

MSCI EMU Selection Choice 50 Index Methodology & Decrement Indexes

May 2025

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1. Introduction

The MSCI EMU Selection Choice 50 Index aims to represent the performance of a set of 50 stocks from the European Economic and Monetary Union region that have high Environmental, Social and Governance (ESG) scores, which are then picked in descending order of their free float-adjusted market capitalization. The Index aims to achieve diversification by equal weighting of the constituents.

The MSCI EMU Selection Choice 50 5% Decrement Index aims to represent the performance of the MSCI EMU Selection Choice 50 Index, while applying a constant markdown ('synthetic dividend') of 5% on an annual basis, expressed as a percentage of performance.

The MSCI EMU Selection Choice 50 3.5% Decrement Index aims to represent the performance of the MSCI EMU Selection Choice 50 Index, while applying a constant markdown ('synthetic dividend') of 3.5% on an annual basis, expressed as a percentage of performance¹.

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 I for more details.

2. Constructing the Indexes

The Indexes use company ratings and research provided by MSCI ESG Research² for the Index construction.

The MSCI EMU Selection Choice 50, the MSCI EMU Selection Choice 50 5% Decrement and the MSCI EMU Selection Choice 50 3.5% Decrement Indexes are constructed from the MSCI EMU Selection Index³ (the “Parent Index”).

The following steps are applied at initial construction as well as subsequent Quarterly and Semi-Annual Index Reviews of the “MSCI EMU Selection Choice 50 Index”.

- Eligible Universe Screening
- Security Selection
- Weighting Scheme

In addition to the above steps, a daily decrement is applied to the MSCI EMU Selection Choice 50 Index to construct the “MSCI EMU Selection Choice 50 5% Decrement Index” and the “MSCI EMU Selection Choice 50 3.5% Decrement Index”.

2.1 Eligible Universe Screening

To avoid multiple securities of the same company in the final index, only the most liquid security for each issuer is included, ranked in descending order of 6-month Annualized Traded Value⁴ (ATV). For any issuer, should two securities have the same 6-month ATV, the one with the higher free float-adjusted market capitalization is included.

2.2 Security Selection

The largest 50 securities ranked in the descending order of their free-float adjusted market capitalization are selected for inclusion in the Index.

2.3 Weighting Scheme

Each selected security is then assigned an equal weight at initial construction and at every Index Review, in accordance with the MSCI Equal Weighted Indexes methodology⁵.

The securities selected after the application of the above methodology to construct the “MSCI EMU Selection Choice 50 Index”.

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 Selection Indexes methodology at www.msci.com/index-methodology

⁴ Please refer to the MSCI Index Calculation methodology at www.msci.com/index-methodology

⁵ Please refer to the MSCI Equal Weighted Indexes methodology at www.msci.com/index-methodology

2.4 Applying the Decrement

The MSCI Decrement Indexes methodology⁶ is applied on the MSCI EMU Selection Choice 50 Index to construct the “MSCI EMU Selection Choice 50 5% Decrement Index” and the “MSCI EMU Selection Choice 50 3.5% Decrement Index” using the following parameters.

MSCI EMU Selection Choice 50 5% Decrement Index

Sr. No.	Methodology Parameter	Parameter Value
1	Currency of Calculation	EUR
2	Return Variant of the Parent Index	Daily Net Total Return
3	Decrement Type	Fixed Percentage
4	Decrement Application	Geometric
5	Decrement Value	5%
6	Day-count Convention	Actual / 360
7	Index Floor	0
8	Decrement Frequency	Daily

MSCI EMU Selection Choice 50 3.5% Decrement Index

Sr. No.	Methodology Parameter	Parameter Value
1	Currency of Calculation	EUR
2	Return Variant of the Parent Index	Daily Net Total Return
3	Decrement Type	Fixed Percentage
4	Decrement Application	Geometric
5	Decrement Value	3.5%
6	Day-count Convention	Actual / 360
7	Index Floor	0
8	Decrement Frequency	Daily

⁶ Please refer to the MSCI Decrement Indexes Methodology at <http://www.msci.com/index-methodology>

3. Maintaining the Indexes

The MSCI EMU Selection Choice 50 Index is reviewed on a quarterly basis as described in section 2, coinciding with the regular Index Reviews of the Parent Index.

The pro forma Index is typically announced nine business days before the effective date.

3.1 Daily Decrement Application

The performance of the MSCI EMU Selection Choice 50 5% Decrement and the MSCI EMU Selection Choice 50 3.5% Decrement Indexes is computed by reducing the performance of the MSCI EMU Selection Choice 50 Index, by a fixed percentage, on a daily basis using parameters detailed in section 2.4.

3.2 Ongoing Event Related Changes

The general treatment of corporate events in the MSCI EMU Selection Choice 50 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 MSCI EMU Selection Choice 50 Index, the changes made to the Parent Index during intermediate Index Reviews will be neutralized in the MSCI EMU Selection Choice 50 Index.

The following section briefly describes the treatment of common corporate events within the MSCI EMU Selection Choice 50 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 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>

The MSCI EMU Selection Choice 50 5% Decrement and the MSCI EMU Selection Choice 50 3.5% Decrement Indexes are derived from the MSCI EMU Selection Choice 50 Index. As a result, corporate events are reflected in the MSCI EMU Selection Choice 50 5% Decrement and the MSCI EMU Selection Choice 50 3.5% Decrement Indexes as they occur and are captured in the MSCI EMU Selection Choice 50 Index.

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 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 Selection Indexes Methodology – www.msci.com/index/methodology/latest/Selection
- MSCI Equal Weighted Indexes Methodology – www.msci.com/index/methodology/latest/EW
- MSCI Decrement Indexes Methodology – www.msci.com/index/methodology/latest/Decrement
- 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 sections have been modified since December 2017:

- Update to include the index construction and maintenance parameters for the MSCI EMU ESG Leaders Select 50 Decrement 5% Index.

The following sections have been modified since January 2018:

- Update to include the index construction and maintenance parameters for the MSCI EMU ESG Leaders Select 50 Decrement 3.5% Index.
- Clarification on the corporate events treatment in section 3.3.

The following section has been modified as of May 2025

- The following methodology and Index names were updated on May 7, 2025:
 - The MSCI EMU ESG Leaders Select 50 Index was renamed to the MSCI EMU Selection Choice 50 Index
 - The MSCI EMU ESG Leaders Select 50 Decrement 5% Index was renamed to the MSCI EMU Selection Choice 50 5% Decrement Index
 - The MSCI EMU ESG Leaders Select 50 Decrement 3.5% Index was renamed to the MSCI EMU Selection Choice 50 3.5% Decrement Index

Section 4: MSCI ESG Research

- Added new section to disclose the MSCI ESG Research Products, used to construct the Indexes

Appendix I: Methodology Set

- Added details on the Methodology Set for the Indexes

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