

METHODOLOGY BOOK FOR:
-ACWI INVESTABLE MARKET
INNOVATION QUALITY SUSTAINABLE
100 SELECT INDEX
-MSCI ACWI INVESTABLE MARKET
INNOVATION QUALITY SUSTAINABLE
100 SELECT 10% RISK CONTROL 3%
DECREMENT INDEX

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1 Introduction

The MSCI ACWI Investable Market Innovation Quality Sustainable 100 Select Index¹ (the “Index”) aims to represent the performance of a set of securities that have higher exposure to innovation and quality themes as well as improved ESG characteristics.

The Index uses company ratings and research provided by MSCI ESG Research² to determine eligibility for index construction.

The MSCI ACWI Investable Market Innovation Quality Sustainable 100 Select 10% Risk Control 3% Decrement Index aims to represent the performance of the MSCI ACWI Investable Market Innovation Quality Sustainable 100 Select Index, while targeting a specific level of risk and applying a constant markdown (‘synthetic dividend’) expressed as a percentage of performance.

¹ The Indexes are governed by a set of methodology and policy documents (“Methodology Set”), including the present index methodology document. Please refer to Appendix VI for more details.

² 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.

2 Constructing the Indexes

The MSCI ACWI Investable Market Innovation Quality Sustainable 100 Select Index is constructed by combining the two sub-indexes:

- Innovation Tilted Sub-Index
- Fundamentals Tilted Sub-Index

The Innovation tilted Sub-Index is constructed from MSCI ACWI IMI Innovation Index (the “Parent Index 1”).

The Fundamentals Tilted Sub-Index is constructed from MSCI ACWI Index (the “Parent Index 2”).

In addition to the above steps, the following steps are applied sequentially to the MSCI ACWI Investable Market Innovation Quality Sustainable 100 Select Index to construct the MSCI ACWI Investable Market Innovation Quality Sustainable 100 Select 10% Risk Control 3% Decrement.

- Applying the MSCI Risk Control Indexes methodology³
- Applying the MSCI Decrement Indexes methodology⁴

2.1 Innovation Tilted Sub-Index

2.1.1. ELIGIBLE UNIVERSE FOR INNOVATION TILTED SUB-INDEX

The Innovation Tilted Sub-Index uses MSCI ESG Ratings to identify companies that have demonstrated an ability to manage their ESG risks and opportunities. Companies having MSCI ESG Rating of ‘BB’ or above are eligible for inclusion in the Innovation Tilted Sub-Index.

2.1.1.1 ESG CONTROVERSIES SCORE ELIGIBILITY

The Innovation Tilted Sub-Index uses MSCI ESG Controversies Scores to identify those companies that are involved in very serious controversies involving the environmental, social, or governance impact of their operations and/or products and services. Companies are required to have an MSCI ESG Controversies Score of 1 or higher to be eligible for inclusion in the Innovation Tilted Sub-Index.

2.1.1.2 LIQUIDITY SCREEN

The securities from Parent Index 1 are screened for 12-month ADTV to be greater than USD 10 Million to be eligible for inclusion in Sub-Index 1. ADTV is defined as Average Daily Traded Volume⁵ and is calculated as:

$$ADTV_{12M} = \frac{ATV_{12M}}{252}$$

³ Please refer to the MSCI Risk Control Indexes methodology at <http://www.msci.com/index-methodology>

⁴ Please refer to the MSCI Decrement Indexes methodology at <http://www.msci.com/index-methodology>

⁵ MSCI Index Calculation Methodology at <http://www.msci.com/index/methodology/latest/IndexCalc> and MSCI Global Investable Market Indexes Methodology at <https://www.msci.com/index-methodology>

2.1.1.3 ESG BUSINESS INVOLVEMENT SCREENING

The Index uses 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 index. Please refer to Appendix IV for details on these criteria.

