

## **Methodology book for:**

- **MSCI SRI S-Series Indexes**
- **MSCI SRI S-Series Capped Indexes**

May 2021

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## 1 Introduction

The MSCI SRI S-Series Indexes are free float-adjusted market capitalization weighted indexes that exclude companies that are inconsistent with specific values and climate-based criteria focused on products with high negative social or environmental impact. Additionally, these indexes are designed to represent the performance of companies that have high Environmental, Social and Governance (ESG) ratings relative to their sector peers, to ensure the inclusion of the best-in-class companies from an ESG perspective. Further, these Indexes aim to target sector weights that reflect the relative sector weights of the underlying MSCI Global Investable Market Indexes to limit the systematic risk introduced by the ESG selection process. Overall, the Indexes target coverage of 25% of the underlying MSCI Global Investable Market Index.

The MSCI SRI S-Series Capped Indexes<sup>1</sup> are capped versions of the MSCI SRI S-Series Indexes. Capping is applied according to the MSCI Capped Index Methodology<sup>2</sup>.

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<sup>1</sup> MSCI S-Series Capped Indexes include:

- MSCI Emerging SRI S-Series 5% Capped Index
- MSCI Europe Small Cap SRI S-Series 5% Capped Index
- MSCI USA SRI S-Series 5% Capped Index
- MSCI World SRI S-Series 5% Capped Index
- MSCI Japan SRI S-Series 5% Capped Index
- MSCI Europe SRI S-Series 5% Capped Index
- MSCI EMU SRI S-Series 5% Capped Index

<sup>2</sup> For more details, please refer to the MSCI Capped Indexes Methodology at <https://www.msci.com/index-methodology>

## 2 MSCI ESG Research

The MSCI SRI S-Series Indexes use company ratings and research provided by MSCI ESG Research. In particular, these indexes use the following four MSCI ESG Research products: MSCI ESG Ratings, MSCI ESG Controversies, MSCI Business Involvement Screening Research and MSCI Climate Change Metrics.

For details on MSCI ESG Research's full suite of ESG products, please refer to: <https://www.msci.com/esg-integration>

### 2.1 MSCI ESG Ratings

MSCI ESG Ratings provides research, data, 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, as well as underlying data and metrics used to compile the scores and ratings.

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 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)

## 2.4 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° alignment.

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

### 3 Constructing the MSCI SRI S-Series Indexes

#### 3.1 Eligible Universe

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

Index Name	Parent Index
MSCI World SRI S-Series Index	MSCI World Index
MSCI Europe SRI S-Series Index	MSCI Europe Index
MSCI Japan SRI S-Series Index	MSCI Japan Index
MSCI USA SRI S-Series Index	MSCI USA Index
MSCI Emerging SRI S-Series Index	MSCI EM (Emerging Markets) Index
MSCI EMU SRI S-Series Index	MSCI EMU Index
MSCI Europe Small Cap SRI S-Series Index	MSCI Europe Small Cap Index

#### 3.2 Eligibility Criteria

The MSCI SRI S-Series Indexes use company ratings and research provided by MSCI ESG Research LLC to determine eligibility for index inclusion.

##### 3.2.1 Controversial Business Involvement Criteria

The MSCI SRI S-Series Indexes use 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 SRI S-Series Indexes. Please refer to Appendix 1 for details on these criteria.

- Weapons and Firearms
- Tobacco
- Adult Entertainment
- Alcohol
- Gambling
- Genetically Modified Organisms

- Nuclear Power
- Fossil Fuel Reserves Ownership
- Fossil Fuel Extraction
- Fossil Fuel-based Power Generation

### 3.2.2 ESG Ratings Eligibility

The MSCI SRI S-Series Indexes use MSCI ESG Ratings to identify companies that have demonstrated an ability to manage their ESG risks and opportunities. Companies are required to have an MSCI ESG Rating of 'A' or above to be eligible for inclusion in the MSCI SRI S-Series Indexes.

### 3.2.3 ESG Controversies Score Eligibility

The MSCI SRI S-Series Indexes use 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 4 or above to be eligible for inclusion in the MSCI SRI S-Series Indexes.

## 3.3 Index Construction

The MSCI SRI S-Series Indexes target 25% of the free float-adjusted market capitalization within each Global Industry Classification Standard (GICS®) sector of the underlying Parent Index.

The MSCI USA SRI S-Series Index and MSCI Europe Small Cap SRI S-Series are constructed by applying the above methodology on their respective parent indexes.

The MSCI World SRI S-Series Index and MSCI EM SRI S-Series Index are constructed by applying the above methodology to the regional carve-outs of their corresponding parent indexes and then aggregated together.

