

**METHODOLOGY BOOK FOR:**

- MSCI FRANCE & EMU SELECT ESG TOP 50 INDEX**
- MSCI FRANCE & EMU SELECT ESG TOP 50 3.5% DECREMENT INDEX**
- MSCI FRANCE & EMU SELECT ESG TOP 50 DECREMENT 50 POINTS INDEX**

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## **1 Introduction**

The MSCI France & EMU Select ESG Top 50 Index aims to represent the performance of a set of 25 securities from France and 25 securities from EMU ex-France with improved ESG characteristics.

The MSCI France & EMU Select ESG Top 50 3.5% Decrement Index aims to represent the gross performance of the MSCI France & EMU Select ESG Top 50 Index, while applying a constant markdown ('synthetic dividend') of 3.5% on an annual basis, expressed as a percentage of performance.

The MSCI France & EMU Select ESG Top 50 Decrement 50 Points Index aims to represent the gross performance of the MSCI France & EMU Select ESG Top 50 Index subject to the application of a daily constant markdown ('synthetic dividend') corresponding to 50 index points on an annualized basis.

## 2 ESG Research Framework

The MSCI France & EMU Select ESG Top 50 Index uses company ratings and research provided by MSCI ESG Research. The index uses the following MSCI ESG Research products: MSCI ESG Ratings, MSCI ESG Controversies, MSCI Climate Change Metrics, 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 (formerly known as MSCI Impact Monitor) 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 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>

## **2.4 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](http://www.msci.com/resources/factsheets/MSCI_ESG_BISR.pdf)

### **3 Constructing the Index**

The MSCI France & EMU Select ESG Top 50 Index is constructed from MSCI EMU Index (the “Parent Index”). The securities from the Parent Index are divided into two regions:

- France
- EMU ex-France

#### **3.1 ELIGIBLE UNIVERSE SCREENING**

##### **3.1.1 ESG SCORE ELIGIBILITY**

The MSCI France & EMU Select ESG Top 50 Index excludes the bottom 20% securities from each region, ranked in descending order based on their ESG scores.

##### **3.1.2 ESG RATINGS ELIGIBILITY**

The MSCI France & EMU Select ESG Top 50 Index uses MSCI ESG Ratings to identify companies that have demonstrated an ability to manage their ESG risks and opportunities. Companies having MSCI ESG Rating of ‘BB’ or above are eligible for inclusion in the MSCI France & EMU Select ESG Top 50 Index.

##### **3.1.3 ESG CONTROVERSIES SCORE ELIGIBILITY**

The MSCI France & EMU Select ESG Top 50 Index uses MSCI ESG Controversies Scores to identify those companies that are involved in very serious controversies involving the environmental, social, or governance impact of their operations and/or products and services. Companies are required to have an MSCI ESG Controversies Score of 1 or higher to be eligible for inclusion in the MSCI France & EMU Select ESG Top 50 Index.

##### **3.1.4 VALUES BASED EXCLUSIONS**

The MSCI France & EMU Select ESG Top 50 Index uses MSCI ESG Business Involvement Screening Research and MSCI Climate Change Metrics to identify companies that are involved in the following business activities. Companies that meet the business involvement criteria are excluded from the MSCI France & EMU Select ESG Top 50 Index. Please refer to the Appendix 1 for details on these criteria.

- Civilian Firearms
- Tobacco
- Adult Entertainment
- Gambling
- Genetically Modified Organisms (GMO)
- Weapons
- Thermal Coal
- Unconventional Oil and Gas

### **3.2 CONSTITUENT SECURITIES SELECTION**

The securities in the eligible universe that meet above screening and ESG eligibility criteria subsequently ranked in the descending order of their free float market capitalization. The top 25 securities from each region are selected for inclusion in the index:

- France – 25 securities
- EMU ex-France – 25 securities

### **3.3 SECURITY WEIGHTING**

At each Index Review, the securities selected for inclusion in the Index are assigned weights in proportion to their free float adjusted market capitalization

### **3.4 APPLYING THE MSCI DECREMENT INDEXES METHODOLOGY**

The MSCI Decrement Indexes Methodology<sup>1</sup> is applied on the MSCI France & EMU Select ESG Top 50 Index to construct the MSCI France & EMU Select ESG Top 50 3.5% Decrement Index and the MSCI France & EMU Select ESG Top 50 Decrement 50 Points Index. The parameters for the application of the decrement methodology in the above index is noted in Appendix 2 and Appendix 3.

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<sup>1</sup>Please refer to the MSCI Decrement Indexes methodology at [www.msci.com/index-methodology](http://www.msci.com/index-methodology)

## **4 Maintaining the Index**

### **4.1 QUARTERLY INDEX REVIEWS**

The MSCI France & EMU Select ESG Top 50 Index is reviewed on a quarterly basis to coincide with the May and November Semi-Annual Index Reviews and the February and August Quarterly Index Reviews of the Parent Index.

