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# MSCI FCA TCFD Aligned Product Report

 June 16, 2024

Portfolio Name:	The Headway Fund
Benchmark Name:	None
As Of Date:	December 29 2023
Currency:	USD

The contents of this report can be used for disclosure and reporting purposes at the product level in accordance with the United Kingdom’s Financial Conduct Authority and are aligned with its Task Force on Climate-Related Financial Disclosures (TCFD) product-level reporting guidance specified in section 2.3 of the Environmental, Social and Governance sourcebook.

This report provides a complete set of metrics and calculations that are aligned with the guidance. The ESG sourcebook sets out rules and guidance concerning a firm’s approach to environmental, social and governance matters.

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Carbon Emission Metrics on Investor Allocation

Allocation Base	EVIC	Portfolio	Coverage
● <b>Financed Emissions Attributed by EVIC</b> tons CO2e Investor Allocation: EVIC	Scope 1+2	968.2	32.7%
	Scope 3	6,190.2	32.0%
	Scope 1+2+3	7,158.4	32.0%

Absolute **Financed Emissions** refer to the total amount of GHG emissions financed by a portfolio<sup>1</sup>, expressed in tCO2e (metric tonnes of CO2 equivalent). It measures the climate impact that an investor is responsible for by summing up the proportionate GHG emissions of portfolio companies based on the investor's ownership share. The ownership share is calculated based on share of all financing, using Enterprise Value Including Cash (EVIC).

This product report includes Scope 1, Scope 2 and Scope 3 emissions. Scope 1 emissions are direct emissions from sources owned or controlled by the company. Scope 2 emissions are the indirect emissions caused by the generation of electricity purchased by the company. Scope 3 emissions are all indirect emissions (not included in Scope 2) that occur upstream and downstream of the organization value chain.

Financed Emissions are calculated from company-reported or company-specific estimated emissions. The portion of company emissions in the portfolio is represented by the Coverage metric. The remainder of the portfolio is calculated based on the average emission intensity of the covered portion. Accordingly, the Financed Emissions Attributed by EVIC metric is scaled up to the full portfolio value.

More information on this metric can be found in the appendix.



Carbon Emission Metrics on Investor Allocation

		Portfolio	Coverage
Allocation Base	<b>EVIC</b>		
<ul style="list-style-type: none"> <li> <b>Financed Emissions Intensity Attributed by EVIC</b>                      tons CO2e / USD M invested                      Investor Allocation:  <b>EVIC</b> </li> </ul>	Scope 1+2	42.0	32.7%

**Financed Emissions Intensity** is the normalized version of Financed Emissions, calculated as the ratio of Financed Emissions and the total value invested in the portfolio, expressed in tCO2e per millions of reporting currency invested. This metric indicates the climate impact that an investor is responsible for per 1 million investment of the reporting currency.

Financed Emissions Intensity offer a way to compare the carbon footprint of different portfolios on a relative scale.

For Scope 1 and Scope 2, when reported data is not available, company carbon emissions are estimated using MSCI's Scope 1 & 2 estimation model. The portion of company emissions in the portfolio is represented by the coverage metric.

More information on this metric can be found in the appendix.

Portfolio : The Headway Fund

Currency : USD

Benchmark : None



**Weighted Average Carbon Intensity**

		Portfolio	Coverage
<ul style="list-style-type: none"> <li>Corporate constituents</li> </ul> tons CO2e / USD M sales	Scope 1+2	94.9	33.8%



**Sovereign Emission Intensity**

		Portfolio	Coverage
<ul style="list-style-type: none"> <li>Sovereign constituents</li> </ul> tons CO2e / USD M GDP nominal	GHG intensity	248.4	3.8%

**Weighted Average Carbon Intensity (WACI)** can be used to assess a portfolio's relative exposure to carbon intensive companies. The metric gives the weighted average carbon intensity of the companies within the portfolio, normalizing each portfolio constituent's GHG emissions by their revenue, expressed in tonnes CO2e per million revenue of reporting currency.

