

MSCI Selection Top N Choice Indexes Methodology

February 2025

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1. Introduction

The MSCI World Selection Top 100 Choice Index aims to represent the performance of an equal weighted index of 100 stocks that have a robust ESG profile. The stock selection for this index is diversified with sector and region constraints.

The MSCI EMU Selection Top 50 Choice Index aims to represent the performance of an equal weighted index of 50 stocks from the European Economic and Monetary Union region that have a robust ESG profile. The stock selection for this index is diversified with sector constraints.

The MSCI World Selection Top 100 Choice 3% Decrement Index and MSCI World Selection Top 100 Choice 5% Decrement Index aim to represent the net performance of the MSCI World Selection Top 100 Choice Index, while applying a constant markdown ('synthetic dividend') of 3% and 5% respectively, on an annual basis, expressed as a percentage of performance.

The MSCI EMU Selection Top 50 Choice 3% Decrement Index, MSCI EMU Selection Top 50 Choice 4% Decrement Index and MSCI EMU Selection Top 50 Choice 5% Decrement Index aim to represent the net performance of the MSCI EMU Selection Top 50 Choice Index, while applying a constant markdown ('synthetic dividend') of 3%, 4% and 5% respectively, on an annual basis, expressed as a percentage of performance.¹

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 V for more details

2. Constructing the Indexes

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

The MSCI World Selection Top 100 Choice Index and the MSCI EMU Selection Top 50 Choice Index are constructed from their respective parent indexes, as shown in the table below (each a “Parent Index”):

Index Name	Parent Index
MSCI World Selection Top 100 Choice Index	MSCI World Selection Index ³
MSCI EMU Selection Top 50 Choice Index	MSCI EMU Selection Index ³

The following steps are applied at initial construction as well as subsequent Index Reviews of the MSCI World Selection Top 100 Choice Index and the MSCI EMU Selection Top 50 Choice Index

- Eligible Universe Screening
- ESG Eligibility Criteria
- Security Selection
- Security Weighting

After the above steps, the following additional step is applied to construct the MSCI World Selection Top 100 Choice Decrement Indexes and MSCI EMU Selection Top 50 Choice Decrement Indexes

- Applying the MSCI Decrement Indexes Methodology

2.1 MSCI World Selection Top 100 Choice Index

2.1.1 Eligible Universe Screening

2.1.1.1 Liquidity Criteria

Securities with 3-month ADTV greater than or equal to USD 5 Million are eligible for inclusion in the MSCI World Selection Top 100 Choice Index.

ADTV is defined as Average Daily Traded Value and is calculated as⁴:

$$ADTV_{3M} = \frac{ATVR_{3M}}{252}$$

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 MSCI Selection Index Methodology at <https://www.msci.com/index-methodology>

⁴ MSCI Index Calculation Methodology at <https://www.msci.com/index-methodology>

MSCI Global Investable Market Indexes Methodology at <https://www.msci.com/index-methodology>

Where *ATV3M* is annualized 3-month Average Traded Value of the security.

To avoid multiple securities of the same company in the final index, only the most liquid security for each issuer per its 3-month ADTV is eligible for inclusion in the Index. For any issuer, should two securities have the same 3-month ADTV, the one with the higher free float-adjusted market capitalization is included.

2.1.1.2 Controversial Business Involvement Criteria

The MSCI World Selection Top 100 Choice 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 Eligible Universe. Please refer to Appendix I for details on these criteria.

- Compliance with all the UN Global Compact Principles
- Controversial Weapons
- Thermal Coal
- Conventional Weapons
- Tobacco
- Oil Sands

2.1.2 Security Selection

From the securities remaining post screenings, the following steps are followed to select 100 securities such that the exposure to any region and sector is broadly in line with the corresponding region or sector weight in the Parent Index.

