MSCI EU CTB/PAB Overlay Indexes Methodology

October 2022
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1 Introduction

Two new categories of climate benchmark were introduced by the regulation (EU) 2016/1011 as amended by Regulation (EU) 2019/2089, which sets out the minimum standards for such indexes. The two benchmark types are EU Climate Transition Benchmarks (CTBs) and EU Paris-Aligned Benchmarks (PABs). The MSCI EU CTB Overlay Indexes and the MSCI EU PAB Overlay Indexes are designed to meet the minimum standards of the EU Climate Transition Benchmark (CTB) and the EU Paris-Aligned Benchmark (PAB) respectively\(^1\). The MSCI EU CTB/PAB Overlay Indexes are constructed from their corresponding Parent Indexes using an optimization-based approach and aim to:

- Reduce the weighted average greenhouse gas intensity by 30% (50% for MSCI EU PAB Overlay Indexes) compared to the underlying investment universe.
- Reduce the weighted average greenhouse gas (GHG) intensity by 7% on an annualized basis.
- Achieve a modest tracking error compared to the Parent Index and low turnover.
- Exclude companies based on the following criteria:
  - MSCI EU CTB/PAB Overlay Indexes exclude companies involved in Controversial Weapons businesses, Very Severe ESG Controversies, Severe Environmental Controversies and Tobacco Manufacturing\(^2\).
  - Additionally, MSCI EU PAB Overlay Indexes also exclude companies involved in Thermal Coal, Oil & Gas and Fossil Fuel-based power generation.

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\(^1\) In case there are changes in the EU delegated acts and an update to the Index methodology is required, MSCI will issue an announcement prior to implementing the changes in the methodology. MSCI will not conduct a formal consultation for such an update.

\(^2\) Exclusions for Tobacco Manufacturers will be applied in MSCI EU CTB Overlay Indexes starting from 2023.
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 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 provides climate data & tools to support investors integrating climate risk & opportunities into their investment strategy and processes. It supports investors seeking to achieve a range of objectives, including measuring and reporting on climate risk exposure, implementing low carbon and fossil fuel-free strategies, align with temperature pathways and factoring climate change research into their risk management processes, in particular through climate scenario analysis for both transition and physical risks.

The dataset spans across the four dimensions of a climate strategy: transition risks, green opportunities, physical risks and 1.5°C alignment.

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


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.

3 Constructing the MSCI EU CTB/PAB Overlay Indexes

3.1 APPLICABLE UNIVERSE

The Applicable Universe includes all the existing constituents of any non-optimized MSCI Index ("Parent Index").

3.2 REFERENCE INDEX

The Reference Index aims to represent the Investment Universe for the Parent Index. This Index is the free-float adjusted market capitalization weighted index ("Reference Index") corresponding to the Parent Index as per the MSCI Global Investible Markets Index (GIMI) methodology. For Parent Indexes which follow the GIMI methodology, the Reference Index is the same as the Parent Index. For further details regarding the Reference Index, kindly refer to Appendix V.

3.3 ELIGIBLE UNIVERSE

The Eligible Universe is constructed from the Applicable Universe by excluding securities of companies based on the exclusion criteria below and as per the implementation schedule detailed in Table 1:

<table>
<thead>
<tr>
<th></th>
<th>MSCI EU CTB Overlay Indexes</th>
<th>MSCI EU PAB Overlay Indexes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Controversial Weapons</td>
<td>Applicable</td>
<td>Applicable</td>
</tr>
<tr>
<td>ESG Controversies</td>
<td>Applicable</td>
<td>Applicable</td>
</tr>
<tr>
<td>Environmental Harm</td>
<td>Applicable</td>
<td>Applicable</td>
</tr>
<tr>
<td>Tobacco</td>
<td>Applicable from 2023</td>
<td>Applicable</td>
</tr>
</tbody>
</table>

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3 A non-optimized MSCI Index is defined as an Index which does not use the Barra Open Optimizer in its Index construction to determine the weights of securities.

