

MSCI Selection Choice Top 50 Dividend Index Methodology

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1. Introduction

The MSCI Europe Selection Choice Top 50 Dividend Index¹ (the “Index”) aims to represent the performance of a set of companies in Europe that have high Environmental, Social and Governance (ESG) performance, as well as relatively higher liquidity and dividend yield. The Index aims to achieve diversification by controlling for the maximum weight assigned to each security, while weighting securities by the inverse of their price variance, thereby assigning higher weights to securities with lower volatility.

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 Index

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

The Index is constructed from the MSCI Europe Selection Index³ (the “Parent Index”). The following steps are applied at initial construction of the index as well as subsequent Index Reviews.

- Eligible Universe Screening
- Security Selection
- Weighting Scheme

2.1 Eligible Universe Screening

The following screens are applied sequentially on the Parent Index to create an Eligible Universe of stocks with high liquidity and ESG scores.

2.1.1 Issuer Level Screening

To avoid multiple securities of the same company, 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 issues have the same 6-month ATV, the one with the higher free float-adjusted market capitalization is included.

2.1.2 ESG Screening

From the resultant set of securities after the issuer level screening, all securities with an MSCI ESG Rating lower than ‘A’ are excluded from the Eligible Universe.

2.1.3 Liquidity Screening

The Eligible Universe is created by removing all securities with a 6-month Annualized Traded Value of less than USD 1,250 Million from the securities selected in the ESG screening step.

2.2 Security Selection

The top 50 securities from the Eligible Universe are selected in accordance with the MSCI Top 50 Dividend Indexes methodology⁵, where the weights assigned to each sector and country are capped at 40% as described in section “Security Selection and Weighting Scheme” of the methodology book.

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 For more details, please refer to the MSCI Selection Indexes Methodology at www.msci.com/index-methodology

⁴ For more details, please refer to the MSCI Index Calculation methodology at www.msci.com/index-methodology

⁵ For more details, please refer to the MSCI Top 50 Dividend Indexes methodology at www.msci.com/index-methodology

2.3 Weighting Scheme

The selected securities are weighted by the inverse of the security price variance computed using weekly returns over one year (52 weeks) prior to the date of the Quarterly Index Review.

The Index is then capped in accordance with the MSCI Capped Indexes methodology⁶ so that no individual security is assigned a weight higher than 5% at each Quarterly Index Review.

⁶ Please refer to the MSCI Capped Indexes methodology at www.msci.com/index-methodology

3 Maintaining the Index

3.1 Quarterly Index Reviews

The Index is 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.

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 the rebalancing of the MSCI Selection Choice Top 50 Dividend Index. 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, for the rebalancing of the MSCI Selection Choice Top 50 Dividend Index.

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

3.2 Ongoing Event Related Changes

The general treatment of corporate events in the MSCI Selection Choice Top 50 Dividend 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. There will be no additions to the Index in between Index Reviews.

Additionally, if the frequency of Index Reviews in the Parent Index is greater than the frequency of Index Reviews in the MSCI Selection Choice Top 50 Dividend Index, the changes made to the Parent Index during intermediate Index Reviews will be neutralized in the MSCI Selection Choice Top 50 Dividend Index. The following section briefly describes the treatment of common corporate events within the MSCI Selection Choice Top 50 Dividend Index.

No new securities will be added 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 not be added to the Index at the time of event implementation. Reevaluation for 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 be removed from the Index if there are changes in its 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>

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 Index is 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 Selection Indexes Methodology –
<https://www.msci.com/index/methodology/latest/Selection>
- MSCI Capped Indexes Methodology –
<https://www.msci.com/index/methodology/latest/Capped>
- MSCI Top 50 Dividend Indexes Methodology –
<https://www.msci.com/index/methodology/latest/Top50Dividend>
- 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 as of February 2025

- The methodology and index name was updated. Effective February 3, 2025, the MSCI ESG Leaders Select Top 50 Dividend Indexes has been renamed to MSCI Selection Choice Top 50 Dividend Indexes

Section 4: MSCI ESG Research.

- Added a new section to provide details on ESG Research Products

Appendix II: Methodology Set

- Added details on the Methodology Set for the Indexes

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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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