

Consultation on Potential Enhancement to the MSCI Japan Empowering Women (WIN) Index Methodology

August 2019

This consultation may or may not lead to the implementation of any or all of the proposed changes in MSCI's indexes. Consultation feedback will remain confidential unless a participant requests that its feedback be disclosed. In that case, the relevant feedback would be published at the same time as the final results of the consultation.

Overview

- Proposed enhancement to the MSCI Japan Empowering Women (WIN) Index Methodology
 - **Proposal: Change the parent index from the MSCI Japan IMI Top 500 to the MSCI Japan IMI Top 700**
 - The proposal aims to provide enhanced coverage of the MSCI Japan IMI universe, following the increased availability of ESG data
 - The change would be implemented starting from the November 2019 Semi-Annual Index Review

MSCI welcomes feedback from market participants until **September 17, 2019** and will announce its decision on or before **September 24, 2019**

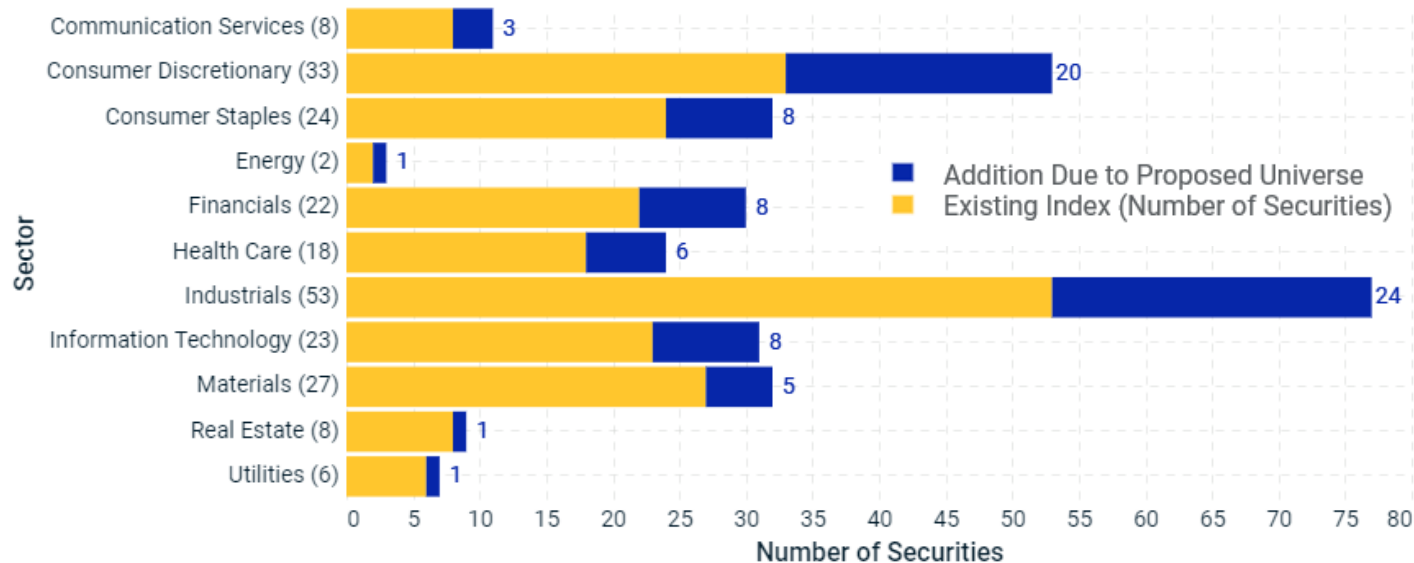
Methodology enhancement

Proposal: change the parent index to the MSCI Japan IMI Top 700

Parameters	Methodology
Parent Index (CURRENT)	MSCI Japan IMI Top 500 (ranked by free float market capitalization, 20% buffer)
Parent Index (NEW)	MSCI Japan IMI Top 700 (ranked by free float market capitalization, 20% buffer)
Controversies Screening (unchanged)	Exclude Securities with: <ul style="list-style-type: none"> • ESG Controversy Score = 0 • Human Rights Controversy Score <= 2 • Labor Rights Controversy Score <= 4
Other Screening (unchanged)	<ul style="list-style-type: none"> • Exclude REITs
Security Selection (unchanged)	Securities with Gender Diversity Score above the sector median
Security Weighting (unchanged)	Security weight = Free float market capitalization * Sector relative Gender Diversity Score * Sector Relative Quality Score (weights are normalized to 100%)

Broader opportunity set

- Changing the parent index would broaden the MSCI Japan Empowering Women (WIN) Index by 85 securities across the 11 GICS® sectors



Simulation as of the May 2019 Semi-Annual Index Review

Simulated impact

GICS Sector	Number of Constituents				Gender Diversity Score Median		
	Current*	Additions	Deletions	Simul.	Current*	Simul.	Diff.
Energy	2	2	1	3	5.2	5.3	3%