4 For further details regarding the MSCI Global Investible Markets Index methodology, kindly refer to [https://www.msci.com/index-methodology](https://www.msci.com/index-methodology)
1. **Controversial Weapons**: All companies involved in Controversial Weapons as defined by the methodology of the MSCI Ex-Controversial Weapons Indexes\(^5\).

2. **ESG Controversies**: All companies having faced very severe controversies pertaining to ESG issues – Defined as companies with an ESG Controversy Score of 0.

3. **Environmental Harm**: All companies having faced very severe and severe controversies pertaining to Environmental issues – Defined as companies with an Environment Controversy Score of 0 or 1.

4. **Tobacco\(^6\)**: All companies that are involved in the manufacturing of Tobacco products.

Further, MSCI EU PAB Overlay Indexes also exclude companies based on the additional exclusion criteria below. These exclusions are not applied in the MSCI EU CTB Overlay Indexes.

5. **Thermal Coal Mining**: 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).

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\(^5\) For more details regarding the MSCI Ex-Controversial Weapons Index methodology, please refer to [www.msci.com/index-methodology](http://www.msci.com/index-methodology).

\(^6\) Exclusions for Tobacco Manufacturers will be applied in MSCI CTB Indexes starting from 2023. This exclusion is applied immediately for the MSCI PAB Indexes.
6. **Oil & Gas:** All companies deriving 10% or more revenue from oil and gas related activities, including distribution / retail, equipment and services, extraction and production, pipelines and transportation and refining but excluding biofuel production and sales and trading activities.

7. **Power Generation:** All companies deriving 50% or more revenue from thermal coal based power generation, liquid fuel based power generation and natural gas based power generation.

### 3.4 SECURITY SELECTION AND WEIGHTING

Securities in the Eligible Universe are selected and weighted following an optimization-based approach described below in Section 3.5 of this methodology book.

The MSCI EU CTB Overlay C-Series Indexes provide an alternative to the optimization-based approach. These indexes are constructed by following a "non-optimized" approach as detailed in Appendix IV.

### 3.5 OPTIMIZATION CONSTRAINTS

At each Semi-Annual Index Review, the indexes are constructed using an optimization process that aims to achieve replicability and investability as well as minimize ex-ante tracking error relative to the Parent Index subject to the following constraints:

1. Climate objectives – constraints detailed in Table 2
2. Diversification objectives – constraints detailed in Table 3

The definitions of the target metrics for the optimization are detailed in Appendix I.

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As per [https://www.ipcc.ch/site/assets/uploads/2018/02/ipcc_wg3_ar5_chapter7.pdf](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 100gCO2/kWh.
## Table 2: Constraints imposed to meet climate objectives

<table>
<thead>
<tr>
<th>No.</th>
<th>Climate Objectives</th>
<th>MSCI EU CTB Overlay Indexes</th>
<th>MSCI EU PAB Overlay Indexes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Minimum reduction in Greenhouse Gas (GHG) Intensity relative to EVIC (Scope 1+2+3) relative to the Reference Index</td>
<td>30%</td>
<td>50%</td>
</tr>
<tr>
<td>2.</td>
<td>Minimum average reduction (per annum) in GHG Intensity (relative to EVIC) relative to GHG Intensity of the index at the Base Date</td>
<td>7%</td>
<td>7%</td>
</tr>
<tr>
<td>3.</td>
<td>Minimum active weight in High Climate Impact Sector relative to Reference Index as defined in Appendix I</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

