

MSCI China Technology Sub-Industries ESG Screened Select Capped Index

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1 Introduction

The MSCI China Technology Sub-Industries ESG Screened Select Capped Index¹ (the “Index”) aims to reflect the performance of securities belonging to selected GICS®² sub-industries in the MSCI China Index excluding companies based on Environmental, Social and Governance (ESG) criteria. The following companies are excluded:

- Companies that are associated with controversial, civilian, conventional and nuclear weapons and tobacco
- Companies that derive revenues from thermal coal and oil sands extraction and thermal coal based power generation
- Companies that are not in compliance with the United Nations Global Compact principles
- Companies that are involved in Red Flag ESG controversies

To avoid concentration, the weight of issuers in the Index is capped in accordance with the MSCI Capped Indexes methodology³, such that the 5 largest issuers within the Index are capped at 8% while all other issuers are capped at 5%, with buffers.

¹ The Index is governed by a set of methodology and policy documents (“Methodology Set”), including the present index methodology document. The methodology set for the Index(es) can be accessed from MSCI’s webpage <https://www.msci.com/index-methodology> in the section ‘Search Methodology by Index Name or Index Code’. The methodology set includes a document ‘ESG Factors in Methodology’ that contains the list of environmental, social, and governance factors considered, and how they are applied in the methodology (e.g., selection, weighting or exclusion).

² GICS, the Global Industry Classification Standard jointly developed by MSCI and S&P Global.

³ Please refer to the MSCI Capped Indexes methodology at www.msci.com/index-methodology

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

The Index uses company ratings and research provided by MSCI ESG Research⁴ to determine eligibility for Index inclusion.

Constructing the Index involves the following steps:

- 1) Defining the Eligible Universe
- 2) Applying the MSCI Capped Indexes Methodology

2.1 Determining the Eligible Universe

The Eligible Universe for the Index is comprised of all constituents of the MSCI China Index (the “Parent Index”) classified under select GICS sub-industries. Certain companies of the Broadline Retail GICS sub-industry are excluded based on business segment revenue.

Securities classified as Broadline Retail (25503030) are eligible if they derive 50% or more revenue from segments mapped to Catalog and Mail-order Houses (5961) as per Standard Industrial Classification (SIC)⁵. Securities classified as Broadline Retail with missing and zero SIC revenue data are excluded from the Index. Further information is available in the Appendix.

Securities belonging to below sub-industries 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
Education Services	25302010
Electrical Components & Equipment	20104010
Electronic Components	45203015
Electronic Equipment & Instruments	45203010

⁴ See section 4 for further information regarding ESG and climate data used in the Indexes that MSCI Limited sources from MSCI ESG Research LLC, a separate subsidiary of MSCI Inc. MSCI ESG Research is solely responsible for the creation, determination and management of such data. MSCI Limited is the benchmark administrator for the MSCI indexes.

⁵ Companies’ business segments are assigned a specific SIC (Standard Industry Classification) description for products and services, used by official agencies within the US government. These descriptions provide additional information on the nature of the business segment.

GICS SUBINDUSTRY	GICS Code
Electronic Manufacturing Services	45203020
Financial Exchanges & Data	40203040
Health Care Technology	35103010
Household Appliances	25201040
Industrial Machinery & Supplies & Components	20106020
Interactive Home Entertainment	50202020
Interactive Media & Services	50203010
Internet Services & Infrastructure	45102030
IT Consulting & Other Services	45102010
Movies & Entertainment	50202010
Publishing	50201040
Semiconductor Materials & Equipment	45301010
Semiconductors	45301020
Systems Software	45103020
Technology Distributors	45203030
Technology Hardware, Storage & Peripherals	45202030
Broadline Retail	25503030

2.1.1 ESG Controversies Score Eligibility

Securities of companies assessed as having involvement in ESG controversies that are classified as Red Flags (MSCI ESG Controversy Score of 0) are excluded from the Index. A Red Flag indicates an ongoing Very Severe ESG controversy implicating a company directly through its actions, products, or operations. Companies not assessed by MSCI ESG Research for ESG Controversies are not eligible for inclusion in the Index.

2.1.2 Controversial Business Involvement Criteria

The Index uses the MSCI ESG Business Involvement Screening Research to exclude companies that are involved in the following business 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/latest/XCW>
- **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.
- **Nuclear Weapons**
 - All companies that manufacture nuclear warheads and/or whole nuclear missiles.
 - All companies that manufacture components that were developed or are significantly modified for exclusive use in nuclear weapons (warheads and missiles).
 - All companies that manufacture or assemble delivery platforms that were developed or significantly modified for the exclusive delivery of nuclear weapons.
 - All companies that provide auxiliary services related to nuclear weapons.
 - All companies that manufacture components that were not developed or not significantly modified for exclusive use in nuclear weapons (warheads and missiles) but can be used in nuclear weapons.
 - All companies that manufacture or assemble delivery platforms that were not developed or not significantly modified for the exclusive delivery of nuclear weapons but have the capability to deliver nuclear weapons.
 - All companies that manufacture components for nuclear-exclusive delivery platforms.
- **Civilian Firearms**
 - All companies classified as "Producer" of firearms and small arms ammunitions for civilian markets. It does not include companies that cater to the military, government, and law enforcement markets.
 - All companies deriving 5% or more aggregate revenue from the production and distribution (wholesale or retail) of firearms or small arms ammunition intended for civilian use.
- **Tobacco**
 - All companies classified as a "Producer".
 - All companies deriving 5% or more aggregate revenue from the production, distribution, retail, supply and licensing of tobacco-related products.
- **Fossil Fuel Extraction**

