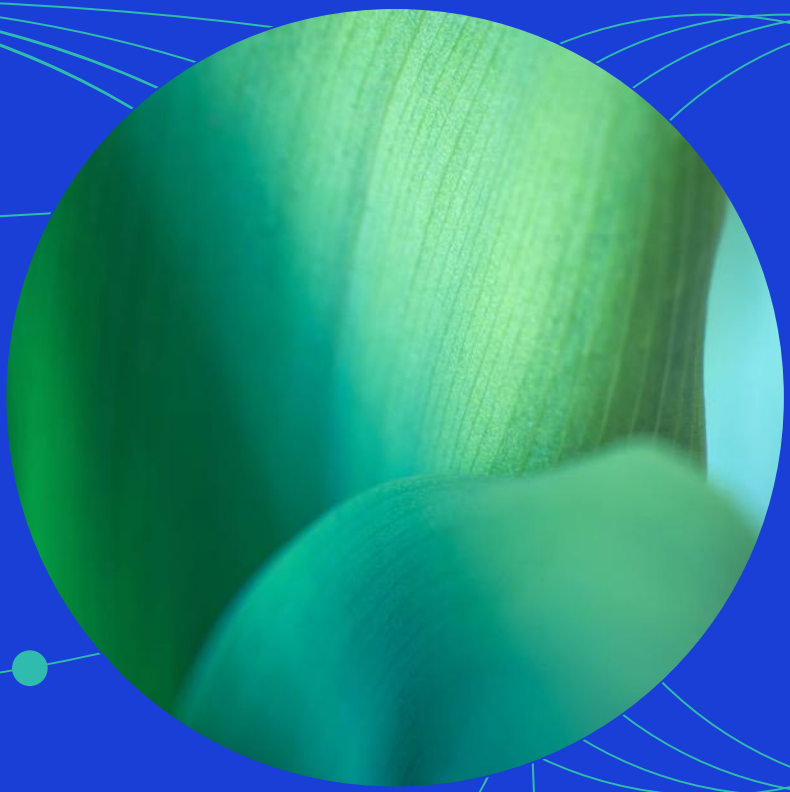
Index Methodology

November 2026

MSCI Climate Paris Aligned PAB Indexes Methodology



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1 Introduction

The MSCI Climate Paris Aligned PAB Indexes[1] ("the Indexes") are designed to support investors seeking to reduce their exposure to transition and physical climate risks and who wish to pursue opportunities arising from the transition to a lower-carbon economy, while aligning with the Paris Agreement requirements.

The Indexes are designed to exceed the minimum standards for EU Paris Aligned Benchmarks[2], while minimizing ex-ante tracking error relative to the respective Parent Indexes.

Exclusions applied in addition to the EU PAB requirements

- Companies involved in nuclear weapons
- Companies involved in civilian firearms
- Stricter exclusion criteria for oil and gas revenue

Additional climate constraints that exceed the EU PAB requirements

- Reduce potential emissions intensity by 50%
- Achieve a maximum Implied Temperature Rise of 2.0°C
- Align with a 1.5°C climate scenario based on aggregated cumulative projected emissions
- Reduce the Index's exposure to physical risk arising from extreme weather events by at least 30%
- Increase the aggregated weight of companies with green business revenue by 100%
- Achieve a ratio of green to fossil fuel-based revenue of at least 4 times

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

[2] The corresponding minimum requirements are defined in Commission Delegated Regulation (EU) 2020/1818, available under https://eur-lex.europa.eu/eli/reg_del/2020/1818/oj. MSCI's approach to meeting these requirements is described in the MSCI EU CTB/PAB Index Framework, available under https://www.msci.com/index/methodology/latest/EUCTBPABIndexFramework. In case changes to the Index methodology are required to maintain compliance with the regulatory CTB/PAB labels, MSCI will issue an announcement prior to implementing the changes in the methodology. MSCI will not conduct a formal consultation for such an update.

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2 Constructing the Indexes

The Indexes use company ratings and research provided by MSCI Solutions LLC ("MSCI Solutions")[3] to determine eligibility for index inclusion.

2.1 Eligible Universe

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

1. **Controversial Weapons**: All companies involved in Controversial Weapons as defined by the methodology of the MSCI Ex-Controversial Weapons Indexes.
2. **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.
3. **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.
4. **Oil & Gas**: All companies that derive 10% or more revenue from oil and gas related activities, including distribution / retail, equipment and services, extraction and production, petrochemicals, pipelines and transportation and refining but excluding biofuel production and sales and trading activities.
5. **Power Generation**: All companies that derive 50% or more revenue from thermal coal-based power generation, liquid fuel based-power generation and natural gas-based power generation[1].
6. **Tobacco**: All companies with involvement in Tobacco as defined by the methodology of the MSCI Global ex Tobacco Involvement Indexes.
7. **Thermal Coal**:

[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.

