

TIAA ESG USA HIGH DIVIDEND YIELD INDEX

Parameter Sheet for Customization/Calculation Methodology

September 2021

Introduction

The TIAA ESG USA High Dividend Yield Index (the “Index”) is based on the MSCI High Dividend Yield Indexes Methodology¹ and the TIAA ESG Indexes Methodology².

The Index aims to represent the performance of a set of securities with high Dividend Income and Quality characteristics while maximizing the exposure to positive environmental, social and governance (ESG) factors as well as exhibiting lower carbon exposure than the MSCI USA Index. The Index aims to minimize the tracking error relative to the MSCI USA Index through an optimization process.

¹ Please refer to the MSCI High Dividend Yield Indexes methodology at www.msci.com/index-methodology

² Please refer to the TIAA ESG Indexes methodology at www.msci.com/index-methodology

Constructing the TIAA ESG USA High Dividend Yield Index

The Index is constructed in following steps:

- Defining the Parent Index
- Applying the MSCI High Dividend Yield Indexes Methodology
- Applying the TIAA ESG Indexes Methodology

2.1 Defining the Parent Index

The Parent Index for the TIAA ESG USA High Dividend Yield Index is the MSCI USA Index.

2.2 Applying the MSCI High Dividend Yield Indexes Methodology

MSCI High Dividend Yield Indexes Methodology, with following exceptions, is applied for selecting a minimum of 300 securities from the Parent Index:

Exceptions:

- 1) Real Estate Investment Trusts (REITs) are not excluded from the Eligible Universe contrary to the Section 2.1 of the MSCI High Dividend Yield Indexes Methodology
- 2) A minimum of 300 securities are selected from the screened universe. Following screens are relaxed, if required, to select the minimum number of securities:

Screen	Standard Requirement	Relaxed Requirement
Dividend Sustainability	Top 5% with Positive Dividend Payout are not eligible	Top 2% with Positive Dividend Payout are not eligible
Quality Score	Securities with negative Quality Z-score are not considered	Securities with Quality Z-score below -0.5 are not considered
Yield	Only securities with a dividend yield greater than or equal to 1.3 times the dividend yield of the Parent Index are selected	Only securities with a dividend yield greater than or equal to the dividend yield of the Parent Index are selected

- 3) Capping as per Section 2.6 is not applied

- 4) The index is rebalanced Quarterly

2.3 Applying the TIAA ESG Indexes Methodology

The securities selected as per Section 2.2 are then further subjected to selection and weighing criteria in accordance with the TIAA ESG Indexes Methodology with below exceptions:

Exceptions

- 1) Controversial Business Exclusions (Section 3.2.1.3) will be applied as per the screening criteria detailed in the Appendix
- 2) Infeasible Optimizations - During the Quarterly and Semi-Annual Index Reviews, in the event that there is no optimal solution that satisfies all the optimization constraints, first the turnover constraint will be relaxed up to a maximum turnover of 50% in 5% increments until an optimal solution is found. If a feasible solution is not found at turnover of 50%, the predicted tracking error is relaxed up to a maximum of 6% in 1% increments. In the event that a feasible solution is still not found, initial construction (tracking error constraint of 3% and no turnover constraint) will be undertaken for that Index Review.
- 3) Securities below the minimum weight constraint of 0.01% are not eligible for inclusion in the Index.

Maintaining the TIAA ESG USA High Dividend Yield 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.

ESG Ratings, Carbon Metrics data and Barra Equity Model data used for the Quarterly Index Reviews will be taken as of the end of the month preceding the Index Review, i.e., January, April, July and October.

In general, MSCI uses MSCI ESG Research data (including MSCI ESG Ratings, MSCI ESG Controversies Scores, MSCI Business Involvement Screening Research and MSCI Climate Change Metrics) as of the end of the month preceding the Index Reviews. 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.

The pro forma indexes are in general announced nine business days before the effective date.

3.2 Ongoing Event-Related Maintenance

The general treatment of corporate events in the 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.

The following section briefly describes the treatment of common corporate events within the Index.

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 be added to the Index at the time of event implementation. Reevaluation for continued 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 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>.

Appendix 1: Controversial Business Involvement Criteria

Companies that are involved in certain controversial business activities are ineligible to be included in the Index because of the high potential for negative social and/or environmental impacts of these activities.

- Alcohol Producer - All companies classified as alcohol “Producer” that earn either 10% or more revenue or more than \$1.0 billion in revenue from alcohol-related products.
- Tobacco - All companies classified as tobacco “Producer” that earn either 10% or more revenue or more than \$1.0 billion in revenue from tobacco-related products.
- Gambling - All companies classified as gambling “Operations” or “Support” that earn either 10% or more revenue or more than \$1.0 billion in revenue from gambling-related products.
- Nuclear Power
 - All companies with 6000 MW or more of installed capacity attributed to nuclear sources or with 10% or more of installed capacity attributed to nuclear sources
 - All companies involved in nuclear fuel enrichment for nuclear power generation
 - All companies involved in uranium mining for nuclear power generation
 - All companies involved in nuclear reactor design or construction for nuclear power generation.
- Weapons and Firearms
 - Conventional Weapons - All companies that manufacture conventional weapons components or conventional weapons and weapons systems and earn 10% or more in revenue, or \$3 billion or more in revenue from these 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>.

- Civilian Firearms
All companies classified as a “Producer” that earn more than 0% revenue from civilian firearms.

The following sections have been modified as of September 2021

- Updated section 2.3 to reflect a minimum weight constraint applied in the Index

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