

Methodology book for:

- MSCI SRI S-Series Indexes**
- MSCI SRI S-Series PAB 5% Capped Indexes**

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1 Introduction

The MSCI SRI S-Series Indexes (the “Indexes”) are free float-adjusted market capitalization weighted indexes designed to represent the performance of companies that are selected from an underlying index based on Environmental, Social and Governance (ESG) criteria. These criteria exclude constituents based on involvement in specific business activities, as well as ESG ratings and exposure to ESG controversies. These indexes are derived from underlying MSCI indexes (“Parent Indexes”) and aim to achieve sector weights that reflect the sector weights of the corresponding Parent Indexes. The Index construction targets 25% free float-adjusted market capitalization coverage of each Global Industry Classification Standard (GICS®)¹ sector by selecting constituents primarily based on criteria including the ESG rating, the trend in that rating and the company’s industry-adjusted ESG score.

The MSCI SRI S-Series PAB 5% Capped Indexes (“PAB Indexes”) are capped versions of the MSCI SRI S-Series Indexes and are also designed to align with the minimum requirements of EU Paris Aligned Benchmarks² (EU PAB)³.

¹ GICS, the global industry classification standard jointly developed by MSCI Inc. and S&P Dow Jones Indices.

² In case there are changes in the EU delegated acts ([Regulation \(EU\) 2016/1011 as amended by Regulation \(EU\) 2019/2089](#)) and an update to the Index methodology is required, MSCI will issue an announcement prior to implementing the changes in the methodology. MSCI will not conduct a formal consultation for such an update.

³ The Indexes are governed by a set of methodology and policy documents (“Methodology Set”), including the present index methodology document. The Methodology Set for the Indexes 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 ‘ESG 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 Constructing the MSCI SRI S-Series Indexes and MSCI SRI S-Series PAB 5% Capped Indexes

2.1 Constructing the MSCI SRI S-Series Indexes

2.1.1 Eligible Universe

The Eligible Universe for the MSCI SRI S-Series Indexes includes all the constituents of their respective Parent Index, as shown in the table below:

MSCI SRI S-Series Index	MSCI SRI S-Series PAB 5% Capped Index	Parent Index
MSCI World SRI S-Series Index	MSCI World SRI S-Series PAB 5% Capped Index	MSCI World Index
MSCI Europe SRI S-Series Index	MSCI Europe SRI S-Series PAB 5% Capped Index	MSCI Europe Index
MSCI Japan SRI S-Series Index	MSCI Japan SRI S-Series PAB 5% Capped Index	MSCI Japan Index
MSCI USA SRI S-Series Index	MSCI USA SRI S-Series PAB 5% Capped Index	MSCI USA Index
MSCI Emerging SRI S-Series Index	MSCI Emerging SRI S-Series PAB 5% Capped Index	MSCI EM (Emerging Markets) Index
MSCI EMU SRI S-Series Index	MSCI EMU SRI S-Series PAB 5% Capped Index	MSCI EMU Index
MSCI Europe Small Cap SRI S-Series Index	MSCI Europe Small Cap SRI S-Series PAB 5% Capped Index	MSCI Europe Small Cap Index
MSCI ACWI SRI S-Series Index	MSCI ACWI SRI S-Series PAB 5% Capped Index	MSCI ACWI Index

2.1.2 Eligibility Criteria

The MSCI SRI S-Series Indexes use company ratings and research provided by MSCI ESG Research⁴ to determine eligibility for index inclusion.

2.1.2.1 Controversial Business Involvement Criteria

The MSCI SRI S-Series Indexes use MSCI ESG 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 SRI S-Series Indexes. Please refer to Appendix I for details on these criteria.

⁴ See section 4 for further information regarding ESG and climate data used in the Indexes that MSCI Limited sources from MSCI ESG Research LLC, a separate subsidiary of MSCI Inc. MSCI ESG Research is solely responsible for the creation, determination and management of such data. MSCI Limited is the benchmark administrator for the MSCI indexes.

- Weapons and Firearms
- Tobacco
- Adult Entertainment
- Alcohol
- Gambling
- Genetically Modified Organisms
- Embryonic Stem Cells
- Nuclear Power
- Fossil Fuel Reserves Ownership
- Fossil Fuel Extraction
- Fossil Fuel-based Power Generation

2.1.2.2 ESG Ratings Eligibility

Companies are required to have an MSCI ESG Rating of 'A' or above to be eligible for inclusion in the MSCI SRI S-Series Indexes.

2.1.2.3 ESG Controversies Score Eligibility

Companies are required to have an MSCI ESG Controversies Score of 4 or above to be eligible for inclusion in the MSCI SRI S-Series Indexes.