[1] As per https://www.ipcc.ch/site/assets/uploads/2018/02/ipcc_wg3_ar5_chapte`r7.pdf, thermal coal based power generation, liquid fuel based power generation and natural gas based power generation have median lifecycle emissions exceeding 100gCO_2/kWh.

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- **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), intra-company sales of mined thermal coal, and revenue from coal trading (either reported or estimated).
- **Thermal Coal Distribution:** All companies with evidence of thermal coal distribution or transport involvement. This includes transport of thermal coal by road, rail, shipping or air, and physical trading of thermal coal. It does not include involvement in storage of thermal coal, or involvement in metallurgical coal-related activities.

8. **Civilian Firearms**:
   - All companies classified as "Producer" of firearms and small arms ammunitions for civilian markets. It does not include companies that cater to the military, government, and law enforcement markets.
   - All companies that derive 5% or more aggregate revenue from the production and distribution (wholesale or retail) of firearms or small arms ammunition intended for civilian use.
9. **Nuclear Weapons**: All companies involved in meeting specific nuclear weapons business involvement criteria as described in Appendix IV.

2.2 Optimization Constraints

At each Index Review, the indexes are constructed using an optimization process that aims to achieve replicability and investability as well as minimize ex-ante tracking error relative to the Parent Index subject to the following constraints:

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

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

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

No.	Transition and Physical Risk Objective	Target Value
1	Minimum reduction in Greenhouse Gas (GHG) Intensity (Scope 1+2+3[2]) relative to Parent Index	50%
2	Minimum average reduction (per annum) in GHG Intensity relative to GHG Intensity at the Base Date[3]	7%[8]
3	Minimum active weight in High Climate Impact Global Industry Classification Standard (GICS®)[9] sector[10] relative to the Parent Index	0%
4	Minimum reduction in Weighted Average Potential Emissions Intensity relative to Parent Index	50%
5	Minimum reduction in Weighted Average Physical Risk Climate Value-at-Risk (Aggressive Scenario) relative to Parent Index	30%[11]

Table 2: Constraints imposed in order to meet transition opportunity objectives

No.	Transition Opportunity Objective	Target Value
6	Minimum ratio of Weighted Average Green Revenue/ Weighted Average Fossil fuels-based Revenue relative to the Parent Index	4 times
7	Minimum increase in Weighted Average Green Revenue relative to the Parent Index	100%
8	Index Implied Temperature Rise (ITR)[13]	<=2.0°C

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

[3] Prior to the May 2020 Semi-Annual Index Review (SAIR) of the Indexes, the average reduction in WACI has been calculated using Scope 1+2 Emissions since Inception.

[8] Prior to the November 2026 Index Review, the minimum average annual reduction (per annum) in GHG Intensity relative to the Base Date was 10%.

[9] GICS is the Global Industry Classification Standard (GICS) was developed by and is the exclusive property of MSCI and S&P Dow Jones Indices.

[10] 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.

[11] In case the Parent Index has a positive Weighted Average Physical Risk Climate VaR, the floor will be applied at the level of the Weighted Average Physical Risk Climate VaR of the Parent Index

[13] For further details on the Implied Temperature Rise and Cumulative Projected Emissions calculations, please refer to Appendix V.

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No.	Transition Opportunity Objective	Target Value
9	Aggregate Cumulative Projected Emissions[14]	Aligned with <=1.5°C ITR

Table 3: Constraints imposed to meet diversification objectives

No.	Diversification Objective	Target Value
10	Constituent Active Weight	+/- 2%
11	Minimum constituent weight	0.01%
12	Security Weight as a multiple of its weight in the Parent Index	20x
13	Active Sector Weights (the Energy GICS Sector is not constrained)	+/- 5%
14	Active Country Weights[16]	+/- 5%
15	One Way Turnover	5%
16	Common Factor Risk Aversion[18]	0.0075
17	Specific Risk Aversion[19]	0.075

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

- Relax the one-way index turnover constraint in steps of 1% up to 20%
- Relax the active sector weight constraint in steps of 1% up/down to +/-20%
- Relax the constituent active weight bounds in steps of 0.5% up to +/-5%

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

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

[14] For the MSCI Canada Climate Paris Aligned Index, the constituent active weight constraint is set to +/- 5% instead of +/- 2%.

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

[18] The Common Risk Aversion penalizes systematic risk during the optimization process.