Materials	27	5	-	32	5.0	4.9	-2%
Industrials	53	24	-	77	5.0	4.7	-6%
Consumer Disc.	33	20	-	53	5.5	5.2	-5%
Consumer Staples	24	8	-	32	6.8	6.5	-5%
Health Care	18	6	-	24	6.7	6.5	-3%
Financials	22	8	-	30	7.4	7.0	-5%
Information Tech.	23	8	-	31	5.7	5.5	-4%
Comm. Services	8	3	-	11	6.2	5.9	-4%
Utilities	6	1	-	7	5.0	4.6	-8%
Real Estate	8	2	1	9	4.4	5.2	17%
Total	224	87	2	309			

Simulation as of the May 2019 Semi-Annual Index Review

* Pro forma constituents for the MSCI Japan Empowering (WIN) Index as of the May 2019 Semi-Annual Index Review

Discussion point

- Do you agree with the proposed change of the investment universe from the MSCI Japan IMI Top 500 to the MSCI Japan IMI Top 700?

Appendix

ESG metrics (June 2019)

	MSCI Japan IMI Top 500	MSCI Japan IMI Top 700	MSCI Japan Empowering Women (WIN) Index	MSCI Japan Empowering Women (WIN) Index - Simulated with Top 700
Integration				
Key Integration Metrics				
ESG Score	5.5	5.5	6.4	6.3
ESG Leaders (AAA-AA) (%)	17.1	16.6	30.2	29.1
ESG Laggards (B-CCC) (%)	8.7	9.5	2.3	2.6
ESG Trend Positive (%)	13.1	12.8	8.6	8.0
ESG Trend Negative (%)	6.4	6.6	5.0	4.7
ESG Pillars				
Environmental Score	5.6	5.6	6.0	5.9
Social Score	5.1	5.0	5.5	5.5
Governance Score	4.1	4.1	4.4	4.4
Key Governance Metrics				
Gender Diversity Score	5.9	5.8	7.3	7.2
Lack of Independent Board Majority (%)	84.3	84.2	85.0	82.5
Deviation from One Share One Vote (%)	2.7	2.6	3.0	2.3
No Female Directors (%)	36.3	37.1	20.8	20.8
Values				
Tobacco Producers (%)	0.7	0.7	0.0	0.0
Civilian Firearms Producers (%)	0.1	0.1	0.2	0.2
Ties to Controversial Weapons (%)	0.0	0.0	0.0	0.0
Global Compact Compliance Violation or Watch List (%)	3.0	2.8	0.0	0.0
Red Flag Controversies (%)	0.2	0.2	0.0	0.0
Orange Flag Controversies (%)	11.5	11.0	4.4	4.2

As of 28-Jun-2019

► About MSCI

MSCI is a leading provider of critical decision support tools and services for the global investment community. With over 45 years of expertise in research, data and technology, we power better investment decisions by enabling clients to understand and analyze key drivers of risk and return and confidently build more effective portfolios. We create industry-leading research-enhanced solutions that clients use to gain insight into and improve transparency across the investment process. To learn more, please visit www.msci.com.