Companies that are assessed by MSCI ESG Research for involvement in one or more Very Severe Controversy⁵ case are excluded from a subset of MSCI SRI S-Series Indexes⁶.

Companies not assessed by MSCI ESG Research on MSCI ESG Controversies are not eligible for inclusion in the Indexes.

2.1.3 Index Construction

The MSCI SRI S-Series Indexes target 25% of the free float-adjusted market capitalization within each GICS sector of the underlying Parent Index.

The MSCI USA SRI S-Series Index and MSCI Europe Small Cap SRI S-Series are constructed by applying the above methodology on their respective parent indexes.

The MSCI World SRI S-Series Index and MSCI EM SRI S-Series Index are constructed by applying the above methodology to the regional carve-outs of their corresponding parent indexes and then aggregated together.

The following regions are used to construct the MSCI World SRI S-Series Index:

⁵ For more details, please refer to the [MSCI ESG Controversies and Global Norms Methodology](#)

⁶ This criterion is applied on the MSCI World SRI S-Series PAB 5 % Capped Index, MSCI USA SRI S-Series PAB 5% Capped Index, MSCI Europe SRI S-Series PAB 5% Capped Index, MSCI EMU SRI S-Series PAB 5% Capped Index, MSCI Japan SRI S-Series PAB 5% Capped Index and the MSCI ACWI SRI S-Series PAB 5% Capped Index.

Region	Regional Carve-out
Developed Asia Pacific	MSCI Pacific Index
Developed Europe & Middle East	MSCI Europe & Middle East Index
Canada	MSCI Canada Index
USA	MSCI USA Index

The following regions are used to construct the MSCI EM SRI S-Series Index:

Region	Regional Carve-out
Emerging Asia	MSCI Emerging Markets Asia Index
Emerging Europe, Middle East & Africa	MSCI Emerging Markets Europe, Middle East & Africa Index
Emerging Latin America	MSCI Emerging Markets Latin America Index

The MSCI Europe SRI S-Series Index, MSCI EMU SRI S-Series Index and MSCI Japan SRI S-Series Index are determined by selecting securities from the corresponding country/region in the MSCI World SRI S-Series Index and weighting them according to their free float-adjusted market capitalization.

The MSCI World SRI S-Series Index and MSCI EM SRI S-Series Index are aggregated to construct the MSCI ACWI SRI S-Series Index.

2.1.4 Security Weighting

The MSCI SRI S-Series Indexes are weighted in proportion of their free float-adjusted market capitalization.

2.2 Constructing the MSCI SRI S-Series PAB 5% Capped Indexes

The PAB Indexes are constructed by applying the MSCI EU PAB Overlay Index methodology⁷ to the MSCI SRI S-Series Indexes using the following parameters⁸.

⁷ The methodology document of the MSCI EU PAB Overlay Indexes is available at <https://www.msci.com/index-methodology>.

⁸ During the February 2023 Index Review for the MSCI Europe Small Cap SRI S-Series PAB 5% Capped Index, the lower bound of the active country weights constraint detailed in Table 3 of the MSCI EU PAB Overlay Indexes methodology was set to -6% instead of -5%. The one-way turnover constraint was relaxed at the May 2023 Index Review for the MSCI ACWI (22%), EMU (36%), Europe (28%), Europe

- The Parent Indexes for the PAB Indexes are as defined in Section 2.1.1 of this methodology document.
- The Reference Indexes for the PAB Indexes are the corresponding Parent Indexes as defined in Section 2.1.1 of this methodology document.
- In addition to the eligible criteria as detailed in Section 2.3 of the MSCI EU PAB Overlay Indexes methodology, securities which are not a part of the MSCI SRI S-Series Indexes, as defined in Section 2.1.2 of this methodology document, are ineligible for selection in the PAB Indexes.
- The PAB Indexes will rebalance on a quarterly basis to coincide with the regular Index Reviews of the Parent Indexes. During the May Index Review, the PAB Indexes will impose a one-way turnover constraint of 10% as opposed to the 5% one-way turnover constraint as detailed in the methodology document of the MSCI EU PAB Overlay Indexes.
- Instead of the Constituent Active Weight relative to Parent Index constraint detailed in Table 3 of the MSCI EU PAB Overlay Indexes methodology, the PAB Indexes will cap issuer weights at 5% during the optimization process.
- Specifically, for the MSCI Emerging SRI S-Series PAB Index, the country constraints and sector constraints as detailed in Section 2.4 of the MSCI EU PAB Overlay Indexes methodology² will not be applied. Instead, the weight of any country in the MSCI Emerging SRI S-Series PAB 5% Capped Index is capped at 15%.

Small Cap (43%), Japan (39%), USA (27%) and World (26%) SRI S-Series PAB 5% Capped Indexes in order to achieve a feasible solution during the optimization process.

