

HUMAN RIGHTS CUSTOM INDEX ON MSCI ACWI*

* A custom index calculated by MSCI based on custom human rights screens using MSCI ESG Research

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1 INTRODUCTION

The Human Rights Custom Index on MSCI ACWI is an index based on client-specified customized ESG screening criteria. The index aims to exclude companies directly implicated in certain serious human rights violations. The index is free float-adjusted market capitalization weighted.

2 SCREENING CRITERIA

The Human Rights Custom Index on MSCI ACWI aims to exclude companies that are implicated in certain serious human rights violations or with substantial, strategic involvement with regimes with poor human rights records.

Please refer to Appendix 1 for more details on these criteria.

3 CONSTRUCTING THE HUMAN RIGHTS CUSTOM INDEX ON MSCI ACWI

3.1 UNDERLYING UNIVERSE

The selection universe for the Human Rights Custom Index on MSCI ACWI is the MSCI ACWI Index, a global equity index consisting of developed and emerging market countries.

3.2 EXCLUSION CRITERIA

Companies that are involved in certain serious human rights violations or that support repressive regimes as described in Section 2 are excluded from the Human Rights Custom Index on MSCI ACWI.

4 MAINTAINING THE HUMAN RIGHTS CUSTOM INDEX ON MSCI ACWI

4.1 INDEX REVIEWS

The Human Rights Custom Index on MSCI ACWI is reviewed on a quarterly basis to coincide with the regular Semi-Annual and Quarterly Index Reviews of the MSCI Global Investable Market Indexes. The changes are implemented as of the close of the last business day of February, May, August and November. The lists of companies to be excluded are screened based on MSCI ESG Research data as of the end of January, April, July and October, respectively. For some securities, such data may not be published by MSCI ESG Research by the end of the month preceding the Index Review.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 Human Rights Custom Index on MSCI ACWI.

At index reviews, all companies in the underlying universe are reviewed and eligible companies are added to the Human Rights Custom Index on MSCI ACWI. Existing constituents are deleted from the Human Rights Custom Index on MSCI ACWI if they have been added to the exclusion list. In addition, any constituent that is deleted from the underlying index as a result of an index review is also deleted from the Human Rights Custom Index on MSCI ACWI.

4.2 ONGOING EVENT-RELATED MAINTENANCE

The MSCI Corporate Events Methodology is applied for the maintenance of the Human Rights Custom Index on MSCI ACWI between index reviews.

Companies deleted from the underlying index between index reviews are simultaneously deleted from the Human Rights Custom Index on MSCI ACWI.

Companies added to the underlying index between index reviews are simultaneously added to the Human Rights Custom Index on MSCI ACWI. Their inclusion is reviewed at the following Index Review, as described in section 4.1.

The details relating to the handling of specific corporate event types can be found in the MSCI Corporate Events Methodology book available at:

<https://www.msci.com/index-methodology>

APPENDIX I: HUMAN RIGHTS VIOLATIONS CRITERIA

MSCI ESG Research evaluates companies for exclusion from the Human Rights Custom Index on MSCI ACWI based on two sets of ratings criteria: Support for Controversial Regimes and Human Rights Violations.

Support for Controversial Regimes

The first set of criteria focuses on companies whose business operations provide substantial material support for a limited set of governments with extremely poor human rights records.

Substantial Material Support

MSCI ESG Research defines substantial material support by the following criteria:

- Involvement with key branches of the government, such as the military or other security forces.
- Involvement in sectors of the economy which are strategically important for the regime, such as energy, mining, and power.

Most Controversial Regimes

The identification of the most controversial regimes by MSCI ESG Research is based on the following research steps:

- Filter # 1: Classification of an initial set of controversial regimes
 - MSCI ESG Research uses the most current Freedom House “Freedom in the World” rankings to identify an initial set of controversial regimes. The initial set is those countries that score the worst in this ranking.
 - See Appendix 2 for a full listing of these countries and more details on the scoring methodology.
- Filter # 2: Countries Targeted By Sanctions
 - From the results of filter #1, MSCI filters for countries that, largely because of their extremely poor human rights records, have had economic sanctions and/or arms embargoes imposed by at least two of the following organizations: the U.N., U.S., and the E.U.
- Filter # 3: Countries Targeted By Divestment Campaigns or Human Rights NGOs
 - From the results of filters #1 & #2, MSCI ESG identifies countries that meet at least one of the following two criteria:

- a) Legislation by at least three governments (national or regional) mandating pension fund divestment from companies supporting targeted regimes.
- b) At least two of the following four widely respected international human rights NGOs allege severe human rights abuses, including accusations of government culpability crimes against humanity or genocide.
 - Amnesty International, Human Rights Watch, United to End Genocide, Genocide Watch
- Filter # 4: Final Assessment
 - For those countries that meet filter # 3 exclusively based on NGO assessments of genocide or crimes against humanity (item 3b. above), MSCI ESG Research further assesses whether the countries meet the following condition:
 - The allegations of genocide or crimes against humanity involve the national government.
 - See Appendix 3 for the final MSCI ESG Research list of most controversial countries as of September 2012.

