Methodology Book for:

- **MSCI ACWI ESG Leaders Select Sustainability Index**
- **MSCI Europe ESG Leaders Select Sustainability Index**
- **MSCI USA ESG Leaders Select Sustainability Index**

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Contents

1 Introduction

The MSCI ACWI ESG Leaders Select Sustainability Index, MSCI Europe ESG Leaders Select Sustainability Index, and the MSCI USA ESG Leaders Select Sustainability Index ("Indexes") aim to represent the performance of an investment strategy that selects securities of companies that have high Environmental, Social and Governance (ESG) ratings relative to their sector peers. Additionally, the Indexes apply certain other climate-change related exclusion criteria. Finally, the Indexes follow an iterative down weighting process to meet the following objectives:

- Reduce carbon footprint compared to their corresponding parent indexes[1]
- Follow a 7% annualized decarbonization trajectory
- Increase revenues from "green" sources relative to revenues from "brown" sources compared to their corresponding parent indexes

[1] The parent indexes are defined in Appendix V.

2 MSCI ESG Research

MSCI ESG Research provides in-depth research, ratings and analysis of the environmental, social and governance-related business practices of thousands of companies worldwide. It consists of an integrated suite of tools and products to efficiently manage research, analysis and compliance tasks across the spectrum of ESG factors.

The Index uses company ratings and research provided by MSCI ESG Research. In particular, this index uses the following MSCI ESG Research products: MSCI Climate Change Metrics, MSCI ESG Sustainable Impact Metrics, MSCI ESG Controversies and MSCI ESG 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 CLIMATE CHANGE METRICS

MSCI Climate Change Metrics is designed to support investors seeking to achieve a range of objectives, including measuring and reporting on climate risk exposure, implementing low carbon and fossil fuel-free strategies, and factoring climate change research into their risk management processes. It provides Carbon Emissions, Fossil Fuel exposure, environmental impact (i.e. clean technology) data and screens, as well as climate-related risk exposure and management assessment on companies such as Low Carbon Transition scores and categories.

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

2.2 MSCI ESG SUSTAINABLE IMPACT METRICS

MSCI ESG Research's Sustainable Impact Metrics is designed to identify companies that currently offer products or services that address at least one of the major social and environmental challenges as defined by the UN Sustainable Development Goals. Designed as a positive screen, it is designed to highlight companies that are deriving sales from products or services that may have a positive impact on society and the environment.

For more details on the MSCI ESG Sustainable Impact Metrics, please refer to https://www.msci.com/esg-sustainable-impact-metrics

2.3 MSCI ESG CONTROVERSIES

MSCI ESG Controversies provide 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

2.4 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 Index Construction Methodology

3.1 APPLICABLE UNIVERSE

The applicable universe includes all the existing constituents of the corresponding free-float adjusted market-capitalization weighted parent index ("Parent Index"). This approach aims to provide an opportunity set with sufficient liquidity and capacity.

3.2 INITIAL UNIVERSE

The Initial Universe is constructed from the Applicable Universe as per Section 3 of the MSCI ESG Leaders Index methodology[2]. In addition to the Controversial Business Involvement Criteria in the MSCI ESG Leaders Index methodology, the indexes also apply the exclusion criteria detailed in Appendix II.

3.3 MINIMUM REQUIREMENTS

The requirements MSCI imposes for the MSCI ESG Leaders Select Sustainability Indexes are detailed in Table 1.

Table 1: Requirements imposed for the MSCI ESG Leaders Select Sustainability Indexes

Minimum Requirements	MSCI ESG Leaders Select Sustainability
Minimum reduction in Weighted Average Scope 1+2+3[3] Carbon Emissions Intensity (WACI) relative to Parent Index	50%
Minimum reduction in Weighted Average Potential Emissions Intensity relative to Parent Index	50%
Baseline Exclusions	• Controversial Weapons • ESG Controversy Score[4] of 0 • Environmental Controversy Score of 1 and below

[2] For more details regarding the MSCI ESG Leaders Indexes, please refer to the MSCI ESG Leaders Indexes Methodology Book at https://www.msci.com/index-methodology.