The following regions are used to construct the MSCI World SRI S-Series Index:

Region	Regional Carve-out
Developed Asia Pacific	MSCI Pacific Index
Developed Europe & Middle East	MSCI Europe & Middle East Index
Canada	MSCI Canada Index
USA	MSCI USA Index

The following regions are used to construct the MSCI EM SRI S-Series Index:

Region	Regional Carve-out
Emerging Asia	MSCI Emerging Markets Asia Index
Emerging Europe, Middle East & Africa	MSCI Emerging Markets Europe, Middle East & Africa Index
Emerging Latin America	MSCI Emerging Markets Latin America Index

The MSCI Europe SRI S-Series Index, MSCI EMU SRI S-Series Index and MSCI Japan SRI S-Series Index are determined by selecting securities from the corresponding country/region in the MSCI World SRI S-Series Index and weighting them according to their free float-adjusted market capitalization.

### 3.4 Security Weighting

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

#### 3.4.1 Issuer Capping

The maximum weight of any issuer in the MSCI SRI S-Series Capped Indexes is capped at 5%. Within the capped group, securities are weighted in proportion to their free float-adjusted market capitalization. The weight of the securities outside of the capped group will be increased in proportion to their weight prior to capping.

Additionally, weight of any country in the MSCI Emerging SRI S-Series 5% Capped Index is capped at 15%.



## 4 Maintaining the MSCI SRI S-Series Indexes

### 4.1 Annual Index Review

The MSCI SRI S-Series Indexes are reviewed on an annual basis in May to coincide with the May Semi-Annual Index Review of the Parent Index, and the changes are implemented at the end of May. In general, the pro forma indexes are announced nine business days before the effective date.

In general, MSCI uses MSCI ESG Research data (including MSCI ESG Ratings, MSCI ESG Controversies Scores, MSCI Business Involvement Screening Research and ESG Climate Change Metrics) as of the end of the month preceding the Index Reviews for the rebalancing of the MSCI SRI S-Series 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 MSCI SRI S-Series Indexes.

At each Annual Index Review, the eligible universe is updated and the composition of the index is reassessed in order to target 25% free float-adjusted cumulative market capitalization of each sector of the Parent Index.

#### 4.1.1 Updating the Eligible Universe

The eligible universe is updated during each Annual Index Review.

Companies that are currently not constituents of the MSCI SRI S-Series Indexes are evaluated using the same eligibility criteria described in Section 3.2.

Existing constituents of the MSCI SRI S-Series Indexes are maintained in the eligible universe if they meet all the following conditions:

- MSCI ESG Rating of 'BB' or above
- MSCI ESG Controversies Score of 1 or above
- Not screened by the business involvement criteria described in Section 3.2.1

#### 4.1.2 Ranking of Eligible Securities

For each sector, eligible securities of the regional Parent Index are ranked based on the following criteria:

- ESG Rating

- ESG Trend<sup>3</sup> (positive ESG Trend preferred to neutral ESG Trend and neutral ESG Trend preferred to negative ESG Trend)
- Current index membership (existing constituents above non-constituents)
- Industry adjusted ESG scores
- Decreasing free float-adjusted market capitalization.

### 4.1.3 Selection of Eligible Securities

For each sector, eligible securities of the regional Parent Index are then selected from the ranked universe in the following order until the target 25% coverage by cumulative free float-adjusted market capitalization is reached:

- Securities in the top 17.5% cumulative free float-adjusted market capitalization coverage of the ranked universe, including the first security that increases the cumulative coverage above 17.5%
- 'AAA' and 'AA' rated securities in the top 25% cumulative free float-adjusted market capitalization coverage of the ranked universe, including the first security that increases the cumulative coverage above 25%
- Current index constituents in the top 32.5% cumulative free float-adjusted market capitalization coverage of the ranked universe, including the first security that increases the cumulative coverage above 32.5% if that security is a current index constituent
- Remaining eligible securities in the ranked universe

Please see Appendix 2 for additional details on the ranking and selection rules.

## 4.2 Quarterly Index Reviews

The MSCI SRI S-Series Indexes are also reviewed on a quarterly basis to coincide with the regular Index Reviews of the Parent Indexes. The changes are implemented at the end of February, August and November. The pro forma indexes are in general announced nine business days before the effective date.

For the Quarterly Index Reviews, MSCI ESG Ratings, MSCI ESG Controversies Score assessments, MSCI BISR data are and MSCI ESG Climate Change Metrics data are taken as of the end of the month preceding the Index Reviews, i.e., January, July and October. For some securities, this data may not be published by MSCI ESG Research

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<sup>3</sup> ESG Trend is defined as the latest change in ESG Rating over the previous 12 months. A security without any change in ESG Rating over the previous 12 months will have a neutral ESG Trend. Also, companies that receive a re-initiated ESG Rating due to a change in the ESG Ratings Industry are considered to have a neutral ESG Trend.

