

MSCI EUR IG ESG Leaders Children Corporate Bond Select Index Methodology

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1 Introduction

The MSCI EUR IG ESG Leaders Children Corporate Bond Select Index (herein, the “Index”) is a market value-weighted index designed to represent the performance of fixed income securities from the MSCI EUR IG ESG Leaders Corporate Bond Index (herein, the “Parent Index”) that are not involved in child labor controversies, breast milk substitutes and specific business activities.

The MSCI EUR IG ESG Leaders Children Corporate Bond Select Index is constructed from the Parent Index by incorporating business exclusion screens including Controversial Weapons, Civilian Firearms, Nuclear Weapons, Conventional Weapons, Tobacco, Alcohol, Adult Entertainment, Gambling, Thermal Coal, Unconventional Oil & Gas, Conventional Oil & Gas, Thermal Coal-based Power Generation, Oil & Gas-based Power Generation and Nuclear Power-based Power Generation. Securities of companies associated with child labor controversies & breast milk substitutes are also deemed ineligible for inclusion in the index. The eligible securities are weighted in proportion of their weights in the Parent Index.

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 ESG Ratings, 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 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 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 MSCI EUR IG ESG Leaders Children Corporate Bond Select Index

Constructing the MSCI EUR IG ESG Leaders Children Corporate Bond Select Index involves the following steps:

- Defining the Parent Index
- Defining the Screening Criteria
- Determining the Index Weights

3.1 Defining the Parent Index

The constituents of the Parent Index serve as the universe of eligible securities for the Index.

3.2 Defining the Screening Criteria

The screening criteria defined in Appendix I is applied to the Parent Index. The remaining securities are eligible for inclusion in the Index. The exclusions are based on the data provided by MSCI ESG Research and are determined monthly, coinciding with the monthly index review of the MSCI Corporate Bond Indexes.

3.3 Determining the Index Weights

At each monthly index review, the securities, eligible for inclusion in the Index after the above step, are weighted in proportion of their weights in the Parent Index.

4 Maintaining the MSCI EUR IG ESG Leaders Children Corporate Bond Select Index

4.1 Monthly Index Review

The MSCI EUR IG ESG Leaders Children Corporate Bond Select Index is reviewed on a monthly basis to coincide with the Monthly Index Review of the Parent Index. In general, the pro forma indexes are announced three business days before the effective date.

In general, MSCI uses latest available MSCI ESG Research data on the announcement date for the rebalancing of the MSCI EUR IG ESG Leaders Children Corporate Bond Select Index.

At each Monthly Index Review, the eligible universe is updated, and the composition of the index is reassessed based on methodology described in Section 3.

Appendix I: ESG-based Exclusion Criteria

- **Breast Milk Substitutes**
 - All companies identified as in violation of the International Marketing Code on Breast Milk Substitutes as identified by IBFAN.

- **Controversial Weapons**
 - All companies that are involved in the production of cluster bombs and munitions, or the essential components of these products.
 - All companies that are involved in the production of anti-personnel landmines, anti-vehicle landmines, or the essential components of these products.
 - All companies involved in the production of depleted uranium weapons and armour.
 - All companies that are involved in the production of chemical and biological weapons, or the essential components of these products.
 - All companies that are involved in the production of weapons utilizing laser technology to cause permanent blindness.
 - All companies that are involved in the production of weapons that use non-detectable fragments to inflict injury.
 - All companies that are involved in the production of weapons using white phosphorus.

- **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 any revenue from the manufacture and retail of civilian firearms and ammunition.

- **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.
 - All companies deriving any revenue from the production of nuclear weapons.

- **Conventional Weapons:**
 - All companies that manufacture conventional weapons and weapons systems, including naval, land-based and aircraft gun and fire-control systems; tactical missiles and their warheads and launchers, long-range strategic missiles; howitzers, torpedoes, bombs, ordnance, mortars, submunitions, grenades, ammunition, and other explosive devices; delivery platforms such as bombers, fighters, combat helicopters and attack aircraft; ships (warships, battleships, submarines, battlecruisers, corvettes, landing craft, destroyers, frigates, minehunters, minesweepers, flotillas, river craft,); armored land vehicles (tactical, assault, tanks, main battle tanks (MBTs)).
 - All companies deriving any aggregate revenue from weapons systems, components, and support systems and services.

- **Tobacco:**
 - All companies classified as a “Producer”.
 - All companies deriving 25% or more aggregate revenue from the production, distribution, retail, supply and licensing of tobacco-related products.

- **Alcohol:**
 - All companies classified as a “Producer”.

- All companies deriving 25% or more aggregate revenue from the production, distribution, retail and supply of alcohol-related products.
- **Adult Entertainment:**
 - All Companies Classified as “Producer”
 - All companies deriving 25% or more aggregate revenue from the production, distribution and retail of adult entertainment materials.
- **Gambling:**
 - All Companies Classified as “Producer”.
 - All companies deriving 25% or more aggregate revenue from gambling-related business activities.
- **Thermal Coal:**
 - All companies deriving more than 10% 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.
- **Unconventional Oil & Gas:**
 - All companies deriving 10% or more revenue (either reported or estimated) from unconventional oil and gas production. It includes revenue from the production of oil sands, oil shale (kerogen-rich deposits), shale gas, shale oil, coal seam gas, and coal bed methane, as well as revenue from onshore or offshore oil and gas production in the Arctic region. It excludes revenue from conventional oil and gas production including deep water, shallow water, and other onshore/offshore oil and gas.
- **Conventional Oil & Gas:**
 - All companies deriving any revenue (either reported or estimated) from conventional oil and gas production. It includes revenue from the production of deep-water shallow-water, and other onshore/offshore oil and gas. It excludes revenue from unconventional oil and gas production

(oil sands, shale oil, shale gas) and onshore/offshore oil and gas production in the Arctic region

- **Thermal Coal-based Power Generation:**

- All companies generating more than 10% of their total electricity from thermal coal in a given year
- All companies that have more than 10% of installed capacity attributed to thermal coal in a given year
- All companies deriving more than 10% revenue (either reported or estimated) from thermal coal-based power generation

- **Oil & Gas-based Power Generation:**

- All companies generating more than 30% of their total electricity from liquid fuel and natural gas in a given year
- All companies that have more than 30% of installed capacity attributed to liquid fuel and natural gas in a given year
- All companies deriving more than 30% revenue (either reported or estimated) from liquid fuel and natural gas-based power generation

- **Nuclear Power-based Power Generation:**

- All companies generating more than 30% of their total electricity from nuclear power in a given year
- All companies that have more than 30% of installed capacity attributed to nuclear sources in a given fiscal year
- All companies deriving more than 30% revenue (either reported or estimated) from ownership or operation of nuclear power plants

- **Child Labor:**

- All companies that are assessed as being involved in child labor controversies (those with a score < 4). Factors affecting this evaluation include, but are not limited to, a history of involvement in child labor-related legal cases, widespread or egregious instances of child labor, resistance to improved practices, and criticism by NGOs and/or other third-party observers.

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