The Carbon Emissions Revenue Intensity indicates how carbon intensive a company's business model is by measuring the amount of carbon emissions a company emits to generate USD 1 million in revenue and is therefore a climate risk indicator.

Weighted Average Carbon Intensity metric is applicable for corporate constituents within the portfolio. The Coverage refers to the percentage of the portfolio value for which the metric is calculated.

The **Sovereign Emission Intensity** gives the weighted average carbon intensity of the sovereign constituents within the portfolio.

The metric quantifies the portfolio's exposure to carbon-intensive economies by normalizing the production-based GHG emissions of each sovereign constituent against their country's nominal GDP in USD converted to the reporting currency, with results expressed in tonnes of CO2 equivalent per million unit of the reporting currency. The Coverage refers to the percentage of the total portfolio value for which the Sovereign Emission Intensity is calculated.

More information on these metrics can be found in the appendix.

Portfolio : The Headway Fund

Currency : USD

Benchmark : None

## Portfolio

2.1 °C



### Implied Temperature Rise: Companies with Lowest Temperature Alignment

Company Name	Weight	Implied Temperature Rise
MICROSOFT CORPORATION	0.8%	1.3°C
AMAZON.COM, INC.	0.6%	1.3°C
ALPHABET INC.	0.6%	1.3°C
APPLE INC.	0.4%	1.3°C
NOVO NORDISK A/S	0.4%	1.3°C
VISA INC.	0.3%	1.3°C
META PLATFORMS, INC.	0.2%	1.3°C
DIAGEO PLC	0.2%	1.3°C
ACCENTURE PUBLIC LIMITED COMPANY	0.2%	1.3°C
LONDON STOCK EXCHANGE GROUP PLC	0.2%	1.3°C

### Implied Temperature Rise: Companies with Highest Temperature Alignment

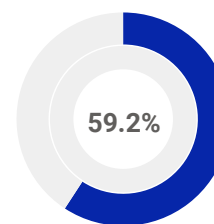
Company Name	Weight	Implied Temperature Rise
THE WILLIAMS COMPANIES, INC.	0.0%	10.0°C
MTU Aero Engines AG	0.0%	10.0°C
RIO TINTO PLC	0.0%	10.0°C
Sinotruk (Hong Kong) Limited	0.0%	10.0°C
EOG RESOURCES, INC.	0.0%	10.0°C
DASSAULT AVIATION SA	0.0%	10.0°C
DIAMONDBACK ENERGY, INC.	0.0%	10.0°C
CANADIAN NATURAL RESOURCES LIMITED	0.0%	10.0°C
EQT CORPORATION	0.0%	10.0°C
HOWMET AEROSPACE INC.	0.0%	10.0°C

## Portfolio

Implied Temperature Rise Coverage

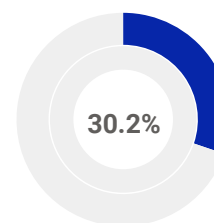
32.7%

≤ 2.0°C



59.2% of companies within the portfolio (vs. 0% for the benchmark) align with the goal of limiting temperature increase to below 2°C.

≤ 1.5°C



30.2% of companies within the portfolio (vs. 0% for the benchmark) align with the goal of limiting temperature increase to below 1.5°C.

 Portfolio  Benchmark

Implied Temperature Rise metric shows the temperature alignment of portfolios with global temperature goals and can be used for decarbonization targets settings and engagement support on climate risk. **MSCI Implied Temperature Rise (ITR)** is an intuitive, forward-looking metric that provides a portfolio level number in degrees of Celsius demonstrating how aligned the companies in the portfolio are with the ambitions of the Paris Agreement – which is to keep a global temperature rise this century well below 2 °C above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5 °C.

