

Announcement for April 7, 2022

Proposed Treatment of Recent Sanctions Targeting Russian Companies

THIS IS AN ANNOUNCEMENT FOR THE MSCI STANDARD, SMALL CAP, MICRO CAP, VALUE AND GROWTH, US EQUITY, US REIT, ISLAMIC, DOMESTIC STANDARD, DOMESTIC SMALL CAP, OVERSEAS CHINA STANDARD, OVERSEAS CHINA SMALL CAP INDEXES

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PROPOSED TREATMENT OF RECENT SANCTIONS TARGETING RUSSIAN COMPANIES

MSCI seeks feedback from market participants on a proposed treatment for the MSCI Russia Indexes in light of recently announced sanctions targeting Russian companies by the EU, UK and US. Note that some securities are proposed to be deleted from the MSCI Russia Investable Market Indexes (IMI) due to multiple sanctions.

1) EU sanctions targeting the Russian energy sector

On March 15, 2022, the EU council announced Regulation (EU) 2022/428, which amends Regulation (EU) No 833/2014, and includes, among others, prohibitions on certain transactions in entities operating in the Russian energy sector, as defined under this regulation. More specifically, under the sectoral sanctions added to Article 3a it is prohibited to "acquire any new or extend any existing participation" in such entities, as well as to "provide financing, including equity capital" to such entities.

Therefore, MSCI proposes to delete constituents of the MSCI Russia Investable Market Index (IMI) that MSCI has identified as having exposure to the Russian energy sector as defined by the EU. MSCI used the companies' Global Industry Classification Standard (GICS), segment revenues data, as well as fossil fuel related involvement data from MSCI ESG Research to identify these securities.

2) UK asset freeze sanctions

The Commonwealth and Development Office added 26 entities on March 24, 2022, and 10 entities on April 6, 2022, to the UK Sanctions List that are now subject to a UK asset freeze. This includes Alrosa (Rub) (MSCI Security Code: 69942.01 / ALRS.MM), Credit Bank of Moscow (MSCI Security Code: 80216.01 / CBOM.MM), Sovcomflot (MSCI Security Code: 17314.01 / FLOT.MM), and Sberbank Russia Com (Rub) (MSCI Security Code: 18968.04 / SBER.MM).

Therefore, MSCI proposes to delete these securities from the MSCI Russia IMI.



3) UK and US investment sanctions

On March 1, 2022, the UK announced Russia (Sanctions) (EU Exit) (Amendment) (No. 2) Regulations 2022, of which paragraphs (4C) and (4D) in Chapter 2 of Part 3 (Finance) include the prohibition of dealing in a transferable security or money-market instrument issued on or after March 1, 2022 by Russian domiciled entities. On April 6, 2022, President Biden signed an Executive Order prohibiting "new investment in the Russian Federation" by a United States person.

Therefore, MSCI proposes to not implement any increases in the Number of Shares (NOS) or Foreign Inclusion Factor (FIF) for any constituents of the MSCI Russia IMI, and would not add any securities of companies classified in Russia in the MSCI Russia IMI until further notice. In addition, MSCI proposes that going forward it will delete any securities of companies classified in Russia in the event that they announce their intention to issue new shares.

4) US Specially Designated Nationals (SDN) list

On April 6, 2022, the Office of Foreign Assets Control (OFAC) added Public Joint Stock Company Sberbank of Russia to the SDN list under U.S. Executive Order 14024. Public Joint Stock Company Sberbank of Russia is the issuer of Sberbank Russia Com (Rub) (MSCI Security Code: 18968.04 / SBER.MM).

Therefore, MSCI proposes to delete this security from the MSCI Russia IMI.

MSCI welcomes feedback from market participants on the impact of these recent sanctions on their investment processes and on all of MSCI's proposals listed above until April 21, 2022. MSCI may shorten the feedback period in view of changes in circumstances and feedback received.

MSCI has made available a comprehensive list of securities to be potentially deleted from the MSCI Russia IMI as per the above proposals. This is available at: https://www.msci.com/index-consultations/Proposed_Treatment_Sanctions

MSCI reminds users of its indexes for any purpose, including both indexed and active management, that they are responsible for ensuring compliance with all applicable sanctions and any other rules, regulations, prohibitions, laws, and other restrictions applicable to their portfolios, trading, and other investment activities.

We value your feedback and questions.

If you would like to speak to a member of our team about any of the items in this communication, please submit a support ticket via the MSCI Online Case Management Portal <https://nam04.safelinks.protection.outlook.com/?url=https%3A%2F%2Fmsci.force.com%2Fanswers%2Fs%2Fcontactsupport&data=04%7C01%7CCesar.Ramirez%40msci.com%7C8077f2e20e744d22a4bb08da18d1fa0c%7C7a9376d47c43480f82baa090647f651d%7C0%7C0%7C637849587416553997%7CUnknown%7CTWFpbGZsb3d8eyJWljojMC4wLjAwMDAiLCJQIjoiV2luMzliLCJBTil6lk1haWwiLCJXVCi6Mn0%3D%7C3000&reserved=0>

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