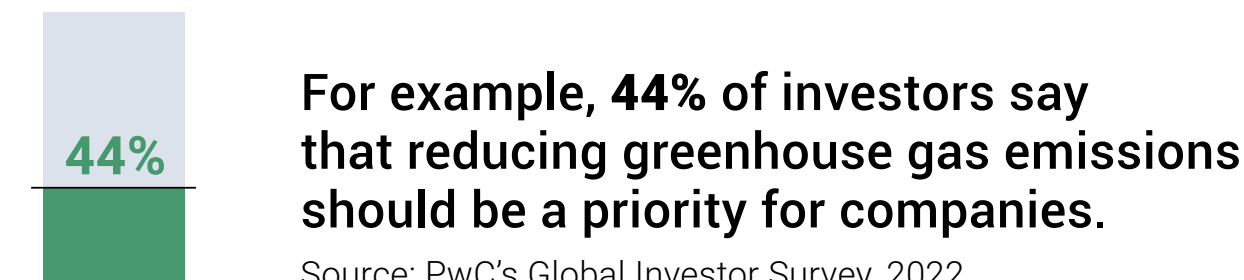




MEASURING CLIMATE CHANGE

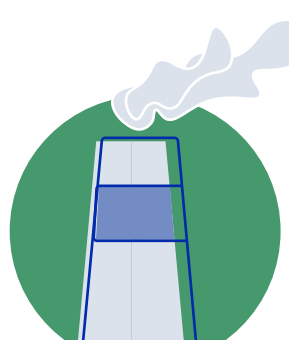
WHAT METRICS SHOULD YOU USE?

Investors are increasingly integrating climate change factors into their strategies.

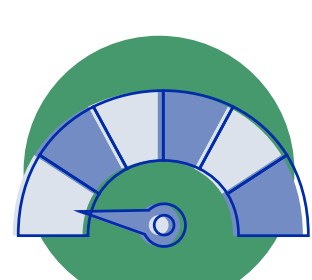


However, choosing the most suitable metrics for their investment goals can be challenging. And understanding the purpose of key metrics brings clarity.

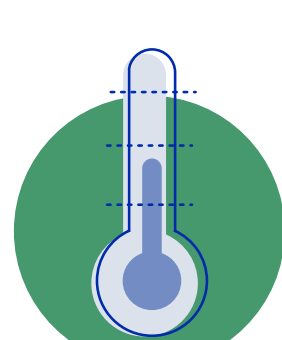
Some commonly used climate metrics include:



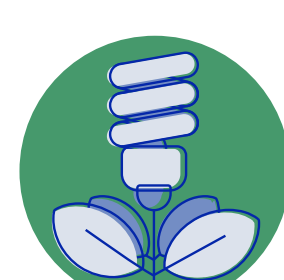
Greenhouse Gas
or Specifically, Carbon Emissions



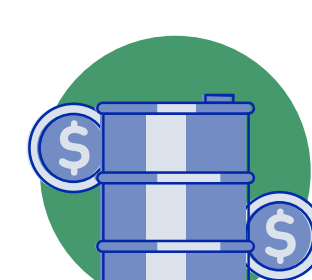
Low Carbon Transition Score



Implied Temperature Rise



Climate Transition Opportunities and Revenues



Climate Value-at-Risk (VaR)

Source: Principles of Responsible Investment, 2023 and MSCI, 2022

Which Climate Metric Could Suit Your Goals?

Here are some questions that can guide you.

1 Do you want to start by measuring:
Your portfolio's potential impact on climate change? Or, climate change's impact on your portfolio?

My portfolio's potential impact on climate

Climate change's potential impact on my portfolio

2 Do you want to look at current or forward-looking impact?

Current

Forward-looking

3 Do you want to measure direct impact due to companies' own operations or indirect impact from their supply chains?

3 Do you want to measure potential future emissions or projected temperature impact?

Direct

Indirect

Potential Future Emissions

Projected Temperature Impact

Use Carbon Emissions EVIC* Intensity
Scope 1
Metric tons of CO₂ per USD 1 million of revenue

Use Carbon Emissions EVIC* Intensity
Scope 2 + 3
Metric tons of CO₂ per USD 1 million of revenue

Use Potential Carbon Emissions Due to Fossil Fuel Reserves
Million metric tons of CO₂

Use Implied Temperature Rise
°C

*EVIC stands for "Enterprise Value Including Cash"

2 Do you want to look at current climate risk or projected future climate risk?

Current Climate Risk

Future Climate Risk

3 Do you want to look at exposure to climate risk or opportunities?

3 There are two types of Climate VaR. Do you want to look at transition risk or physical risk?

Exposure to Risk

Both

Exposure to Opportunities

Transition Risk
Public policy and technology opportunities

Physical Risk
E.g. floods, temperature rise or diminished crop growth

Use Low Carbon Transition Score
0-10 score

Use Cleantech Revenue
% of total company revenue

Use Transition Climate VaR
% of market value

Use Physical Climate VaR
% of market value

Use Revenue Emissions
Scope 1 + 2
Metric tons of CO₂ per USD 1 million of revenue

Use Fossil Fuel Revenue
% of total company revenue

Climate metrics may substantially differ in scope and objectives.

Source: MSCI, 2022

MSCI's climate data and metrics are designed to help investors understand and adapt to the climate transition.

Their tools can help you reach your climate-investing objectives.



Explore MSCI's paper on [Understanding Climate Metrics](#)

ABOUT MSCI
MSCI is a leading provider of critical decision support tools and services for the global investment community. With over 50 years of expertise in research, data and technology, we power better investment decisions by enabling clients to understand and analyze key drivers of risk and return and confidently build more effective portfolios. We create industry-leading research-enhanced solutions that clients use to gain insight into and improve transparency across the investment process.

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