- Controversial Weapons
- Tobacco
- Oil and Gas
- Fossil Fuel- based Power Generation
- Thermal Coal Mining
- Thermal Coal Distribution
- Environmental Controversy Score

2.1.2. CONSTITUENT SECURITIES SELECTION FOR INNOVATION TILTED SUB-INDEX

The securities from eligible universe for Innovation Tilted Sub-Index are subsequently filtered to include a single security per issuer. For issuers having multiple securities which are part of the eligible universe, the security with the highest 12-month ADTV is selected. To reduce turnover, if a security is already a part of the current index, it is selected over other securities of the same issuer.

From the securities remaining post screenings, 50 securities⁶ with the highest composite quality score are selected while ensuring the following:

- For each country, the number of constituents is capped at 35 securities
- For each of the GICS® Sectors, the number of constituents is capped at 20 securities

If the number of securities remaining post above selection is less than 50, then all the remaining securities are selected for the index.

To reduce turnover, starting with May 2025 Index Rebalance, a buffer of 20% is allowed for current constituents, that means that in a given Index Review, non-constituents that satisfy all eligibility criteria and rank 40 or above (sorted in the descending order of the composite quality score) will be added to the Index. The existing constituents which rank below 60 will be deleted from the Index.

2.1.3. SECURITY WEIGHTING FOR INNOVATION TILTED SUB-INDEX

At each Index Review, the securities selected for inclusion in the Innovation Tilted Sub-Index are weighted by the product of their market capitalization weight in the MSCI ACWI IMI Innovation Index and their corresponding Quality Score.

Quality Tilt Weight = Quality Score * Market Capitalization Weight

These quality weights are then normalized to 100.

⁶ For the backtest period of 26-May-2010 – 29-November-2015, the securities selected as of 30-November-2015 are used.



Additionally, constituent weights are capped to mitigate concentration risk in the Index. The individual security weights in the Index are capped at 5%.

2.2 Fundamentals Tilted Sub-Index

2.2.1. ELIGIBLE UNIVERSE FOR FUNDAMENTALS TILTED SUB-INDEX

2.2.1.1 DETERMINATION OF FUNDAMENTAL SCORE

The fundamental score for each security from Parent Index 2 is calculated by combining Z-Scores of three winsorized fundamental variables, namely Percentage of sales spent on R&D and Capex, Return on Invested Capital and 1-YR Sales growth. The details of the calculation of these fundamental variables are provided in Appendix 2.

2.2.1.2 WINSORIZING THE FUNDAMENTAL VARIABLES

As part of the standardization process, outlier fundamental variable values are winsorized to ensure that the average values used to standardize the variables are less affected by extreme values. To do this, for a given variable, the values for all securities are first ranked in ascending order within Parent Index 2. Missing values are excluded from the ranking. Then, for securities that lie below the 5th percentile rank or above the 95th percentile rank, their value is set equal to the value of the 5th percentile ranked or 95th percentile ranked security, as applicable. This process is repeated for each of the three fundamental variables.

2.2.1.3 CALCULATING THE Z-SCORES

After winsorizing all the three fundamental variables, the Z-Score for each of the three variables for each security can be calculated using the mean and standard deviation of the relevant variable. Computing a Z-Score is a widely used method of standardizing a variable in order to combine it with other variables that may have a different unit of measurement or a different scale. Because it has a mean value of zero and a standard deviation of 1, the value of a z-score shows how many standard deviations a given value lies from the mean.

The Z-Score is defined as follows:

$$z = \frac{(x - \mu)}{\sigma}$$

Where:

- x is the winsorized variable for a given security
- μ is the mean of the winsorized variable, excluding missing values
- σ is the standard deviation of the winsorized variable, excluding missing values



Additionally, the Z-score for all three fundamental variables are winsorized at +/- 3

2.2.1.4 CALCULATING THE FUNDAMENTAL SCORE

After standardizing each of the three fundamental variable values for each security in the selected security universe, a composite fundamental Z-Score is calculated for each security. The composite fundamental Z-Scores are computed by averaging the Z scores of all the three fundamental variables as calculated in section 1.4.1.2.

