

MSCI WORLD ESG SELECT BUSINESS INVOLVEMENT AND CHILDREN'S RIGHTS INDEX METHODOLOGY

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1 Introduction

The MSCI World ESG Select Business Involvement and Children's Rights index aims to represent the performance of a set of stocks that are determined to have higher Child Labor Rights Score based on MSCI ESG Research metrics.

2 MSCI ESG RESEARCH

The MSCI World ESG Select Business Involvement and Children’s Rights uses company ratings and research provided by MSCI ESG Research LLC. The index uses the following MSCI ESG Research products: MSCI ESG Ratings, MSCI ESG Controversies and MSCI Business Involvement Screening Research.

For details on MSCI ESG Research’s full suite of ESG products, please refer to:

<https://www.msci.com/esg-investing>

2.1 MSCI ESG RATINGS

MSCI ESG Ratings provides research, analysis and ratings of how well companies manage environmental, social and governance risks and opportunities.

MSCI ESG Ratings provides an overall company ESG rating - a seven-point scale from ‘AAA’ to ‘CCC’. In addition, the product provides scores and percentiles indicating how well a company manages each key issue relative to industry peers.

For more details on MSCI ESG Ratings, please refer to: <https://www.msci.com/esg-ratings>

2.2 MSCI ESG CONTROVERSIES

MSCI ESG Controversies (formerly known as MSCI Impact Monitor) provides assessments of controversies concerning the 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.

For more details on MSCI ESG Controversies, please refer to : <https://www.msci.com/documents/10199/acbe7c8a-a4e4-49de-9cf8-5e957245b86b>

2.3 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

3 Index Construction

The MSCI World Impact ESG Select Children’s Rights Index is constructed from the MSCI World Index (the “Parent Index”).

The following steps are applied at initial construction as well as at subsequent Semi-Annual Index Reviews of the MSCI World Impact ESG Select Children’s Rights Index:

- ESG Eligibility Criteria
- Security Weighting

3.1 ESG ELIGIBILITY CRITERIA

3.1.1 VALUES BASED EXCLUSIONS

The MSCI World Impact ESG Select Children’s Rights 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 below values- and climate change-based criteria are excluded from the MSCI World Impact ESG Select Children’s Rights Index. Please refer to Appendix 3 for details on these criteria.

- Adult Entertainment
- Gambling
- Tobacco
- Controversial Weapons
- Nuclear Weapons
- Conventional Weapons
- Alcohol
- Breast Milk Substitutes

3.1.2 CHILD LABOR RIGHTS SCORE ELIGIBILITY

The MSCI World Impact ESG Select Children’s Rights Index uses MSCI ESG Child Labor Score to identify companies that are involved in child labor controversies. Companies are required to have an MSCI ESG Child Labor Score of above 4 to be eligible for inclusion in the MSCI World Impact ESG Select Children’s Rights Index.

3.2 SECURITY WEIGHTING

The securities remaining post ESG eligibility criteria are assigned weights in proportion to their free-float adjusted market capitalization.

4 Maintenance of the Index

4.1 SEMI ANNUAL INDEX REVIEWS

The MSCI World Impact ESG Select Children’s Rights Index is reviewed on a semi-annual basis, coinciding with the May and November Semi-Annual Index Reviews. In general, MSCI uses MSCI ESG Research data (including MSCI ESG Controversies Scores and MSCI Sustainable Impact metrics) as of the end of the month preceding the Index Reviews for the rebalancing of the Index.

The pro forma index is in general announced nine business days before the rebalance date.

4.2 ONGOING EVENT RELATED CHANGES

The following section briefly describes the treatment of common corporate events within the MSCI World Impact ESG Select Children’s Rights Index.

No new securities will be added (except where noted below) to the Index between Index Reviews. For cases where additions are noted below, securities will be added to the Index only if added to the Parent Index. 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

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 I: Values Based Exclusion Criteria

The MSCI World Impact ESG Select Children’s Rights Index is constructed with an aim to reflect the performance of companies that are consistent with specific values- and climate change-based criteria.

Values-based Exclusions Criteria

- **Adult Entertainment**
 - All companies that have an industry tie to adult entertainment, including the producer, distributor, retailer, or ownership categories. In particular, the screen excludes companies that produce, direct, publish, retail, or distribute adult entertainment materials, as well as have ownership ties.
- **Gambling**
 - All companies that have an industry tie to gambling through the operation, support, licensing, or ownership categories. In particular, the screen excludes companies that own or operate gambling facilities, provide key products or services fundamental to gambling operations, license their company name or brand name to gambling products, or have ownership ties.
- **Alcohol**
 - Companies with an industry tie to alcohol, including producer, distributor, retailer, licensor, supplier, and ownership categories.
- **Tobacco**
 - Companies that have an industry tie to tobacco products through the distributor, licensor, retailer, supplier, or ownership categories.
- **Nuclear Power**
 - Companies that have an industry tie to the nuclear power industry.
- **Controversial Weapons**
 - Companies that have an industry tie to the manufacture of conventional (including depleted uranium), biological/chemical, or nuclear weapons systems and components. This includes companies that provide support systems and services, as well as those with indirect ties to weapons production through ownership. All companies that manufacture anti-personnel landmines, anti-vehicle landmines, and essential components of



anti-personnel landmines. All companies that manufacture cluster munitions, essential components of these products, and delivery platforms capable of carrying and deploying cluster munitions. All companies that manufacture weapons utilizing laser technology to cause permanent blindness. All companies that manufacture weapons using non-detectable fragments to inflict injury.

- **Breast Milk Substitutes**

- Publicly traded companies identified as in violation of the International Marketing Code on Breast Milk Substitutes as identified by IBFAN.

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To learn more, please visit www.msci.com.

The process for submitting a formal index complaint can be found on the index regulation page of MSCI's website at: <https://www.msci.com/index-regulation>.

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