

MSCI EUROPE SELECT GREEN EX FOSSIL FUEL 50 5% DECREMENT INDEX METHODOLOGY

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1 INTRODUCTION

The MSCI Europe Select Green ex Fossil Fuel 50 5% Decrement Index aims to represent the performance of the largest 50 securities by free-float market capitalization from MSCI Europe IMI that offer products and services that contribute to an environmentally sustainable economy through efficient use of limited global natural resources. The index excludes companies that are involved in the production of controversial, nuclear or conventional weapons, and companies involved in generating power or deriving revenue from fossil fuels as well as those that are involved in environmental controversies. To avoid concentration, the weight of securities within the index are capped at a maximum of 5%, while applying a constant markdown ('synthetic dividend') on an annual basis, expressed as a percentage of performance.

2 MSCI ESG RESEARCH

The MSCI Europe Select Green ex Fossil Fuel 50 5% Decrement Index uses company research provided by MSCI ESG Research. In particular, these indexes use the MSCI Business Involvement Screening Research product.

For details on MSCI ESG Research's full suite of ESG products, please refer to: http://www.msci.com/products/esg/about_msci_esg_research.html

2.1 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 EUROPE SELECT GREEN EX FOSSIL FUEL 50 5% DECREMENT INDEX

The MSCI Europe Select Green ex Fossil Fuel 50 5% Decrement Index (the “Index”) is constructed from the MSCI Europe Investable Market (IMI) Index (the “Parent”).

The following steps are applied at initial construction as well as subsequent Quarterly and Semi-Annual Index Reviews of the MSCI Europe Select Green ex Fossil Fuel 50 5% Decrement Index:

- Eligible Universe Screening
- Business Involvement Exclusions
- Security Selection
- Applying the Capping
- Applying the Decrement

3.1 ELIGIBLE UNIVERSE SCREENING

The eligible universe for the MSCI Europe Select Green ex Fossil Fuel 50 5% Decrement Index is obtained by applying the MSCI Global Environment Index Methodology¹ on the Parent Index, with a customization to include companies that derive 10% or more of their revenue cumulatively from the five CleanTech (CT) themes as noted in Section 3.3 of the MSCI Global Environment Index Methodology.

3.2 BUSINESS INVOLVEMENT EXCLUSIONS

From the eligible universe, companies are excluded based on their involvement in the production of controversial, nuclear and conventional weapons and companies involved in generating power or deriving revenue from fossil fuels as well as those involved in environmental controversies. The details of these criteria are described in Appendix 1.

3.3 SECURITY SELECTION

The largest 50 securities ranked in the descending order of their free-float adjusted market capitalization are selected for inclusion in the Index.

¹ Please refer to the MSCI Global Environment Index Methodology at <http://www.msci.com/index-methodology>.

3.4 APPLYING THE CAPPING

The maximum weight of any security in the Index is capped at 5% in accordance with the MSCI Capped Indexes methodology². The excess weight of the capped securities is distributed among the remaining constituents in proportion of their free float market capitalization.

3.5 APPLYING THE DECREMENT

The MSCI Decrement Indexes methodology³ is applied on the capped Index using the following parameters.

Sr. No.	Methodology Parameter	Parameter Value
1	Currency of Calculation	EUR
2	Return Variant of the Parent Index	Daily Net Total Return
3	Decrement Type	Fixed Percentage
4	Decrement Application	Geometric
5	Decrement Value	5%
6	Day-count Convention	Actual / 365
7	Index Floor	0
8	Decrement Frequency	Daily

² Please refer to the MSCI Capped Indexes Methodology at <http://www.msci.com/index-methodology>.

³ Please refer to the MSCI Decrement Indexes Methodology at <http://www.msci.com/index-methodology>.

4 MAINTAINING THE INDEXES

4.1 QUARTERLY INDEX REVIEWS

The MSCI Europe Select Green ex Fossil Fuel 50 5% Decrement Index is reviewed on a quarterly basis as described in section 3, coinciding with the May and November Semi-Annual Index Reviews and the February and August Quarterly Index Reviews of the Parent Index. The pro forma Index is typically 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 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.

4.2 ONGOING EVENT RELATED CHANGES

The general treatment of corporate events in the MSCI Europe Select Green ex Fossil Fuel 50 5% Decrement Index 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 Europe Select Green ex Fossil Fuel 50 5% Decrement Index.

No new securities will be added to the Indexes 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.

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 be removed from the Index if there are changes in its characteristics (country, sector, size segment, etc.) Reevaluation for 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 1 – SCREENING CRITERIA

Companies, whose activities meet the following values based criteria, as determined by MSCI ESG Research, are excluded from the Index:

- **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, such as repairing and maintaining nuclear weapons, providing overhaul and upgrade services (including engineering), stockpiling and stewardship, R&D work, testing and simulations, etc.
 - All companies that manufacture components that were not developed or not significantly modified for exclusive use in nuclear weapons (warheads and missiles), i.e., these components can be used in both nuclear and conventional weapons.
 - All companies that manufacture or assemble delivery platforms that were not developed or not significantly modified for the exclusive delivery of nuclear weapons. i.e., these platforms are capable of delivering conventional weapons.
 - All companies that manufacture components for dual-use delivery platforms.
- **Conventional Weapons**
 - All companies that earn revenue from the production of conventional weapons.
 - All companies that earn revenue from weapons systems, components, and support systems and services.
- **Environment Controversy**
 - All companies marked with a Red, Orange or Yellow flag for Environment Controversies.

- Fossil Fuels

- All companies with evidence of owning fossil fuel reserves regardless of their industry, including companies that own less than 50% of a reserves field.
- All companies that generate more than 20% of its total power from thermal coal, liquid fuel and natural gas.
- All companies deriving more than 20% revenue (either reported or estimated) from fossil fuel (thermal coal, liquid fuel and natural gas) based power generation.
- All companies deriving more than 40% revenue (either reported or estimated) from oil and gas related activities, including distribution / retail, equipment and services, extraction and production, petrochemicals, pipelines and transportation and refining but excluding biofuel production and sales and trading activities.
- All companies deriving more than 0% revenue (either reported or estimated) from oil sands extraction for a set of companies that own oil sands reserves and disclose evidence of deriving revenue from oil sands extraction. Companies deriving revenue from non-extraction activities (e.g. exploration, surveying, processing, refining); ownership of oil sands reserves with no associated extraction revenues; revenue from intra-company sales are not excluded.
- All companies deriving more than 5% 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.

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