- **Infeasible Solution** – During Index Reviews, 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%
 - The one-way index turnover constraint and the active sector weight constraint 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 Index Review.

3 Maintaining the MSCI SRI S-Series Indexes

3.1 Annual Index Review

The MSCI SRI S-Series Indexes are reviewed on an annual basis in May to coincide with the May Index Review of the Parent Indexes, and the changes are implemented at the end of May. In general, the pro forma indexes are announced nine business days before the effective date.

In general, MSCI uses MSCI ESG Research data⁹ (including MSCI ESG Ratings, MSCI ESG Controversies Scores, MSCI Business Involvement Screening Research and MSCI Climate Change Metrics) as of the end of the month preceding the Index Reviews for the rebalancing of the MSCI SRI S-Series Indexes. For some securities, such data may not be published by MSCI ESG Research by the end of the month preceding the Index Review. For such securities, MSCI will use ESG data published after the end of month, when available, for the rebalancing of MSCI SRI S-Series Indexes.

At each Annual Index Review, the eligible universe is updated and the composition of the indexes is reassessed in order to target 25% free float-adjusted cumulative market capitalization of each sector of the Parent Index.

3.1.1 Updating the Eligible Universe

The eligible universe is updated during each Annual Index Review.

Companies that are currently not constituents of the MSCI SRI S-Series Indexes are evaluated using the same eligibility criteria described in Section 2.1.2.

Existing constituents of the MSCI SRI S-Series Indexes are maintained in the eligible universe if they meet all the following conditions:

- MSCI ESG Rating of 'BB' or above
- MSCI ESG Controversies Score of 1 or above
- Not screened by the business involvement criteria described in Section 2.1.2.1

3.1.2 Ranking of Eligible Securities

For each sector, eligible securities of the regional Parent Index are ranked based on the following criteria:

- ESG Rating
- ESG Trend (positive ESG Trend preferred to neutral ESG Trend and neutral ESG Trend preferred to negative ESG Trend)¹⁰
- Current index membership (existing constituents above non-constituents)
- Industry adjusted ESG scores
- Decreasing free float-adjusted market capitalization.

⁹ See section 4 for details of data sourced from MSCI ESG Research used in the Indexes.

¹⁰ Please refer to Appendix 2 for more details.

3.1.3 Selection of Eligible Securities

For each sector, eligible securities of the regional Parent Index are then selected from the ranked universe in the following order until the target 25% coverage by cumulative free float-adjusted market capitalization is reached:

- Securities in the top 17.5% cumulative free float-adjusted market capitalization coverage of the ranked universe, including the first security that increases the cumulative coverage above 17.5%
- 'AAA' and 'AA' rated securities in the top 25% cumulative free float-adjusted market capitalization coverage of the ranked universe, including the first security that increases the cumulative coverage above 25%
- Current index constituents in the top 32.5% cumulative free float-adjusted market capitalization coverage of the ranked universe, including the first security that increases the cumulative coverage above 32.5% if that security is a current index constituent
- Remaining eligible securities in the ranked universe

Please see Appendix II for additional details on the ranking and selection rules.

3.2 Quarterly Index Reviews

The MSCI SRI S-Series Indexes are also reviewed on a quarterly basis in February, August and November to coincide with the regular Index Reviews of the Parent Indexes. The changes are implemented at the end of February, August and November. The pro forma indexes are in general announced nine business days before the effective date.

For the Quarterly Index Reviews, MSCI ESG Ratings, MSCI ESG Controversies Score assessments, MSCI BISR data and MSCI Climate Change Metrics data are taken as of the end of the month preceding the Index Reviews, i.e., January, July and October. For some securities, this data may not be published by MSCI ESG Research by the end of the month preceding the Index Review. For such securities, MSCI will use ESG data published after the end of month, when available, for the rebalancing of the MSCI SRI S-Series Indexes.

At the Quarterly Index Reviews, existing constituents are deleted from the MSCI SRI S-Series Indexes if they do not meet the eligibility criteria described in Section 3.1.1. Existing constituents that meet the eligibility criteria are retained in the indexes.

Additions, from the eligible securities as per Section 2.1.2, are made only to those sectors where the current market capitalization coverage is less than 22.5%, until the 25% target is reached.

Market price movements may cause small deviations in the sector coverage between two Index Reviews. Therefore, to minimize turnover, a buffer of 10% is used on the target coverage of 25% to define under-representation.

3.3 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 Indexes, the changes made to the Parent Index during intermediate Index Reviews will be neutralized in the Indexes.

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

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

There are no deletions from the Indexes between Index Reviews because of a security becoming ineligible because of MSCI ESG Rating downgrade and/or decrease in MSCI ESG Controversies Score and/or change in business involvement.

