

METHODOLOGY BOOK FOR:
**- MSCI EMU ESG LEADERS
SELECT 50 INDEX**
**- MSCI EMU ESG LEADERS
SELECT 50 DECREMENT
5% INDEX**

January 2018

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1 INTRODUCTION

The MSCI EMU ESG Leaders Select 50 Index aims to represent the performance of a set of 50 stocks from the European Economic and Monetary Union region that have high Environmental, Social and Governance (ESG) scores, which are then picked in descending order of their free float-adjusted market capitalization. The Index aims to achieve diversification by equal weighting of the constituents.

The MSCI EMU ESG Leaders Select 50 Decrement 5% Index aims to represent the performance of the MSCI EMU ESG Leaders Select 50 Index, while applying a constant markdown ('synthetic dividend') of 5% on an annual basis, expressed as a percentage of performance.

2 CONSTRUCTING THE INDEXES

The MSCI EMU ESG Leaders Select 50 and the MSCI EMU ESG Leaders Select 50 Decrement 5% Indexes are constructed from the MSCI EMU ESG Leaders Index¹ (the “Parent Index”).

The following steps are applied at initial construction as well as subsequent Quarterly and Semi-Annual Index Reviews of the “MSCI EMU ESG Leaders Select 50 Index”.

- Eligible Universe Screening
- Security Selection
- Weighting Scheme

In addition to the above steps, a daily decrement is applied to the MSCI EMU ESG Leaders Select 50 Index to construct the “MSCI EMU ESG Leaders Select 50 Decrement 5% Index”.

2.1 ELIGIBLE UNIVERSE SCREENING

To avoid multiple securities of the same company in the final index, only the most liquid security for each issuer is included, ranked in descending order of 6-month Annualized Traded Value² (ATV). For any issuer, should two securities have the same 6-month ATV, the one with the higher free float-adjusted market capitalization is included.

2.2 SECURITY SELECTION

The largest 50 securities ranked in the descending order of their free-float adjusted market capitalization are selected for inclusion in the Index.

2.3 WEIGHTING SCHEME

Each selected security is then assigned an equal weight at initial construction and at every Index Review, in accordance with the MSCI Equal Weighted Indexes methodology³.

The securities selected after the application of the above methodology form the “MSCI EMU ESG Leaders Select 50 Index”.

¹ Please refer to the MSCI ESG Leaders Indexes methodology at www.msci.com/index-methodology

² Please refer to the MSCI Index Calculation methodology at www.msci.com/index-methodology

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

2.4 APPLYING THE DECREMENT

The MSCI Decrement Indexes methodology⁴ is applied on the MSCI EMU ESG Leaders Select 50 Index using the following parameters, to construct the “MSCI EMU ESG Leaders Select 50 Decrement 5% Index”.

Sr. No.	Methodology Parameter	Parameter Value
1	Currency of Calculation	EUR
2	Return Variant of the Parent Index	Daily Net Total Return
3	Decrement Type	Fixed Percentage
4	Decrement Application	Geometric
5	Decrement Value	5%
6	Day-count Convention	Actual / 360
7	Index Floor	0
8	Decrement Frequency	Daily

⁴ Please refer to the MSCI Decrement Indexes Methodology at <http://www.msci.com/index-methodology>

3 MAINTAINING THE INDEXES

3.1 QUARTERLY INDEX REVIEWS

The MSCI EMU ESG Leaders Select 50 Index is reviewed on a quarterly basis as described in section 2, coinciding with the May and November Semi-Annual Index Reviews and the February and August Quarterly Index Reviews of the Parent Index.

The pro forma Index is typically announced nine business days before the effective date.

3.2 DAILY DECREMENT APPLICATION

The performance of the MSCI EMU ESG Leaders Select 50 Decrement 5% Index is computed by reducing the performance of the MSCI EMU ESG Leaders Select 50 Index, by a fixed percentage, on a daily basis using parameters detailed in section 2.4.

3.3 ONGOING EVENT RELATED CHANGES

The general treatment of corporate events in the MSCI EMU ESG Leaders Select 50 Index aims to minimize turnover outside of Index Reviews. The methodology aims to appropriately represent an investor’s participation in an event based on relevant deal terms and pre-event weighting of the index constituents that are involved. Further, changes in index market capitalization that occur as a result of corporate event implementation will be offset by a corresponding change in the Variable Weighting Factor (VWF) of the constituent. There will be no additions to the Index in between Index Reviews.

Additionally, if the frequency of Index Reviews in the Parent Index is greater than the frequency of Index Reviews in the MSCI EMU ESG Leaders Select 50 Index, the changes made to the Parent Index during intermediate Index Reviews will be neutralized in the MSCI EMU ESG Leaders Select 50 Index.

The following section briefly describes the treatment of common corporate events within the MSCI EMU ESG Leaders Select 50 Index.

No new securities will be added (except where noted below) to the Index between Index Reviews. 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 be added to the Index at the time of event implementation. Reevaluation for continued 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 be removed from the Index if there are changes in its characteristics (country, sector, size segment, etc.) Reevaluation for 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 under the sections detailing the treatment of events in Capped Weighted and Non-Market Capitalization Weighted indexes.

The MSCI Corporate Events methodology book is available at:
<https://www.msci.com/index-methodology>

The MSCI EMU ESG Leaders Select 50 Decrement 5% Index is derived from the MSCI EMU ESG Leaders Select 50 Index. As a result, corporate events are reflected in the MSCI EMU ESG Leaders Select 50 Decrement 5% as they occur and are captured in the MSCI EMU ESG Leaders Select 50 Index.

The following sections have been modified since December 2017:

Update to include the index construction and maintenance parameters for the MSCI EMU ESG Leaders Select 50 Decrement 5% Index.

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