- 1) Categorize the securities in the Eligible Universe into 4 regions ⁵
- 2) Select securities with the highest industry-adjusted ESG Score from each GICS® Sector within each region as described above. The number of securities to be selected for each sector in each region is calculated as follows:

$$Sec(j) = RoundUp((WtSecBM(j)) * 100)$$

Where:

$WtSecBM(j)$ = Weight of all the securities from Sector *j* within each region in the Parent Index

- 3) Combine all the securities selected based on the above formula to arrive at the Final Eligible Universe.
- 4) From Final Eligible Universe, select the largest 100 securities based on their free-float adjusted market capitalization for inclusion in the MSCI World Selection Top 100 Choice Index. Should there be two securities with the same free float adjusted market capitalization, the one with higher liquidity as per its 3-month Average traded value is selected.

⁵ Please Refer to Appendix IV

2.1.3 Security Weighting

The securities selected for inclusion in the Index are assigned equal weights.

2.1.4 Applying the MSCI Decrement Indexes Methodology

The MSCI Decrement Indexes Methodology⁶ is applied on the MSCI World Selection Top 100 Choice Index to construct the MSCI World Selection 100 Choice 3% Decrement Index and the MSCI World Selection Top 100 Choice 5% Decrement Index.

The parameters for the application of the decrement methodology in the above indexes are noted in Appendix II.

2.2 MSCI EMU Selection Top 50 Choice Index

2.2.1 Eligible Universe Screening

2.2.1.1 Liquidity Criteria

Securities with 3-month ADTV greater than or equal to USD 5 Million are eligible for inclusion in the MSCI Selection Top 50 Choice Index.

ADTV is defined as Average Daily Traded Value and is calculated as⁷:

$$ADTV_{3M} = \frac{ATVR_{3M}}{252}$$

Where $ATVR_{3M}$ is annualized 3-month Average Traded Value of the security.

To avoid multiple securities of the same company in the final index, only the most liquid security for each issuer per its 3-month ADTV is eligible for inclusion in the Index. For any issuer, should two securities have the same 3-month ADTV, the one with the higher free float-adjusted market capitalization is included.

2.2.1.2 Controversial Business Involvement Criteria

The MSCI EMU Selection Top 50 Choice 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 Eligible Universe. Please refer to Appendix I for details on these criteria.

- Compliance with all the UN Global Compact Principles
- Controversial Weapons
- Thermal Coal
- Conventional Weapons

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

⁷ MSCI Index Calculation Methodology at <https://www.msci.com/index-methodology>

MSCI Global Investable Market Indexes Methodology at <https://www.msci.com/index-methodology>

- Tobacco
- Oil Sands

2.2.2 Security Selection

From the securities remaining post screenings, the following steps are followed to select 50 securities such that the exposure to any sector is broadly in line with the corresponding sector weight in the Parent Index.

- 1) Select securities with the highest industry-adjusted ESG Score from each GICS® Sector. The number of securities to be selected for each sector is calculated as follows:

$$Sec(j) = RoundUp((WtSecBM(j)) * 50)$$

Where:

$WtSecBM(j)$ = Weight of all the securities from Sector j in the Parent Index.

- 2) Combine all the securities selected based on the above formula to arrive at the Final Eligible Universe.
- 3) From Final Eligible Universe, select the largest 50 securities based on their free-float adjusted market capitalization for inclusion in the MSCI EMU Selection Top Choice 50 Index. Should there be two securities with the same free float adjusted market capitalization, the one with higher liquidity as per its 3-month Average traded value is selected.

2.2.3 Security Weighting

The securities selected for inclusion in the Index are assigned equal weights.

2.2.4 Applying the MSCI Decrement Indexes Methodology

The MSCI Decrement Indexes Methodology⁸ is applied on the MSCI EMU Selection Top 50 Choice Index to construct the MSCI EMU Selection Top 50 Choice 3% Decrement Index, the MSCI EMU Selection Top 50 Choice 4% Decrement Index and the MSCI EMU Selection Top 50 Choice 5% Decrement Index.

The parameters for the application of the decrement methodology in the above indexes are noted in Appendix III.

⁸ Please refer to the MSCI Decrement Indexes methodology at www.msci.com/index-methodology

3. Maintenance of the Indexes

3.1 Quarterly Index Reviews

The MSCI World Selection Top 100 Choice Index and the MSCI EMU Selection Top 50 Choice Index are reviewed on a quarterly basis, 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 Index is typically announced nine business days before the effective date.