## Table 3: Constraints imposed to meet diversification objectives

<table>
<thead>
<tr>
<th>No.</th>
<th>Diversification Objective</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>4.</td>
<td>Constituent Active Weight relative to the Parent Index</td>
<td>+/- 2%</td>
</tr>
<tr>
<td>5.</td>
<td>Security Weight as a multiple of its weight in the Parent Index</td>
<td>20x</td>
</tr>
<tr>
<td>6.</td>
<td>Active Sector Weights (the Energy GICS Sector is not constrained) relative to the Parent Index</td>
<td>+/- 5%</td>
</tr>
<tr>
<td>7.</td>
<td>Active Country Weights relative to the Parent Index</td>
<td>+/- 5%</td>
</tr>
<tr>
<td>8.</td>
<td>One Way Turnover</td>
<td>5%</td>
</tr>
<tr>
<td>9.</td>
<td>Common Factor Risk Aversion</td>
<td>0.0075</td>
</tr>
<tr>
<td>10.</td>
<td>Specific Risk Aversion</td>
<td>0.075</td>
</tr>
</tbody>
</table>

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

9 Prior to the May 2020 Semi-Annual Index Review (SAIR) of the Indexes, the average reduction in Weighted Average Carbon Emissions Intensity relative to EVIC has been calculated using Scope 1+2 Emissions since Inception.

In case there are countries in the parent index which weigh less than 2.5% in the parent index then for such countries the active country upper bound of +5% is not applicable. When a country weighs less than 2.5% in parent index then the upper bound of country weight in the Index is set at three times of the country’s weight in parent index.
During the Semi-Annual Index Review, in the event that there is no optimal solution that satisfies all the optimization constraints, the following constraints will be relaxed, until an optimal solution is found:

- Relax the one-way index turnover constraint in steps of 1% up to 20%.
- Relax the active sector weight constraint in steps of 1% up/down to +/-20%.
- The one-way index turnover constraint and the active sector weight constraint are alternately relaxed until a feasible solution is achieved.

In the event that no optimal solution is found after the above constraint relaxations are exhausted, the relevant Index will not be rebalanced for that Semi-Annual Index Review.

3.6 DETERMINING THE OPTIMIZED INDEX

The Index is constructed using the Barra Open Optimizer\textsuperscript{11} in combination with the relevant Barra Equity Model. The optimization uses the universe of eligible securities and the specified optimization objectives and constraints to determine the constituents of and the weights of constituents in the Indexes.

\textsuperscript{11} Please refer to Appendix II and III for more details.
4 Maintaining the MSCI EU CTB/PAB Overlay Indexes

4.1 SEMI-ANNUAL INDEX REVIEWS

The Indexes are rebalanced on a semi-annual basis, as of the close of the last business day of May and November, coinciding with the May and November Semi-Annual 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 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.

<table>
<thead>
<tr>
<th>EVENT TYPE</th>
<th>EVENT DETAILS</th>
</tr>
</thead>
<tbody>
<tr>
<td>New additions to the Parent Index</td>
<td>A new security added to the Parent Index (such as IPO and other early inclusions) will not be added to the Index.</td>
</tr>
</tbody>
</table>
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: Calculation of Target Metrics

Calculation of GHG Intensity relative to EVIC

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 GHG Intensity =

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

Enterprise Value Inflation Adjustment Factor (EVIAF) =

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

Weighted Average GHG Intensity of Parent Index =

\[ \sum (\text{Weight in Parent Index} \times \text{Security Level GHG Intensity}) \]

Weighted Average GHG Intensity of Derived Index =

\[ \sum (\text{Index Weight} \times \text{Security Level GHG Intensity}) \]

Calculation of Average Decarbonization

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

\[ W_t = W_1 \times 0.93^{(t-1)/2} \]

Where ‘t’ is the number of Semi-Annual Index Reviews since the Base Date.

Thus, for the 3\(^{rd}\) Semi-Annual Index Review since the Base Date (t=3), the target Weighted Average GHG Intensity relative to EVIC will be \(W_1 \times 0.93\).
Climate Impact Sectors

NACE\textsuperscript{12} is the European Union’s classification of economic activities. As per the draft DA, 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. The GICS\textsuperscript{13} Sub-Industry code for each security is mapped to the corresponding “Climate Impact Sector” using a mapping. This mapping is constructed in the following steps:

1. MSCI has published a mapping\textsuperscript{14} between the NACE classes and GICS Sub-Industry.

2. For each GICS Sub-Industry, the number of NACE classes which fall under the High Climate Impact Sector (say the number of classes is $N_H$) and Low Climate Impact Sector (say the number of classes is $N_L$) is identified.