Human Rights Violations

The second set of criteria for exclusion centers on companies that are directly implicated in extreme human rights violations. Examples include the following:

- Extra-judicial killings of company employees or members of a local community where a company facility is located.
- The use of torture, rape and other types of physical abuse by company security forces (or third party security forces) involving company employees or members of a local community where a company facility is located.
- Violations of free, prior and informed consent standards concerning the impact of existing or proposed company operations on local communities. This includes operations that have resulted in the forced relocations of villages and proposed operations that radically threaten an existing way of life for indigenous peoples.

Research Process

MSCI ESG Research utilizes its proprietary ESG controversies assessment research service MSCI ESG Impact Monitor to identify companies on the MSCI ACWI that meet the above human rights criteria.

MSCI ESG Research analysts conduct monthly searches of media, government and NGO sources for new information regarding the human rights performance of all companies in the MSCI ACWI Index. Analysts use a wide range of information tools and sources to perform updates, including:

- Proprietary web-crawling technology
- Company websites
- Company Annual Reports and regulatory filing documents
- Media search services
- Business directories
- NGO reports and websites
- Government agencies and disclosure
- Financial data providers
- Direct communication with companies

MSCI ESG Research reviews and updates the criteria for most controversial regimes once per year. This includes reviewing the annual update to the Freedom House “Freedom in the World” rankings when they are published during the first half of each year. In addition, sources are checked quarterly to keep abreast of recent developments concerning sanctions, legislated divestment campaigns and NGO criticisms.

APPENDIX II: CONTROVERSIAL REGIMES

Country Name	Political Rights	Civil Liberties	Freedom House "Not Free" Assessment
Afghanistan	6	6	X
Bahrain	6	6	X
Belarus	7	6	X
Burma	7	6	X
Cameroon	6	6	X
Chad	7	6	X
China	7	6	X
Cote d'Ivoire	6	6	X
Cuba	7	6	X
Democratic Republic of the Congo	6	6	X
Equatorial Guinea	7	7	X
Eritrea	7	7	X
Ethiopia	6	6	X
Gaza Strip	6	6	X
Iran	6	6	X
Laos	7	6	X
Libya	7	6	X
North Korea	7	7	X
Saudi Arabia	7	7	X
Somalia	7	7	X
South Ossetia	7	6	X
Sudan	7	7	X

Syria	7	7	X
Tibet	7	7	X
Transnistria	6	6	X
Turkmenistan	7	7	X
United Arab Emirates	6	6	X
Uzbekistan	7	7	X
Western Sahara	7	7	X
Yemen	6	6	X
Zimbabwe	6	6	X

N.B. The content for the table above was provided by Freedom House.

Freedom House Key:

- MSCI ESG Research bases this initial list on the worst performing countries on Freedom Houses’ “Freedom in the World” ranking.
 - <http://www.freedomhouse.org/report/freedom-world-2012/methodology>
 - Freedom House is a globally recognized authority on assessing country-level effectiveness in protecting fundamental human rights. The U.S.-based organization was founded in 1941 and began producing its widely respected Freedom in the World report in the 1970s.
 - For more information about Freedom House, please go to the following: <http://www.freedomhouse.org/about-us>
- To qualify for MSCI ESG Research’s initial set of controversial regimes, a country must score ≥ 6 on both of the two scoring pillars.
- Freedom House Scoring Model:
 - 1= top score, 7=worst score.
- Political Rights:
 - Freedom House assesses a country on this issue by reviewing three subcategories:
 - Electoral Process,

- Political Pluralism and Participation,
 - Functioning of Government.
- Rating of 6: Countries and territories with a rating of 6 have very restricted political rights. They are ruled by one-party or military dictatorships, religious hierarchies, or autocrats. They may allow a few political rights, such as some representation or autonomy for minority groups, and a few are traditional monarchies that tolerate political discussion and accept public petitions.
- Rating of 7: Countries and territories with a rating of 7 have few or no political rights because of severe government oppression, sometimes in combination with civil war. They may also lack an authoritative and functioning central government and suffer from extreme violence or warlord rule that dominates political power.
- Civil Liberties:
 - Freedom House assesses a country on this issue by reviewing four subcategories:
 - Freedom of Expression and Belief,
 - Associational and Organizational Rights,
 - Rule of Law,
 - Personal Autonomy and Individual Rights.
 - Rating of 6: Countries and territories with a rating of 6 have very restricted civil liberties. They strongly limit the rights of expression and association and frequently hold political prisoners. They may allow a few civil liberties, such as some religious and social freedoms, some highly restricted private business activity, and some open and free private discussion.
 - Rating of 7: Countries and territories with a rating of 7 have few or no civil liberties. They allow virtually no freedom of expression or association, do not protect the rights of detainees and prisoners, and often control or dominate most economic activity.

APPENDIX III: MOST CONTROVERSIAL REGIMES

Country Name
Burma
Iran
Sudan
Syria

The following sections have been modified since September 2012:

Section 4: Maintaining the Human Rights Custom Index on MSCI ACWI

- Clarification on use of ESG data for securities whose data would be available after the end of the month preceding Index Review.

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