[19] The Specific Risk Aversion penalizes idiosyncratic (asset-specific) risk during the optimization process.

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2.3 Determining the Optimized Index

The Indexes are constructed using the Barra Open Optimizer[20] in combination with the relevant Barra Equity Model. The optimization uses universe of eligible securities and the specified optimization objectives and constraints to determine the constituents of the Indexes.

2.4 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
- MSCI Business Involvement Screening Research (BISR)

For the treatment of unrated companies in the calculation of target metrics for the optimization process, please refer to Appendixes II and V.

[20] Please refer to Appendix VI and VII for more details.

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3 Maintaining the Indexes

3.1 Index Reviews

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

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

3.2 Ongoing Event Related Changes

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

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

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

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

Event Type	Event Details
New additions to the Parent Index	A new security added to the Parent Index (such as IPO and other early inclusions) will not be added to the index.
Spin-Offs	All securities created as a result of the spin-off of an existing Index constituent will be added to the Index at the time of event implementation if the spin-off security is also added to the Parent Index. 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

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	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.

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 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 Controversy Score, MSCI Business Involvement Screening Research, and MSCI Climate Change Metrics, MSCI Impact Solutions. 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.

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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 (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.

4.3.3 Implied Temperature Rise (ITR)

ITR is a forward-looking temperature alignment metric for companies and portfolios. Specifically, the ITR methodology evaluates if companies and portfolios are aligned with the Paris Agreement temperature goals — in particular, the maximal goal of limiting global mean surface temperature to an increase no more than 1.5°C in the year 2100 compared with preindustrial levels. A key consideration to ITR is the concept of a carbon budget, that is, how much the world can emit so that global warming doesn't exceed 1.5°C by 2100 and, by extension, how much a company can emit to take its fair share of global decarbonization. ITR extrapolates the global implied temperature rise at a 2100 horizon if the entire economy had the same budget overshoot or undershoot as a given company or portfolio.

4.3.4 Climate Value-at-Risk (VaR)

Climate VaR provides a forward-looking and return-based valuation assessment to measure climate-related risks and opportunities. Climate VaR is a quantitative assessment calculated at the company and security level. The aggregated company Climate VaR is calculated as a percentage of market value (from -100% to +100%) for multiple climate scenarios and includes the valuation impacts arising from technology opportunities, policy risks and physical risks. The Climate VaR model uses a data-driven approach, examining a company's positioning within its industry and the regions where it operates. It considers the potential costs and profits associated with different climate scenarios, including the impacts of carbon pricing, regulatory changes, and physical climate events. By simulating these scenarios, the model estimates how climate change could affect a company's financial performance and overall valuation.

4.4 MSCI Impact Solutions: Sustainable Impact Metrics

MSCI Impact Solutions' Sustainable Impact Metrics is designed to identify companies that derive revenue from products or services with positive impact on society and the environment. The

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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	1. Alternative energy 2. Energy efficiency 3. Green building
	Natural capital	4. Sustainable water 5. Pollution prevention 6. Sustainable agriculture
Social Impact	Basic needs	7. Nutrition 8. Major Disease Treatment 9. Sanitation 10. Affordable Real Estate
	Empowerment	11. SME Finance 12. Education 13. Connectivity – Digital divide

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

For more details on MSCI Sustainable Impact Metrics, please refer to: https://www.msci.com/legal/sustainability-and-climate-resources-and-disclosures.

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Appendix I: MSCI Climate Value-at-Risk

The MSCI Climate Value-at-Risk measurement helps investors to assess future costs related to climate change and understand what those future costs could mean in the current valuation of securities. The premise of Climate Value-at-Risk is to aggregate costs related to specific climate risks and calculate what these costs might signify about financial performance into the foreseeable future.

4°C Aggregated Physical Risk Equity Climate VaR (IPCC SSP3-7.0, Aggressive Outcome) [%]

An equity's "worst-case" (95th percentile) downside or upside potential, expressed as a percentage of the equity's market value, assuming trends in extreme cold, extreme heat, extreme precipitation, heavy snowfall, extreme wind, coastal flooding, fluvial flooding, river low flow, tropical cyclones and wildfires continue along the 4°C IPCC SSP3-7.0 scenario.

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Appendix II: 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 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 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 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) =

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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 cumulative revenue (%) from the six Clean Tech themes listed below:

- 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.