3. If all the NACE classes for a given GICS Sub-Industry are identified in the High Climate Impact Sector ($N_L = 0$), then the GICS Sub-Industry is mapped to the High Climate Impact Sector. Conversely, if all the NACE classes for a given GICS Sub-Industry are identified in the Low Climate Impact Sector ($N_H = 0$) then the GICS Sub-Industry is mapped to the Low Climate Impact Sector.

4. In case a GICS Sub-Industry is mapped to some NACE classes in the High Climate Impact Sector and the others in the Low Climate Impact Sector, the GICS Industry is mapped to the Climate Impact Sector in the following manner:

   a. $N_H \geq N_L$: If the number of NACE classes in the High Climate Impact Sector is at least equivalent to the number of NACE classes in the Low Climate Impact Sector, the GICS Sub-Industry is mapped to the High Climate Impact Sector.

   b. $N_H < N_L$: If the number of NACE classes in the High Climate Impact Sector is less than the number of NACE classes in the Low Climate Impact Sector, the GICS Sub-Industry is mapped to the Low Climate Impact Sector.

\textsuperscript{12} For further details regarding NACE, please refer to https://ec.europa.eu/eurostat/statistics-explained/index.php?title=NACE_background

\textsuperscript{13} For further information regarding GICS, please refer to https://www.msci.com/gics

\textsuperscript{14} This mapping is available in the Handbook of Climate Transition Benchmarks, Paris-Aligned Benchmark and Benchmarks’ ESG Disclosures
5. Using the GICS Sub-Industry to Climate Impact Sector mapping created in Step 4, and the security-level GICS Sub-Industry, each security in the Parent Index is classified in either High Climate Impact Sector or Low Climate Impact Sector.
Appendix II: Barra Equity Model Used in The Optimization

The MSCI Climate Paris Aligned Indexes currently use an optimization setup using the MSCI Barra Global Equity Model for Long-Term Investors (GEMLTL).
Appendix III: New release of Barra® Equity Model or Barra® Optimizer

A major new release of the relevant Barra Equity Model or Barra Optimizer may replace the former version within a suitable timeframe.
Appendix IV: MSCI EU CTB Overlay C-Series Indexes

The MSCI EU CTB Overlay C-Series Indexes provide an alternative to the optimization-based approach used in Section 3.5 of this methodology book. These indexes are constructed based on the steps below.

INTERMEDIATE UNIVERSE

Each security in the Applicable Universe is classified into one of two climate impact sectors based on its NACE section code. The Eligible Universe is broken into two smaller universes as described below:

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 Eligible 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.

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.

\[ \text{For details regarding the Climate Impact Sectors, kindly refer to Appendix I.} \]
**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.

The Final Universe is then assessed against the minimum requirements detailed in Table 2. 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 below.

**Step 1.** Divide securities in the Applicable Universe into “Top Half” (Lowest Intensity) and “Bottom Half” (Highest Intensity) based on Scope 1+2+3 Intensity.

**Step 2.** Select the stock with the highest Security Level GHG Intensity in the “Bottom Half” and reduce its weight in steps of 25% (free weight) and distribute the free weight among the stocks of “Top Half” in proportion of their weight at Step 1. The Final Universe is then assessed against the targets imposed. If the targets are met, no further downweighting is required and the iterative process is stopped.

**Step 3.** If the weight of the stock with the highest Security Level GHG Intensity from Step 1 has been down weighted by more than 75% then select the stock with the next highest Security Level GHG Intensity and repeat step 2. The Final Universe is then assessed against the targets imposed. If the targets are met, no further downweighting is required and the iterative process is stopped.