3.2 Daily Decrement Calculation

The performance of the MSCI World Selection Top 100 Choice 3% Decrement Index and MSCI World Selection Top 100 Choice 5% Decrement Index is computed by reducing the performance of the MSCI World Selection Top 100 Choice Index, by a fixed percentage, on a daily basis using parameters detailed in Appendix II.

The performance of the MSCI EMU Selection Top 50 Choice 3% Decrement Index, the MSCI EMU Selection Top 50 Choice 4% Decrement Index and the MSCI EMU Selection Top 50 Choice 5% Decrement Index are computed by reducing the performance of the MSCI EMU Selection Top 50 Choice Index, by a fixed percentage, on a daily basis using parameters detailed in Appendix III.

3.3 Ongoing Event-Related Changes

The general treatment of corporate events in the MSCI World Selection Top 100 Choice Index and the MSCI EMU Selection Top 50 Choice Index aim 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 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. 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 not be added to the Index at the time of event implementation.

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 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: Business Exclusion Criteria

The MSCI World Selection Top 100 Choice Index and the MSCI EMU Selection Top 50 Choice Index is constructed with an aim to reflect the performance of companies that are consistent with specific values- and climate change-based criteria.

Compliance with all the UN Global Compact Principles

- All companies that fail to comply with the United Nations Global Compact principles are excluded. In this filter, activities are not classified under any specific tolerance level

Values-based Exclusions Criteria

- **Controversial Weapons**
 - All companies with any tie to Controversial Weapons (cluster munitions, landmines, depleted uranium weapons, biological/chemical weapons, blinding lasers, non-detectable fragments and incendiary weapons), as defined by the methodology of the MSCI Ex-Controversial Weapons Indexes available at <https://www.msci.com/index-methodology>.
- **Conventional Weapons**
 - All companies that manufacture conventional weapons components or conventional weapons and weapons systems and earn 5% or more in revenue from these activities.
- **Tobacco**
 - All companies classified as a “Producer”
 - All companies deriving 5% or more aggregate revenue from the production, distribution, retail and supply of tobacco-related products.
- **Oil Sands**
 - All companies deriving any revenue from oil sands extraction are excluded.

Climate Change-based Exclusions Criteria

- **Thermal Coal Mining**
 - All companies deriving 15% or more revenue from the mining of thermal coal are excluded

Appendix II: Parameters used for MSCI World Selection Top 100 Choice Decrement Indexes

- The following parameters are used for the calculation of MSCI World Selection Top 100 Choice 3% Decrement Index

	MSCI Decrement Indexes Methodology Parameters	Parameters
1	Currency of Calculation	EUR
2	Return Variant of the MSCI World Selection Top 100 Choice Index	Daily Net Total Return
3	Decrement Type	Fixed Percentage
4	Decrement Application	Geometric
5	Decrement Value	3%
6	Day-count Convention	Actual / 365
7	Index Floor	0
8	Decrement Frequency	Daily

- The following parameters are used for the calculation of MSCI World Selection Top 100 Choice 5% Decrement Index

	MSCI Decrement Indexes Methodology Parameters	Parameters
1	Currency of Calculation	EUR
2	Return Variant of the MSCI World Selection Top 100 Choice Index	Daily Net Total Return
3	Decrement Type	Fixed Percentage
4	Decrement Application	Geometric
5	Decrement Value	5%
6	Day-count Convention	Actual / 365
7	Index Floor	0
8	Decrement Frequency	Daily

Appendix III: Parameters used for MSCI EMU Selection Top 50 Choice Decrement Indexes

- The following parameters are used for the calculation of MSCI EMU Selection Top 50 Choice 3% Decrement Index.

