

MSCI EMERGING + FRONTIER MARKETS WORKFORCE INDEX METHODOLOGY

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1 Introduction

The MSCI Emerging + Frontier Markets Workforce Index is designed to track the performance of companies in emerging and frontier markets that have favorable demographics, education and employment patterns.

2 Constructing MSCI Emerging + Frontier Markets Workforce Index

The applicable reference Index is MSCI EFM (Emerging + Frontier Markets) Index and MSCI ACWI + Frontier Markets (ACWI FM) Index is the Parent Index.

The Index construction is based on a three-step process:

- Country and constituent selection
- Calculating weights for each country
- Weights of the Index constituents

2.1 COUNTRY AND CONSTITUENT SELECTION:

An initial construction of MSCI Emerging + Frontier Markets Workforce Index consists of countries from the EFM (Emerging + Frontier Markets) universe (reference Index).

The methodology ranks all countries in the reference Index universe and selects the top 65% of the countries with the highest youth population (%) based on data obtained from five years ago as mentioned in Appendix I. The eligible countries are then selected subject to their satisfying three criteria described below:

- Net secondary school enrollment level must be greater than 80% of the World average of the most recent year
- Rural population percentage not more than 20% higher than the World average of the most recent year, and
- Agricultural employment not more than 20% higher than the World average of the most recent year.

All securities from the Parent Index belonging to the final list of eligible countries are considered for potential inclusion in the Index.

2.2 WEIGHTING SCHEME

The weighting scheme is divided into two steps – calculating weight for included countries and then for securities within those included countries.

2.2.1 CALCULATING WEIGHT FOR EACH COUNTRY

The weight of an eligible country is determined from the aggregate free float market capitalization of securities in that country. Countries with less than 0.25% market

capitalization weight are excluded and the weights of the remaining countries are rescaled proportionately. The maximum weight of a country is capped at 20% and the remaining countries' weights are rescaled proportionately.

2.2.2 SECURITY WEIGHTING

All securities belonging to the eligible countries from the previous step are weighted by their free float market capitalization within their country weights.

3 Maintaining the Index

3.1 ANNUAL INDEX REVIEW:

The Index is rebalanced annually in November to coincide with the Semi-Annual Index Reviews of the underlying country indexes. The pro forma index is generally announced nine business days before the effective date.

During each Annual Index Review, the cumulative weight for each country is computed as described in section 2.2

Existing countries included at previous rebalancing and new countries eligible for inclusion in the index will be evaluated for inclusion in the Index using the following process:

- Once a country is eligible for inclusion in the Index at an Annual Index Review, it will remain in the Index for a minimum period of five years, subject to meeting the market capitalization floor weight of 0.25%. If a country is an existing country constituent in the Index and does not satisfy the eligibility criteria in section 2.1 for five consecutive years, then the weight of that country is reduced in a phased manner equally over a period of three years subject to market capitalization floor weight of 0.25%. (a constraint factor of 2/3 after five years, 1/3 after six years and 0 is applied after seven years of non-selection). However, if the country meets the eligibility criteria described in section 2.1 during this period, it would be again eligible for inclusion in the Index.
- An eligible country in the Index may not be necessarily a country constituent in the reference Index at an Annual Index Review due to MSCI country classification rules.

3.2 QUARTERLY INDEX REVIEW

The Index is reviewed on a quarterly basis to reflect the changes to the Parent Index. These Index reviews coincide with the regular Semi-Annual and Quarterly Index Reviews of the MSCI Global Investable Market Indexes.

3.3 ONGOING EVENT RELATED CHANGES

The following section briefly describes the treatment of common corporate events within the MSCI Emerging + Frontier Markets Workforce Index.

No new securities will be added (except where noted below) to the Index between Index Reviews. Deletions from EFM Index will be reflected simultaneously.

EVENT TYPE

EVENT DETAILS

New additions to the Parent Index

A new security added to the Reference Index (such as IPO and other early inclusions) will only be considered for inclusion at the next annual Index review, even if it qualifies for early inclusion in the Reference Indexes.

Spin-Offs

All securities created as a result of the spin-off of an existing Index constituent will be added to the index as per the terms of the spin-off, at the time of event implementation if the spun-off security is part of the Reference Index. Reevaluation for continued inclusion in the Index will occur at the subsequent Annual 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 if part of the Reference Index, 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. However, the acquiring non-constituent will only be added to the index if it is part of the Reference 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.) as long as it is part of

the Reference Index. Reevaluation for continued inclusion in the Index will occur at the subsequent Annual 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:
www.msci.com/index-methodology

Appendix I

Data Sources:

- Youth population - <http://data.worldbank.org/indicator/SP.POP.0014.TO.ZS>
- Net Secondary School Enrollment - <http://data.worldbank.org/indicator/SE.SEC.NENR>
- Rural Population - <http://data.worldbank.org/indicator/SP.RUR.TOTL.ZS>
- Agricultural Employment - <http://data.worldbank.org/indicator/SL.AGR.EMPL.ZS>

In case of missing data for some variables, we use the following sources:

Country	Source	Variable	Link
BRAZIL	UNESCO	Secondary Enrollment	http://dx.doi.org/10.1787/888932666836
CHINA	UNICEF	Secondary Enrollment	http://www.childinfo.org/files/EAPR_China.pdf
CZECH REPUBLIC	UNESCO	Secondary Enrollment	http://dx.doi.org/10.1787/888932666836
INDIA	Government	Secondary Enrollment	http://mospi.nic.in/mospi_new/upload/SYB2013/ch29.html
MOROCCO	World Economic Forum	Secondary Enrollment	http://www3.weforum.org/docs/GCR2013-14/Morocco.pdf
NIGERIA	UNESCO	Secondary Enrollment	http://dx.doi.org/10.1787/888932666836
RUSSIA	OECD	Secondary Enrollment	http://www.oecd.org/edu/Russian%20Federation_EAG2013%20Country%20Note.pdf
TAIWAN	Government	Secondary Enrollment	http://english.moe.gov.tw/ct.asp?xitem=14476&ctNode=11429&mp=1
TAIWAN	Government	Agricultural Employment	http://eng.stat.gov.tw/ct.asp?xitem=15761&ctNode=1609&mp=5

In case the underlying data for a particular country is not available, that country will be considered as not meeting the eligibility criteria at that specific annual index review.



The following sections have been modified since November 2014:

- Updated Section 3.1 to include the announcement date of the pro forma index.
- Updated the link to MSCI Corporate Events Methodology in Section 3.3

The following sections have been modified since June 2017:

- Updated Appendix I to include treatment for missing data

The following sections have been modified since November 2018:

- Updated Section 3.3 with additional details for ongoing event related changes

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