Methodology book for:
- MSCI World Low Carbon SRI Leaders Index
- MSCI USA Low Carbon SRI Leaders Index
- MSCI Europe Low Carbon SRI Leaders Index
- MSCI Japan Low Carbon SRI Leaders Index
- MSCI EM Low Carbon SRI Leaders Index
- MSCI Asia ex Japan Low Carbon SRI Leaders Index

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1 Introduction

The MSCI World Low Carbon SRI Leaders Index, MSCI USA Low Carbon SRI Leaders Index, MSCI Europe Low Carbon SRI Leaders Index, MSCI Japan Low Carbon SRI Leaders Index, MSCI EM Low Carbon SRI Leaders Index and the MSCI AC Asia ex Japan Low Carbon SRI Leaders Index (herein, “MSCI Low Carbon SRI Leaders Indexes”) are designed to represent the performance of companies that have low carbon exposure than that of the broad market and have high Environmental, Social and Governance (ESG) performance. The Indexes are free float-adjusted market capitalization weighted.
2 Constructing the MSCI Low Carbon SRI Leaders Indexes

2.1 ELIGIBLE UNIVERSE

The eligible universe for MSCI Low Carbon SRI Leaders Indexes includes all the constituents of their respective MSCI parent index (the “Parent Index”), as shown in the table below.

<table>
<thead>
<tr>
<th>Index Name</th>
<th>Parent Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>MSCI World Low Carbon SRI Leaders Index</td>
<td>MSCI World Index</td>
</tr>
<tr>
<td>MSCI USA Low Carbon SRI Leaders Index</td>
<td>MSCI USA Index</td>
</tr>
<tr>
<td>MSCI Europe Low Carbon SRI Leaders Index</td>
<td>MSCI Europe Index</td>
</tr>
<tr>
<td>MSCI Japan Low Carbon SRI Leaders Index</td>
<td>MSCI Japan Index</td>
</tr>
<tr>
<td>MSCI EM Low Carbon SRI Leaders Index</td>
<td>MSCI EM Index</td>
</tr>
<tr>
<td>MSCI AC Asia ex Japan Low Carbon SRI Leaders Index</td>
<td>MSCI AC Asia ex Japan Index</td>
</tr>
</tbody>
</table>

2.2 SELECTING COMPANIES WITH THE LOWEST CARBON EXPOSURE AND HIGHEST ESG PERFORMANCE

The two rules described below are applied independently, and securities selected by both rules are eligible for inclusion in the index.

2.2.1 LOWEST CARBON EXPOSURE SELECTION RULES

From the securities in the eligible universe, companies with low exposure to carbon risk, identified as companies with low carbon emission intensity and low potential emissions per dollar of market capitalization, are selected for inclusion in the index. The selection is completed in accordance with sections 3.3.1 and 3.3.2 of the MSCI Global Low Carbon Leaders Indexes methodology.¹

¹ Please refer to the MSCI Global Low Carbon Leaders Indexes methodology at www.msci.com/index-methodology
2.2.2 HIGHEST ESG PERFORMANCE SELECTION RULES

The MSCI ESG Leaders Indexes\(^2\) Methodology, using the Values Based Exclusions, as defined in section 3.2.1 (Values-Based Exclusion) of the MSCI SRI Indexes Methodology\(^3\), instead of the Value-Based Exclusion used in the MSCI ESG Leaders Indexes Methodology, is applied on the eligible universe to select the securities with the highest ESG Performance.

2.3 WEIGHTING SCHEME

The MSCI Low Carbon SRI Leaders Indexes are constructed by weighting the eligible constituents in proportion of their free-float adjusted market capitalization.

\(^2\) Please refer to the MSCI ESG Leaders Indexes methodology at [www.msci.com/index-methodology](http://www.msci.com/index-methodology).

\(^3\) Please refer to the MSCI SRI Indexes methodology at [www.msci.com/index-methodology](http://www.msci.com/index-methodology).
3 Maintaining the MSCI Low Carbon SRI Leaders Indexes

3.1 INDEX REVIEWS

The MSCI Low Carbon SRI Leaders Indexes are reviewed on a quarterly basis to coincide with the regular Semi-Annual and Quarterly Index Reviews of the MSCI Global Investable Market Indexes. The changes are implemented as of the close of the last business day of February, May, August and November. The pro forma Index is in general 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 the rebalancing of the MSCI ESG Leaders Indexes. 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 MSCI ESG Leaders Indexes.

3.2 ONGOING EVENT RELATED CHANGES

The general treatment of corporate events in the MSCI Low Carbon SRI Leaders 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.

The following section briefly describes the treatment of common corporate events within the MSCI Low Carbon SRI Leaders Indexes.

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.

<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>
<tr>
<td>Spin-Offs</td>
<td>All securities created as a result of the spin-off of an existing index.</td>
</tr>
</tbody>
</table>
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.

The MSCI Corporate Events methodology book is available at:
https://www.msci.com/index-methodology
Appendix 1: MSCI Low Carbon SRI Leaders Issuer Capped Indexes

The maximum weight of any issuer in the MSCI Low Carbon SRI Leaders Issuer Indexes may be capped at a pre-determined level in accordance with the MSCI Capped Indexes methodology. The excess weight of the capped issuers is distributed among the remaining constituents in proportion of their existing weights in the index. Currently, the following capped indexes are calculated by MSCI:

<table>
<thead>
<tr>
<th>Index Name</th>
<th>Issuer Level Capping</th>
</tr>
</thead>
<tbody>
<tr>
<td>MSCI AC Asia ex Japan Low Carbon SRI Leaders Issuer 10% Capped Index</td>
<td>10%</td>
</tr>
</tbody>
</table>

4 Please refer to the MSCI Capped Indexes methodology at www.msci.com/index-methodology.
The following sections have been modified since January 2018:
Update to include the index construction parameters for the MSCI EM Low Carbon SRI Leaders Index

The following sections have been modified since March 2018:
Update to include the index construction parameters for MSCI AC Asia ex Japan Low Carbon SRI Leaders Index and the MSCI AC Asia ex Japan Low Carbon SRI Leaders 10% Capped Index.

The following sections have been modified since January 2019:
Update to include:

- The enhanced value business exclusions from the MSCI SRI Indexes methodology
- The updated index names from the MSCI ESG Leaders Low Carbon ex Tobacco Involvement 5% Indexes to the MSCI Low Carbon SRI Indexes
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