[3] Prior to the May 2020 Semi-Annual Index Review (SAIR) of the Indexes, the Weighted Average Carbon Emissions Intensity has been calculated based on Scope 1+2 Emissions.

[4] 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. For more details on MSCI ESG Controversies, please refer to www.msci.com/documents/esg-controversies

Minimum Requirements	MSCI ESG Leaders Select Sustainability
	• Tobacco Producers
Activity Exclusions	• Coal (1%+ revenues) • Oil & Gas (10%+ revenues) • Coal, Oil & Gas based power generation (50%+ revenues)
Minimum average reduction (per annum) in WACI relative to WACI in the Base Date[5]	7%
Minimum ratio of Green Revenue/ Brown Revenue relative to Parent Index	At least 4 times higher than Parent Index
Active weight in High Climate Impact Sector relative to Parent Index as defined in Section 3.5	0%
Corporate Target Setting	Increased allocation to companies which set evidence-based targets achieved by using the MSCI Low Carbon Transition Assessment

3.4 ELIGIBLE UNIVERSE

The Eligible Universe is constructed from the Initial Universe by excluding securities of companies based on the climate-related exclusion criteria listed in Appendix III.

3.5 INTERMEDIATE UNIVERSE

Each security in the Applicable Universe is classified into one of two climate impact sectors[6] based on its NACE section code. A stock can be assigned to either a 'High Climate Impact' or 'Low Climate Impact' sector. The Eligible Universe is broken into two smaller universes as described below:

[5] Prior to the May 2020 Semi-Annual Index Review (SAIR) of the Indexes, the average reduction in WACI has been calculated using Scope 1+2 Emissions since Inception.

[6] NACE is the European Union's classification of economic activities. Stocks in the NACE Section codes A, B, C, D, E, F, G, H, L are classified as "High Climate Impact" sector and other stocks are classified 'Low Climate Impact' sector. For further details regarding NACE, please refer to https://ec.europa.eu/eurostat/statistics-explained/index.php?title=NACE_background. The GICS Sub-Industry code for each security is mapped to the corresponding "Climate Impact Sector" using a mapping. For further information regarding GICS, please refer to https://www.msci.com/gics

3.5.1. HIGH CLIMATE IMPACT INTERMEDIATE UNIVERSE

High Climate Impact Intermediate Universe is constructed in following two steps –

- Select all securities in the High Climate Impact Sector from the Applicable Universe.
- Renormalize the weights of securities so that the aggregate weight of securities is equal to the weight of High Climate Impact Sector in the Parent Index.

3.5.2. LOW CLIMATE IMPACT INTERMEDIATE UNIVERSE

Low Climate Impact Intermediate Universe is constructed in following two steps –

- Select all securities in the Low Climate Impact Sector from the Applicable Universe.
- Renormalize the weights of securities so that the aggregate weight of securities is equal to the weight of Low Climate Impact Sector in the Parent Index.

3.6 FINAL UNIVERSE

The Final Universe is constructed by combining the High Impact Intermediate Universe and the Low Impact Intermediate Universe. The High Impact Sector and Low Impact Sector weights are equal to their respective weight in the Parent Index.

3.6.1. ITERATIVE DOWN WEIGHTING

The Final Universe is assessed against the minimum requirements detailed in Table 1 except for the requirement on “Corporate Target Setting”. In case the Final Universe is found deficient on any of the minimum requirements, then the weights of the securities in the Final Universe are determined through an iterative process as described in Appendix VI.

4 Maintaining the MSCI ESG Leaders Select Sustainability Indexes

4.1 QUARTERLY INDEX REVIEWS

The Indexes are rebalanced on a quarterly basis, as of the close of the last business day of February, May, August and November, coinciding with the Quarterly Index Review of the MSCI Global Investable Market Indexes. The pro forma Indexes are in general announced nine business days before the effective date.