In general, MSCI uses MSCI ESG Research data (including MSCI ESG Ratings, MSCI ESG Controversies Scores, MSCI Climate Change Metrics) as of the end of the month preceding the Index Reviews for the rebalancing of the Index. 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, for the rebalancing of the Index.

The pro forma index is in general announced nine business days before the effective date.

### **4.2 DAILY DECREMENT CALCULATION**

The performance of the MSCI France & EMU Select ESG Top 50 3.5% Decrement Index and the MSCI France & EMU Select ESG Top 50 Decrement 50 Points Index is computed by reducing the gross performance of the MSCI France & EMU Select ESG Top 50 Index daily by a certain number of index points as specified by the parameters detailed in Appendix 2 and Appendix 3.

### **4.3 ONGOING EVENT-RELATED CHANGES**

The following section briefly describes the treatment of common corporate events within the MSCI France & EMU Select ESG Top 50 Index.

No new securities will be added (except where noted below) to the Index 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
<b>New additions to the Parent Index</b>	A new security added to the parent index (such as IPO and other early inclusions) will not be added to the index.
<b>Spin-Offs</b>	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. Reevaluation for continued inclusion in the Index will occur at the subsequent Index Review.
<b>Merger/Acquisition</b>	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.
<b>Changes in Security Characteristics</b>	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 1: Values and Climate-Based Exclusion Criteria

Companies, whose activities meet the following values and climate-based criteria, as evaluated by MSCI ESG Research LLC, are excluded from the Index:

### Values Based Exclusion Criteria

- **Civilian Firearms**
  - All companies deriving 15% or more aggregate revenue from the manufacture and retail of civilian firearms and ammunition
- **Tobacco**
  - All companies deriving 15% or more aggregate revenue from the production, distribution, retail, supply, and licensing of tobacco-related products
- **Adult Entertainment**
  - All companies deriving 15% or more aggregate revenue from the production, distribution, and retail of adult entertainment materials
- **Gambling**
  - All companies deriving 15% or more aggregate revenue from gambling-related business activities
- **Genetically Modified Organisms (GMO)**
  - Genetically Modified Organisms (GMO) - All companies deriving 15% or more revenue from activities like genetically modifying plants, such as seeds and crops, and other organisms intended for agricultural use or human consumption
- **Weapons**
  - All companies deriving 15% or more aggregate revenue from conventional, nuclear, and bio/chem weapons systems, components, and support systems and services

### Climate Change based Exclusion Criteria

- **Thermal Coal Mining**
  - All companies deriving more than 15% 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 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

- **Thermal Coal-based Power Generation**

- All companies deriving 5% or more revenue (either reported or estimated) from thermal coal-based power generation

- **Unconventional Oil and Gas**

- All companies deriving 15% or more revenue (either reported or estimated) from unconventional oil and gas extraction. It covers revenue from the production of oil sands, oil shale (kerogen-rich deposits), shale gas, shale oil, coal seam gas, and coal bed methane. It does not cover revenue from conventional oil and gas production including onshore/offshore oil and gas production in the Arctic region, deep water, shallow water and other onshore/offshore oil and gas.

## Appendix 2: Parameters used for the MSCI France & EMU Select ESG Top 50 3.5% Decrement Index

The following parameters are used for the calculation of MSCI France & EMU Select ESG Top 50 3.5% Decrement Index

	MSCI Decrement Indexes Methodology Parameters	Parameters
1	Currency of Calculation	EUR
2	Return Variant of the Parent Index	Daily Gross Total Return
3	Decrement Type	Fixed Percentage
4	Decrement Application	Geometric
5	Decrement Value	3.5%
6	Day-count Convention	Actual / 360
7	Index Floor	0
8	Decrement Frequency	Daily

### Appendix 3: Parameters used for the MSCI France & EMU Select ESG Top 50 Decrement 50 Points Index

The following parameters are used for the calculation of MSCI France & EMU Select ESG Top 50 Decrement 50 Points Index

	<b>MSCI Decrement Indexes Methodology Parameters</b>	<b>Parameters</b>
1	Currency of Calculation	EUR
2	Return Variant of the Parent Index	Daily Gross Total Return
3	Decrement Type	Fixed Index Points
4	Decrement Application	Geometric
5	Decrement Value	50 Points
6	Day-count Convention	Actual / 365
7	Index Floor	0
8	Decrement Frequency	Daily

## Methodology Book Tracked Changes

First Version reviewed and published in January 2021.

The following modifications are effective from April 2022.

- **Section 1:** Introduction
  - Addition to section
- **Section 3.4:** Applying the MSCI Decrement Indexes Methodology
  - Addition to section
- **Section 4.2:** Daily Decrement Calculation
  - Addition to section
- **Appendix 3:** Parameters used for the MSCI France & EMU Select ESG Top 50 Decrement 50 Points Index
  - Addition of section

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