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- Energy Efficiency[21] – products, and services that support the maximization of productivity in labor, transportation, power and domestic applications with minimal energy consumption to ensure universal access to affordable, reliable and modern energy services.
- Sustainable Water – products, services, infrastructure projects and technologies that resolve water scarcity and water quality issues, through minimizing and monitoring current water demand, improving the quality and availability of water supply to improve resource management in both domestic and industrial use.
- Green Building – design, construction, redevelopment, retrofitting, or acquisition of green-certified properties to promote mechanisms for raising capacity for effective climate change mitigation and adaptation.
- Pollution Prevention – products, services, infrastructure projects and technologies that reduces volume of waste materials through recycling, minimizes introduction of toxic substances, and offers remediation of existing contaminants such as heavy metals and organic pollutants in various environmental media to significantly address pollution in all levels and its negative effects
- Sustainable Agriculture - revenues from forest and agricultural products that meet environmental and organic certification requirements to address significantly biodiversity loss, pollution, land disturbance, and water overuse

The Weighted Average Green Revenue% is calculated as:

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

Fossil fuels-based Revenue

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

- Revenue% (either reported or estimated) from the mining of thermal coal (including lignite, bituminous, anthracite and steam coal) and its sale to external parties. It excludes revenue from metallurgical coal, coal mined for internal power generation (e.g. in the case of vertically integrated power producers), intra-company sales of mined thermal coal and revenue from coal trading (either reported or estimated)
- Revenue% from the extraction, production and refining of Conventional and Unconventional Oil & Gas. Conventional Oil and Gas includes Arctic onshore/offshore, deep water, 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.

[21] Revenue derived from IT Optimization & Services is no longer included under this sub-category. This includes revenue derived from IT optimization services & infrastructure, like virtualization, data center optimization, cloud platform enablement and other similar technologies.

The Green Revenue exclusion for IT Optimization & Services was applied to the MSCI Switzerland IMI Climate Paris Aligned PAB, MSCI Europe IMI ex Switzerland ex United Kingdom Climate Paris Aligned PAB and MSCI United Kingdom IMI Climate Paris Aligned PAB Indexes at the November 2026 Index Review, in line with the rest of the Indexes.

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- Revenue% from thermal coal based power generation, liquid fuel based power generation and natural gas based power generation.

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

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

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

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

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Appendix III: Decarbonization Trajectory of Indexes

Decarbonization Trajectory Adjustments

At the November 2025 Index Review, a new Base Date[24] was determined for MSCI Climate Paris Aligned PAB Indexes that met the requirements of a Base Reset, as defined in Section 5.1: Changes in Base Dates and Section 5.2: Decarbonization Trajectory Adjustments of the MSCI EU CTB/PAB Index Framework.

For full details on the recalculation process, including the relevant equations and examples, please refer to Sections 4, 5.1 and 5.2, and Appendix V of the *MSCI EU CTB/PAB Index Framework*.

Decarbonization Data

The Weighted Average GHG Intensity on the Base Date (W_{tb}) is used to compute the target Weighted Average GHG Intensity at any given Semi-Annual Index Review (W_t)[4].

The target year-on-year decarbonization has been aligned to the 7% minimum EU PAB requirement on a going-forwards basis starting at the point of the methodology transition at the November 2026 Index Review.

At each Index Review, the target weighted average GHG Intensity is calculated by applying a 10% year-on-year reduction from the base date up to the June 2026 Index Review, and a 7% year-on-year reduction thereafter.

$$W_t = W_{tb} * \ 0.90^{\frac{min(t-t_b,\ t_c-t_b-1)}{2}} * \ 0.93^{\frac{max(0,\ t-t_c+1)}{2}}$$

Where

- t_b is the Base Date.
- t_c is the methodology transition date (implemented at the November 2026 Index Review, effective December 1, 2026).
- $t_c - t_b - 1$ is the number of semi-annual Index Reviews between the Base Date and t_c, excluding the Base Date, and excluding t_c .
- $t - t_c + 1$ is the number of semi-annual Index Reviews that have elapsed since (and including) t_c.

In particular, the above formula means that for the period from the June 2026 Index Review to the November 2026 Index Review, the new 7% year-on-year target decarbonization rate is applicable.

[24] The Base Date is defined in Section 4 of the MSCI EU CTB/PAB Index Framework

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The table below shows the Weighted Average GHG Intensity on the Base Date (W_1) for each of the regions where the Indexes are constructed. The calculation of the targeted decarbonization trajectory is specified in section 4 of the MSCI EU CTB/PAB Index Framework[25].