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	Securities created as a result of the spin-off of an existing index constituent will not be added to the Index at the time of the event implementation. Reevaluation for inclusion in the Indexes will occur at the subsequent Index Review.
Merger/Acquisition	<p>For Mergers and Acquisitions, the acquirer's post event weight will account for the proportionate amount of shares involved in deal consideration, while cash proceeds will be invested across the Index.</p> <p>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.</p>
Changes in Security Characteristics	A security will continue to be an Index constituent if there are changes in characteristics (country, sector, size segment, etc.) Reevaluation for continued inclusion in the Index will occur at the subsequent Index Review.

Further detail and illustration regarding specific treatment of corporate events relevant to this Index can be found in the MSCI Corporate Events Methodology book under the sections detailing the treatment of events in Capped Weighted and Non-Market Capitalization Weighted indexes.



The MSCI Corporate Events methodology book is available at: <https://www.msci.com/index-methodology>.

4 MSCI ESG Research

The Indexes are products of MSCI Inc. that utilize information such as company ratings and research produced and provided by MSCI ESG Research LLC (MSCI ESG Research), a subsidiary of MSCI Inc. In particular, the Indexes use the following MSCI ESG Research products: MSCI ESG Ratings, MSCI ESG Controversies, MSCI ESG Business Involvement Screening Research and MSCI Climate Change Metrics. MSCI Indexes are administered by MSCI Limited.

4.1 MSCI ESG Ratings

MSCI ESG Ratings aim to measure entities' management of environmental, social and governance risks and opportunities. MSCI ESG Ratings use a weighted average key issue calculation that is normalized by industry to arrive at an industry-adjusted ESG score (0-10), which is then translated to a seven-point scale from 'AAA' to 'CCC', indicating how an entity manages relevant key issues relative to industry peers.

The MSCI ESG Ratings methodology can be found at: <https://www.msci.com/esg-and-climate-methodologies>.

4.2 MSCI ESG Controversies

MSCI ESG 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 ESG 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 ESG Controversies Score falls on a 0-10 scale, with "0" being the most severe controversy.

The MSCI ESG Controversies methodology can be found at: <https://www.msci.com/esg-and-climate-methodologies>.

4.3 MSCI ESG Business Involvement Screening Research

MSCI ESG Business Involvement Screening Research (BISR) aims to enable institutional investors to manage environmental, social and governance (ESG) standards and restrictions reliably and efficiently.

For more details on MSCI ESG Business Involvement Screening Research, please refer to http://www.msci.com/resources/factsheets/MSCI_ESG_BISR.pdf.

4.4 MSCI Climate Change Metrics

MSCI Climate Change Metrics provide 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, 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/climate-change-solutions>.

Appendix I: Controversial Business Involvement Criteria

Companies whose activities meet the following values and climate change-based criteria, as evaluated by MSCI ESG Research, are excluded from the MSCI SRI S- Series Indexes.

Values-based Exclusions Criteria:

- **Weapons and Firearms**
 - All companies deriving 10% or more aggregate revenue from the following products and services:
 - Nuclear, Biological, Chemical, and Conventional weapons, components, support systems production; related support services (including trading and distribution); and/or
 - Civilian firearms and ammunition production and retailing
 - **Controversial Weapons**
 - All companies with any tie to Controversial Weapons (cluster munitions, landmines, depleted uranium weapons, biological/chemical weapons, blinding lasers, non-detectable fragments and incendiary weapons), as defined by the methodology of the MSCI Global Ex-Controversial Weapons Indexes available at <https://www.msci.com/index/methodology/latest/XCW>
 - **Nuclear Weapons**
 - 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
 - **Nuclear Weapons – Fissile Materials**
 - All companies that are involved in the production and/or storage of fissile materials used for nuclear weapons. This includes companies with contracts to operate or manage facilities that are responsible for manufacturing these materials.
 - **Weapons**

- All companies deriving 5% or more aggregate revenue from conventional, controversial and nuclear weapons. This includes companies with involvement in weapons systems, components, and support systems and services
- **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 deriving 5% or more revenue from the manufacture and retail of civilian firearms and ammunition.
- **Tobacco**
 - All companies classified as a “Producer”
 - All companies deriving 5% or more aggregate revenue from the production, distribution, retail, supply and licensing of tobacco-related products
- **Alcohol**
 - All companies deriving 5% or more revenue from the production of alcohol- related products
 - All companies deriving 15% or more aggregate revenue from the production, distribution, retail and supply of alcohol-related products.
- **Adult Entertainment**
 - All companies deriving 5% or more revenue from the production of adult entertainment materials
 - All companies deriving 15% or more aggregate revenue from the production, distribution and retail of adult entertainment materials
- **Gambling**
 - All companies deriving 5% or more revenue from ownership of operation of gambling-related business activities
 - All companies deriving 15% or more aggregate revenue from gambling- related business activities
- **Genetically Modified Organisms (GMO)**
 - All companies deriving 5% or more revenue from activities like genetically modifying plants, such as seeds and crops, and other organisms intended for agricultural use or human consumption
- **Nuclear Power**
 - All companies deriving 5% or more revenue from the mining of Uranium
 - All companies deriving 5% or more revenue from the ownership or operation of nuclear power plants
 - All companies deriving 5% or more aggregate revenue from nuclear power activities