The portfolio-level ITR uses an aggregated budget approach: it compares the sum of "owned" projected GHG emissions against the sum of "owned" carbon budgets for the underlying fund holdings. The portfolio's estimated carbon budget over-/undershoot is then converted to a degree of temperature rise (°C) using the transient climate response to cumulative emissions

Portfolio : **The Headway Fund**

Currency : **USD**

Benchmark : **None**

(TCRE). The allocation base used to define ownership is EVIC, to enable the analysis of equity and corporate bond portfolios.

Coverage refers to the percentage of the total portfolio value for which the metric is calculated.

Climate Scenario Analysis aims to quantify how climate change may impact future portfolio performance. **MSCI Climate Value-at-Risk (Climate VaR)** is a forward-looking climate risk metric that assesses how a company's valuation could be impacted by transition and physical risks and opportunities. The metric is expressed as a positive or negative percentage to reflect change from a company's or portfolio's current valuation.

The aggregated Climate VaR consists of two main components: Physical Risks and Transition Risks and Opportunities. Transition Risks are further divided into Policy Risks and Technology Opportunity. Physical Risk scenarios consider both chronic risks, such as extreme temperatures, precipitation, wind, and heavy snowfall, and acute risks including tropical cyclones, various types of flooding, wildfires, and river low flow events. These scenarios are evaluated under two probability cases: an average physical risk scenario and an aggressive physical risk scenario. The report accounts for only one of the physical risk scenarios, whether average or aggressive.

In the scenario analysis, we employ phase IV scenarios from the Network for Greening the Financial System (NGFS). The product report includes the 1.5 °C NGFS Orderly, 2 °C NGFS Orderly, 2 °C NGFS Disorderly, and 3 °C NGFS NDC scenarios, which correspond to predefined transitions, ranging from 'orderly' adjustments to a potential 'hothouse world'. Coverage denotes total portfolio coverage across asset classes, not limited to the corporate portion of the portfolio.

**Climate Value at Risk**

		Orderly Transition	Disorderly Transition	Hothouse world	
	Coverage	1.5° REMIND NGFS Orderly	2° REMIND NGFS Orderly	2° REMIND NGFS Disorderly	3° REMIND NGFS NDC
	Portfolio	Portfolio	Portfolio	Portfolio	Portfolio
Policy Climate Var (Scope 1,2,3)	28.9%	-7.7%	-2.4%	-5.5%	-1.6%
Technology Opportunities Climate VaR	25.7%	0.8%	0.2%	0.4%	0.2%
Physical Climate VaR Aggressive	28.2%	-3.1%	-4.0%	-4.2%	-5.8%
Aggregated Climate VaR		-10.0%	-6.1%	-9.3%	-7.2%



Portfolio : The Headway Fund

Currency : USD

Benchmark : None

**Portfolio Weights of Largest Contributor Countries by Time-to-maturity**

Country/Duration	0 - 1Y	1Y - 5Y	5Y - 10Y	10Y - 20Y	20Y+	Total
United States	8.65%	28.08%	5.16%	4.36%	9.70%	<b>55.96%</b>
United Kingdom	9.00%	10.72%	0.00%	0.00%	8.65%	<b>28.37%</b>
Japan	14.62%	1.06%	0.00%	0.00%	0.00%	<b>15.68%</b>
<b>Total</b>	<b>32.26%</b>	<b>39.86%</b>	<b>5.16%</b>	<b>4.36%</b>	<b>18.35%</b>	<b>100.00%</b>

Total includes all other country buckets not listed in the above list.

**Portfolio Level Sovereign Climate VaR Results**

	Portfolio	Benchmark	Active
1.5° REMIND NGFS Orderly	2.52%	0.00%	2.52%
2° REMIND NGFS Orderly	0.97%	0.00%	0.97%
2° REMIND NGFS Disorderly	-2.96%	0.00%	-2.96%
3° REMIND NGFS NDC	-0.50%	0.00%	-0.50%
<i>Coverage</i>	2.86%	0.00%	2.86%

**Coverage is 2.86% for the portfolio, 0.00% for the benchmark.**

MSCI's Sovereign Climate VaR model estimates the potential impact of climate change and economic decarbonization on sovereign bond portfolios.

