

MSCI EMERGING MARKETS SELECT ESG LEADERS LOW CARBON IMPACT INDEX METHODOLOGY

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1. Introduction

The MSCI Emerging Markets Select ESG Leaders Low Carbon Impact Index¹ (the 'Index') is designed to represent the performance of companies that have high Environmental, Social and Governance ("ESG") ratings relative to their sector peers.

The Index also aims to reflect a lower carbon exposure than that of the broad market by selecting companies with low carbon emissions relative to sales and those with low potential carbon emissions per dollar of market capitalization. Additionally, the Index applies certain values-based exclusion criteria. Finally, the weights of securities are tilted in proportion of the aggregated Sustainable Impact Revenue contribution from the below components:

- Alternative Energy
- Energy Efficiency
- Green Building
- Pollution Prevention
- Sustainable Water
- Sustainable Agriculture
- Connectivity
- Education
- SME Finance

¹The 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. Index Construction

2.1 APPLICABLE UNIVERSE

The Applicable Universe includes all the existing constituents of the MSCI Emerging Markets Index (“Parent Index”). This approach aims to provide an opportunity set with sufficient liquidity and investment capacity.

2.2 ESG SCREENED UNIVERSE²

The eligible securities for the Index are selected from the Applicable Universe by applying the MSCI ESG Leaders Indexes Methodology³ on the Parent Index with the following exception in the screening criteria: The Index will use ESG screening criteria as described in the MSCI SRI Indexes Methodology⁴.

Additionally, the index excludes companies from specific countries⁵ based on the below screening criteria⁶:

- **State Owned Enterprise and Dominant Shareholder Screen:** All companies which are State Owned and have a Dominant Shareholder percentage more than 50% are excluded.
- **State Owned Enterprise and Golden Share Screen:** All companies which are State Owned and have a Golden Share are excluded.

2.2.1 WEIGHTING OF SECURITIES IN THE ESG SCREENED UNIVERSE

Weights are tilted in proportion of the Sustainable Impact Tilt Scores and renormalized to ensure that the sum of the weights of all constituents is 100%.

Sustainable Impact Revenue⁷ is defined as the aggregated revenue (%) contribution from the below components:

- Alternative Energy
- Energy Efficiency
- Green Building

² 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.

³ For a detailed description of the MSCI ESG Leaders Indexes Methodology, please refer to the MSCI ESG Leaders Indexes Methodology available at <http://www.msci.com/index-methodology>.

⁴ For a detailed description of the MSCI SRI Indexes Methodology, please refer to the MSCI SRI Indexes Methodology available at <http://www.msci.com/index-methodology>.

⁵ The list of countries will be provided by Kempen before each annual rebalance. This list of countries can be found in Appendix 2 of this methodology document.

⁶ The flagged securities were removed on an exceptional basis from the index effective from Dec, 1 2022.

⁷ For a detailed description of the Sustainable Impact Revenue components, please refer to the MSCI ACWI Sustainable Impact Index Methodology available at <http://www.msci.com/index-methodology>.

- Pollution Prevention
- Sustainable Water
- Sustainable Agriculture
- Connectivity
- Education
- SME Finance

Sustainable Impact Tilt Score is awarded depending on the Sustainable Impact Revenue calculated above:

Sustainable Impact Revenue	Tilt Score
Sustainable Impact Revenue unavailable / equal to 0	1
Sustainable Impact Revenue less than 5%	1.25
Sustainable Impact Revenue between 5% and 20%	1.5
Sustainable Impact Revenue between 20% and 50%	1.75
Sustainable Impact Revenue between 50% and 100%	2

2.3 LOW CARBON UNIVERSE

The Low Carbon Universe is constructed from the ESG Screened Universe by applying the following independent screens:

Carbon Emission Intensity⁸ Screen: Constituents are ranked by the carbon emission intensity and the top 20% securities by number are excluded. The cumulative weight of securities excluded from any sector is less than 30% of the weight of the sector in the ESG Screened Universe post weighting⁴. In case this limit is reached for any sector, no further securities from that sector are excluded.

Potential Carbon Emissions per Dollar of Market Capitalization Screen: Constituents are ranked by the potential carbon emissions per dollar of the market capitalization of the company. Securities are excluded until cumulative potential carbon emissions of the excluded securities reaches 50% of the sum of the potential carbon emission of the constituents of the ESG Screened Universe post weighting.