**Step 4.** Relaxation Steps:

a. If all stocks in the “Bottom Half“ have been down weighted by 75% and targets are still not met, then repeat step 2 and 3 by downweighting stock with highest Security Level GHG Intensity by 90% of its weight from Step 1.

b. If targets are not met at Step 4a, then repeat Steps 2 and 3 by excluding down weighting by 100%, the stocks in order of their Security Level GHG Intensity.

**Step 5.** STOP: If the targets are still not met at Step 5 then the index is rebalanced with stock weights at the end of Step 5.
Appendix V: Identifying the Reference Index

For Indexes where the Parent Index follows the MSCI Global Investible Markets Index (GIMI) methodology, the Reference Index is the same as the Parent Index. For Indexes where the Parent Index does not follow the MSCI GIMI methodology, the methodology\(^\text{16}\) of the Parent Index defines the Global Investible Markets Index on which the Parent Index is constructed.

The below table provides *select examples* which may help identify the Reference Index based on the Parent Index for the corresponding MSCI EU CTB/PAB Overlay Index.

<table>
<thead>
<tr>
<th>Parent Index</th>
<th>Reference Index</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Parent Index follows the GIMI Methodology</strong></td>
<td></td>
</tr>
<tr>
<td>MSCI World</td>
<td>MSCI World</td>
</tr>
<tr>
<td>MSCI World ex Energy</td>
<td>MSCI World ex Energy</td>
</tr>
<tr>
<td><strong>Parent Index does not follow the GIMI Methodology</strong></td>
<td></td>
</tr>
<tr>
<td>MSCI World ex Energy ESG Universal</td>
<td>MSCI World ex Energy</td>
</tr>
<tr>
<td>MSCI World ex Fossil Fuels</td>
<td>MSCI World</td>
</tr>
<tr>
<td>MSCI World ex Australia Enhanced Value</td>
<td>MSCI World ex Australia</td>
</tr>
</tbody>
</table>

\(^\text{16}\) For further details regarding Index methodologies, please refer to [https://www.msci.com/index-methodology](https://www.msci.com/index-methodology)
Appendix VI: MSCI Factor EU PAB Indexes

The Methodology of constructing the MSCI Factor EU PAB Indexes differs from the above defined MSCI EU PAB Overlay Indexes in the following constraints:

- The one-way turnover of the MSCI Factor EU PAB Indexes is constrained to a maximum of 20% at each index review. For MSCI Momentum EU PAB Indexes, the one-way turnover is constrained to a maximum of 50% at each Index Review.

- During the Index Review, in the event that there is no optimal solution that satisfies all the optimization constraints, the following constraints will be relaxed, until an optimal solution is found:
  - Relax the one-way index turnover constraint in steps of 2% up to 30%. For MSCI Momentum EU PAB Indexes, the one-way turnover is relaxed in steps of 5% up to 75%.
  - Relax the active sector weight constraint in steps of 1% up/down to +/-20%
  - The one-way index turnover constraint and the active sector weight constraint are relaxed exhaustively until a feasible solution is achieved.

In the event that no optimal solution is found after the above constraint relaxations are exhausted, the relevant MSCI Factor EU PAB Index will not be rebalanced for that Index Review.

As described in Section 3.1, the Parent Index of the MSCI Factor EU PAB Index is the underlying MSCI Factor Index. As described in Section 3.2, the Reference Index is the free-float adjusted market capitalization weighted index corresponding to the Parent Index as per the MSCI Global Investible Markets Index (GIMI) methodology\(^{17}\). The below table provides select examples which may help identify the Reference Index and the Parent Index for the corresponding MSCI Factor EU PAB Index.

