

MSCI ACWI IMI Semiconductors & Semiconductor Equipment ESG Screened Select Capped Index

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1 Introduction

The MSCI ACWI IMI Semiconductors & Semiconductor Equipment ESG Screened Select Capped Index (the “Index”)¹ aims to reflect the performance of constituents of the MSCI ACWI IMI Index belonging to the Global Industry Classification Standard (GICS®)² Semiconductors and Semiconductor Equipment industry group, after excluding companies:

- that are associated with controversial, civilian, conventional and nuclear weapons and tobacco
- that derive revenues from thermal coal mining, oil sands extraction and thermal coal based power generation.
- that are not in compliance with the United Nations Global Compact principles.
- that have an ESG Controversy score of 0

The Index is constructed from the MSCI ACWI IMI Semiconductors and Semiconductor Equipment Index (the ‘Parent Index’).

To reduce concentration, the weight of issuers in the Index are capped in accordance with the MSCI Capped Indexes methodology³, such that the five largest issuers within the Index are capped at 8% while all other issuers are capped at 5%, with buffers.

¹ The Index is governed by a set of methodology and policy documents (“Methodology Set”), including the present index methodology document. The Methodology Set for the Index can be accessed from MSCI’s webpage <https://www.msci.com/index-methodology> in the section ‘Search Methodology by Index Name or Index Code’.

The Methodology Set includes a document ‘ESG Factors in Methodology’ that contains the list of environmental, social, and governance factors considered, and how they are applied in the methodology (e.g., selection, weighting or exclusion).

² GICS, the global industry classification standard jointly developed by MSCI Inc. and S&P Dow Jones Indices.

³ Please refer to the MSCI Capped Indexes methodology at www.msci.com/index-methodology.

2 Constructing the MSCI ACWI IMI Semiconductors & Semiconductor Equipment ESG Screened Select Capped Index

The Index uses company ratings and research provided by MSCI ESG Research⁴ for the Index construction.

Constructing the Indexes involves the following steps:

- 1) Defining the Eligible Universe
- 2) Applying the MSCI Capped Indexes Methodology

2.1 ELIGIBLE UNIVERSE

The Eligible Universe for the Index is defined by applying the ESG Controversy Score eligibility criteria and the Business Involvement exclusions from the Parent Index.

2.1.1 ESG CONTROVERSIES SCORE ELIGIBILITY

The Index uses MSCI ESG Controversies Scores to identify companies that are involved in very serious controversies involving the environmental, social, or governance impact of their operations and/or products and services. Companies are required to have an MSCI ESG Controversies Score above 0 to be eligible for inclusion in the Index.

Companies not assessed by MSCI ESG Research on ESG Controversies are not eligible for inclusion in the Index.

2.1.2 CONTROVERSIAL BUSINESS INVOLVEMENT CRITERIA

The Index uses the MSCI ESG Business Involvement Screening Research to exclude companies that are involved in the following business activities:

- **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 deriving 5% or more revenue from the production of conventional weapons.
 - All companies deriving 10% or more aggregate revenue from weapons systems, components, and support systems and services.

⁴ See section 4 for further information regarding ESG and climate data used in the Indexes that MSCI Limited sources 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. MSCI Limited is the benchmark administrator for the MSCI indexes.

- **Nuclear Weapons**

- All companies that manufacture nuclear warheads and/or whole nuclear missiles.
- All companies that manufacture components that were developed or are significantly modified for exclusive use in nuclear weapons (warheads and missiles).
- All companies that manufacture or assemble delivery platforms that were developed or significantly modified for the exclusive delivery of nuclear weapons.
- All companies that provide auxiliary services related to nuclear weapons.
- All companies that manufacture components that were not developed or not significantly modified for exclusive use in nuclear weapons (warheads and missiles) but can be used in nuclear weapons.
- All companies that manufacture or assemble delivery platforms that were not developed or not significantly modified for the exclusive delivery of nuclear weapons but have the capability to deliver nuclear weapons.
- All companies that manufacture components for nuclear-exclusive delivery platforms.

- **Civilian Firearms**

- All companies classified as “Producer” of firearms and small arms ammunitions for civilian markets. It does not include companies that cater to the military, government, and law enforcement markets.
- All companies deriving 5% or more aggregate revenue from the production and distribution (wholesale or retail) of firearms or small arms ammunition intended for civilian use.

- **Tobacco**

- All companies classified as a “Producer”.
- All companies deriving 5% or more aggregate revenue from the production, distribution, retail, supply and licensing of tobacco-related products.

- **Fossil Fuel Extraction**

- All companies deriving 5% or more aggregate revenue (either reported or estimated) from thermal coal mining and unconventional oil and gas extraction.
 - Thermal Coal Mining: Revenue from the mining of thermal coal (including lignite, bituminous, anthracite and steam coal) and its sale to external parties. It does not cover 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.
 - Unconventional Oil & Gas Extraction: Revenue from oil sands, oil shale (kerogen-rich deposits), shale gas, shale oil, coal seam gas, and coal bed methane. It does not cover all types of conventional oil and gas production including Arctic onshore/offshore, deep water, shallow water and other onshore/offshore.

- **Thermal Coal Power**
 - All companies deriving 5% or more revenue (either reported or estimated) from thermal coal-based power generation.
- **Global Norms – United Nations Global Compact Compliance**
 - All companies that fail to comply with the United Nations Global Compact principles.

2.2 APPLYING THE MSCI CAPPED INDEXES METHODOLOGY

At rebalancing, the maximum weight of each of the 5 largest issuers is capped at 8% and the maximum weight of all other issuers is capped at 5%.

To reduce the risk of issuers exceeding the weight constraints due to short term market movements between two rebalances, a buffer of 6.25% of the capping threshold is applied to each of the 5 largest issuers and a buffer of 10% of the capping threshold is applied to all other issuers. As a result, at the point of construction or rebalancing, the weight of each of the 5 largest issuers is capped at 7.5% and the weight of all the other issuers is capped at 4.5%.

The weight of the securities outside the capped group will be increased in proportion to their weight prior to capping.

3 Maintaining the Index

3.1 QUARTERLY INDEX REVIEWS

The Index is reviewed on a quarterly basis to coincide with the regular Index Reviews of the MSCI Global Investable Market Indexes. The changes are implemented as of the close of the last business day of February, May, August and November.

In general, MSCI uses MSCI ESG Research data (including 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 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 Index.

In general, the pro forma index is announced nine business days before the effective date.

3.2 ONGOING EVENT RELATED CHANGES

The MSCI Corporate Events Methodology is applied for the maintenance of the MSCI ACWI IMI Semiconductors & Semiconductor Equipment ESG Screened Select Capped Index between index reviews.

No new securities will be added (except where noted below) to the Index between Index Reviews. Only securities that are added to the Parent Index are eligible for additions to the 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 not be added to the index at the time of event implementation. Evaluation 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 continue to be an index constituent if there are changes in its characteristics (country,



sector, size segment, etc.) Reevaluation for the 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.

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 Climate Change Metrics, MSCI Climate Value-at-Risk, MSCI Impact Solutions, MSCI ESG Controversies and MSCI ESG Business Involvement Screening Research. MSCI Indexes are administered by MSCI Limited.

4.1 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/esg-and-climate-methodologies>.

4.2 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.

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