- All companies generating 5% or more of their total electricity from nuclear power in a given year
- All companies that have 5% or more of installed capacity attributed to nuclear sources in a given fiscal year
- **Embryonic Stem Cell**
 - All companies that conduct stem cell research with cells derived from human embryos.

Climate Change based Exclusions Criteria:

- **Fossil Fuel Reserves Ownership**
 - All companies with evidence of owning proven & probable coal reserves and/or proven oil and natural gas reserves used for energy purposes, as defined by the methodology of the MSCI Global Ex Fossil Fuels Indexes available at <https://www.msci.com/index-methodology>
- **Fossil Fuel Extraction**
 - All companies deriving any revenue (either reported or estimated) from thermal coal mining, or unconventional and conventional oil and gas extraction.
 - Thermal Coal Mining: Revenue 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
 - Unconventional Oil & Gas Extraction: Revenue from oil sands, oil shale (kerogen-rich deposits), shale gas, shale oil, coal seam gas, and coal bed methane. It does not cover all types of conventional oil and gas production including Arctic onshore/offshore, deepwater, shallow water and other onshore/offshore
 - Conventional Oil & Gas Extraction: Revenue from all types of conventional oil and gas production including Arctic onshore/offshore, deepwater, shallow water and other onshore/offshore. It does not cover unconventional oil & gas (oil sands, shale oil, shale gas)
- **Fossil Fuel-based Power Generation**
 - **Thermal Coal-based Power Generation**
 - All companies generating more than 0% of their total electricity from thermal coal in a given year
 - All companies that have more than 0% of installed capacity attributed to thermal coal in a given year
 - All companies deriving more than 0% revenue (either reported or estimated) from thermal coal-based power generation.
 - **Oil & Gas-based Power Generation**
 - All companies generating more than 30% of their total electricity from liquid fuel and natural gas in a given year

- All companies that have more than 30% of installed capacity attributed to liquid fuel and natural gas in a given year
All companies deriving more than 30% aggregate revenue (either reported or estimated) from liquid fuel- and natural gas-based power generation
- All companies deriving more than 5% or more revenue (either reported or estimated) from liquid fuel-based power generation.
- **Oil & Natural Gas Refining**
 - All companies deriving 5% or more revenue (either reported or estimated) from refining oil and gas

For securities classified in the USA and Canada, below additional screens will be applied:

- **Oil & Gas Pipelines and Transportation**
 - All companies deriving 30% or more revenue (either reported or estimated) from oil and gas pipelines and transportation. It includes revenues from mid- stream operations but excludes revenues from terminals and storage facilities
- **Oil & Gas Trading**
 - All companies deriving 30% or more revenue (either reported or estimated) from the trading of oil and gas and related products

TIMELINE OF SCREEN ADJUSTMENT

Some criteria from the above-mentioned screens for Tobacco, will adjust between 2020 and 2025 to reflect the adoption of stricter thresholds over time. The changes will be implemented at the November Index Review of the preceding year, so that the indexes reflect the thresholds for the relevant calendar year.

Screens that will be modified

- **Tobacco**

2019 to 2024	2025 onwards
<p>All companies classified as a “Producer”;</p> <p>All companies deriving 5% or more aggregate revenue from the production, distribution, retail and supply of tobacco-related products</p>	<p>All companies that have an industry tie to tobacco products through the distributor, licensor, retailer, supplier, or ownership categories.</p>

Appendix II: Guidelines on Achieving the Target Sector Coverage of 25%

The MSCI SRI S-Series Indexes target 25% coverage of the free float-adjusted market capitalization of each GICS sector of the regional Parent Index. The underlying principle in the construction of the indexes is to achieve cumulative sector coverage closest to 25%, while aiming to maintain index stability.