Index	Parent Index	Decarbonization Start Date	Base Date	W_1 (tCO2/M$ Enterprise Value + Cash)
MSCI ACWI Climate Paris Aligned PAB Index	MSCI ACWI Index	June 01, 2020	June 01, 2020	231.29
MSCI J-Series ACWI Climate Paris Aligned PAB Index	MSCI J-Series ACWI Index	June 01, 2020	June 01, 2020	231.29
MSCI ACWI ex USA Climate Paris Aligned PAB Index	MSCI ACWI ex USA Index	June 01, 2020	November 25, 2025	215.66
MSCI World Climate Paris Aligned PAB Index	MSCI World Index	June 01, 2020	June 01, 2020	227.32
MSCI World ex USA Climate Paris Aligned PAB Index	MSCI World ex USA Index	June 01, 2020	November 25, 2025	204.54
MSCI World ex EMU Climate Paris Aligned PAB Index	MSCI World ex EMU Index	June 01, 2020	June 01, 2020	211.72
MSCI EM (Emerging Markets) Climate Paris Aligned PAB Index	MSCI EM (Emerging Markets) Index	June 01, 2020	November 25, 2025	220.44
MSCI J-Series EM Climate Paris Aligned PAB Index	MSCI J-Series EM Index	June 01, 2020	June 01, 2020	316.75
MSCI EAFE Climate Paris Aligned PAB Index	MSCI EAFE Index	June 01, 2020	November 25, 2025	200.83
MSCI Europe Climate Paris Aligned PAB Index	MSCI Europe Index	June 01, 2020	November 25, 2025	156.89

[25] For further details on the MSCI EU CTB/PAB Index Framework, please refer to: https://www.msci.com/index/methodology/latest/EUCTBPABIndexFramework

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Index	Parent Index	Decarbonization Start Date	Base Date	W_1 (tCO2/M$ Enterprise Value + Cash)
MSCI Europe Small Cap Climate Paris Aligned PAB Index	MSCI Europe Small Cap Index	June 01, 2020	June 01, 2020	264.20
MSCI EMU Climate Paris Aligned PAB Index	MSCI EMU Index	June 01, 2020	June 01, 2020	306.37
MSCI North America Climate Paris Aligned PAB Index	MSCI North America Index	June 01, 2020	June 01, 2020	192.33
MSCI USA Climate Paris Aligned PAB Index	MSCI USA Index	June 01, 2020	June 01, 2020	208.81
MSCI Canada Climate Paris Aligned PAB Index	MSCI Canada Index	June 01, 2020	November 25, 2025	156.75
MSCI Japan Climate Paris Aligned PAB Index	MSCI Japan Index	June 01, 2020	November 25, 2025	271.87
MSCI AC Asia ex Japan Climate Paris Aligned PAB Index	MSCI AC Asia ex Japan Index	June 01, 2020	November 25, 2025	214.25
MSCI AC Asia Pacific ex Japan Climate Paris Aligned PAB Index	MSCI AC Asia Pacific ex Japan Index	June 01, 2020	November 25, 2025	212.83
MSCI China Climate Paris Aligned PAB Index	MSCI China Index	June 01, 2020	November 25, 2025	115.77
MSCI China A Climate Paris Aligned PAB Index	MSCI China A Index	June 01, 2020	June 01, 2020	193.44
MSCI EM (Emerging Markets) ex China Climate Paris Aligned PAB Index	MSCI EM (Emerging Markets) ex China Index	June 1, 2020	November 25, 2025	227.94

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Decarbonization Data for Indexes launched in 2026:

The 3 Indexes in the table above were constructed according to the November 2026 methodology since inception, but the Green Revenue definition – no longer including IT Optimization & Services – was applied from the November 2026 Index Review onwards.

The decarbonization since inception is calculated using the following formula:

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

Where:

- t is the number of semi-annual Index Reviews that have elapsed since the Base Date.

The transition provisions in Appendix VIII are not applicable to these Indexes.

Index	Parent Index	Decarbonization Start Date	Base Date	W_1 (tCO2/M$ Enterprise Value + Cash)
MSCI Switzerland IMI Climate Paris Aligned PAB Index*	MSCI Switzerland MI Index	June 01, 2020	June 01, 2020	121.53
MSCI Europe IMI ex Switzerland ex United Kingdom Climate Paris Aligned PAB Index*	MSCI Europe ex United Kingdom ex Switzerland IMI Index	June 01, 2020	June 01, 2020	282.03
MSCI United Kingdom IMI Climate Paris Aligned PAB Index*	MSCI United Kingdom IMI Index	June 01, 2020	June 01, 2020	416.45

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Appendix IV: Companies Involved in Nuclear Weapons Business

Companies whose activities meet the following criteria, as determined by MSCI Solutions, are excluded from the Index:

- 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.