In general, MSCI uses MSCI ESG Research data (including MSCI Climate Change Metrics, MSCI ESG Sustainable Impact Metrics, MSCI ESG Controversies and MSCI Business Involvement Screening Research) as of the end of the month preceding the Index Reviews for the rebalancing of the Indexes.

4.2 ONGOING EVENT RELATED CHANGES

The general treatment of corporate events in the 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. 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.

Additionally, if the frequency of Index Reviews in the Parent Index is greater than the frequency of Index Reviews in the Index, the changes made to the Parent Index during intermediate Index Reviews will be neutralized in the Index.

The following section briefly describes the treatment of common corporate events within the 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 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 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

Appendix I: MSCI Low Carbon Transition Risk Assessment

MSCI ESG Research's Low Carbon Transition Risk assessment[7] is designed to identify potential leaders and laggards by holistically measuring companies' exposure to and management of risks and opportunities related to the low carbon transition.

The final output of this assessment is two company-level factors as described below:

(1) **Low Carbon Transition Category**: This factor groups companies in five categories that highlight the predominant risks and opportunities they are most likely to face in the transition (Exhibit 1).

(2) **Low Carbon Transition Score:** This score is based on a multi-dimensional risks and opportunities assessment and considers both predominant and secondary risks a company faces. It is industry agnostic and represents an absolute assessment of a company's position vis-à-vis the transition.

LOW CARBON TRANSITION SCORE	LOW CARBON TRANSITION CATEGORY		LOW CARBON TRANSITION RISK / OPPORTUNITY	
Score = 0	ASSET STRANDING		Potential to experience "stranding" of physical / natural assets due to regulatory, market, or technological forces arising from low carbon transition.	Coal mining & coal based power generation; Oil sands exploration/production
	TRANSITION	PRODUCT	Reduced demand for carbon-intensive products and services. Leaders and laggards are defined by the ability to shift product portfolio to low-carbon products.	Oil & gas exploration & production; Petrol/diesel based automobile manufacturers, thermal power plant turbine manufacturers etc.
		OPERATIONAL	Increased operational and/or capital cost due to carbon taxes and/or investment in carbon emission mitigation measures leading to lower profitability of the companies.	Fossil fuel based power generation, cement, steel etc.
	NEUTRAL		Limited exposure to low carbon transition carbon risk. Though companies in this category could have exposure to physical risk and/or indirect exposure to low carbon transition risk via lending, investment etc.	Consumer staples, healthcare, etc.
Score = 10	SOLUTIONS		Potential to benefit through the growth of low-carbon products and services.	Renewable electricity, electric vehicles, solar cell manufacturers etc.

Exhibit 1: Low Carbon Transition Categories and Scores

Calculation methodology

[7] For more details on MSCI Climate Change Metrics, please refer to https://www.msci.com/climate-change-solutions

The Low Carbon Transition Categories and Scores are determined by a combination of each company's current risk exposure and its efforts to manage the risks and opportunities presented by the low carbon transition. The 3-step process followed by MSCI ESG Research is explained below.

Step 1: Measure Low Carbon Transition Risk Exposure

The first step towards measuring the Low Carbon Transition Risk Exposure for a company is the computation of its Carbon Intensity profile – which is informed by its Product Carbon Intensity, Operational Carbon Intensity and Total Carbon Intensity. In the next step, we compute Low Carbon Transition Risk Exposure Category and Score based on Total Carbon Intensity.

Step 2: Assess Low Carbon Transition Risk Management

In the second step, we assess a company's management of risks and opportunities presented by the low carbon transition. This assessment is based on policies and commitments to mitigate transition risk, governance structures, risk management programs and initiatives, targets and performance, and involvement in any controversies.

Step 3: Calculate Low Carbon Transition Category and Score

In the final step, the Low Carbon Transition Risk Exposure Category and Score that was calculated in Step 1 are adjusted for the strength of management efforts. Following this adjustment, Low Carbon Transition Risk Exposure Score of companies with top or second quartile risk management improves and some top and second quartile companies may move up one category.