The Fundamental Score is then computed from the composite fundamental Z-Score as follows:

$$\text{Fundamental Score} = \begin{cases} 1 + Z, & Z > 0 \\ (1 - Z)^{-1}, & Z < 0 \end{cases}$$

Where Z is the composite fundamental Z-Score.

2.2.1.5 FUNDAMENTAL SCORE SCREEN

Securities from the Parent Index 2 that are ranked in the top half within their respective GICS sector based on the Fundamental score are selected for the Fundamentals Tilted Sub-index. The top half of a GICS sector group includes securities with Fundamental Score equal to or greater than the median Fundamental Score of all the securities in the same GICS sector. The median Fundamental Score is calculated after excluding securities with Fundamental Score = 0 or unavailable Fundamental Score.

2.2.1.6 ESG RATINGS ELIGIBILITY

The Fundamentals Tilted Sub-index uses MSCI ESG Ratings to identify companies that have demonstrated an ability to manage their ESG risks and opportunities. Companies having MSCI ESG Rating of 'BB' or above are eligible for inclusion in Fundamentals Tilted Sub-index.

2.2.1.7 ESG CONTROVERSIES SCORE ELIGIBILITY

The Fundamentals Tilted Sub-Index uses MSCI ESG Controversies Scores to identify those companies that are involved in very serious controversies involving the environmental, social, or governance impact of their operations and/or products and services. Companies are required to have an MSCI ESG Controversies Score of 1 or higher to be eligible for inclusion in the Fundamentals Tilted Sub-Index.

2.2.1.8 ESG BUSINESS INVOLVEMENT SCREENING

The Index uses 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 index. Please refer to Appendix IV for details on these criteria.

- Controversial Weapons
- Tobacco
- Oil and Gas
- Fossil Fuel- based Power Generation
- Thermal Coal Mining
- Thermal Coal Distribution
- Environmental Controversy Score

2.2.2. CONSTITUENT SECURITIES SELECTION FOR FUNDAMENTALS TILTED SUB-INDEX

The securities from eligible universe for Fundamentals Tilted Sub-Index are subsequently filtered to include a single security per issuer. For issuers having multiple securities which are part of the eligible universe, the security with the highest 12-month ADTV is selected. To reduce turnover, if a security is already a part of the current index, it is selected over other securities of the same issuer.

From the securities remaining post screenings, 50 securities with the highest composite quality score are selected while ensuring the following:

- For each country, the number of constituents is capped at 35 securities
- For each of the GICS® Sectors, the number of constituents is capped at 20 securities

If the number of securities remaining post above selection is less than 50, then all the remaining securities are selected for the index.

To reduce turnover, starting with May 2025 Index Rebalance, a buffer of 20% is allowed for current constituents, that means that in a given Index Review, non-constituents that satisfy all eligibility criteria and rank 40 or above (sorted in the descending order of the composite quality score) will be added to the Index. The existing constituents which rank below 60 will be deleted from the Index.

2.2.3. SECURITY WEIGHTING FOR FUNDAMENTALS TILTED SUB-INDEX

At each Index Review, the securities selected for inclusion in the Fundamentals Tilted Sub-Index are weighted by the product of their market capitalization weight in the MSCI ACWI IMI Index and their corresponding Quality Score.

Quality Tilt Weight = Quality Score * Market Capitalization Weight

These quality weights are then normalized to 100.

Additionally, constituent weights are capped to mitigate concentration risk in the Index. The individual security weights in the Index are capped at 5%.

2.3 Combining Sub-Indexes

At each Quarterly Index Review, the 2 Sub-Indexes are combined subject to the following constraints to create MSCI ACWI Investable Market Innovation Quality Sustainable 100 Select Index:

Constraints
Max Security Weight: 4%
Minimum Weight in securities with overall SDG Flag = True: 60%⁷
% Minimum weight in Innovation Tilted Sub-Index: 60%
% Minimum weight in Fundamental Tilted Sub-Index: 40%

The three constraints must hold simultaneously for the final portfolio at each rebalance.