	MSCI Decrement Indexes Methodology Parameters	Parameters
1	Currency of Calculation	EUR
2	Return Variant of the MSCI EMU Selection Top 50 Choice Index	Daily Net Total Return
3	Decrement Type	Fixed Percentage
4	Decrement Application	Geometric
5	Decrement Value	3%
6	Day-count Convention	Actual / 365
7	Index Floor	0
8	Decrement Frequency	Daily

- The following parameters are used for the calculation of MSCI EMU Selection Top 50 Choice 4% Decrement Index

	MSCI Decrement Indexes Methodology Parameters	Parameters
1	Currency of Calculation	EUR
2	Return Variant of the MSCI EMU Selection Top 50 Choice Index	Daily Net Total Return
3	Decrement Type	Fixed Percentage
4	Decrement Application	Geometric
5	Decrement Value	4%
6	Day-count Convention	Actual / 365
7	Index Floor	0
8	Decrement Frequency	Daily

- The following parameters are used for the calculation of MSCI EMU Selection Top 50 Choice 5% Decrement Index

	MSCI Decrement Indexes Methodology Parameters	Parameters
1	Currency of Calculation	EUR
2	Return Variant of the MSCI EMU Selection Top 50 Choice Index	Daily Net Total Return
3	Decrement Type	Fixed Percentage
4	Decrement Application	Geometric
5	Decrement Value	5%
6	Day-count Convention	Actual / 365
7	Index Floor	0
8	Decrement Frequency	Daily

Appendix IV: Definition of Regions

For the MSCI World Selection Top 100 Choice Index, we define the following 4 regions:

No.	Region	Countries
1	USA	USA
2	Europe and Middle East	All countries that belong to MSCI Europe & Middle East Index ⁹
3	Canada	Canada
4	Pacific	All countries that belong to MSCI Pacific Index ¹⁰

⁹ MSCI Europe & Middle East Index Methodology at <https://www.msci.com/index-methodology>

¹⁰ MSCI Pacific Index Methodology at <https://www.msci.com/index-methodology>

Appendix V: 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 ex Controversial Weapons Indexes Methodology – <https://www.msci.com/index/methodology/latest/XCW>
- MSCI Selection Indexes Methodology – <https://www.msci.com/index/methodology/latest/Selection>
- MSCI Decrement Indexes Methodology – <https://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 VI: Changes to this Document

The following sections have been modified as of February 2025

- The methodology and indexes name were updated. Effective February 3, 2025, the MSCI World ESG Leaders Select Top 100 Indexes and MSCI EMU ESG Leaders Select Top 50 Indexes have been renamed to MSCI World Selection Top 100 Choice Indexes and MSCI EMU Selection Top 50 Choice Indexes.

Section 2: Constructing the Indexes

- Clarified the Controversial Business Involvement Criteria by removing nuclear weapons. This screen is applied in the respective Parent Indexes.

Section 4: MSCI ESG Research

- Moved that section after the Section 3
- Added a sub-section under Climate Change Metrics to provide additional details on Fossil Fuels related activities

Appendix I: Business Exclusion Criteria

- The description for the nuclear weapons screen was removed. This screen is applied in the respective Parent Indexes.

Appendix V: Methodology Set

- Added details on the Methodology Set for the Indexes

Contact us

msci.com/contact-us

AMERICAS

United States	+ 1 888 588 4567 *
Canada	+ 1 416 687 6270
Brazil	+ 55 11 4040 7830
Mexico	+ 52 81 1253 4020

EUROPE, MIDDLE EAST & AFRICA

South Africa	+ 27 21 673 0103
Germany	+ 49 69 133 859 00
Switzerland	+ 41 22 817 9777
United Kingdom	+ 44 20 7618 2222
Italy	+ 39 02 5849 0415
France	+ 33 17 6769 810

ASIA PACIFIC

China	+ 86 21 61326611
Hong Kong	+ 852 2844 9333
India	+ 91 22 6784 9160
Malaysia	1800818185 *
South Korea	+ 82 70 4769 4231
Singapore	+ 65 67011177
Australia	+ 612 9033 9333
Taiwan	008 0112 7513 *
Thailand	0018 0015 6207 7181 *
Japan	+ 81 3 4579 0333

* toll-free

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