2.4 FINAL UNIVERSE

The Final Universe is constructed by applying a cap of 15% on the weights of individual constituents in the Low Carbon Universe. Moreover, the weights of the three regions, i.e., Emerging Markets Asia, Emerging Markets Latin America, Emerging Markets Europe, Middle East & Africa, are aligned with that of the Parent Index while maintaining the 15% security cap.

⁸ For more details on Carbon Emission Intensity, please refer to Appendix I.

3. Index Maintenance

3.1 Annual Index Reviews

The Index is reviewed on an annual basis in May to coincide with the May Semi-Annual Index Review of the Parent Index, 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 data (including MSCI Climate Change Metrics, MSCI Climate Value-at-Risk, MSCI ESG Sustainable Impact 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, as the frequency of Index Reviews in the Parent Index is greater than the frequency of Index Reviews in the Index, the changes made to the Parent Index during intermediate Index Reviews will be neutralized in the Index.

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 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

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.

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

4. MSCI ESG Research

MSCI Indexes of MSCI Inc. 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 Climate Change Metrics, MSCI ESG Controversies, MSCI ESG Business Involvement Screening Research. 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 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 such as Low Carbon Transition scores and categories.

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

4.5 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.

More detailed taxonomy for each category can be found in Section 4.4 of the MSCI ACWI Sustainable Impact Index Methodology available at:

<https://www.msci.com/esg-sustainable-impact-metrics>

Appendix 1: Calculation of Carbon Exposure Metrics

Index Carbon Emissions –

Parent Index Carbon Emissions –

$$\sum_i \left(\frac{(\text{Float Market Capitalization} * \text{Absolute Emissions})}{\text{Issuer Market Capitalization}} \right)$$

Derived Index Carbon Emissions –

$$\sum_i \left(\frac{(\text{Derived Index Market Capitalization} * \text{Absolute Emissions})}{\text{Issuer Market Capitalization}} \right)$$

Parent Index Carbon Emission Intensity is defined as Parent Index Carbon Emissions, as defined above, divided by Parent Index Sales –

$$\sum_i \left(\frac{(\text{Float Market Capitalization} * \text{Absolute Emissions})}{\text{Issuer Market Capitalization}} \right) / \sum_i \left(\frac{(\text{Float Market Capitalization} * \text{Sales})}{\text{Issuer Market Capitalization}} \right)$$

Derived Index Carbon Emissions Intensity is defined as Derived Index Carbon Emissions, as defined above, divided by Derived Index Sales –

$$\sum_i \left(\frac{(\text{Derived Index Market Capitalization} * \text{Absolute Emissions})}{\text{Issuer Market Capitalization}} \right) / \sum_i \left(\frac{(\text{Derived Index Market Capitalization} * \text{Sales})}{\text{Issuer Market Capitalization}} \right)$$

Index Potential Carbon Emissions from Fossil Fuels–

Parent Index Potential Carbon Emissions from Fossil Fuels–

$$\sum_i \left(\frac{(\text{Float Market Capitalization} * \text{Absolute Potential Emissions})}{\text{Issuer Market Capitalization}} \right)$$

Derived Index Potential Carbon Emissions from Fossil Fuels–

$$\sum_i \left(\frac{(\text{Derived Index Market Capitalization} * \text{Absolute Potential Emissions})}{\text{Issuer Market Capitalization}} \right)$$

APPENDIX 2: List of specified countries as provided by Kempen

- China
- Brazil
- Saudi Arabia
- Qatar
- Colombia⁹
- Russia¹⁰

⁹ Colombia was added to the list of specific countries during the November 2023 Index Review, effective December 1, 2023. As this index is reviewed Annually in June, an exceptional rebalance was done in November 2023 index review to accommodate this change.

¹⁰ Russia was excluded from the MSCI Emerging Markets Index from March 9, 2022.

Appendix 3: Changes to the Document

The following section have been modified as of November 2022:

Section 3.2 Addition of country specific screens.

- Two new screens have been added.

The following section have been modified as of November 2023:

Section 4: MSCI ESG Research

- Moved that section after the Section 3 (Maintaining the MSCI Emerging Markets Select ESG Leaders Low Carbon Impact Index).
- Updated the descriptions of MSCI ESG Research products.

Appendix 2: List of specified countries as provided by Kempen

- Section 2.1.1 ESG Screening and Selection Footnote 6: The reference to the list of countries for which an additional screen is applied has been added.
- The list of specific countries with the additional screen has been added.

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