Subsequently, any security with a weight of less than 0.05% in the final index is deleted from the final index and the weights are renormalized to 100%.

Between successive rebalancing, the weights of the component indexes will evolve based on the performance of the component indexes.

2.4 Application Of The MSCI Risk Control And Decrement Indexes Methodology

The MSCI Risk Control Indexes Methodology and the MSCI Decrement Indexes Methodology are applied sequentially on the MSCI ACWI Investable Market Innovation Quality Sustainable 100 Select Index to construct the MSCI ACWI Investable Market Innovation Quality Sustainable 100 Select 10% Risk Control 3% Decrement Index. The parameters for the application of the risk control methodology and the decrement methodology in the above index are noted in Appendix III.

2.5 Treatment Of Unrated Companies

Companies not assessed by MSCI ESG Research on data for any of the following MSCI ESG Research products are not eligible for inclusion in the Indexes.

⁷ Refer to Appendix V for details on overall SDG flag calculation.

- MSCI ESG Controversies
- MSCI Environmental Controversies

3 Maintaining the Indexes

3.1 Quarterly Index Reviews

The Indexes are reviewed on a quarterly basis, coinciding with the February, May, August and November Index Reviews of the Parent Index. The pro forma Indexes are in general announced nine business days before the effective date.

In general, MSCI uses MSCI ESG Research data (including MSCI ESG Ratings, Climate Change Metrics, MSCI ESG Controversies and MSCI Business Involvement Screening Research) as of the end of the month preceding the Index Reviews for the rebalancing of the Indexes.

3.2 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 Indexes is greater than the frequency of Index Reviews in the Index, the changes made to the Parent Indexes during intermediate Index Reviews will be neutralized in the Indexes.

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

No new securities will be added (except where noted below) to the Index 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 Indexes.

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 Impact Solutions. 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.

For more details on MSCI ESG Business Involvement Screening Research, please refer to <https://www.msci.com/legal/disclosures/esg-disclosures>.

4.4 MSCI Impact Solutions: Sustainable Impact metrics

MSCI Impact Solutions' Sustainable Impact Metrics is designed to identify companies that derive revenue from products or services with positive impact on society and the environment. The Sustainable Impact Metrics are comprised of six Environmental Impact categories and seven Social Impact categories arranged by theme.

MSCI Sustainable Impact Taxonomy



Pillar	Themes	Categories
Environmental Impact	Climate Change	<ol style="list-style-type: none"> 1. Alternative energy 2. Energy efficiency 3. Green building
	Natural capital	<ol style="list-style-type: none"> 4. Sustainable water 5. Pollution prevention 6. Sustainable agriculture
Social Impact	Basic needs	<ol style="list-style-type: none"> 7. Nutrition 8. Major Disease Treatment 9. Sanitation 10. Affordable Real Estate
	Empowerment	<ol style="list-style-type: none"> 11. SME Finance 12. Education 13. Connectivity – Digital divide

Under each of the actionable environmental and social impact themes, MSCI ESG Research has identified specific categories of products and services that it has determined companies can offer as potential solutions to environmental and social challenges.

For more details on MSCI Sustainable Impact Metrics, please refer to <https://www.msci.com/legal/disclosures/esg-disclosures>.

4.5 MSCI Impact Solutions: Sustainable Impact metrics

MSCI Impact Solutions' SDG Alignment is designed to provide a holistic view of companies' net contribution – both positive and negative – towards addressing each of the 17 UN Sustainable Development Goals (SDGs). SDG Alignment assessments and scores include analysis of companies' operations, products and services, policies, and practices and their net contribution – positive and adverse – to addressing key global challenges.

The MSCI SDG Alignment framework provides 17 SDG Net Alignment scores and 17 SDG Net Alignment assessments (including Strongly Aligned, Aligned, Neutral, Misaligned and Strongly Misaligned) for each of the 17 global goals. In addition, the model offers assessments and scores for two dimensions, product alignment and operation alignment, for each company and for each of the 17 goals.