Appendix II: Additional Screens

Climate Change-based Exclusions Criteria:

- **Extraction & Production**
    - All companies deriving 5% or more aggregate revenue (either reported or estimated) from thermal coal mining, uranium mining, oil and gas extraction and production, and/or oil and gas refining

        - **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
        - **Uranium Mining:** Revenue from the mining of uranium
        - **Oil and Gas Extraction and Production:** Revenue from the extraction and production of oil and gas. It covers revenue from the production of unconventional oil and gas (oil sands, oil shale, shale gas, shale oil, coal seam gas, and coal bed methane) and conventional (Arctic onshore/offshore, deep water, shallow water, and other onshore/offshore) oil and gas.
        - **Oil and Gas Refining:** Revenue from refining oil and gas

- **Power Generation**
    - All companies deriving 5% or more of installed capacity, or 5% or more revenue (either reported or estimated) from power generation based on thermal coal, liquid fuel, natural gas, or nuclear sources.

Values-based Exclusions Criteria:

- **Civilian Firearms**
    - 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.

- **Conventional Weapons**
    - All companies deriving 5% or more revenue from the production of conventional weapons

- **Tobacco**

  - All companies deriving 5% or more revenue from the manufacturing of tobacco products

- **Genetically Modified Organisms (GMO)**
  - All companies deriving 5% or more revenue from activities like genetically modifying plants, such as seeds and crops, and other organisms intended for agricultural use or human consumption

Appendix III: Climate-related exclusions

Securities of companies that meet the below criteria are also ineligible for selection in the Index.

1. All companies having faced very severe controversies pertaining to ESG issues – Defined as companies with an ESG Controversy Score[8] of 0.[9]
2. All companies involved in the controversial weapons business as defined by the MSCI Global ex Controversial Weapons Index methodology[10]
3. All companies that manufacture tobacco products, such as cigars, blunts, cigarettes, e-cigarettes, inhalers, beedis, kreteks, smokeless tobacco, snuff, snus, dissolvable and chewing tobacco[11].
4. All companies with an environmental controversy score of 1 and below.
5. All companies deriving 1% or more revenue (either reported or estimated) from the mining of thermal coal (including lignite, bituminous, anthracite and steam coal) and its sale to external parties. It excludes: 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 (either reported or estimated)
6. All companies deriving 10% or more revenue from the extraction, production, transportation, distribution, refining, and equipment and services of Conventional and Unconventional Oil & Gas. Conventional Oil and Gas includes Arctic onshore/offshore, deep water, shallow water and other onshore/offshore. Unconventional Oil and Gas includes oil sands, oil shale (kerogen-rich deposits), shale gas, shale oil, coal seam gas, and coal bed methane.

[8] 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. For more details on MSCI ESG Controversies, please refer to www.msci.com/documents/esg-controversies

[9] The screen is also applied by the ESG Leaders Methodology

[10] The screen is also applied by the ESG Leaders Methodology

[11] The screen is also applied by the ESG Leaders Methodology

7. All companies deriving 50% or more revenue from thermal coal based power generation, liquid fuel based power generation and natural gas based power generation[12].

[12] As per https://www.ipcc.ch/site/assets/uploads/2018/02/ipcc_wg3_ar5_chapter7.pdf, thermal coal based power generation, liquid fuel based power generation and natural gas based power generation have median lifecycle emissions exceeding 100gCO_2/kWh.

Appendix IV: Calculation of Target Metrics

Calculation of Weighted Average Carbon Emissions Intensity

For Parent Index constituents where the Scope 1+2+3 Emissions Intensity is not available, the average Scope 1+2+3 Emissions Intensity of all the constituents of the MSCI ACWI in the same GICS Industry Group in which the constituent belongs is used.

