

MSCI ESG Leaders 5% Issuer Capped Indexes Methodology

October 2020

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1 Introduction

The MSCI ESG Leaders 5% Issuer Capped Indexes are constructed with an aim to represent the performance of companies that have high Environmental, Social and Governance (ESG) performance. The Indexes aim to avoid concentration by capping issuers to a maximum weight of 5%.

2 MSCI ESG Research

The MSCI ESG Leaders 5% Issuer Capped Indexes use company ratings and research provided by MSCI ESG Research. The indexes use the following MSCI ESG Research products: MSCI ESG Ratings, MSCI ESG Controversies and MSCI Business Involvement Screening Research.

For details on MSCI ESG Research’s full suite of ESG products, please refer to: <https://www.msci.com/esg-investing>

2.1 MSCI ESG Ratings

MSCI ESG Ratings provides research, analysis and ratings of how well companies manage environmental, social and governance risks and opportunities.

MSCI ESG Ratings provides an overall company ESG rating - a seven point scale from ‘AAA’ to ‘CCC’. In addition, the product provides scores and percentiles indicating how well a company manages each key issue relative to industry peers.

For more details on MSCI ESG Ratings, please refer to: <https://www.msci.com/esg-ratings>

2.2 MSCI ESG Controversies

MSCI ESG Controversies (formerly known as MSCI Impact Monitor) provides assessments of controversies concerning the 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.

For more details on MSCI ESG Controversies, please refer to : <https://www.msci.com/documents/10199/acbe7c8a-a4e4-49de-9cf8-5e957245b86b>

2.3 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

3 Constructing the Indexes

The MSCI ESG Leaders 5% Issuer Capped Indexes (the “Indexes”) are constructed from the MSCI Global Investable Market Indexes (the “Parent Indexes”).

The Indexes are constructed using the following steps:

- Applying the MSCI ESG Leaders Indexes methodology¹
- Applying the weighting scheme

3.1 Applying the MSCI ESG Leaders Indexes Methodology

The MSCI ESG Leaders 5% Issuer Capped Indexes are constructed by applying the following eligibility criteria as described in Section 2 of the MSCI ESG Leaders Indexes methodology:

- ESG Ratings eligibility criteria
- ESG Controversies Score eligibility criteria
- Controversial business involvement criteria

Securities are then selected for inclusion in the Indexes by targeting 50% free float-adjusted market capitalization coverage of each GICS® sector of standard regions in Developed Markets and Emerging Markets, in accordance with Section 3 of the MSCI ESG Leaders Indexes methodology.

3.2 Security Weighting

The MSCI ESG Leaders 5% Issuer Capped Indexes are constructed by weighting the securities in proportion of their free float-adjusted market capitalization.

3.2.1 Issuer Capping

The MSCI ESG Leaders 5% Issuer Capped Indexes are further capped at the issuer level to mitigate concentration risk.

The maximum weight of any issuer in the Indexes is capped at 5%. A buffer of 10% of the capping threshold (5%) is used to reduce the risk of non-compliance due to short term market movements between two quarterly rebalances. As a result, at the point of construction or rebalancing, the weight of each issuer is capped at 4.5%.

Within the capped group, securities are weighted in proportion to their free float-adjusted market capitalization. The weight of the securities outside the capped group will be increased in proportion to their weight prior to capping.

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

4 Maintaining the Indexes

4.1 Annual Index Reviews

The MSCI ESG Leaders 5% Issuer Capped Indexes are reviewed on an annual basis in May to reflect the Annual Index Review of the MSCI ESG Leaders Indexes², and the changes are implemented at the end of May. In general, the pro forma indexes are announced nine business days before the effective date.

In general, MSCI uses MSCI ESG Research data (including MSCI ESG Ratings, 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.

4.2 Quarterly Index Reviews

The MSCI ESG Leaders 5% Issuer Capped Indexes are also reviewed on a quarterly basis in February, August and November to reflect the Quarterly Index Reviews of the MSCI ESG Leaders Indexes³, and the changes are implemented at the end of February, August and November. In general, the pro forma indexes are announced nine business days before the effective date.

For the Quarterly Index Reviews, MSCI ESG Ratings, MSCI ESG Controversies Score assessments and MSCI BISR data are taken as of the end of the month preceding the Index Reviews, i.e., January, July and October. For some securities, this 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.

4.3 Capping Frequency

The indexes are capped at the Annual Index Reviews as well as the Quarterly Index Reviews, as per the rules described in Section 3.2.

² Please refer to section 4.1 of the methodology book for the MSCI ESG Leaders Indexes, available at www.msci.com/index-methodology.

³ Please refer to section 4.2 of the methodology book for the MSCI ESG Leaders Indexes, available at www.msci.com/index-methodology.

4.4 Ongoing Event-Related Maintenance

The following section briefly describes the treatment of common corporate events within the MSCI ESG Leaders 5% Issuer Capped Indexes.

No new securities will be added (except where noted below) to the Indexes between Index Reviews. For cases where additions are noted below, securities will be added to the index only if added to the Parent Index.

Parent Index deletions will be reflected simultaneously.

There are no deletions from the MSCI ESG Leaders 5% Issuer Capped Indexes between Index Reviews on account of a security becoming ineligible because of MSCI ESG Rating downgrade and/or decrease in MSCI ESG Controversies Score and/or change in business involvement.

EVENT TYPE

EVENT DETAILS

New additions to the Parent Index

New securities added to the Parent Index (such as IPOs, other early inclusions and migrations from a different size-segment) will be added to the Indexes on the date of security inclusion only if they meet the eligibility criteria described in Section 3.1 and the market capitalization coverage of the sector to which the security belongs is less than 45%.

Spin-Offs

All securities created as a result of the spin-off of an existing Index constituent will not be added to the Indexes at the time of event implementation. Reevaluation for addition in the Indexes will occur at the subsequent Index Review.

Merger/Acquisition

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

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.

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

Appendix 1: MSCI Country and Region ESG Leaders 5% Issuer Capped Indexes

The MSCI Country and Region ESG Leaders 5% Issuer Capped Indexes are constructed with an aim to represent the performance of companies that have high Environmental, Social and Governance (ESG) performance.

The MSCI Country 5% Issuer Capped Indexes aim to target sector weights that reflect the relative sector weights of the underlying country Index to limit the systematic risk and country specific risk introduced by the ESG selection process. They are constructed as per Section 3.1 by applying the MSCI ESG Leaders Indexes methodology, except that they target 50% free float-adjusted market capitalization coverage of each GICS® sector of individual countries within Developed Markets and Emerging Markets. The Indexes then apply the 5% issuer capping as per Section 3.2.

The MSCI Region 5% Issuer Capped Indexes are constructed as per Section 3.1 by applying the MSCI ESG Leaders Indexes methodology, except that they target 50% free float-adjusted market capitalization coverage of each GICS® sector of regions different than the standard regions used for the MSCI ESG Leaders Indexes. The Indexes then apply the 5% issuer capping as per Section 3.2.

The MSCI Country and Region ESG Leaders 5% Issuer Capped Indexes follow the same index review cycle, maintenance rules and corporate events treatment as the MSCI ESG Leaders 5% Issuer Capped Indexes as described in Section 4.

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To learn more, please visit www.msci.com.

The process for submitting a formal index complaint can be found on the index regulation page of MSCI's website at: <https://www.msci.com/index-regulation>.

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