CONSULTATION ON ENHANCEMENT TO THE MSCI TOP 50 DIVIDEND INDEXES METHODOLOGY

September 2017

This consultation may or may not lead to the adoption of any or all of the proposals contained in this presentation
MSCI is consulting clients on the proposed changes to the MSCI Top 50 Dividend Indexes methodology.

This document highlights proposed changes to the current methodology to ensure that no more than a single security per issuer is included in the Indexes.

This document presents a simulated snapshot (1st September 2017 for MSCI EAFE Top 50 Dividend Index) wherein the current holdings of MSCI EAFE Top 50 Dividend Index are used to illustrate the impact on constituents of the Index due to the proposed changes.

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## PROPOSED INDEX METHODOLOGY

<table>
<thead>
<tr>
<th>Parameters</th>
<th>MSCI Top 50 Dividend Indexes Methodology (Proposed)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eligible Securities</td>
<td>Constituents in the parent Indexes: MSCI EAFE Index or MSCI EM Index</td>
</tr>
<tr>
<td>Annual Index Review (AIR)</td>
<td><strong>Retention Criteria</strong></td>
</tr>
<tr>
<td>Screen</td>
<td>Dividend Yield &gt;= 3%</td>
</tr>
<tr>
<td>Screen</td>
<td>1-year DPS growth rate &gt;= 0</td>
</tr>
<tr>
<td>Screen</td>
<td>1-year DPS growth rate between 0% and (-)10% and Payout ratio higher compared to previous year</td>
</tr>
<tr>
<td>Quarterly Index Review (QIR) Screen</td>
<td><strong>Retention Criteria</strong></td>
</tr>
<tr>
<td>Screen</td>
<td>Dividend Yield &gt;= 3%</td>
</tr>
<tr>
<td>Screen</td>
<td>1-year DPS growth rate &gt;= 0</td>
</tr>
<tr>
<td>Screen</td>
<td>1-year DPS growth rate between 0% and (-)10%, Payout ratio higher compared to previous year</td>
</tr>
<tr>
<td>Security Selection</td>
<td>• A fixed number of securities (50) having highest Dividend Yield are selected</td>
</tr>
<tr>
<td>Security Selection</td>
<td>• No more than a single security per issuer is to be selected in the index, subject to all other constraints. Securities with the same issuer, are given preference for selection into the Index in decreasing order of Dividend Yield.</td>
</tr>
<tr>
<td>Weights</td>
<td>Equal Weighting (for new securities added in QIR) and for all securities in AIR</td>
</tr>
<tr>
<td>Capping</td>
<td>35% on sectors and countries (first sector weights to be checked followed by that of country)</td>
</tr>
<tr>
<td>Index Reviews</td>
<td>Annual Index Review in May and Quarterly Index reviews in August, November and February</td>
</tr>
</tbody>
</table>

Note: Text highlighted in red is the proposed change in methodology

* Note: The existing securities in the Index are given preference and then additional securities are selected from the parent index in order of decreasing dividend yield, conditional on sector & country capping.

** Note: If resulting number of securities is less than 50, additional securities are selected from the parent index in order of decreasing dividend yield, conditional on sector and country capping.
On Sep 1, 2017, MSCI EAFE Top 50 Dividend Index had 2 sets of paired securities with same issuer - Intesa Sanpaolo and Royal Dutch Shell had two securities each.

MSCI proposes to have a maximum of one security per issuer. Securities are given preference for selection into the Index in decreasing order of Dividend Yield, in case there are multiple securities for that issuer.

Securities highlighted in red have lower Dividend Yield compared to the ones highlighted in blue for the same issuer - hence only securities highlighted in blue would be a part of the index.

As of Sep 1, 2017, MSCI EM Top 50 Dividend Index had no 2 securities with the same issuer.
Securities highlighted in red (previous slide) would not have been selected due to lower dividends, while, those in blue would have been selected.

Hence, Intesa Sanpaolo and Royal Dutch Shell would have one security each.

Two new securities – Stockland and Tabcorp Holdings, highlighted in green would have been added as replacement.

The incremental turnover for this change would have been approximately 4.1%

We propose to implement this change in the November Index Review, subject to implementation feasibility within this timeline.
The current index methodology allows multiple securities with the same issuer to be included in the Index, as long as it meets the other criteria for inclusion into the Index.

The proposed changes in the methodology will ensure that only a maximum of one security per issuer can be included in the Index.

In case there are multiple securities for an issuer, securities with higher dividend yield are given preference for inclusion in the Index.

What are your views on using dividend yield as the deciding parameter for security inclusion in case of multiple securities per issuer? Would you prefer using any other metric such as market capitalization or liquidity?
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