The following guidelines are used in achieving the target cumulative sector coverage of 25%:

- For each sector, the eligible companies of the regional Parent Index are first ranked based on the company level ESG Rating.
- If two companies have the same ESG Rating, the company with better ESG Trend is given priority. ESG Trend is defined as the direction of the change in ESG Rating as of the latest review of the ESG Rating for a company.
 - Positive ESG Trend is given the highest priority. Positive ESG Trend indicates any upgrade in ESG Rating of any scale as of the latest review of the company's ESG Rating.
 - Neutral ESG Trend indicates an unchanged ESG Rating as of the latest review of the company's ESG Rating. Also, companies that receive a re-initiated ESG Rating due to a change in the ESG Ratings Industry are considered to have a neutral ESG Trend.
 - Negative ESG Trend is given the lowest priority. Negative ESG Trend indicates any downgrade in ESG Rating of any scale as of the latest review of the company's ESG Rating.
- In case of two companies with the same ESG Rating and the same ESG Trend, an existing index constituent is given priority to maintain index stability. Between two existing constituents with the same ESG Rating and the same ESG Trend, the company with the higher industry-adjusted ESG Score is given priority. For two existing index constituents with the same industry-adjusted ESG score, the security with the largest free float-adjusted market capitalization is given priority.
- The cumulative sector coverage at each rank is calculated.
- In each sector, companies are selected as per the rules mentioned in Section 2.1.2 until the cumulative sector coverage crosses 25% or there are no eligible securities left to be selected.
- MSCI defines the company that increases the cumulative sector coverage above 25% as the "marginal company".
 - If the marginal company is a current index constituent, then it is always selected.
 - If the marginal company is not a current index constituent, then it is selected only if the cumulative sector coverage with the marginal company is closer to 25% compared to the cumulative sector coverage without the marginal company.
- The minimum cumulative sector coverage is set to 22.5%.
 - The marginal company is always selected if this is required to achieve cumulative sector coverage of 22.5%.



- Securities which are ineligible as per Section 3.1.1 will not be selected even if the cumulative sector coverage after selection of all eligible securities is below 25%.

Appendix III: MSCI China Select SRI S-Series 10% Capped Index

The MSCI China Select SRI S-Series Index is constructed based on the MSCI SRI S-Series Methodology with the following exceptions to its eligibility criteria, and its issuer capping threshold.

ESG Ratings Eligibility

Companies are required to have an MSCI ESG Rating of 'BB' or above to be eligible for inclusion in the MSCI China Select SRI S-Series Index.

Controversial Business Involvement Criteria

Companies whose activities meet the following values and climate change-based criteria, as evaluated by MSCI ESG Research, are excluded from the MSCI China Select SRI S-Series Index.

Values-based Exclusions Criteria:

- **Weapons and Firearms**
 - **Controversial Weapons**
 - All companies with any tie to Controversial Weapons (cluster munitions, landmines, depleted uranium weapons, biological/chemical weapons, blinding lasers, non-detectable fragments and incendiary weapons), as defined by the methodology of the MSCI Global Ex-Controversial Weapons Indexes available at <https://www.msci.com/index-methodology>
 - **Nuclear Weapons**
 - 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
 - **Nuclear Weapons – Fissile Materials**
 - All companies that are involved in the production and/or storage of fissile materials used for nuclear weapons. This includes companies with contracts to operate or manage facilities that are responsible for manufacturing these materials.

– Conventional Weapons

- All companies that provide weapons support and services, including research, development, testing and evaluation; analysis and planning; equipment maintenance, repair, and overhaul; systems support; weapons training and simulation systems and services
- All companies that manufacture conventional weapons and weapons systems, including naval, land-based and aircraft gun and fire-control systems; tactical missiles and their warheads and launchers, long-range strategic missiles; howitzers, torpedoes, bombs, ordnance, mortars, submunitions, grenades, ammunition, and other explosive devices; delivery platforms such as bombers, fighters, combat helicopters and attack aircraft; ships (warships, battleships, submarines, battlecruisers, corvettes, landing craft, destroyers, frigates, minehunters, minesweepers, flotillas, river craft,); armored land vehicles (tactical, assault, tanks, main battle tanks (MBTs))
- All companies that manufacture conventional weapons components such as engines for attack vehicles or command and control systems

– 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 deriving any revenue from the manufacture and retail of civilian firearms and ammunition.

• Tobacco

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

• Alcohol

- All companies deriving 5% or more revenue from the production of alcohol- related products
- All companies deriving 15% or more aggregate revenue from the production, distribution, retail and supply of alcohol-related products

• Adult Entertainment

- All companies deriving 5% or more revenue from the production of adult entertainment materials
- All companies deriving 15% or more aggregate revenue from the production, distribution and retail of adult entertainment materials

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• Gambling

- All companies deriving 5% or more revenue from ownership or operation of gambling-related business activities
- All companies deriving 15% or more aggregate revenue from gambling-related business activities
- **Genetically Modified Organisms (GMO)**
 - All companies that genetically modify plants, such as seeds and crops, and other organisms intended for agricultural use or human consumption. It also covers companies that have applied for USDA APHIS permits for field testing, notifications, or deregulated status of genetically modified crops.
- **Embryonic Stem Cell**
 - All companies that conduct stem cell research with cells derived from human embryos.
- **Nuclear Power**
 - All companies that own or operate nuclear power plants
 - All companies that supply key nuclear-specific products or services to the nuclear power industry