Sovereign Climate VaR builds on the framework put forward by the Network for Greening the Financial System (NGFS) and their scenarios for interest rates and inflation under various climate change scenarios (note that only transition risk is considered in the interest rate projections). Based on the NGFS scenarios, MSCI derived potential shocks to sovereign bond yield curves and breakeven inflation curves to account for the market's repricing due to changes in expectations when moving from a climate-agnostic baseline expectation to any other climate scenario. These yield curve changes are then used to stress test the value of local-currency sovereign bonds.

Coverage denotes total portfolio coverage across asset classes, not limited to the sovereign portion of the portfolio.

Portfolio : The Headway Fund

Currency : USD

Benchmark : None

MSCI Name	Unit	Description	FCA Handbook Metric	Paragraph
Financed Emissions Scope 1+2	Tonnes of CO2 equivalent (tCO2e)	<p>Total amount of Scope 1 and Scope 2 GHG emissions financed by a portfolio for a given year.</p> $\sum \left( \frac{\text{current value of investment}}{\text{issuer's EVIC}} \times \text{issuer's Scope 1\&2 GHG emissions} \right)$ <p>Current value of investment = the present value of the position on the analysis date.</p> <p>Enterprise Value Including Cash = most recent available fiscal year-end enterprise value including cash.</p> <p>Scope 1&amp;2 GHG emissions = the issuer's most recently reported or estimated Scope 1+ Scope 2 greenhouse gas emissions.</p> <p>Financed Emissions Scope 1&amp;2 are calculated for covered positions and scaled to the full portfolio value.</p> <p>Short positions, derivate positions with negative market value are considered out-of-scope and won't show up in report and be excluded from the calculation. If a position is not classified as out-of-scope, we consider it as in-scope. Specifically, the following asset types are in scope for the report: corporate equity, corporate bonds, sovereigns, funds. An in-scope position might be considered as covered or uncovered, depending on its data availability.</p>	Scope 1 and Scope 2 greenhouse gas emissions	2.3.9 R
Financed Emissions Scope 3	Tonnes of CO2 equivalent (tCO2e)	<p>Total amount of Scope 3 GHG emissions financed by a portfolio for a given year.</p> $\sum \left( \frac{\text{current value of investment}}{\text{issuer's EVIC}} \times \text{issuer's Scope 3 Estimated GHG emissions} \right)$ <p>Current value of investment = the present value of the position on the analysis date.</p> <p>Enterprise Value Including Cash = most recent available fiscal year-end enterprise value including cash.</p> <p>Scope 3 GHG emission = issuer's estimated Scope 3 emissions. Scope 3 uses estimated emissions for all 15 categories based on MSCI's Scope 3 estimation model.</p> <p>Financed Emissions Scope 3 are calculated for covered positions and scaled to the full portfolio value.</p> <p>Short positions, derivate positions with negative market value are considered out-of-scope and won't show up in report and be excluded from the calculation. If a position is not classified as out-of-scope, we consider it as in-scope. Specifically, the following asset types are in scope for the report: corporate equity, corporate bonds, sovereigns, funds. An in-scope position might be considered as covered or uncovered, depending on its data availability.</p>	Scope 3 greenhouse gas emissions	2.3.9 R