- All companies deriving 5% or more aggregate revenue (either reported or estimated) from thermal coal mining and unconventional oil and gas extraction.
 - o *Thermal Coal Mining*: Revenue from the mining of thermal coal (including lignite, bituminous, anthracite and steam coal) and its sale to external parties. It does not cover revenue from metallurgical coal; coal mined for internal power generation (e.g. in the case of vertically integrated power producers); intra-company sales of mined thermal coal; and revenue from coal trading.
 - o *Unconventional Oil & Gas Extraction*: Revenue from oil sands, oil shale (kerogen-rich deposits), shale gas, shale oil, coal seam gas, and coal bed methane. It does not cover all types of conventional oil and gas production including Arctic onshore/offshore, deep water, shallow water and other onshore/offshore.
- **Thermal Coal Power**
 - All companies deriving 5% or more revenue (either reported or estimated) from thermal coal-based power generation.
- **Global Norms – United Nations Global Compact Compliance**
 - All companies that fail to comply with the United Nations Global Compact principles.

2.2 Applying the MSCI Capped Indexes Methodology

At each Index Review, the remaining securities, after the exclusions as defined above, are capped such that the weight of the 5 largest issuers are constrained at 7.5% (8% less 6.25% buffer). The weight of all other issuers are capped at 4.5% (5% less 10% buffer) of the total Index weight⁶.

⁶ 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 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, MSCI uses the company business segment data as of the rebalancing date of the quarterly index review.

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 constituent 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>.

4 MSCI ESG Research

The Index is a product of MSCI Inc. that utilizes information such as company ratings and research produced and provided by MSCI ESG Research LLC (MSCI ESG Research), a subsidiary of MSCI Inc. In particular, the MSCI China Technology Sub-Industries ESG Screened Select Capped Index uses the following MSCI ESG Research products: MSCI ESG Controversies, MSCI ESG Business Involvement Screening Research, and MSCI Climate Change Metrics. MSCI Indexes are administered by MSCI Limited.

4.1 MSCI ESG CONTROVERSIES

MSCI ESG Controversies provide assessments of controversies concerning the potential negative environmental, social, and/or governance impact of company operations, products and services. The evaluation framework used in MSCI ESG Controversies is designed to be consistent with international norms represented by the UN Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, and the UN Global Compact. MSCI ESG Controversies Score falls on a 0-10 scale, with “0” being the most severe controversy.

The MSCI ESG Controversies methodology can be found at:
<https://www.msci.com/esg-and-climate-methodologies>.

4.2 MSCI ESG BUSINESS INVOLVEMENT SCREENING RESEARCH

MSCI ESG Business Involvement Screening Research (BISR) aims to enable institutional investors to manage environmental, social and governance (ESG) standards and restrictions reliably and efficiently.

For more details on MSCI ESG Business Involvement Screening Research, please refer to http://www.msci.com/resources/factsheets/MSCI_ESG_BISR.pdf.

4.3 MSCI CLIMATE CHANGE METRICS

MSCI Climate Change Metrics provide climate data & tools to support institutional investors seeking to integrate climate risk & opportunities into their investment strategy and processes. This includes investors seeking to achieve a range of objectives, including measuring and reporting on climate risk exposure, implementing low carbon and fossil fuel-free strategies, alignment with temperature pathways and factoring climate change research into their risk management processes, in particular through climate scenario analysis for both transition and physical risks.

The dataset spans across the four dimensions of a climate strategy: transition risks, green opportunities, physical risks and 1.5° alignment.

For more details on MSCI Climate Change Metrics, please refer to <https://www.msci.com/climate-solutions>.

Appendix: Historical Eligibility of GICS Sub-industries

Prior to the May 2023 Index Review, Internet & Direct Marketing Retail (25502020) and Data Processing & Outsourced Services (45102020) were eligible GICS subindustries. Effective as of the May 2023 Index Review, these sub-industries are no longer eligible due to their discontinuation as part of the GICS Structure⁷.

Effective as of May 2023 Index Review, securities classified as Broadline Retail (25503030) are eligible subject to business segment revenue described in Section 2.1.

⁷ For further information on the GICS structure changes and its implementation in MSCI Equity Indexes, please refer to [Revisions to the Global Industry Classification Standard \(GICS®\) Structure Effective March, 2023](#) and [Implementation of the 2023 GICS Structure Changes in the MSCI Equity Indexes](#).

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