Security Level Carbon Emissions Intensity =

$$\frac{Scope\ 1+2+3\ Carbon\ Emissions * \ (1+EVIAF)}{Enterprise\ Value + Cash(in\ M\$)}$$

Enterprise Value Inflation Adjustment Factor (EVIAF) =

$$EVIAF = \left(\frac{Average(Enterprise\ Value + Cash)}{Previous\ (Average(Enterprise\ Value + Cash))}\right) - 1$$

Weighted Average Carbon Emissions Intensity of Parent Index =

$$\sum(Weight\ in\ Parent\ Index * \ Security\ Level\ Carbon\ Emissions\ Intensity)$$

Weighted Average Carbon Emissions Intensity of Derived Index =

$$\sum(Weight\ in\ Derived\ Index * \ Security\ Level\ Carbon\ Emissions\ Intensity)$$

Calculation of Potential Carbon Emissions Intensity

For newly added companies to the index where data is not available yet, MSCI uses zero fossil fuel reserves.

Security Level Potential Carbon Emissions Intensity =

$$\frac{Absolute\ Potential\ Emissions * \ (1+EVIAF)}{Enterprise\ Value + Cash(in\ M\$)}$$

Weighted Average Potential Emissions Intensity of Parent Index =

$$\sum(Weight\ in\ Parent\ Index * \ Security\ Level\ Potential\ Carbon\ Emissions\ Intensity)$$

Weighted Average Potential Emissions Intensity of Derived Index =

$$\sum(Weight\ in\ Derived\ Index * Security\ Level\ Potential\ Carbon\ Emissions\ Intensity)$$

Calculation of Average Decarbonization

On average, the Indexes follow a 7% decarbonization trajectory since the Base Date. The Weighted Average Carbon Intensity at Base Date (W_1) is used to compute the target Weighted Average Carbon Intensity at any given Quarterly Index Review (W_t) as per the below formula.

$$W_t = W_1 * 0.93^{\frac{(t-1)}{4}}$$

Where 't' is the number of Quarterly Index Reviews (QIR) since the Base Date.

Thus, for the 5th Quarterly Index Review since the Base Date (t=5), the target Weighted Average Carbon Intensity will be W_1 * 0.93.

Calculation of Green Revenue to Brown Revenue Multiple

Green Revenue

For each constituent in the Parent Index, the Green Revenue% is calculated as the cumulative revenue (%) from the six CleanTech themes which are as follows:

- Alternative Energy – products and services that support the transmission, distribution and generation of renewable energy and alternative fuels to reduce carbon and pollutant emissions in supporting affordable and clean energy to combat climate change.
- Energy Efficiency – products, and services that support the maximization of productivity in labor, transportation, power and domestic applications with minimal energy consumption to ensure universal access to affordable, reliable and modern energy services.
- Sustainable Water – products, services, infrastructure projects and technologies that resolve water scarcity and water quality issues, through minimizing and monitoring current water demand, improving the quality and availability of water supply to improve resource management in both domestic and industrial use.
- Green Building – design, construction, redevelopment, retrofitting, or acquisition of green-certified properties to promote mechanisms for raising capacity for effective climate change mitigation and adaptation.
- Pollution Prevention – products, services, infrastructure projects and technologies that reduces volume of waste materials through recycling, minimizes introduction of toxic substances, and offers remediation of existing contaminants such as heavy metals and organic pollutants in

various environmental media to significantly address pollution in all levels and its negative effects

- Sustainable Agriculture - revenues from forest and agricultural products that meet environmental and organic certification requirements to address significantly biodiversity loss, pollution, land disturbance, and water overuse

The Weighted Average Green Revenue% is calculated as:

$$= \sum (Weight\ in\ Index *\ Green\ Revenue\%)$$

Brown Revenue

For each constituent in the Parent Index, the Brown Revenue% is calculated as the cumulative revenue (%) from the following sources:

- Revenue% (either reported or estimated) from the mining of thermal coal (including lignite, bituminous, anthracite and steam coal) and its sale to external parties. It excludes: 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 (either reported or estimated)

- Revenue% from the extraction, production and refining of Conventional and Unconventional Oil & Gas. Conventional Oil and Gas includes Arctic onshore/offshore, deepwater, shallow water and other onshore/offshore. Unconventional Oil and Gas includes oil sands, oil shale (kerogen-rich deposits), shale gas, shale oil, coal seam gas, and coal bed methane.

