities in the Parent Index. The active weight is calculated as the difference between the weight of securities calculated as per section 2.4 and their respective weight in the Parent Index.
- Active sector weights which are greater than +1% are capped at +1% and active sector weights which are smaller than -1% are floored at -1%.
- Sector weights of the remaining sectors are renormalized so that the aggregate weight of all sectors adds to 100%.
- For each GICS sector, the sector weight as calculated above is distributed to the selected securities within the GICS sector in proportion of their weight calculated under section 2.4.

2.5 Treatment for entities not covered by MSCI Solutions

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 Controversy Score
- MSCI Business Involvement Screening Research (BISR) criteria

For Parent Index constituents where the Emission Intensity is not available the specific treatment is explained in section 2.2.3

¹³ The issuer capping is applied based on issuer ticker classification from the vendor.

3 Maintaining the Indexes

- The composition of the Indexes is reviewed monthly, with an effective rebalancing impact on the first business day of the month (Rebalancing Date). For clarification, bonds are added to the Index at the closing of the last business day of every month, however, the return impact is on the first business day of the month.
- Change in the Index composition is based on latest¹⁴ data available (including MSCI Sustainability & Climate data) three days prior to the Rebalancing Date, which is defined as the Cut-Off Date. Any inclusion or exclusion criteria satisfied for a given security in the universe, after the Cut-Off Date (T-3), will generally become effective at the following monthly rebalancing; should conditions remain unchanged. In exceptional cases, for instance, cases of input data correction, MSCI can reduce the Cut-Off Date for Index rebalancing from T-3 to T-2, T-1 or T. In such instances, MSCI will notify Index clients of such changes via announcement.
- MSCI will disclose proforma Index rebalancing results starting the second business day of each month. MSCI will freeze the pro forma Index rebalancing results as of the Cut-Off Date.
- Bonds are added to or deleted from the Index only on monthly rebalancing dates. For the existing Index components any changes to Index eligibility will only be reflected in the next monthly rebalancing.
- Any inclusion or exclusion criteria satisfied for a given security in the universe, after the Cutoff Date, will generally become effective at the following monthly rebalancing; should conditions remain unchanged.
- Any cash that accrues within the index each month is re-invested on a pro-rata basis across the index constituents on the effective date of rebalancing. In essence, cash in the Index is swept out on rebalancing and the opening Index portfolio on the Rebalancing Date starts with zero accrued cash balance.
- Specific variants of total return calculation of the Index on the Rebalancing Date may be adjusted for transaction costs as securities are added to the Index at the offer price.

For further information on index total return calculation please refer to the MSCI Fixed Income Index Calculation Methodology¹⁵. For the holiday calendar used in the index, please refer to the MSCI Fixed Income Data Methodology¹⁶. MSCI leverages the GICS®¹⁷ sector classification framework for MSCI Corporate Bond Indexes as well. Please refer to MSCI GICS Methodology¹⁸ for details.

¹⁴ Sustainability and Climate data will utilize the most recent, quality-assured information available. For index rebalancing, the latest data that has successfully undergone quality assurance checks will be employed. In cases where recent data changes are still undergoing verification, only data that has passed the quality assurance process will be considered.

¹⁵ Refer to the MSCI Fixed Income Index Calculation Methodology for detail. Available at <https://www.msci.com/Index-methodology>

¹⁶ Refer to the MSCI Fixed Income Index Data Methodology for detail. Available at <https://www.msci.com/Index-methodology>

¹⁷ GICS, the global industry classification standard jointly developed by MSCI Inc. and S&P Dow Jones Indices.

¹⁸ The GICS methodology is available at: <https://www.msci.com/gics>.

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, and MSCI Impact Solutions. MSCI Indexes are administered by MSCI Limited and MSCI Deutschland GmbH.

4.1 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 a 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	<ol style="list-style-type: none"> 4. Sustainable Water 5. Pollution Prevention 6. Sustainable Agriculture
Social Impact	Basic Needs	<ol style="list-style-type: none"> 7. Nutrition 8. Major Disease Treatment 9. Sanitation 10. Affordable Real Estate
	Empowerment	<ol style="list-style-type: none"> 11. SME Finance 12. Education 13. Connectivity – Digital divide

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

The MSCI Impact Solutions 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 standards and restrictions reliably and efficiently.

For more details on MSCI Business Involvement Screening Research, please refer to <https://www.msci.com/legal/sustainability-and-climate-resources-and-disclosures>.

4.4 MSCI Climate Change Metrics

MSCI Climate Change Metrics provides climate data & tools to support institutional investors seeking to integrate climate risk & 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, align 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/climate-disclosures>.