The MSCI SDG Alignment methodology can be found at: <https://www.msci.com/legal/disclosures/esg-disclosures>.



Appendix I: Description of MSCI Quality Score

The MSCI Quality Score for each security is calculated by combining the z-scores of three fundamental descriptors, Return on Equity, Debt to Equity and Earnings Variability. A given variable z-score for a security is calculated using the mean and standard deviation of the corresponding variable computed within the MSCI Parent Index. After calculating component variable z-scores, a composite z-score for each security is computed by taking an equal-weighted average of the component zscores. The Quality Score is then computed from the composite Z score as follows:

$$\text{Quality Score} = \begin{cases} 1 + Z, & Z > 0 \\ (1 - Z)^{-1}, & Z < 0 \end{cases}$$

Where Z is the composite Z score described earlier.

For details on the calculation of the MSCI Quality Score, please refer to MSCI Quality Indexes Methodology available at: <https://www.msci.com/index-methodology>.

Appendix II: Calculation of Fundamental Variables

Fundamental Variable	Calculation Details
Percentage of Sales spent on R&D and Capex	% Sales spent on R&D and Capex = Capital Expenditures to Sales Ratio _t + R&D Expenses to Sales Ratio _t
Return on Invested Capital	$ROIC = \frac{Operating\ Income_t}{Invested\ Capital_t}$ Where: <ul style="list-style-type: none"> • <i>Operating Income_t</i> = Operating income before unusual expense • <i>Invested Capital_t</i> = Shareholder's equity + Total Debt + Minority Interest
1-YR Sales Growth	$Sales\ Growth = \frac{Sales\ in\ USD_t}{Sales\ in\ USD_{t-1}} - 1$

For more details on the fundamental data, please refer to the MSCI Fundamental Data Methodology (<https://www.msci.com/index-methodology>).

Appendix III: Parameters used for the MSCI ACWI Investable Market Innovation Quality Sustainable 100 Select 10% Risk Control 3% Decrement Index

The MSCI Risk Control Indexes Methodology⁸ is applied on the MSCI ACWI Investable Market Innovation Quality Sustainable 100 Select Index using the following parameters:

	MSCI Risk Control Indexes Methodology Parameters	Value
1	Calendar Rule	Daily
2	Return Variant of MSCI World ESG Quality Select Low Volatility Index	Net Total Return
3	Risk Free Rate	EURIBOR up to 31-AUG-2021 and ESTR effective 01-SEP-2021
4	Risk Free Maturity Rate	Overnight
5	Closed Market Threshold	10
6	Rebalancing Type	Volatility
	Volatility Rebalancing Parameters	
7	Risk Control Level	10%
8	Base Currency of MSCI World ESG Quality Select Low Volatility Index and the cash component	EUR
9	Maximum Leverage	100%
10	Buffer	10%
11	Volatility Calculation Type	Equal Weighted Volatility
	Estimator Parameters	
12	Lag Between Rebalancing Date and Effective Date	6 business days
13	Short Term number of days estimate	20
14	Long Term number of days estimate	60
15	Absolute Change in Leverage	20%

The MSCI Decrement Indexes methodology is then applied using the parameters below, to construct the MSCI ACWI Investable Market Innovation Quality Sustainable 100 Select 10% Risk Control 3% Decrement Index.

⁸ Refer to MSCI Risk Control Indexes Methodology at <https://www.msci.com/index-methodology>



MSCI Decrement Indexes Methodology Parameters		Parameters
1	Currency of Calculation	EUR
2	Return Variant of the Risk Control Index	Combined Return
3	Decrement Type	Fixed Percentage
4	Decrement Application	Geometric
5	Decrement Value	3%
6	Day-count Convention	Actual / 365
7	Index Floor	0
8	Decrement Frequency	Daily



Appendix IV: Business Involvement Screening Criteria

- Controversial Weapons

Companies that have any ties to cluster munitions, landmines, biological / chemical weapons, depleted uranium weapons, blinding laser weapons, incendiary weapons, and/or non-detectable fragments as defined by the methodology of the MSCI Global Ex-Controversial Weapons Indexes⁹.