Portfolio : The Headway Fund  
 Benchmark : None

Currency : USD

MSCI Name	Unit	Description	FCA Handbook Metric	Paragraph
Financed Emissions Scope 1+2+3	Tonnes of CO2 equivalent (tCO2e)	<p>Total amount of Scope 1&amp;2, and Scope 3 GHG emissions financed by a portfolio for a given year.</p> $\sum \left( \frac{\text{current value of investment}}{\text{issuer's EVIC}} \times \text{issuer's Scope 1\&2 and Scope 3 GHG emissions} \right)$ <p>Current value of investment = the present value of the position on the analysis date.</p> <p>Enterprise Value Including Cash = most recent available fiscal year-end enterprise value including cash.</p> <p>For Scope 1 and Scope 2, when reported data is not available, Scope 1 and Scope 2 carbon emissions are estimated using MSCI's Scope 1 &amp; 2 estimation model. Scope 3 uses estimated emissions for all 15 categories based on MSCI's Scope 3 estimation model.</p> <p>Financed Emissions Scope 1&amp;2 and Scope 3 are calculated for covered positions and scaled to the full portfolio value.</p> <p>Short positions, derivate positions with negative market value are considered out-of-scope and won't show up in report and be excluded from the calculation. If a position is not classified as out-of-scope, we consider it as in-scope. Specifically, the following asset types are in scope for the report: corporate equity, corporate bonds, sovereigns, funds. An in-scope position might be considered as covered or uncovered, depending on its data availability.</p>	Total carbon emissions	2.3.9 R
Financed Emissions Intensity Scope 1+2	Tonnes of CO2 equivalent per million USD invested (tCO2e / USD M)	<p>Financed Emissions Scope 1&amp;2 normalized by the portfolio value.</p> $\frac{\sum \left( \frac{\text{current value of investment}}{\text{issuer's EVIC}} \times \text{issuer's Scope 1\&2 GHG emissions} \right)}{M \text{ portfolio value in reporting currency}}$ <p>Current value of investment = the present value of the position on the analysis date.</p> <p>Enterprise Value Including Cash = most recent available fiscal year-end enterprise value including cash.</p> <p>Scope 1&amp;2 GHG emissions = the issuer's most recently reported or estimated Scope 1 + Scope 2 greenhouse gas emissions.</p> <p>Portfolio value = the present value of the portfolio of in-scope positions on the analysis date.</p>	Total carbon footprint	2.3.9 R

Portfolio : The Headway Fund  
 Benchmark : None

Currency : USD

MSCI Name	Unit	Description	FCA Handbook Metric	Paragraph
Weighted Average Carbon Intensity - Corporate constituents	Tonnes of CO2 equivalent per million USD revenue (tCO2e / USD M revenue)	<p>Portfolio-weighted Scope 1&amp;2 GHG emissions per company revenue.</p> $\sum \left( \frac{\text{current value of investment}}{\text{portfolio value}} \times \frac{\text{issuer's Scope 1\&2 GHG emissions}}{\text{issuer's revenue}} \right)$ <p>The metric includes the corporate issuers and supports equities and bond positions.</p> <p>Current value of investment = the present value of the position on the analysis date.</p> <p>Portfolio value = the present value of the portfolio of in-scope positions on the analysis date.</p> <p>Scope 1&amp;2 GHG emissions = the issuer's most recently reported or estimated Scope 1+ Scope 2 greenhouse gas emissions.</p> <p>Revenue = most recently available total revenue.</p>	Weighted Average Carbon Intensity	2.3.9 R
Sovereign Emission Intensity	Tonnes of CO2 equivalent per million GDP in USD (tCO2e/ USD M GDP nominal)	<p>The metric measure a portfolio's exposure to carbon-intensive economies, defined as the portfolio weighted average of sovereigns' GHG Intensity (sovereign issuer GHG emission / GDP nominal).</p> $\sum \left( \frac{\text{current value of investment}}{\text{portfolio value}} \times \frac{\text{sovereign issuer's GHG emissions}}{\text{sovereign issuer's \$M GDP}} \right)$ <p>The metric includes sovereign bond positions.</p> <p>Current value of investment = the present value of the position on the analysis date.</p> <p>Portfolio value = the present value of the portfolio of in-scope positions on the analysis date.</p> <p>GHG emission = production-based country emission data. This does not account for imports and exports separately, but rather focuses on activity inside a country.</p> <p>Issuer's GDP data = country-level nominal GDP data (in USD). The most recently updated, publicly available GDP values are used to estimate carbon-intensity values for a country.</p>		