Contact us

AMERICAS		EUROPE, MIDDLE EAST & AFRICA		ASIA PACIFIC	
Americas	+1 888 588 4567 *	Cape Town	+ 27 21 673 0100	China North	10800 852 1032 *
Atlanta	+ 1 404 551 3212	Frankfurt	+ 49 69 133 859 00	China South	10800 152 1032 *
Boston	+ 1 617 532 0920	Geneva	+ 41 22 817 9777	Hong Kong	+ 852 2844 9333
Chicago	+ 1 312 675 0545	London	+ 44 20 7618 2222	Mumbai	+ 91 22 6784 9160
Monterrey	+ 52 81 1253 4020	Milan	+ 39 02 5849 0415	Seoul	00798 8521 3392 *
New York	+ 1 212 804 3901	Paris	0800 91 59 17 *	Singapore	800 852 3749 *
San Francisco	+ 1 415 836 8800			Sydney	+ 61 2 9033 9333
São Paulo	+ 55 11 3706 1360			Taipei	008 0112 7513 *
Toronto	+ 1 416 628 1007			Thailand	0018 0015 6207 7181 *
				Tokyo	+81 3 5290 1555

• = toll free

msci.com
clientservice@msci.com

Notice & disclaimer

This document and all of the information contained in it, including without limitation all text, data, graphs, charts (collectively, the "Information") is the property of MSCI Inc. or its subsidiaries (collectively, "MSCI"), or MSCI's licensors, direct or indirect suppliers or any third party involved in making or compiling any Information (collectively, with MSCI, the "Information Providers") and is provided for informational purposes only. The Information may not be modified, reverse-engineered, reproduced or disseminated in whole or in part without prior written permission from MSCI.

The Information may not be used to create derivative works or to verify or correct other data or information. For example (but without limitation), the Information may not be used to create indexes, databases, risk models, analytics, software, or in connection with the issuing, offering, sponsoring, managing or marketing of any securities, portfolios, financial products or other investment vehicles utilizing or based on, linked to, tracking or otherwise derived from the Information or any other MSCI data, information, products or services.

The user of the Information assumes the entire risk of any use it may make or permit to be made of the Information. NONE OF THE INFORMATION PROVIDERS MAKES ANY EXPRESS OR IMPLIED WARRANTIES OR REPRESENTATIONS WITH RESPECT TO THE INFORMATION (OR THE RESULTS TO BE OBTAINED BY THE USE THEREOF), AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, EACH INFORMATION PROVIDER EXPRESSLY DISCLAIMS ALL IMPLIED WARRANTIES (INCLUDING, WITHOUT LIMITATION, ANY IMPLIED WARRANTIES OF ORIGINALITY, ACCURACY, TIMELINESS, NON-INFRINGEMENT, COMPLETENESS, MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE) WITH RESPECT TO ANY OF THE INFORMATION.

Without limiting any of the foregoing and to the maximum extent permitted by applicable law, in no event shall any Information Provider have any liability regarding any of the Information for any direct, indirect, special, punitive, consequential (including lost profits) or any other damages even if notified of the possibility of such damages. The foregoing shall not exclude or limit any liability that may not by applicable law be excluded or limited, including without limitation (as applicable), any liability for death or personal injury to the extent that such injury results from the negligence or willful default of itself, its servants, agents or sub-contractors.

Information containing any historical information, data or analysis should not be taken as an indication or guarantee of any future performance, analysis, forecast or prediction. Past performance does not guarantee future results.

The Information should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. All Information is impersonal and not tailored to the needs of any person, entity or group of persons.

None of the Information constitutes an offer to sell (or a solicitation of an offer to buy), any security, financial product or other investment vehicle or any trading strategy.