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Appendix V: Calculation of Implied Temperature Rise and Cumulative Projected Emissions

Implied Temperature Rise (ITR)

The index-level ITR is calculated through an aggregated budget approach. The sum of emissions overshoot is compared against the sum of emissions budget for the portfolio and converted to a degree of temperature rise using the TCRE approach[26].

$$\text{Index-level ITR} = Base\ Temperature + \frac{\sum(Global\ Budget * TCRE\ Factor * Security\ Weight\ in\ Index * \frac{Emissions\ Overshoot}{EVIC})}{\sum(Security\ Weight\ in\ Index * \frac{Emissions\ Budget}{EVIC})}$$

where

- Base Temperature = 1.5 degrees[27], as per the MSCI ITR Model
- Global Budget = remaining total carbon budget available to limit global warming to 1.5 degrees
- Emissions Overshoot [Budget] = company-level cumulative emissions overshoot [budget] projected until 2050, as per the MSCI ITR Model

Cumulative Projected Emissions

Each company's cumulative projected emissions overshoot is calculated from four different estimates, using the formula "Max (Min (O1, O2, O3), O4)", where:

- O1 = Cumulative Emissions Overshoot published by MSCI Solutions, as per the MSCI ITR Model
- O2 = Cumulative Emissions Overshoot Cap, imputed from assuming a maximum ITR of 10 degrees for the company[28]
- O3 = Cumulative Emissions Overshoot assuming decarbonization of the company's current Scopes 1+2+3 emissions at a constant rate of 10% until 2050
- O4 = Cumulative Emissions Overshoot Floor, imputed from assuming the company will not decarbonize further once aligned with the minimum ITR of 1.3 degrees

Note that at index level, the company-level cumulative projected emissions overshoot are aggregated with the company-level projected emissions budget using the Index-level ITR formula above, to assess Constraint 9 as per Section 2.2.

[26] The Transient Climate Response to Cumulative Carbon Emissions (TCRE), established by the IPCC, provides a relationship that links each additional unit of emissions emitted beyond the available remaining global carbon budget to degrees of additional warming.

[27] The MSCI ITR Model references a global warming scenario of 1.55°C by the year 2100. Please note that "1.5°C" is generally used as a shorthand in the MSCI ITR Methodology

[28] The Company-level ITR calculation compares the Cumulative Emissions Overshoot for the company against its Cumulative Emissions Budget and is converted to a degree of temperature rise using the TCRE approach. If a company's projected emissions budget is zero, the index assigns the company the smallest budget at which its cumulative projected emissions would correspond to an ITR of 10°C, and calculates O2 as the overshoot relative to that budget. This ensures O2 caps the company at a 10°C pathway, consistent with all other companies.

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Missing Data Treatment: Companies with missing data for emissions budget and emissions overshoot are not considered for the Index Implied Temperature Rise calculation.

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Appendix VI: Barra Equity Model Used in the Optimization

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

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

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

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Appendix VIII: Methodology Transition at the November 2026 Index Review

As part of the November 2026 Index Review, the index construction methodology was updated with the following enhancements:

- The annual GHG intensity decarbonization target was updated from 10% to 7%.
- The definition of Green Revenue was updated to exclude IT Optimization & Services for the purposes of calculating the minimum increase in Weighted Average Green Revenue constraint.
- The minimum reduction in Weighted Average Physical Risk Climate Value-at-Risk (Aggressive Scenario) relative to the Parent Index was updated from 50% to 30%.
- The constraints on Aggregated Climate Value-at-Risk, Companies Setting Targets and Low Carbon Transition Score were removed.
- The infeasibility relaxation procedure was updated to include relaxation of constituent active weight bounds in steps of 0.5% up to a maximum of +/-5%, applied alongside the existing alternating relaxation of one-way index turnover and active sector weight constraints.

At the time of the transition, the one-way turnover constraint described in Section 2.2 was not applied. Instead, a 20% turnover limit was applied to manage the transition at the November 2026 Index Review.

Note that the update in the minimum annual reduction in GHG Intensity is applied on a going-forward basis from the point of the November 2026 Index Review. Details on the calculation of the decarbonization trajectory, including the transition treatment, are described in Appendix III.

