

# **MSCI World Sector ESG Screened 20- 35 Select Indexes**

Parameter Sheet for Customization/Calculation Methodology

February 2022

## 1 Introduction

The MSCI World Sector ESG Screened 20-35 Select Indexes (the “Indexes”) are constructed based on the MSCI ESG Screened Indexes methodology<sup>1</sup>, which aim to represent the performance of a free float-adjusted market capitalization weighted investment strategy that excludes companies:

- that are associated with controversial, civilian, conventional and nuclear weapons, and tobacco
- that derive revenues from thermal coal and oil sands extraction
- that are not in compliance with the United Nations Global Compact principles
- that have an ESG Rating of CCC

The Indexes are weighted in accordance with the MSCI Capped Indexes methodology<sup>2</sup>, such that the largest group entity within each Index is capped at 35% while all other group entities are capped at 20%.

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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 World Sector ESG Screened 20-35 Select Indexes

### 2.1 DEFINING THE UNDERLYING UNIVERSE

The underlying universe for each Index includes all the constituents of the Parent Index, as shown in the table below.

Index Name	Parent Index
MSCI World Energy ESG Screened 20-35 Select Index	MSCI World Energy Index
MSCI World Materials ESG Screened 20-35 Select Index	MSCI World Materials Index
MSCI World Industrials ESG Screened 20-35 Select Index	MSCI World Industrials Index
MSCI World Consumer Discretionary ESG Screened 20-35 Select Index	MSCI World Consumer Discretionary Index
MSCI World Consumer Staples ESG Screened 20-35 Select Index	MSCI World Consumer Staples Index
MSCI World Health Care ESG Screened 20-35 Select Index	MSCI World Health Care Index
MSCI World Financials ESG Screened 20-35 Select Index	MSCI World Financials Index
MSCI World Information Technology ESG Screened 20-35 Select Index	MSCI World Information Technology Index
MSCI World Communication Services ESG Screened 20-35 Select Index	MSCI World Communication Services Index
MSCI World Utilities ESG Screened 20-35 Select Index	MSCI World Utilities Index

### 2.2 APPLYING THE ESG SCREENED METHODOLOGY

Each Parent Index is weighted and rebalanced in accordance with the MSCI ESG Screened Indexes Methodology to arrive at the constituent list.

In addition to the criteria mentioned above, the MSCI World Sector ESG Screened 20-35 Select Indexes use company ratings and research provided by MSCI ESG Research to determine eligibility for index inclusion.

### 2.2.1 ESG RATINGS ELIGIBILITY

The MSCI World Sector ESG Screened 20-35 Select Indexes use MSCI ESG Ratings to identify companies that have demonstrated an ability to manage their ESG risks and opportunities. Companies are required to have an MSCI ESG Rating of 'B' or above to be eligible for inclusion in the MSCI World Sector ESG Screened 20-35 Select Indexes.

### 2.2.2 CONTROVERSIAL BUSINESS INVOLVEMENT CRITERIA

In addition to the controversial business involvement criteria specified in the MSCI ESG Screened Indexes Methodology, the MSCI World Sector ESG Screened 20-35 Select Indexes use MSCI ESG Business Involvement Screening Research to identify companies that are involved in the following business activities:

- **Conventional Weapons:**
  - All companies deriving 5% or more revenue from the production of conventional weapons and components.
  - 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

The remaining securities, after the exclusions as defined above, are then weighted such that the weight of the largest group entity<sup>3</sup> is capped at 35%, and all other group entities are capped at 20% as per the section 4.4 of the MSCI Capped Index Methodology, with the below exceptions.

Below buffers applied on these limits at each index rebalancing as per the section

Index Name	Buffer
MSCI World Energy ESG Screened 20-35 Select Index	10%
MSCI World Materials ESG Screened 20-35 Select Index	10%
MSCI World Industrials ESG Screened 20-35 Select Index	10%
MSCI World Consumer Discretionary ESG Screened 20-35 Select Index	10%
MSCI World Consumer Staples ESG Screened 20-35 Select Index	10%
MSCI World Health Care ESG Screened 20-35 Select Index	10%

<sup>3</sup> for a definition and a description of the maintenance of Group Entities, please refer to the MSCI 10/40 methodology at <https://www.msci.com/index-methodology>

MSCI World Financials ESG Screened 20-35 Select Index	10%
MSCI World Information Technology ESG Screened 20-35 Select Index	10%
MSCI World Communication Services ESG Screened 20-35 Select Index	10%
MSCI World Utilities ESG Screened 20-35 Select Index	10%

Additionally, the Indexes are rebalanced conditionally, as of the close of each month, if the caps on the group entity weights (without buffers) are breached at the open of the first day of the upcoming month. In case the Index rebalances conditionally, the weights of the group entities are capped subject to buffers.

### **3 Maintaining the MSCI World Sector ESG Screened 20-35 Select Indexes**

#### **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, the pro forma index is announced nine business days before the effective date.

In case the pro forma violates the 20-35 constraints between the announcement date and the effective date, the previously announced results will be discarded and a newly rebalanced pro forma index will be announced.

#### **3.2 MONTHLY INDEX REVIEWS**

The index is also reviewed conditionally on a monthly basis. The pro forma index as of the open of each month is reviewed, generally over the last nine business days of the previous month. The index is rebalanced as of the close of any day during the review period, when the pro forma index violates the 20-35 constraints.

During monthly index review, the rebalanced pro forma index if any, is announced nine days prior to the effective date, and any previously announced results will be discarded when the newly rebalanced pro forma index will be announced

#### **3.3 ONGOING EVENT RELATED CHANGES**

The MSCI Corporate Events Methodology is applied for the maintenance of the MSCI World Sector ESG Screened 20-35 Select Indexes 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 Capped Index. Parent Index deletions will be reflected simultaneously.

There are no deletions from the <the Index name> between Index Reviews on account of a security becoming ineligible because of any change in the ESG data.

<b>EVENT TYPE</b>	<b>EVENT DETAILS</b>
<b>New additions to the Parent Index</b>	A new security added to the Parent Index (such as IPO and other early inclusions), will not be added to the index.
<b>Spin-Offs</b>	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.
<b>Merger/Acquisition</b>	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.
<b>Changes in Security Characteristics</b>	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 available at: <https://www.msci.com/index-methodology>.

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