- Revenue% from thermal coal based power generation, liquid fuel based power generation and natural gas based power generation.

The Weighted Average Brown Revenue% is calculated as:

$$= \sum (Weight\ in\ Index *\ Brown\ Revenue\%)$$

The Green Revenues to Brown Revenues multiple for either the Parent Index or the Index is calculated as a ratio of the Weighted Average Green Revenue to the Weighted Average Brown Revenue as per the formula below:

$$= \frac{Weighted\ Average\ Green\ Revenue\%}{Weighted\ Average\ Brown\ Revenue\%}$$

Appendix V: Decarbonization Trajectory of Indexes

The Weighted Average Carbon Intensity on the Base Date (W_1) is used to compute the target Weighted Average Carbon Intensity at any given Semi-Annual Index Review (W_t) as per the below formula.

$$W_t = W_1 * \ 0.93^{\frac{(t-1)}{4}}$$

Where 't' is the number of Quarterly Index Reviews since the Base Date. The table below shows the Weighted Average Carbon Intensity on the Base Date(W_1) for each of the regions where the Indexes are constructed:

Index	Parent Index	Base Date	W_1 (tCO2/M$ Enterprise Value + Cash)
MSCI ACWI ESG Leaders Select Sustainability Index	MSCI ACWI	December 01, 2020	227.43
MSCI Europe ESG Leaders Select Sustainability Index	MSCI Europe	December 01, 2020	350.47
MSCI USA ESG Leaders Select Sustainability Index	MSCI USA	December 01, 2020	169.08

Appendix VI: Iterative Down Weighting Process

The iterative down weighting process is applied on the securities of the Final Universe with the objective of meeting all the minimum requirements detailed in Table 1.

ITERATIVE DOWN WEIGHTING

Starting with the Final Universe, an iterative down weighting process is applied in order to meet with the minimum requirements for the Indexes. The iterative down weighting stops when all the requirements defined in above are met. The steps followed in the iterative down weighting (Exhibit 2) are outlined below:

Step 1. Check whether all targets for the Index are met. If all targets are met, then no down weighting is required.

Step 2. Stocks in the bottom half of the Final Universe are identified based on LCT Score. The stock with the lowest LCT Score is assigned the lowest rank.

Step 3. If any of the targets are not met, the lowest ranked stock in the sorted list in Step 2 is selected for down weighting[13] and the weight is reduced by 25% of its weight in the Final Universe.

Step 4. If the targets are still not met, the stock is down weighted in steps of 25% of its weight in the Final Universe till a maximum down weighting of 75%.

Step 5. Stocks in the top half of the Final Universe identified in Step 2, belonging to the same "Climate Impact Sector" as the stock being down weighted are proportionally upweighted[14] to ensure that the overall allocation to the High Climate Impact Sector is the same as that in the Parent Index and the sum of the weights of all constituents is 1.

Step 6. If the targets are still not met, the next stock with the lowest rank as per the ranking in Step 2 is selected and Steps 3-6 are repeated.

Step 7. If the targets are still not met and all stocks of the Final Universe belonging in the bottom half by LCT Score are down weighted by 75% of the weight in the Final Universe, Steps 3-6 are repeated, with a maximum down weighting of 90% in a single down weighting step of 15 percentage points of the weight in the Final Universe.

[13] In case down weighting is required to meet the targets on Scope 1+2+3 Emissions Intensity, either reduction relative to Parent Index or annual decarbonization, then stocks in the top quartile on Emissions Intensity in the Parent Index are excluded from the down weighting process. This ensures that stocks with low LCT Score and low Emissions Intensity are not down weighted.

[14] In case down weighting is required to meet the targets on Scope 1+2+3 Emissions Intensity, either reduction relative to Parent Index or annual decarbonization, then stocks in the bottom quartile on Emissions Intensity in the Parent Index are excluded from the upweighting process. This ensures that stocks in the top half by LCT Score, but high Emissions Intensity are not upweighted.

