

# **MSCI China Technology Sub- Industries ESG Screened Select Capped Index**

Parameter Sheet for Customization/Calculation Methodology

[Szerző]

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## 1 Introduction

The MSCI China Technology Sub-Industries ESG Screened Select Capped Index (the "Index") aims to reflect the performance of securities belonging to selected GICS sub-industries in the MSCI China Index and is constructed based on the MSCI ESG Screened Indexes methodology<sup>1</sup>. The Index excludes companies:

- that are associated with controversial, civilian, conventional and nuclear weapons and tobacco
- that derive revenues from thermal coal and 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

To avoid concentration, the weight of issuers in the index is capped in accordance with the MSCI Capped Indexes methodology<sup>2</sup>, such that the 5 largest issuers within the Index are capped at 8% while all other issuers are capped at 5%, with buffers.

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<sup>1</sup> Please refer to the MSCI ESG Screened Indexes methodology at [www.msci.com/index-methodology](http://www.msci.com/index-methodology)

<sup>2</sup> Please refer to the MSCI Capped Indexes methodology at [www.msci.com/index-methodology](http://www.msci.com/index-methodology)

## 2 Constructing the MSCI China Technology Sub-Industries ESG Screened Select Capped Index

MSCI China Technology Sub-Industries ESG Screened Select Capped Index is constructed in following steps:

- 1) Defining the eligible universe
- 2) Applying the MSCI ESG Screened Indexes Methodology
- 3) Applying the MSCI Capped Indexes Methodology

### 2.1 Defining the eligible Universe

Eligible universe (the “Parent Index”) for the Index constitutes all the constituents of the MSCI China Index classified under select GICS sub-industries. List of eligible sub-industries is as per the Appendix.

### 2.2 Applying the MSCI ESG Screened Indexes Methodology

The Parent Index is weighted and rebalanced in accordance with the MSCI ESG Screened Indexes Methodology. In addition to the criteria mentioned in the Section 3.2 of the MSCI ESG Screened Indexes Methodology, the MSCI China Technology Sub-Industries ESG Screened Select Capped Index uses additional eligibility criteria as mentioned below.

#### 2.2.1 ESG Controversies Score Eligibility

The MSCI China Technology Sub-Industries ESG Screened Select Capped 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 MSCI China Technology Sub-Industries ESG Screened Select Capped Index. Companies not assessed by MSCI ESG Research on ESG Controversies are not eligible for inclusion in the Index.

#### 2.2.2 Controversial Business Involvement Criteria

The MSCI China Technology Sub-Industries ESG Screened Select Capped Index uses the MSCI ESG Business Involvement Screening Research to exclude companies that are involved in the following business activities:

- **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.

## 2.3 Applying the MSCI Capped Indexes Methodology

At each index review, the remaining securities, after the exclusions as defined above, are then capped such that the weight of the 5 largest issuers are constrained at 7.5% (8% less 6.25% buffer). The weight of the all other issuers are capped at 4.5% (5% less 10% buffer) of the total index weight<sup>3</sup>.

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<sup>3</sup> Prior to December 1st, 2015. At each index review, selected securities were weighted such that the weight of the all the issuers are capped at 8 % of the total index weight.

### 3 Maintaining the MSCI China Technology Sub-Industries ESG Screened Select Capped Index

#### 3.1 Quarterly Index Reviews

The Index is reviewed on a quarterly basis, coinciding with the May and November Semi-Annual Index Reviews and the February and August Quarterly Index Reviews of the MSCI Global Investable Market Indexes.

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 China Technology Sub-Industries 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 constituents 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 available at: <https://www.msci.com/index-methodology>.

## Appendix: List of eligible GICS sub-industries

Securities belonging to below sub-industries in the MSCI China Index are eligible for inclusion in the Index:

GICS SUBINDUSTRY	GICS Code
Application Software	45103010
Communications Equipment	45201020
Computer & Electronics Retail	25504020
Consumer Electronics	25201010
Consumer Finance	40202010
Data Processing & Outsourced Services	45102020
Education Services	25302010
Electrical Components & Equipment	20104010
Electronic Components	45203015
Electronic Equipment & Instruments	45203010
Electronic Manufacturing Services	45203020
Financial Exchanges & Data	40203040
Health Care Technology	35103010
Household Appliances	25201040
Industrial Machinery	20106020
Interactive Home Entertainment	50202020
Interactive Media & Services	50203010
Internet & Direct Marketing Retail	25502020
Internet Services & Infrastructure	45102030
IT Consulting & Other Services	45102010
Movies & Entertainment	50202010
Publishing	50201040
Semiconductor Equipment	45301010
Semiconductors	45301020
Systems Software	45103020
Technology Distributors	45203030
Technology Hardware, Storage & Peripherals	45202030

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\* = toll free

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