

METHODOLOGY BOOK FOR:

- **MSCI WORLD ESG LEADERS LOW CARBON EX TOBACCO INVOLVEMENT 5% INDEX**
- **MSCI USA ESG LEADERS LOW CARBON EX TOBACCO INVOLVEMENT 5% INDEX**
- **MSCI EUROPE ESG LEADERS LOW CARBON EX TOBACCO INVOLVEMENT 5% INDEX**
- **MSCI JAPAN ESG LEADERS LOW CARBON EX TOBACCO INVOLVEMENT 5% INDEX**
- **MSCI EM ESG LEADERS LOW CARBON EX TOBACCO INVOLVEMENT 5% INDEX**
- **MSCI AC ASIA EX JAPAN ESG LEADERS LOW CARBON EX TOBACCO INVOLVEMENT 5% INDEX**

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1 INTRODUCTION

The MSCI World ESG Leaders Low Carbon ex Tobacco Involvement 5% Index, MSCI USA ESG Leaders Low Carbon ex Tobacco Involvement 5% Index, MSCI Europe ESG Leaders Low Carbon ex Tobacco Involvement 5% Index, MSCI Japan ESG Leaders Low Carbon ex Tobacco Involvement 5% Index, MSCI EM ESG Leaders Low Carbon ex Tobacco Involvement 5% Index and the MSCI AC Asia ex Japan ESG Leaders Low Carbon ex Tobacco Involvement 5% Index (herein, “MSCI ESG Leaders Low Carbon ex Tobacco Involvement 5% Indexes”) are designed to represent the performance of companies that have low carbon exposure than that of the broad market and have high Environmental, Social and Governance (ESG) performance, while excluding companies with business activities involving tobacco-related products. The Indexes are free float-adjusted market capitalization weighted.

2 CONSTRUCTING THE MSCI ESG LEADERS LOW CARBON EX TOBACCO INVOLVEMENT 5% INDEXES

2.1 ELIGIBLE UNIVERSE

The eligible universe for MSCI ESG Leaders Low Carbon ex Tobacco Involvement 5% Indexes includes all the constituents of their respective MSCI parent index (the “Parent Index”), as shown in the table below.

Index Name	Parent Index
MSCI World ESG Leaders Low Carbon ex Tobacco Involvement 5% Index	MSCI World Index
MSCI USA ESG Leaders Low Carbon ex Tobacco Involvement 5% Index	MSCI USA Index
MSCI Europe ESG Leaders Low Carbon ex Tobacco Involvement 5% Index	MSCI Europe Index
MSCI Japan ESG Leaders Low Carbon ex Tobacco Involvement 5% Index	MSCI Japan Index
MSCI EM ESG Leaders Low Carbon ex Tobacco Involvement 5% Index	MSCI EM Index
MSCI AC Asia ex Japan ESG Leaders Low Carbon ex Tobacco Involvement 5% Index	MSCI AC Asia ex Japan Index

2.2 SELECTING COMPANIES WITH THE LOWEST CARBON EXPOSURE AND HIGHEST ESG PERFORMANCE

The two rules described below are applied independently, and securities selected by both rules are eligible for inclusion in the index.

2.2.1 LOWEST CARBON EXPOSURE SELECTION RULES

From the securities in the eligible universe, companies with low exposure to carbon risk, identified as companies with low carbon emission intensity and low potential emissions per dollar of market capitalization, are selected for inclusion in the index. The selection is completed in accordance with sections 3.3.1 and 3.3.2 of the MSCI Global Low Carbon Leaders Indexes methodology¹.

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

2.2.2 HIGHEST ESG PERFORMANCE SELECTION RULES

The MSCI ESG Leaders Indexes² Methodology is applied on the eligible universe to select the securities with the highest ESG Performance.

2.3 APPLYING THE TOBACCO SCREENING

As a final step, companies that are either classified as a “Producer” or earn 5% or more revenue from tobacco-related products as per MSCI ESG Research are excluded from the eligible constituents.

2.4 WEIGHTING SCHEME

The MSCI ESG Leaders Low Carbon ex Tobacco Involvement 5% Indexes are constructed by weighting the eligible constituents in proportion of their free-float adjusted market capitalization.

² Please refer to the MSCI ESG Leaders Indexes methodology at www.msci.com/index-methodology.

3 MAINTAINING THE MSCI ESG LEADERS LOW CARBON EX TOBACCO INVOLVEMENT 5% INDEXES

3.1 INDEX REVIEWS

The MSCI ESG Leaders Low Carbon ex Tobacco Involvement 5% Indexes are 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 pro forma Index is in general 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 MSCI ESG Leaders Indexes. 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 MSCI ESG Leaders Indexes.

3.2 ONGOING EVENT RELATED CHANGES

The general treatment of corporate events in the MSCI ESG Leaders Low Carbon ex Tobacco Involvement 5% Indexes 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.

The following section briefly describes the treatment of common corporate events within the MSCI ESG Leaders Low Carbon ex Tobacco Involvement 5% Indexes .

No new securities will be added (except where noted below) to the Index 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.

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.

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.

For Mergers and Acquisitions, 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 ESG LEADERS LOW CARBON EX TOBACCO INVOLVEMENT 5% ISSUER CAPPED INDEXES

The maximum weight of any issuer in the MSCI ESG Leaders Low Carbon ex Tobacco Involvement 5% Issuer Indexes may be capped at a pre-determined level in accordance with the MSCI Capped Indexes methodology³. The excess weight of the capped issuers is distributed among the remaining constituents in proportion of their existing weights in the index. Currently, the following capped indexes are calculated by MSCI:

Index Name	Issuer Level Capping
MSCI AC Asia ex Japan ESG Leaders Low Carbon ex Tobacco Involvement 5% Issuer 10% Capped Index	10%

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

The following sections have been modified since January 2018:

Update to include the index construction parameters for the MSCI EM ESG Leaders Low Carbon ex Tobacco Involvement 5% Index

The following sections have been modified since March 2018:

Update to include the index construction parameters for MSCI AC Asia ex Japan ESG Leaders Low Carbon ex Tobacco Involvement 5% Index and the MSCI AC Asia ex Japan ESG Leaders Low Carbon ex Tobacco Involvement 5% Issuer 10% Capped Index.

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