

# **MSCI Europe Selection Choice Top 50 Dividend Risk Control 8% Index Methodology**

May 2025

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## 1. Introduction

The MSCI Europe Selection Choice Top 50 Dividend Risk Control 8% Index<sup>1</sup> (the “Index”) aims to target a specific level of risk by dynamically adjusting the weights assigned to a selection of 50 stocks and a cash component. The Index is designed to represent the performance of a set of companies in Europe that have high Environmental, Social and Governance (ESG) performance, as well as relatively higher liquidity and dividend yield. The Index also targets a diverse opportunity set by controlling for the maximum weight assigned to each security, while weighting securities by the inverse of their price variance, aiming to assign higher weights to securities with lower volatility.

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<sup>1</sup> The Index is governed by a set of methodology and policy documents (“Methodology Set”), including the present index methodology document. Please refer to Appendix I for more details

## 2. Constructing the Index

The Index uses company ratings and research provided by MSCI ESG Research<sup>2</sup> for the Index construction.

The MSCI Europe Selection Choice Top 50 Dividend Risk Control 8% Index is constructed using the MSCI Europe Selection Choice Top 50 Dividend Index<sup>3</sup> as the parent index (the “Parent Index”)

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<sup>2</sup> See section 4 for further information regarding ESG and climate data used in the Indexes that MSCI Limited and MSCI Deutschland GmbH source 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 as a provider to MSCI Limited and MSCI Deutschland GmbH. MSCI Limited and MSCI Deutschland GmbH are the benchmark administrators for the MSCI indexes.

<sup>3</sup> Please refer to the MSCI Europe Selection Choice 50 Dividend Index Methodology, available at [www.msci.com/index-methodology](http://www.msci.com/index-methodology).

### 3. Maintaining the Index

The index is weighted and rebalanced in accordance with MSCI Risk Control Indexes Methodology<sup>4</sup> with the below parameters.

No.	MSCI Risk Control Index Methodology Parameters	Setting
1	Return Variant of the Parent Index	Price Return
2	Cash Component	3 Month EURIBOR
3	Base Currency of MSCI Parent Index and Cash Component	EUR
4	Specific Risk Level	8%
5	Number of days used for Short Term Volatility Calculation	20
6	Number of days used for Long Term Volatility Calculation	40
7	Maximum Leverage	100%
8	Turnover Buffer	0%

The index is rebalanced on a daily basis. The index is not rebalanced when 10% or more of the constituents of the Parent Index (calculated by the constituent weights) are not traded due to exchange holidays on the day prior to the effective date.

#### 3.1 Ongoing Event-Related Changes

The Index is derived from MSCI Europe Selection Choice Top 50 Dividend Index. As a result, corporate events are reflected in the MSCI Europe Selection Choice Top 50 Dividend Risk Control 8% Index as they occur and as they are captured in the MSCI Europe Selection Choice Top 50 Dividend index.

<sup>4</sup> Please refer to the Exhibit 2 in MSCI Risk Control Indexes Methodology, available at [www.msci.com/index-methodology](http://www.msci.com/index-methodology).

## 4. MSCI ESG Research

The Index is a product of MSCI Inc. that utilizes 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 Index uses the following MSCI ESG Research products: MSCI ESG Ratings, MSCI ESG Controversies, MSCI ESG Business Involvement Screening Research, MSCI Climate Change Metrics. MSCI Indexes are administered by MSCI Limited and MSCI Deutschland GmbH.

### 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/legal/disclosures/esg-disclosures>.

### 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/legal/disclosures/esg-disclosures..>

### 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.

The MSCI Business Involvement Screening Research methodology can be found at :  
<https://www.msci.com/legal/disclosures/esg-disclosures..>

### 4.4 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.

#### 4.4.1 Fossil Fuels and Power Generation Metrics

MSCI ESG Research 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).

For more details on MSCI Climate Change Metrics, please refer to <https://www.msci.com/legal/disclosures/climate-disclosures>

## Appendix I: Methodology Set

The Index is governed by a set of methodology and policy documents (“Methodology Set”), including the present index methodology document as mentioned below:

- Description of methodology set – [www.msci.com/index/methodology/latest/ReadMe](http://www.msci.com/index/methodology/latest/ReadMe)
- MSCI Corporate Events Methodology – [www.msci.com/index/methodology/latest/CE](http://www.msci.com/index/methodology/latest/CE)
- MSCI Fundamental Data Methodology – [www.msci.com/index/methodology/latest/FundData](http://www.msci.com/index/methodology/latest/FundData)
- MSCI Index Calculation Methodology – [www.msci.com/index/methodology/latest/IndexCalc](http://www.msci.com/index/methodology/latest/IndexCalc)
- MSCI Index Glossary of Terms – [www.msci.com/index/methodology/latest/IndexGlossary](http://www.msci.com/index/methodology/latest/IndexGlossary)
- MSCI Index Policies – [www.msci.com/index/methodology/latest/IndexPolicy](http://www.msci.com/index/methodology/latest/IndexPolicy)
- MSCI Global Industry Classification Standard (GICS) Methodology – [www.msci.com/index/methodology/latest/GICS](http://www.msci.com/index/methodology/latest/GICS)
- MSCI Global Investable Market Indexes Methodology – [www.msci.com/index/methodology/latest/GIMI](http://www.msci.com/index/methodology/latest/GIMI)
- MSCI Global ex Controversial Weapons Indexes Methodology – [www.msci.com/index/methodology/latest/XCW](http://www.msci.com/index/methodology/latest/XCW)
- MSCI Selection Indexes Methodology – [www.msci.com/index/methodology/latest/Selection](http://www.msci.com/index/methodology/latest/Selection)
- MSCI Capped Indexes Methodology – [www.msci.com/index/methodology/latest/Capped](http://www.msci.com/index/methodology/latest/Capped)
- MSCI Risk Control Indexes Methodology – [www.msci.com/index/methodology/latest/RC](http://www.msci.com/index/methodology/latest/RC)
- MSCI Top 50 Dividend Indexes Methodology – [www.msci.com/index/methodology/latest/Top50Dividend](http://www.msci.com/index/methodology/latest/Top50Dividend)
- MSCI Selection Choice Top 50 Dividend Indexes Methodology – [www.msci.com/index/methodology/latest/SelectionChoiceTop50Dividend](http://www.msci.com/index/methodology/latest/SelectionChoiceTop50Dividend)
- ESG Factors In Methodology\*

The Methodology Set for the Index 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.

## Appendix II: Changes to this Document

### The following section has been modified as of May 2025

- The methodology and Index names were updated. As of May 7, 2025; The MSCI Europe ESG Leaders Select Top 50 Dividend RC 8% Index has been renamed to the MSCI Europe Selection Choice Top 50 Dividend Risk Control 8% Index

### Section 4: MSCI ESG Research

- Added a new section providing details on ESG Research products, used to construct the Index

### Appendix I: Methodology Set

- Added details on the Methodology Set for the Index

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