Appendix I: Business Involvement Eligibility

- **Controversial Weapons**

All issuers with any tie to Controversial Weapons as defined below:

- Cluster Bombs
 - MSCI Solutions' cluster bomb research identifies issuers that are involved in the production of cluster bombs and munitions, or the essential components of these products.
- Landmines
 - MSCI Solutions' landmines research identifies issuers 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 issuers involved in the production of depleted uranium weapons and armor.
- Chemical and Biological Weapons
 - MSCI Solutions' chemical and biological weapons research identifies issuers 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 issuers 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 issuers 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 issuers that are involved in the production of weapons using white phosphorus.

Involvement criteria:

- Producers of 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. 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.

- **Tobacco**

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

- **Thermal Coal Mining**

- All issuers 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 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 (either reported or estimated).

- **Oil Sands**

- All issuers deriving 5% or more revenue from oil sands extraction, which own oil sands reserves and disclose evidence of deriving revenue from oil sands extraction. It does not cover revenue from non-extraction activities (e.g., exploration, surveying, processing, refining), ownership of oil sands reserves with no associated extraction revenue, or intra-company sales.

- **Nuclear Weapons**

- All issuers that manufacture nuclear warheads and/or whole nuclear missiles. It includes assembly and integration of warhead and missile body, as well as companies with contracts to operate/manage government-owned facilities that manufacture nuclear warheads and missiles.
- All issuers that manufacture components that were developed or are significantly modified for exclusive use in nuclear weapons (warheads and missiles). It includes companies with contracts to operate/manage government-owned facilities that manufacture components for nuclear warheads and missiles.
- All issuers that manufacture or assemble delivery platforms that were developed or significantly modified for the exclusive delivery of nuclear weapons.
- All issuers that provide auxiliary services related to nuclear weapons, such as repairing and maintaining nuclear weapons, providing overhaul and upgrade services, stockpiling and stewardship, R&D work, testing and simulations, etc. It also includes companies with contracts to operate/manage government-owned facilities that conduct R&D, testing, simulations, and other essential sciences on nuclear weapons.
- All issuers 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 issuers 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 issuers that manufacture components for nuclear-exclusive delivery platforms

Appendix II: Calculation of Issuer Level Scores

Sector Relative Quartiles

For each issuer in the Applicable Universe, the following issuer level scores are calculated as sector relative quartiles:

Table 1

Score		Ranking Metric
1	Intensity Score	Emission Intensity
2	Green Business Score	Green Business Revenue
3	Climate Risk Management Score	Climate Risk Management Weighted Average Score
4	Track Record Score	Emission Track Record

- Emission Intensity
 - Issuer level Emission Intensity = Global Green House Gas (GHG) Emission / (Enterprise Value + Cash (\$))
 - GHG Emission = Emissions from Scope 1+2+3¹⁹
- Green Business Revenue - Issuer level cumulative % of revenue from a set of 'Clean Tech' themes described in Appendix IV.
- Climate Risk Management Raw Score - Issuer level weighted average of a set of climate change related key issue management scores which are described in Appendix III.
- Emission Track Record –Issuer level track record is calculated as follows:
 - Issuer level yearly (YoY) change in emissions is calculated for last 4 years (3 yearly changes).
 - Average Yearly Emission Change – issuer level 'average yearly emission change' is calculated as a geometric average of last 3 yearly changes. Average Yearly Emission Change is not calculated for issuers with less than 4 years of emission data.
 - Emission Track Record – For all issuers which meet the following conditions their Emission Track Record is set to be equal to the Average Yearly Emission Change.
 - Average Yearly Emission Change < - 2%
 - Reports Scope 1 and 2 emissions
 - Has published an emission reduction target
 Emission Track Record is not assigned to issuers which do not meet above conditions.

¹⁹ Prior to June 1, 2020, issuer level GHG Emission = Emissions from Scope 1+2.

Calculation of Sector Relative Quartiles

- For each GICS sector, issuers are ranked in descending order of their ranking metric and then descending order of float adjusted market capitalization.
- Ranked issuers are divided into four equal groups (quartiles).
- Issuers in the top group receive a score of 4 and Issuers in the bottom group receive a score of 1 within each sector.
- Issuers that receive a quartile score of 4 based on Ranking Metrics described in Table 1 are, in broad terms, issuers that have (compared to sector peers)
 - relatively higher values for their Emissions Intensity,
 - higher levels of Green Business Revenues,
 - more favorably assessed Climate Risk Management Weighted Average Scores, or
 - a weaker Emission Track Record.²⁰

Assessment of Credible Track Record

Issuer is assessed to have a Credible Track Record if it is assigned a Track Record Score of 1.