Climate Change based Exclusions Criteria:

- **Fossil Fuel Reserves Ownership**
 - All companies with evidence of owning proven & probable coal reserves and/or proven oil and natural gas reserves used for energy purposes, as defined by the methodology of the MSCI Global Ex Fossil Fuels Indexes available at <https://www.msci.com/index-methodology>
- **Fossil Fuel Extraction**
 - All companies deriving any revenue (either reported or estimated) from thermal coal mining, or unconventional and conventional oil and gas extraction.
 - Thermal Coal Mining: Revenue 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
 - Unconventional Oil & Gas Extraction: Revenue from oil sands, oil shale (kerogen-rich deposits), shale gas, shale oil, coal seam gas, and coal bed methane. It does not cover all types of conventional oil and gas production including Arctic onshore/offshore, deepwater, shallow water and other onshore/offshore
 - Conventional Oil & Gas Extraction: Revenue from all types of conventional oil and gas production including Arctic onshore/offshore, deepwater, shallow water and other onshore/offshore. It does not cover unconventional oil & gas (oil sands, shale oil, shale gas)

- **Fossil Fuel-based Power Generation**
 - **Thermal Coal-based Power Generation**
 - All companies generating more than 0% of their total electricity from thermal coal in a given year.
 - All companies that have more than 0% of installed capacity attributed to thermal coal in a given year.
 - All companies deriving any revenue (either reported or estimated) from thermal coal-based power generation
 - **Oil & Gas-based Power Generation**
 - All companies generating more than 0% of their total electricity from liquid fuel and natural gas in a given year
 - All companies that have more than 30% of installed capacity attributed to liquid fuel and natural gas in a given year
 - All companies deriving any revenue (either reported or estimated) from liquid fuel and natural gas-based power generation
- **Oil & Natural Gas Refining**
 - All companies deriving any revenue (either reported or estimated) from refining oil and gas
- **Fossil Fuel Ties**
 - All companies with an industry tie to fossil fuels (thermal coal, oil and gas), in particular reserve ownership, related revenues and power generation. It does not cover companies providing evidence of owning metallurgical coal reserves.

The MSCI 10/40 Indexes methodology¹¹ is applied to the MSCI China Select SRI S- Series 10% Capped Index such that the maximum weight of any issuer is capped at 10%, and all issuers representing more than 5% of the index cannot exceed 40% of the index weight. No buffers are applied to these thresholds. Index will not be rebalanced on “as needed” basis due to breach in constraints between rebalancing.

The MSCI China Select SRI S-Series 10% Capped Index is also subject to the screen adjustment timeline detailed in Appendix IV.

¹¹ For more details, please refer to the MSCI 10/40 Indexes Methodology at <https://www.msci.com/index- methodology>

Appendix IV Timeline of Screen Adjustment

Some criteria from the above-mentioned screens for Tobacco, will adjust between 2020 and 2025 to reflect the adoption of stricter thresholds over time. The changes will be implemented at the November Index Review of the preceding year, so that the indexes reflect the thresholds for the relevant calendar year.

Screens that will be modified

- Tobacco**

2019 to 2024	2025 onwards
<p>All companies classified as a "Producer";</p> <p>All companies deriving 5% or more aggregate revenue from the production, distribution, retail and supply of tobacco-related products</p>	<p>All companies that have an industry tie to tobacco products through the distributor, licensor, retailer, supplier, or ownership categories.</p>

The MSCI 10/40 Indexes methodology¹² is applied to the MSCI China Select SRI S- Series 10% Capped Index such that the maximum weight of any issuer is capped at 10%, and all issuers representing more than 5% of the index cannot exceed 40% of the index weight. No buffers are applied to these thresholds. Index will not be rebalanced on "as needed" basis due to breach in constraints between rebalancing.

¹² For more details, please refer to the MSCI 10/40 Indexes Methodology at <https://www.msci.com/index-methodology>