Portfolio : The Headway Fund

Currency : USD

Benchmark : None

MSCI Name	Unit	Description	FCA Handbook Metric	Paragraph
MSCI Implied Temperature Rise	°C	<p>Implied Temperature Rise metric provides an indication of how companies and investment portfolios align to global climate targets. Key element is the concept of the carbon budget: how much the world can emit and, by extension, how much a company can emit (across scope 1,2 and 3) and remain within the limitations required to meet a 2 °C warming scenario by 2100. The metric is expressed in degrees Celsius (°C), estimates the global implied temperature rise (in the year 2100 or later) if the whole economy had the same carbon budget over-/undershoot level as the company in question.</p> <p>The portfolio-level ITR compares the sum of "owned" projected GHG emissions against the sum of "owned" carbon budgets for the underlying holdings. The portfolio's total estimated carbon budget over-/undershoot is then converted to a degree of temperature rise using the Transient Climate Response to Cumulative Carbon Emissions (TCRE).</p> <p>Implied Temperature Rise metric is not applied for sovereign constituents.</p> <p>MSCI Implied Temperature Rise Methodology: <a href="#">MSCI Implied Temperature Rise Methodology</a></p>	Implied Temperature Rise	2.3.13 R

Portfolio : The Headway Fund

Currency : USD

Benchmark : None

MSCI Name	Unit	Description	FCA Handbook Metric	Paragraph
		To understand how climate risk could affect the portfolio in the future, climate scenario analysis developed by Network for Greening the Financial System (NGFS) are used. Four phase IV NGFS scenarios are covered in three categories:		
1.5 °C NGFS Orderly	%	<b>1.5 °C NGFS Orderly</b> (Net Zero 2050) – "orderly transition" scenario. This scenario assumes that ambitious climate policies are introduced immediately, worldwide GHG emissions will reach net zero by 2050, and there is a 50% chance that global warming is likely to be below 1.5 °C by the end of the century. Physical risks are relatively low, but transition risks are high.	'orderly transition' scenario	2.3.11 R
2 °C NGFS Orderly	%	<b>2 °C NGFS Orderly</b> (Below 2 °C) – "orderly transition" scenario. It assumes climate policies are introduced earlier. Net zero is achieved after 2070. Low transition risk and high physical risk.	'orderly transition' scenario	2.3.11 R
2 °C NGFS Disorderly	%	<b>2 °C NGFS Disorderly</b> (Delayed Transition) – "disorderly transition" scenario. The scenario assumes new climate policies are delayed until 2030, and the level of action differs across countries and regions. Emissions continue to rise in the meantime, the transition from fossil fuels to renewables would need to happen from a higher emissions level over a shorter period of time to limit global warming. Higher physical and transition risk than the Net Zero 2050 and Below 2 °C scenarios.	'disorderly transition' scenario	2.3.11 R
3 °C NGFS NDC	%	<b>3 °C NGFS NDC</b> (Nationally Determined Contributions) – "hothouse world" scenario. Paris Agreement commitments are not met, emissions decline but temperatures continue to rise associated with moderate to severe physical risk. Transition risks are relatively low.	'hothouse world' scenario	2.3.11 R

