MSCI World Low Carbon Target Reduced Fossil Fuel Select Index

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Contents

1 Introduction

The MSCI World Low Carbon Target Reduced Fossil Fuel Select Index aims to address two dimensions of carbon exposure – carbon emissions and fossil fuel reserves. The index aims to reflect a lower carbon exposure than that of the broad market Index by overweighting companies with low carbon emissions relative to sales and those with low potential carbon emissions per dollar of market capitalization. The index is designed to achieve a target level of predicted tracking error while minimizing the carbon exposure and excluding companies with exposure to Fossil Fuels.

2 ESG Research Framework

MSCI ESG Research LLC provides in-depth research, ratings and analysis of the environmental, social and governance-related business practices of thousands of companies worldwide. It consists of an integrated suite of tools and products to efficiently manage research, analysis and compliance tasks across the spectrum of ESG factors.

The MSCI World Low Carbon Target Reduced Fossil Fuel Select Index uses the MSCI Climate Change Metrics Data provided by the MSCI ESG Research LLC.

For details on MSCI ESG Research's full suite of ESG products, please refer to: http://www.msci.com/products/esg/about_msci_esg_research.html

2.1 MSCI CLIMATE CHANGE METRICS

MSCI Climate Change Metrics is designed to support investors seeking to achieve a range of objectives, including measuring and reporting on climate risk exposure, implementing low carbon and fossil fuel-free strategies, and factoring climate change research into their risk management processes. It provides Carbon Emissions, Fossil Fuel exposure, environmental impact (i.e., clean technology) data and screens, as well as climate-related risk exposure and management assessment on companies.

For more details on MSCI Climate Change Metrics, please refer to https://www.msci.com/climate-change-solutions

3 Constructing the MSCI World Low Carbon Target Reduced Fossil Fuel Select Index

The MSCI World Low Carbon Target Reduced Fossil Fuel Select Index construction involves the following steps:

- Defining the Parent Index
- Defining the exclusion criteria
- Applying the MSCI Global Low Carbon Target Indexes Methodology[1]

The steps mentioned above are defined in detail in the subsequent sections.

3.1 DEFINING THE PARENT INDEX

The starting security universe for the MSCI World Low Carbon Target Reduced Fossil Fuel Select Index includes all the constituents of the MSCI World Index (the "Parent Index").

3.2 DEFINING THE EXCLUSION CRITERIA

3.2.1 CLIMATE CHANGE BASED EXCLUSIONS

The Indexes use MSCI ESG Business Involvement Screening Research to identify companies that are involved in the following business activities.

Companies that meet the business involvement criteria are not eligible for inclusion in the Indexes. Please refer to Appendix I for details on these criteria.

Climate Change based Exclusions:

Reserves

- Fossil Fuel Reserves

Mining and Extraction

- Thermal Coal Mining
- Oil Sands Extraction
- Unconventional Oil and Gas Extraction

[1] For more details, please refer to the MSCI Global Low Carbon Target Indexes methodology at www.msci.com/index-methodology

- Conventional Oil and Gas Extraction

Power Generation

- Thermal Coal based Power Generation
- Oil and Gas based Power Generation

3.3 APPLYING THE MSCI GLOBAL LOW CARBON TARGET METHODOLOGY

Constituents from the eligible universe are selected and weighted using an optimization process as defined in the sections 3.2, 3.3 and 3.4 of the MSCI Global Low Carbon Target Indexes Methodology, with an exception that the carbon exposure is minimized subject to a tracking error constraint of 50 basis points relative to the Parent Index.

4 Maintaining the MSCI World Low Carbon Target Reduced Fossil Fuel Select Index

4.1 SEMI-ANNUAL INDEX REVIEWS

The Index is rebalanced on a Semi-Annual basis to coincide with the regular Index Reviews (Semi-Annual Index Reviews in May and November) of the MSCI Global Investable Market Indexes. The changes are implemented at the end of May and November. The pro forma indexes are in general announced nine business days before the effective date.

In general, MSCI uses MSCI ESG Research LLC data (including MSCI ESG Climate Change Metrics) as of the end of the month preceding the Index Reviews. For some securities, such data may not be published by MSCI ESG Research LLC 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.

4.2 QUARTERLY INDEX REVIEWS

The index is reviewed on a quarterly basis to coincide with the regular Quarterly Index Reviews of the MSCI Global Investable Market Indexes, as of the close of the last business day of February and August. At quarterly reviews, the indexes are not re-constituted, but existing constituents will be deleted from the Indexes if they meet the business involvement criteria as defined in Section 3.2. MSCI ESG Climate Change Metrics data is used as of January and July for the February and August Quarterly Index Reviews, respectively. 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.

4.3 ONGOING EVENT-RELATED MAINTENANCE

The general treatment of corporate events in the MSCI World Low Carbon Target Reduced Fossil Fuel Select Index 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 MSCI World Low Carbon Target Reduced Fossil Fuel Select Index, the changes made to the Parent Index during intermediate Index Reviews will be neutralized in the MSCI World Low Carbon Target Reduced Fossil Fuel Select Index.

The following section briefly describes the treatment of common corporate events within the MSCI World Low Carbon Target Reduced Fossil Fuel Select Index .

No new securities will be added (except where noted below) to the Indexes 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 not be added to the Index at the time of event implementation. 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 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 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

Appendix 1: Climate Change Based Exclusion Criteria

- Extraction & Production
  - Thermal Coal Mining
    - All companies deriving 5% 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 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
  - Unconventional Oil & Gas Extraction
    - All companies deriving 5% or more revenue (either reported or estimated) from unconventional oil and gas production. It includes revenue from the production of oil sands, oil shale (kerogen-rich deposits), shale gas, shale oil, coal seam gas, and coal bed methane, as well as revenue from onshore or offshore oil and gas production in the Arctic region. It excludes revenue from conventional oil and gas production including deep water, shallow water, and other onshore/offshore oil and gas.
  - Oil Sands Extraction
    - All companies deriving 5% or more revenue from oil sands extraction, which own oil sands reserves and disclose evidence of deriving revenue from oil sands extraction. Companies that derive revenue from non-extraction activities (e.g. exploration, surveying, processing, refining) or intra-company sales are not excluded. Additionally, companies that own oil sands reserves with no associated revenue are also not excluded.
  - Conventional Oil & Gas Extraction
    - All companies deriving more than 0% revenue (either reported or estimated) from conventional oil and gas production and are deriving less than 40% revenue from products, services, or infrastructure projects supporting the development or delivery of renewable energy and alternative fuels.

The Conventional Oil & Gas Extraction revenue includes revenue from the production of deep water, shallow water, and other onshore /offshore oil and gas. It excludes revenue from unconventional oil and gas production (oil sands, shale oil, shale gas) and onshore /offshore oil and gas production in the Arctic region

- Power Generation
  - Thermal Coal-based Power Generation
    - All companies deriving 5% or more revenue (either reported or estimated) from thermal coal-based power generation
  - Oil & Gas-based Power Generation
    - All companies generating 30% or more of their total electricity from liquid fuel and natural gas in a given year
- Fossil Fuel Reserves Ownership
  - Fossil Fuel Reserves –Energy Application
    - Companies that have proved & probable coal reserves and/or oil and natural gas reserves used for energy purposes

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