Appendix V: Decarbonization Trajectory of Indexes

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

$$W_t = W_1 * 0.93^{\frac{(t-1)}{4}}$$

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

Index Name	Parent Index	Base Date	W_1 (tCO ₂ /M\$ Enterprise Value + Cash)
MSCI ACWI SRI S-Series PAB 5% Capped Index	MSCI ACWI Index	Nov 30, 2021	160.26
MSCI World SRI S-Series PAB 5% Capped Index	MSCI World Index	Nov 30, 2021	145.05
MSCI EM (Emerging Markets) SRI S-Series PAB 5% Capped Index	MSCI EM (Emerging Market) Index	Nov 30, 2021	295.33
MSCI USA SRI S-Series PAB 5% Capped Index	MSCI USA Index	Nov 30, 2021	102.79
MSCI Europe SRI S-Series PAB 5% Capped Index	MSCI Europe Index	Nov 30, 2021	232.69
MSCI EMU SRI S-Series PAB 5% Capped Index	MSCI EMU Index	Nov 30, 2021	246.02
MSCI Japan SRI S-Series PAB 5% Capped Index	MSCI EM Japan Index	Nov 30, 2021	276.18
MSCI Europe Small Cap SRI S-Series PAB 5% Capped Index	MSCI Europe Small Cap Index	Nov 30, 2021	198.05

Appendix VI: Changes to this Document

The following section has been updated as of August 2020:

- Added details on the additional screens used for USA and Canada securities
- Updated the capping details of the MSCI Emerging SRI S-Series 5% Capped Index

The following sections have been updated as of November 2020:

Section 3.2.1: Controversial Business Involvement Criteria

- Added screens for 'Fossil Fuel Reserves Ownership'

Appendix I: Controversial Business Involvement Criteria

- Enhanced screens for 'Fossil Fuel Reserves Ownership'
- Updated the screening criteria for companies involved in 'Thermal Coal Power'

The following sections have been updated as of February 2021:

Appendix I: Controversial Business Involvement Criteria

- Updated the screening criteria for companies involved in Thermal Coal Power Generation, Nuclear Power and Weapons.

Appendix III: MSCI China Select SRI S-Series 10% Capped Index

- Added construction details for MSCI China Select S-Series 10% Capped Index

The following sections have been updated as of May 2021:

Appendix III: MSCI China Select SRI S-Series 10% Capped Index

- Updated the screening criteria for companies involved in Civilian Firearms, Nuclear Power and Oil and Gas-based Power Generation
- Updated the capping methodology

The following sections have been updated as of November 2021:

- Section 3.4: Security Weighting - Updated to align with the minimum requirements of the EU PAB
- Appendix I: Updated screening criteria for conventional weapons
- Appendix III:
 - Updated screening criteria for conventional weapons

- Removal of redundant screens for Genetically Modified Organisms and Nuclear Power
- Clarified the screen adjustment timeline for Tobacco

The following sections have been updated as of March 2021:

- Section 4.3: Updated Ongoing Event Related Changes for IPOs and Early Additions to a “Do not include” treatment.

The following sections have been updated as of May 2022:

Appendix III: MSCI China Select SRI S-Series 10% Capped Index

- Added screen for ‘Fossil Fuel Ties’

The following sections have been updated as of February 2023:

Section 3.4: Security Weighting

- Added footnote for the treatment of the MSCI Europe Small Cap SRI S-Series PAB 5% Capped Index during the February 2023 Index Review

The following sections have been updated as of April 2023:

Section 3.1.1: Eligible Universe

- Added details for the MSCI ACWI SRI S-Series Index

Section 3.1.3: Index Construction

- Added details for the MSCI ACWI SRI S-Series Index

Section 3.1.4: Security Weighting

- Clarified the weighting scheme for the MSCI SRI S-Series Indexes

The following sections have been modified as of May 2023:

Section 1: Introduction

- Updated the description of the MSCI SRI S-Series Indexes and added footnote on Methodology Set

Section 2.2: Constructing the MSCI SRI S-Series PAB 5% Capped Indexes

- Added footnote for the constraints that were relaxed during the May 2023 Index Review

Section 3: Maintaining the MSCI SRI S-Series Indexes

- 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: Clarified the treatment of Corporate Events

Section 4: MSCI ESG Research

- Moved that section after the Section 3 (Maintaining the MSCI SRI S-Series Indexes)

The following sections have been modified as of September 1, 2023:

Section 2.1.2.3 ESG Controversies Score Eligibility

- Clarified the exclusion criteria for companies involved in ESG Controversies.

Appendix 1: Controversial Business Involvement Criteria

- The screening criteria was updated to add additional screens implemented in August 2023. This includes companies which are involved in stem cell research, nuclear fissile materials, oil & gas refining and stricter screens for Thermal Coal and Liquid Fuel based power generation.

Appendix III: MSCI China Select SRI S-Series 10% Capped Index

- The screening criteria was updated to add additional screens implemented in August 2023. This includes companies which are involved in stem cell research and nuclear fissile materials.

The following sections have been modified as of March 1, 2024:

Section 2.1.2.3 ESG Controversies Score Eligibility

- Added an exclusion criterion for companies which are assessed for involvement more than one Very Severe ESG Controversy case. This criterion is based on the latest MSCI ESG Controversies methodology outlined by MSCI ESG Research.

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