Calculation of Issuer Level Assessment

Table 2 describes the calculation of Issuer Level Assessment through examples of 5 hypothetical companies.

- Company A and Company E do not receive any promotion and hence their Issuer Level Assessments are the same as their respective Intensity Score.
- Company B is assigned a Climate Risk Management Score of 4 and hence its Intensity Score is lowered by one quartile, and the company is assigned an Issuer Level Assessment of 1.
- Company C is assigned a Climate Risk Management Score of 4 and its emission reduction targets are approved as science-based targets. Because of approved science-based targets, the company's Intensity Score is lowered by two quartiles. However, Issuer Level Assessment cannot be lower than 1 and hence the company is assigned an Issuer Level Assessment of 1
- Company D's emission reduction targets are approved as science-based targets, because of which the company's Intensity Score is lowered by two quartiles, and the company is assigned an Issuer Level Assessment of 1.
- Company F is assigned a Green Business Score of 4 and hence its Intensity Score is lowered by one quartile, and the issuer is assigned an Issuer Level Assessment of 2.

²⁰ Since a favorable Track Record is negative, lower values of the Track Record indicate a stronger historic reduction in emissions

Table 2

	Companies					
	A	B	C	D	E	F
Intensity Score*	1	2	2	3	4	3
- Climate Risk Management Score*	2	4	4	2	2	2
- Green Business Score*	3	2	1	2	2	4
- Has Approved Science Based Targets	No	No	Yes	Yes	No	No
- Has Credible Track Record	No	No	No	No	No	No
Promoted by Quartile(s)	0	1	2	2	0	1
Issuer Level Assessment	1	1	1	1	4	2

* Refers to Sector Relative Quartiles

Appendix III: Climate Risk Management Weighted Average Score

Climate Risk Management Weighted Average Score is calculated for issuers in the Applicable Universe using following key issue management scores from MSCI ESG Ratings methodology related to management of Climate Change Risk and Environmental Opportunities.

- Carbon Emissions Management Score
- Product Carbon Footprint Management Score
- Climate Change Vulnerability Management Score
- Biodiversity and Land use Management Score
- Opportunities in Clean Tech Management Score
- Opportunities in Green Building Management Score
- Opportunities in Renewable Energy Management Score

Issuer's Climate Risk Management Weighted Average Score by considering Issuer's key issue management score and key issue weight.

If an issuer is only assigned a Management Score for the key issue 'Carbon Emissions Management Score' then the 'Climate Risk Management Weighted Average Score' is set to be equal to the 'Carbon Emissions Management Score'

Appendix IV: Calculation of Green Business Revenue

For each issuer in the Parent Index, the Green Revenue% is calculated as the cumulative revenue (%) from the six Clean Tech 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 significantly address biodiversity loss, pollution, land disturbance, and water overuse

Appendix V: 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/FIInfo>
- MSCI Fixed Income Data Methodology –
<https://www.msci.com/index/methodology/latest/FIDATA>
- MSCI Fixed Income Calculation Methodology –
<https://www.msci.com/index/methodology/latest/FIINDEXCALC>
- MSCI Fixed Income Glossary of Terms –
<https://www.msci.com/index/methodology/latest/FIGLOSS>
- MSCI Fixed Income Index Policies –
<https://www.msci.com/index/methodology/latest/FIINDEXPOLICY>
- MSCI Corporate Bond Indexes Methodology –
<https://www.msci.com/index/methodology/latest/FIIGCORP>
- Sustainability 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'.

*Sustainability 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 VI: Changes to this Document

The following sections have been modified as of December 2024:

Section 2

- Added details regarding the MSCI Solutions data used for Index Construction.

Section 2.4

- New Section detailing the treatment of companies with ratings and research not available from MSCI Solutions.

Appendix V: Methodology Set

- Added details on the Methodology Set for the Index

The following sections have been modified as of July 2025:

- Methodology Book was updated using the latest branding template.
- The ESG Research Product descriptions were updated to include Section 4.

The following section has been modified as of December 2025:

- Updated branding for MSCI Sustainability & Climate data.
- Sections 1, 2 and 3 and Appendix I, II, III, and IV were updated to reflect that the criteria is applied at issuer rather than security level.
- Section 2.4.1 was updated to reflect the updated active sector weight threshold.

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To learn more, please visit www.msci.com.
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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>.

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