- Tobacco

All companies classified as a “Producer”.

- Oil & Gas

All companies deriving 10% or more aggregate revenue from oil and gas related activities, including distribution / retail, equipment and services, extraction and production, pipelines and transportation and refining but excluding biofuel production and sales and trading activities

- Fossil Fuel-based Power Generation

All companies deriving 50% or more aggregate revenue from thermal coal-based power generation, liquid fuel-based power generation and natural gas-based power generation.

- Thermal Coal Mining

All companies deriving 1% 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 (either reported or estimated).

⁹ For more details regarding the MSCI Global Ex-Controversial Weapons Index methodology, please refer to <https://www.msci.com/index/methodology/latest/XCW>



- Thermal Coal Distribution

All companies with evidence of involvement in thermal coal distribution

- Environment Controversy Score

All companies with Red or Orange Environmental Controversy Flags are excluded.

Appendix V: Overall SDG Flag Calculation

To maintain a minimum weight of the Index in securities based on their SDG net alignment scores, we assign an overall SDG flag to each security based on the following logic..

We first categorize the 17 SDGs into two categories – Environmental and Social.

- A. Environmental (E): SDG 6, SDG 7, SDG 12, SDG 13, SDG 14, SDG 15
- B. Social (S): SDG 1, SDG 2, SDG 3, SDG 4, SDG 5, SDG 8, SDG 9, SDG 10, SDG 11, SDG 16, SDG 17

For each of the two categories, we identify the maximum score for each security – Max (all SDG scores classified under E) and Max (all SDG scores classified under S). The thresholds for both are set at 2. If Max E Score ≥ 2 , E flag is set to True for the security. If Max S Score ≥ 2 , S flag is set to True for the security.

To have an overall SDG flag = True, at least one of E or S flag must be True.

Additionally, a security will be ineligible for the overall SDG flag if the minimum of all SDG scores for the security is less than or equal to -2.

The following table illustrates the logic for a few hypothetical securities.

Security ID	Max E Score	Max S Score	Min SDG Score	E Flag	S Flag	Min SDG Score > -2	Overall SDG Flag
1	1	1	-1	False	False	True	False
2	3	1	-1	True	False	True	True
3	1	3	-1	False	True	True	True
4	4	3	-2	True	True	False	False
5	6	5	0	True	True	True	True



Appendix VI: Methodology Set

The Indexes are 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
- MSCI Corporate Events Methodology – www.msci.com/index/methodology/latest/CE
- MSCI Fundamental Data Methodology – www.msci.com/index/methodology/latest/FundData
- MSCI Index Calculation Methodology – www.msci.com/index/methodology/latest/IndexCalc
- MSCI Index Glossary of Terms – www.msci.com/index/methodology/latest/IndexGlossary
- MSCI Index Policies – www.msci.com/index/methodology/latest/IndexPolicy
- MSCI Global Industry Classification Standard (GICS) Methodology – www.msci.com/index/methodology/latest/GICS
- MSCI Global Investable Market Indexes Methodology – www.msci.com/index/methodology/latest/GIMI
- MSCI Global ex Controversial Weapons Indexes Methodology – www.msci.com/index/methodology/latest/XCW
- ESG Factors In Methodology*

The Methodology Set for the Indexes 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 VII: Changes to this Document

May 2025:

- **Sections 2.1.2 & 2.2.2:** Added 20% buffer rules for constituent selection for both Sub-Indexes.
- **Sections 2.1.1.3 & 2.2.1.8:** Both Sub-Indexes apply PAB exclusions starting May 2025 Index Review.
- **Section 2.3:** Maximum security weight cap of 4% applied.
- **Section 2.3:** SDG weight constraint at 60% added.
- **Appendix I:** Added reference to Quality Indexes methodology – changes following the Quality methodology consultation.
- **Added Appendix IV and Appendix V**

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