It is not possible to invest directly in an index. Exposure to an asset class or trading strategy or other category represented by an index is only available through third party investable instruments (if any) based on that index. MSCI does not issue, sponsor, endorse, market, offer, review or otherwise express any opinion regarding any fund, ETF, derivative or other security, investment, financial product or trading strategy that is based on, linked to or seeks to provide an investment return related to the performance of any MSCI index (collectively, "Index Linked Investments"). MSCI makes no assurance that any Index Linked Investments will accurately track index performance or provide positive investment returns. MSCI Inc. is not an investment adviser or fiduciary and MSCI makes no representation regarding the advisability of investing in any Index Linked Investments.

Index returns do not represent the results of actual trading of investible assets/securities. MSCI maintains and calculates indexes, but does not manage actual assets. Index returns do not reflect payment of any sales charges or fees an investor may pay to purchase the securities underlying the index or Index Linked Investments. The imposition of these fees and charges would cause the performance of an Index Linked Investment to be different than the MSCI index performance.

The Information may contain back tested data. Back-tested performance is not actual performance, but is hypothetical. There are frequently material differences between back tested performance results and actual results subsequently achieved by any investment strategy.

Constituents of MSCI equity indexes are listed companies, which are included in or excluded from the indexes according to the application of the relevant index methodologies. Accordingly, constituents in MSCI equity indexes may include MSCI Inc., clients of MSCI or suppliers to MSCI. Inclusion of a security within an MSCI index is not a recommendation by MSCI to buy, sell, or hold such security, nor is it considered to be investment advice.

Data and information produced by various affiliates of MSCI Inc., including MSCI ESG Research LLC and Barra LLC, may be used in calculating certain MSCI indexes. More information can be found in the relevant index methodologies on www.msci.com.

MSCI receives compensation in connection with licensing its indexes to third parties. MSCI Inc.'s revenue includes fees based on assets in Index Linked Investments. Information can be found in MSCI Inc.'s company filings on the Investor Relations section of www.msci.com.

MSCI ESG Research LLC is a Registered Investment Adviser under the Investment Advisers Act of 1940 and a subsidiary of MSCI Inc. Except with respect to any applicable products or services from MSCI ESG Research, neither MSCI nor any of its products or services recommends, endorses, approves or otherwise expresses any opinion regarding any issuer, securities, financial products or instruments or trading strategies and MSCI's products or services are not intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Issuers mentioned or included in any MSCI ESG Research materials may include MSCI Inc., clients of MSCI or suppliers to MSCI, and may also purchase research or other products or services from MSCI ESG Research. MSCI ESG Research materials, including materials utilized in any MSCI ESG Indexes or other products, have not been submitted to, nor received approval from, the United States Securities and Exchange Commission or any other regulatory body.

Any use of or access to products, services or information of MSCI requires a license from MSCI. MSCI, Barra, RiskMetrics, IPD and other MSCI brands and product names are the trademarks, service marks, or registered trademarks of MSCI or its subsidiaries in the United States and other jurisdictions. The Global Industry Classification Standard (GICS) was developed by and is the exclusive property of MSCI and Standard & Poor's. "Global Industry Classification Standard (GICS)" is a service mark of MSCI and Standard & Poor's.

MIFID2/MIFIR notice: MSCI ESG Research LLC does not distribute or act as an intermediary for financial instruments or structured deposits, nor does it deal on its own account, provide execution services for others or manage client accounts. No MSCI ESG Research product or service supports, promotes or is intended to support or promote any such activity. MSCI ESG Research is an independent provider of ESG data, reports and ratings based on published methodologies and available to clients on a subscription basis. We do not provide custom or one-off ratings or recommendations of securities or other financial instruments upon request.

Privacy notice: For information about how MSCI ESG Research LLC collects and uses personal data concerning officers and directors, please refer to our Privacy Notice at <https://www.msci.com/privacy-pledge>.