

MSCI ACWI ex Thermal Coal Adaptive Capped 2x Universal Indexes Methodology

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1. Introduction

The MSCI ACWI ex Thermal Coal Adaptive Capped 2x Universal Index¹ aims to represent the performance of a strategy that excludes companies that derive a sizeable revenue from select thermal coal related activities and at the same time aims to increase exposure to those companies demonstrating both a robust ESG profile as well as a positive trend in improving that profile, by re-weighting free-float market cap weights based upon certain ESG metrics. The index also controls for concentration, prior to tilting weights based on ESG metrics.

The MSCI ACWI ex Thermal Coal Adaptive Capped 2x Universal with Select Currencies 100% Hedged to GBP Index¹ represents the performance achieved by hedging select currency exposures of the MSCI ACWI ex Thermal Coal Adaptive Capped 2x Universal Index to GBP. Select currencies in the index are 100% hedged to GBP by selling each foreign currency forward at the one-month Forward weight.

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 III for more details.

2. Constructing the Indexes

The MSCI ACWI ex Thermal Coal Adaptive Capped 2x Universal Index and the MSCI ACWI ex Thermal Coal Adaptive Capped 2x Universal with Select Currencies 100% Hedged to GBP Index are constructed from the MSCI ACWI Index (the “Parent Index”)

2.1 Eligible Universe

The Indexes use company ratings and research provided by MSCI ESG Research² to determine eligibility for index construction

Companies which derive a sizeable revenue from certain thermal coal related activities are excluded from the Eligible Universe.

Please refer to Appendix I for more details on the exclusion criteria

2.2 Applying the MSCI Adaptive Capped Indexes Methodology

The MSCI Adaptive Capped Indexes Methodology³ is applied on the eligible universe, with a fixed multiplier of 2.

2.3 Applying the MSCI Universal Indexes Methodology

The resultant set of securities follow the index construction and maintenance rules of the MSCI Universal Indexes Methodology⁴.

The following step is then applied to construct the MSCI ACWI ex Thermal Coal Adaptive Capped 2x Universal with Select Currencies 100% Hedged to GBP Index.

2.4 Applying the Hedging

A selection of currencies from the MSCI ACWI ex Thermal Coal Adaptive Capped 2x Universal Index are 100% hedged to GBP in accordance with the MSCI Hedged Indexes Methodology⁵. The weight of each foreign currency corresponds to the weight of the securities quoted in that currency. The gross variant, calculated as per the MSCI Net Daily Total Return (DTR) Index methodology described in the MSCI Index Calculation Methodology⁶ is used. Please refer to Appendix 2 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.

³ Please refer to the MSCI Adaptive Capped Indexes Methodology, available at <https://www.msci.com/index-methodology>.

⁴ Please refer to the MSCI Universal Indexes Methodology, available at <https://www.msci.com/index-methodology>

⁵ Please refer to the MSCI Hedged Indexes Methodology, available at <https://www.msci.com/index-methodology>

⁶ Please refer to the MSCI Index Calculation Methodology, available at <https://www.msci.com/index-methodology>

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.

- MSCI Climate Change Metrics
- MSCI Business Involvement Screening Research (BISR)

3. Maintaining the Indexes

3.1 Quarterly Index Reviews

The MSCI ACWI ex Thermal Coal Adaptive Capped 2x Universal Index and the MSCI ACWI ex Thermal Coal Adaptive Capped 2x Universal with Select Currencies 100% Hedged to GBP Index are reviewed on a quarterly basis as described in section 2, coinciding with the May and November Semi-Annual Index Reviews and the February and August Quarterly 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, MSCI ESG Controversies Scores and MSCI Business Involvement Screening Research) as of the end of the month preceding the Index Reviews. For some securities, such 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.

3.2 Ongoing Event-Related Changes

The general treatment of corporate events in the MSCI ACWI ex Thermal Coal Adaptive Capped 2x Universal Index and the MSCI ACWI ex Thermal Coal Adaptive Capped 2x Universal with Select Currencies 100% Hedged to GBP 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 concerned index, the changes made to the Parent Index during intermediate Index Reviews will be neutralized in the concerned index.

The following section briefly describes the treatment of common corporate events within the MSCI ACWI ex Thermal Coal Adaptive Capped 2x Universal Index and the MSCI ACWI ex Thermal Coal Adaptive Capped 2x Universal with Select Currencies 100% Hedged to GBP 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/latest/CE>

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. MSCI Indexes are administered by MSCI Limited and MSCI Deutschland GmbH.

4.1 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>.

4.2 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.

4.3 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).

Appendix I: Screening Criteria

Companies, whose activities meet the following values based criteria, as determined by MSCI ESG Research, are excluded from the Index:

- Fossil Fuel – Thermal Coal
 - All companies that earn more than or equal to 10% 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.
 - All companies that earn more than or equal to 10% revenue (either reported or estimated) that a company derives from the thermal coal based power generation

Appendix II: Hedging Parameters

Hedging Currency: GBP

Partially Hedged: Yes

Hedged Exposures:

ISO CURRENCY SYMBOL	CURRENCY NAME
AUD	AUSTRALIAN DOLLAR
CHF	SWISS FRANC
DKK	DANISH KRONE
JPY	YEN
HKD	HONG KONG DOLLAR
SGD	SINGAPORE DOLLAR
NOK	NORWEGIAN KRONE
USD	US DOLLAR
CAD	CANADIAN DOLLAR
SEK	SWEDISH KRONA
MXN	MEXICAN NUEVO PESO
MXN	MEXICAN NUEVO PESO
NZD	NEW ZEALAND DOLLAR
TRY	NEW TURKISH LIRA
TRY	NEW TURKISH LIRA
HUF	FORINT
ILS	SHEKEL
ILS	SHEKEL
PLN	ZLOTY
ZAR	RAND
AED	UAE DIRHAM
CZK	CZECH KORUNA
QAR	QATARI RIAL
EUR	EURO

Appendix III: 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 –
<https://www.msci.com/index/methodology/latest/ReadMe>
- MSCI Corporate Events Methodology –
<https://www.msci.com/index/methodology/latest/CE>
- MSCI Fundamental Data Methodology –
<https://www.msci.com/index/methodology/latest/FundData>
- MSCI Index Calculation Methodology –
<https://www.msci.com/index/methodology/latest/IndexCalc>
- MSCI Index Glossary of Terms –
<https://www.msci.com/index/methodology/latest/IndexGlossary>
- MSCI Index Policies –
<https://www.msci.com/index/methodology/latest/IndexPolicy>
- MSCI Global Industry Classification Standard (GICS) Methodology –
<https://www.msci.com/index/methodology/latest/GICS>
- MSCI Global Investable Market Indexes Methodology –
<https://www.msci.com/index/methodology/latest/GIMI>
- MSCI Global Adaptive Capped Indexes Methodology –
<https://www.msci.com/index/methodology/latest/AdaptiveCapped>
- MSCI Universal Indexes Methodology –
<https://www.msci.com/index/methodology/latest/Universal>
- 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 IV: Changes to this Document

- The methodology and index names were updated. Effective February 3, 2025, the MSCI ACWI ex Thermal Coal Adaptive Capped 2x ESG Universal Indexes were renamed as MSCI ACWI ex Thermal Coal Adaptive Capped 2.0x Universal Indexes.

Section 2.5: Treatment of Unrated Companies

- Added the treatment of companies when business involvement screening research and climate change metrics are not available from MSCI ESG Research

Section 4: MSCI ESG Research

- Moved the section that provides the description of ESG Research Products to Section 4.

Appendix III: Methodology Set

- Added details on the Methodology Set for the Indexes

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