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\(^{17}\) For further details regarding the MSCI Global Investible Markets Index methodology, kindly refer to https://www.msci.com/index-methodology
Table 5: Select Examples for identifying Reference Index and Parent Index

<table>
<thead>
<tr>
<th>Index</th>
<th>Parent Index</th>
<th>Reference Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>MSCI World Enhanced Value EU PAB Index</td>
<td>MSCI World Enhanced Value Index</td>
<td>MSCI World Index</td>
</tr>
<tr>
<td>MSCI World Quality EU PAB Index</td>
<td>MSCI World Quality Index</td>
<td>MSCI World Index</td>
</tr>
<tr>
<td>MSCI World Value EU PAB Index</td>
<td>MSCI World Value Index</td>
<td>MSCI World Index</td>
</tr>
</tbody>
</table>
Appendix VII: Conditional Rebalancing of the MSCI Momentum EU PAB Indexes

In addition to the two Semi-Annual Index Reviews in May and November, the MSCI Momentum EU PAB Indexes undergo ad-hoc rebalancing subject to meeting certain trigger criteria. The details of the ad-hoc rebalancing are provided in Appendix III of the MSCI Momentum Indexes Methodology.

The trigger condition for ad-hoc rebalancing is checked every month as detailed in Appendix III of the MSCI Momentum Indexes Methodology (for details about the methodology, please refer to: https://www.msci.com/index-methodology).
THE FOLLOWING SECTIONS HAVE BEEN MODIFIED EFFECTIVE OCTOBER 2022:

- Appendix VI has been added to describe the MSCI Factor EU PAB Indexes.
- Appendix VII has been added to describe the conditional rebalancing of the MSCI Momentum EU PAB Indexes.
### Contact us

**AMERICAS**

<table>
<thead>
<tr>
<th>City</th>
<th>Phone</th>
</tr>
</thead>
<tbody>
<tr>
<td>Americas</td>
<td>1 888 588 4567 *</td>
</tr>
<tr>
<td>Atlanta</td>
<td>+1 404 551 3212</td>
</tr>
<tr>
<td>Boston</td>
<td>+1 617 532 0920</td>
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<tr>
<td>Chicago</td>
<td>+1 312 675 0545</td>
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<tr>
<td>Monterrey</td>
<td>+52 81 1253 4020</td>
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<tr>
<td>New York</td>
<td>+1 212 804 3901</td>
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<tr>
<td>San Francisco</td>
<td>+1 415 836 8800</td>
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<tr>
<td>São Paulo</td>
<td>+55 11 3706 1360</td>
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<tr>
<td>Toronto</td>
<td>+1 416 628 1007</td>
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**EUROPE, MIDDLE EAST & AFRICA**

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<tr>
<th>City</th>
<th>Phone</th>
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<tbody>
<tr>
<td>Cape Town</td>
<td>+27 21 673 0100</td>
</tr>
<tr>
<td>Frankfurt</td>
<td>+49 69 133 859 00</td>
</tr>
<tr>
<td>Geneva</td>
<td>+41 22 817 9777</td>
</tr>
<tr>
<td>London</td>
<td>+44 20 7618 2222</td>
</tr>
<tr>
<td>Milan</td>
<td>+39 02 5849 0415</td>
</tr>
<tr>
<td>Paris</td>
<td>0800 91 59 17 *</td>
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**ASIA PACIFIC**

<table>
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<tr>
<td>China North</td>
<td>10800 852 1032 *</td>
</tr>
<tr>
<td>China South</td>
<td>10800 152 1032 *</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>+852 2844 9333</td>
</tr>
<tr>
<td>Mumbai</td>
<td>+91 22 6784 9160</td>
</tr>
<tr>
<td>Seoul</td>
<td>00798 8521 3392 *</td>
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<tr>
<td>Singapore</td>
<td>800 852 3749 *</td>
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<tr>
<td>Sydney</td>
<td>+61 2 9033 9333</td>
</tr>
<tr>
<td>Taipei</td>
<td>008 0112 7513 *</td>
</tr>
<tr>
<td>Thailand</td>
<td>0018 0015 6207 7181 *</td>
</tr>
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<td>Tokyo</td>
<td>+81 3 5290 1555</td>
</tr>
</tbody>
</table>

* = toll free

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