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Appendix IX: Methodology Set

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

- Description of methodology set – https://www.msci.com/index/methodology/latest/ReadMe
- MSCI Corporate Events Methodology – https://www.msci.com/index/methodology/latest/CE
- MSCI Fundamental Data Methodology – https://www.msci.com/index/methodology/latest/FundData
- MSCI Index Calculation Methodology – https://www.msci.com/index/methodology/latest/IndexCalc
- MSCI Index Glossary of Terms – https://www.msci.com/index/methodology/latest/IndexGlossary
- MSCI Index Policies – https://www.msci.com/index/methodology/latest/IndexPolicy
- MSCI Global Industry Classification Standard (GICS) Methodology – https://www.msci.com/index/methodology/latest/GICS
- MSCI Global Investable Market Indexes Methodology – https://www.msci.com/index/methodology/latest/GIMI
- MSCI Global ex Controversial Weapons Indexes Methodology – https://www.msci.com/index/methodology/latest/XCW
- MSCI Global ex Tobacco Involvement Index – https://www.msci.com/index/methodology/latest/ExTobacco
- 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 X: Changes to this Document

The following sections have been updated effective June 01, 2022:

- Section 3.3: Added footnotes for the constraints that were relaxed during May 2022 SAIR.

The following sections have been updated effective December 01, 2022:

- Section 1: Updated the references to the delegated acts.
- Section 3.3: Added footnotes for the constraints that were relaxed during November 2022 SAIR.

The following sections have been modified as of February 2023:

- Methodology book was updated to reflect the transition of the MSCI Global Investable Market Indexes (GIMI) to Quarterly Comprehensive Index Reviews.
- All references to "Semi-Annual Index Reviews" and "Quarterly Index Reviews" of the MSCI GIMI were replaced with "Index Reviews"
- Section 3.3: Added footnote to clarify the constituent active weight constraint applied to the MSCI Canada Climate Paris Aligned Index.

The following sections have been modified as of May 2023:

- Methodology book was updated to reflect the change in the target for Aggregated Climate Value -At-Risk from greater than or equal to 0% to greater than or equal to -5%.
- The definition of Companies Setting Targets was expanded to include any company which has received Science Based Targets from the Science Based Targets Initiative (SBTi)
- The calculation of aggregate weight of 'Companies Setting Target' will only include companies which are not excluded from the index, as per the exclusion criteria described in section 3.2 of the methodology document.
- Section 2: The reference to the Applicable Universe was removed to simplify the Index Construction methodology.
- The ESG Research Product descriptions were moved from section 2 to section 4

The following sections have been modified as of November 2023:

- The ESG Screening criteria was updated in Section 2.1 to include civilian firearms and nuclear weapons.
- The treatment of companies with ratings and research not available from MSCI ESG Research was added to Section 2.4
- The Climate Value-at-Risk models and scenarios used were updated in Appendix II and III.
- The references on NACE and GICS mapping was updated in Appendix III.
- The calculation of GHG Intensity was updated to reflect the missing data treatment for Scope 1+2. Scope 3 and EVIC in Appendix III.

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- The calculation of Potential Emissions was clarified in Appendix III.
- The detailed description for the Nuclear Weapons screening criteria was added in Appendix V.

The following sections have been modified as of January 2024:

- Appendix 4: Added decarbonization trajectory of additional Indexes.
- Appendix 8: Added details on the Methodology Set for the Indexes.

The following sections have been modified as of May 2024:

- Section 2.2: Added Implied Temperature Rise constraints.
- Appendix I: Updated language and the Low Carbon Transition Categories and Scores table
- Appendix IV: Additional Index added in the table
- Appendix III: Updated language for Companies Setting Targets
- Appendix VI: Added details on the calculation of Implied Temperature Rise and Cumulative Projected Emissions

The following sections have been modified as of July 2024

- Appendix VI: Added a new footnote to clarify the base temperature used by the MSCI ITR methodology

The following sections have been modified as of November 2024

Section 2.2 Optimization Constraints

- Added special treatment applied to the MSCI China Climate Paris Aligned Index, and the MSCI Japan Climate Paris Aligned Index.

Section 2.4: Treatment of Unrated Companies

- Added the treatment of companies when data on business involvement screening research or climate change metrics research is not available from MSCI ESG Research

The following section has been modified as of December 2024

Section 4.1: MSCI Climate Change Metrics

- Added sub-sections under Climate Change Metrics to provide additional details on Fossil Fuels related activities, Greenhouse Gas Emissions, Low-Carbon Transition, Implied Temperature Risk, Climate Value-at-Risk, and other metrics such as Science Based Targets initiative.

The following section has been modified as of May 2025

Section 1: Introduction

- Updated footnote with reference to the MSCI EU CTB/PAB Index Framework.

Section 2.1: Eligible Universe

- Updated exclusion criteria of Thermal Coal to add thermal coal distribution screen

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Section 2.2: Optimization Constraints

- Added references to the MSCI EU CTB/PAB Index Framework for the definition of climate impact sectors and calculation of decarbonization trajectory.
- Added a new footnote to provide descriptions for Common Risk Aversion and Systematic Risk Aversion.