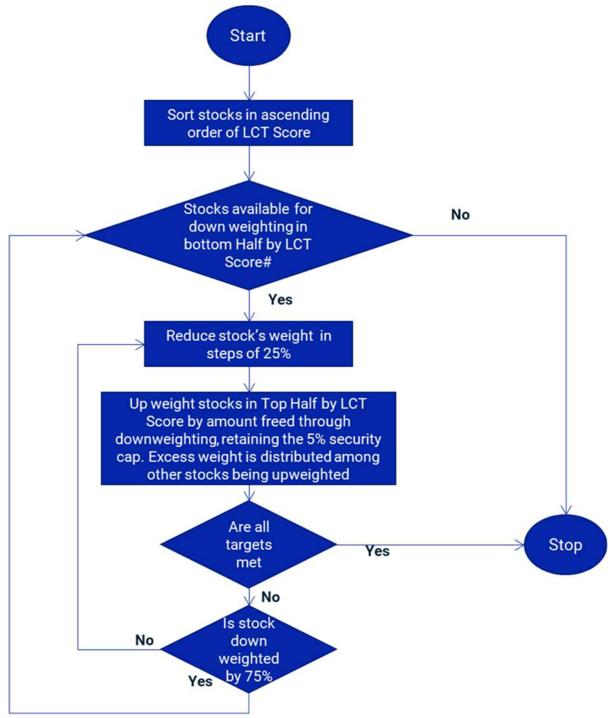

Exhibit 2: Schematic Representation of the Iterative Down weighting Process

If all stocks in the bottom half of the Final Universe by LCT Score are down weighted by 75% and the targets are not met, the maximum down weighting is relaxed to 90% in a single down weighting step of 15 percentage points of the weight in the Final Universe.

Appendix VII: Implementation of new Base Date

The following steps are used to identify a whether the MSCI ESG Leaders Select Sustainability Indexes will implement a new Base Date during any Quarterly Index Review:

Step 1. Calculate the median Scope 3 Emissions of all companies in MSCI ACWI within each GICS Industry Group

Step 2. Out of the 24 GICS Industry Groups, identify the top 18 GICS Industry Groups with the highest median Scope 3 Emissions.

Step 3. The percentage change in the median Scope 3 Emissions for each of the 18 GICS Industry Groups is calculated relative to their median Scope 3 Emissions as of the previous Quarterly Index Review.

Step 4. If either of the following conditions are met, then a new Base Date would be implemented for the MSCI ESG Leaders Select Sustainability Indexes based on the change in Scope 3 Emissions–

a. Out of the 18 GICS Industry Groups, at least 2 Industry Groups see a 50% change in the median Scope 3 Emissions

b. Out of the 18 GICS Industry Groups, at least 6 Industry Groups see a 20% change in the median Scope 3 Emissions

A new Base Date may also be implemented based on the change in median Scope 1+2 Emissions by applying Steps 1-4 above using Scope 1+2 Emissions instead of Scope 3 Emissions.

When a new Base Date is implemented, either due to the change in median Scope 1+2 Emissions or due to the change in median Scope 3 Emissions, the Indexes will not apply the "Minimum average reduction (per annum) in WACI relative to WACI in the Base Date" as per Table 1 in Section 3.3 as a minimum requirement for the index. After the rebalance of the Index, the Base Date and Weighted Average Carbon Intensity on the Base Date (W_1) as per Appendix VI will be updated. For all subsequent Quarterly Index Reviews, the decarbonization targets will be calculated with the updated Base Date.

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MSCI is a leader provider of critical decision support tools and services for the global investment community. With over 50 years of expertise in research, data and technology, we power better investment decisions by enabling clients to understand and analyze key drivers of risk and return and confidently build more effective portfolios. We create industry-leading research-enhanced solutions that clients use to gain insight into and improve transparency across the investment process.

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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