Portfolio : The Headway Fund

Currency : USD

Benchmark : None

MSCI Name	Unit	Description	FCA Handbook Metric	Paragraph
MSCI Climate Value-at-Risk	%	<p data-bbox="420 219 1543 365">MSCI Climate Value-at-Risk is a forward-looking and return-based valuation assessment to measure climate related risks and opportunities in an investment portfolio. The aggregated Climate Risk is considered of two components, namely Physical Risks and Transition Risks that can be further separated into Policy Risks and Technology Opportunity Risks. The metric is applied for corporates; for sovereign, different methodology is applied.</p> <p data-bbox="420 389 1543 535"><b>Physical Risk:</b> how future physical effects (both chronic and acute in nature) of climate change may be borne out for individual assets belonging to the enterprise. The scenarios address chronic risks (extreme heat, extreme cold, wind gusts, heavy snowfall and heavy precipitation) and acute risks (tropical cyclones, coastal flooding, fluvial flooding, river low flow and wildfires). These scenarios are associated an average physical risk scenario or aggressive physical risk scenario.</p> <p data-bbox="420 560 1543 625"><b>Average physical risk scenario</b> The average potential impact in companies' market value.</p> <p data-bbox="420 649 1543 763"><b>Aggressive physical risk scenario</b> The aggressive scenario explores the severe downside risk within the distribution of physical risk and extreme weather cost. It related to the 95<sup>th</sup> percentile of the cost distribution. The aggressive scenario can be considered as a worst-case scenario.</p> <p data-bbox="420 787 1543 876"><b>Policy Risk:</b> this component quantifies the direct and indirect costs of climate regulations imposed on companies. Direct policy risk imposes a specific cost on companies' emissions, while indirect policy risks may come in the form of increased input.</p> <p data-bbox="420 901 1543 966"><b>Technology Opportunity Risk:</b> the technology opportunities component accounts for additional profits arising through the development of new technologies serving the transition to a low-carbon economy.</p> <p data-bbox="420 982 1543 1015">MSCI Climate Value-at-Risk methodology document: <a href="#">MSCI Climate VaR Methodology</a></p>	Climate Value-at-Risk	2.3.13 R

Portfolio : The Headway Fund

Currency : USD

Benchmark : None

MSCI Name	Unit	Description	FCA Handbook Metric	Paragraph
Sovereign Bond Climate Value-at-Risk	%	<p>MSCI Climate Value-at-Risk coverage is extended to include coverage for sovereign bonds. Sovereign Bond Climate VaR estimates how climate change could affect sovereign bond portfolios. It estimates the change in the sovereign yield curve when market expectations move from a climate-agnostic baseline expectation to any other climate scenario. These yield curve changes are then used to stress test the value of local-currency sovereign bonds.</p> <p>The Sovereign Bond Climate VaR model is based on the set of phase II climate scenarios developed by Network for Greening the Financial System (NGFS). Four scenarios in three categories are covered.</p> <p><b>1.5 °C NGFS Orderly</b> (Net Zero 2050) – "orderly transition" scenario. This scenario assumes that ambitious climate policies are introduced immediately, worldwide GHG emissions will reach net zero by 2050, and there is a 50% chance that global warming is likely to be below 1.5 °C by the end of the century. Physical risks are relatively low, but transition risks are high.</p> <p><b>2 °C NGFS Orderly</b> (Below 2 °C) – "orderly transition" scenario. It assumes climate policies are introduced earlier. Net zero is achieved after 2070. Low transition risk and high physical risk.</p> <p><b>2 °C NGFS Disorderly</b> (Delayed Transition) – "disorderly transition" scenario. The scenario assumes new climate policies are delayed until 2030, and the level of action differs across countries and regions. Emissions continue to rise in the meantime, the transition from fossil fuels to renewables would need to happen from a higher emissions level over a shorter period of time to limit global warming. Higher physical and transition risk than the Net Zero 2050 and Below 2 °C scenarios.</p> <p><b>3 °C NGFS NDC</b> (Nationally Determined Contributions) – "hothouse world" scenario. Paris Agreement commitments are not met, emissions decline but temperatures continue to rise associated with moderate to severe physical risk. Transition risks are relatively low.</p> <p>MSCI Sovereign Climate Value-at-Risk methodology document: <a href="#">MSCI Sovereign Climate VaR Methodology</a></p>		



**ABOUT MSCI FCA TCFD Aligned Product Report**

The report features climate change metrics that are informed by the Taskforce on Climate Related Financial Disclosures (TCFD). While the metrics in this report align with the general intent of the recommendations from the TCFD, they may not be an exact one to one match with every element as specified in the updated Guidance on Metrics, Targets, and Transition Plans from October 2021, and are subject to change as MSCI continues to provide both current and forward looking climate change metrics to support reporting under the TCFD framework.

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