Appendix IX: Methodology Set

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

The following section has been modified as of November 2025

Appendix IV: Decarbonization Trajectory of the Indexes

- Added a new subsection describing the process to calculate a new Base Date for Paris Aligned Indexes that satisfied the conditions of a Base Reset, as defined by the MSCI EU CTB/PAB Index Framework.
- The decarbonization trajectory table was updated to add the Decarbonization Start Date for the Indexes
- The Decarbonization Trajectory has been adjusted by updating the base date and the Weighted Average GHG Intensity for the following indexes:

  MSCI ACWI ex USA Climate Paris Aligned Index, MSCI World ex USA Climate Paris Aligned Index, MSCI EM (Emerging Markets) Climate Paris Aligned Index, MSCI EAFE Climate Paris Aligned Index, MSCI Europe Climate Paris Aligned Index, MSCI Canada Climate Paris Aligned Index, MSCI Japan Climate Paris Aligned Index, MSCI AC Asia ex Japan Climate Paris Aligned Index, MSCI AC Asia Pacific ex Japan Climate Paris Aligned Index, MSCI China Climate Paris Aligned Index, MSCI EM (Emerging Markets) ex China Climate Paris Aligned Index

The following has been modified as of December 2025

- The methodology and Index names were updated. As of December 3, 2025, the MSCI Climate Paris Aligned Indexes have been renamed to MSCI Climate Paris Aligned PAB Indexes.

The following section has been modified as of February 2026

Appendix IV: Decarbonization Trajectory of Indexes

- Following the November 2025 Index Review, the Weighted Average GHG Intensity values for the following indexes were updated to reflect their base-date intensity values.

  MSCI ACWI ex USA Climate Paris Aligned Index, MSCI World ex USA Climate Paris Aligned Index, MSCI EM (Emerging Markets) Climate Paris Aligned Index, MSCI EAFE Climate Paris Aligned Index, MSCI Europe Climate Paris Aligned Index, MSCI Canada Climate Paris Aligned Index, MSCI Japan Climate Paris Aligned Index, MSCI AC Asia ex Japan Climate Paris Aligned Index, MSCI AC Asia Pacific ex Japan Climate Paris Aligned Index, MSCI China Climate Paris Aligned Index, MSCI EM (Emerging Markets) ex China Climate Paris Aligned Index

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The following has been modified as of November 2026

Section 1: Introduction

- Updated this section to update the objectives of the MSCI Climate Paris Aligned PAB Indexes accordingly

Section 2.2: Optimization Constraints

- The minimum increase in weighted average Low Carbon Transition (LCT) Score, the minimum increase in the aggregate weight of Companies Setting Targets and the Aggregated Climate Value-at-Risk were removed
- The minimum average reduction in GHG Intensity (per annum) was lowered from 10% to 7%
- The minimum reduction in Weighted Average Physical Risk Climate Value-at-Risk (Aggressive Scenario) relative to Parent Index was modified from 50% to 30%
- Updated the infeasibility relaxation procedure to include relaxation of constituent active weight bounds in steps of 0.5% up to +/-5%.
- Added references to the MSCI EU CTB/PAB Index Framework for the definition of climate impact sectors and calculation of decarbonization trajectory.
- Updated the relaxation steps when there is not optimal solution

Section 4.3: Climate Change Metrics

- The Low-Carbon Transition (LCT) Risk Assessment Subsection was removed

Section 4.5: MSCI Impact Solutions SDG Alignment

- Subsection was removed

Appendix I: MSCI Low Carbon Transition Risk Assessment

- Appendix was removed

Appendix II: MSCI Climate Value-at-Risk

- The descriptions of 1.5°C Aggregated Policy Risk Equity Climate VaR and 1.5°C Technology Opportunities Equity Climate VaR were removed following the removal of the Aggregated CVaR constraint.

Appendix II: Calculation of Target Metrics

- The Calculation of Average Decarbonization was removed as the details can be found in Appendix III.

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- The Green Revenues description was updated to exclude revenue derived from IT Optimization & Services
- The Companies Setting Targets and the Aggregated Climate Value-at-Risk were removed

Appendix III: Decarbonization Trajectory of Indexes

- Added a note reflecting the reduction in annual decarbonization rate from 10% to 7%, effective from the November 2026 Index Review.
- Updated the table to include the three new Indexes, the MSCI Switzerland IMI Climate Paris Aligned PAB Index, MSCI Europe IMI ex Switzerland ex United Kingdom Climate Paris Aligned PAB Index and the MSCI United Kingdom IMI Climate Paris Aligned PAB Index

Appendix VIII: Methodology Transition at the November 2026 Index Review

- New Appendix to detail the index construction methodology enhancements

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