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 SRI S-Series Indexes.

At the Quarterly Index Reviews, existing constituents are deleted from the MSCI SRI S-Series Indexes if they do not meet the eligibility criteria described in Section 4.1.1. Existing constituents that meet the eligibility criteria are retained in the index.

Additions, from the eligible securities as per Section 3.2, are made only to those sectors where the current market capitalization coverage is less than 22.5%, until the 25% target is reached.

Market price movements may cause small deviations in the sector coverage between two Index Reviews. Therefore, to minimize turnover, a buffer of 10% is used on the target coverage of 25% to define under-representation.

### 4.3 Ongoing Event Related Changes

The following section briefly describes the treatment of common corporate events within the MSCI SRI S-Series 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.

There are no deletions from the MSCI SRI S-Series Indexes between Index Reviews because of a security becoming ineligible because of MSCI ESG Rating downgrade and/or decrease in MSCI ESG Controversies Score and/or change in business involvement.

#### EVENT TYPE

#### EVENT DETAILS

##### **New additions to the Parent Index**

New securities added to the Parent Index (such as IPOs, other early inclusions and migrations from a different size-segment) will be added to the index on the date of security inclusion only if they meet the eligibility criteria described in Section 3 and the market capitalization coverage of the sector to which the security belongs is less than 22.5%.

##### **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. Reevaluation for inclusion in the Indexes will occur at the subsequent Index Review.

**Merger/Acquisition**

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.

The MSCI Corporate Events methodology book is available at:  
<https://www.msci.com/index-methodology>

## Appendix 1: Controversial Business Involvement Criteria

Companies whose activities meet the following values and climate change-based criteria, as evaluated by MSCI ESG Research, are excluded from the MSCI SRI S-Series Indexes.

### Values-based Exclusions Criteria:

- **Weapons and Firearms**
  - All companies deriving 10% or more aggregate revenue from the following products and services:
    - Nuclear, Biological, Chemical, and Conventional weapons, components, support systems production; related support services (including trading and distribution); and/or
    - Civilian firearms and ammunition production and retailing
  - **Controversial Weapons**
    - All companies with any tie to Controversial Weapons (cluster munitions, landmines, depleted uranium weapons, biological/chemical weapons, blinding lasers, non-detectable fragments and incendiary weapons), as defined by the methodology of the MSCI Global Ex-Controversial Weapons Indexes available at <https://www.msci.com/index-methodology>
  - **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
    - All companies that manufacture components that were not developed or not significantly modified for exclusive use in nuclear weapons (warheads and missiles) but can be used in nuclear weapons

- All companies that manufacture or assemble delivery platforms that were not developed or not significantly modified for the exclusive delivery of nuclear weapons but have the capability to deliver nuclear weapons
- All companies that manufacture components for nuclear-exclusive delivery platforms
- **Conventional Weapons**
  - All companies deriving 5% or more revenue from the production of conventional weapons
  - All companies deriving 10% or more aggregate revenue from weapons systems, components, and support systems and services
- **Civilian Firearms**
  - All companies classified as “Producer” of firearms and small arms ammunitions for civilian markets. It does not include companies that cater to the military, government, and law enforcement markets
  - All companies deriving 5% or more revenue from the distribution (wholesale or retail) of firearms or small arms ammunition intended for civilian use
- **Tobacco**
  - All companies classified as a “Producer”
  - All companies deriving 5% or more aggregate revenue from the production, distribution, retail, supply and licensing of tobacco-related products
- **Alcohol**
  - All companies deriving 5% or more revenue from the production of alcohol-related products
  - All companies deriving 15% or more aggregate revenue from the production, distribution, retail and supply of alcohol-related products
- **Adult Entertainment**
  - All companies deriving 5% or more revenue from the production of adult entertainment materials
  - All companies deriving 15% or more aggregate revenue from the production, distribution and retail of adult entertainment materials
- **Gambling**
  - All companies deriving 5% or more revenue from ownership of operation of gambling-related business activities

- All companies deriving 15% or more aggregate revenue from gambling-related business activities
- **Genetically Modified Organisms (GMO)**
  - All companies deriving 5% or more revenue from activities like genetically modifying plants, such as seeds and crops, and other organisms intended for agricultural use or human consumption
- **Nuclear Power**
  - All companies deriving 5% or more revenue from the mining of Uranium
  - All companies deriving 5% or more revenue from the ownership or operation of nuclear power plants
  - All companies deriving 5% or more aggregate revenue from nuclear power activities
  - All companies generating 5% or more of their total electricity from nuclear power in a given year
  - All companies that have 5% or more of installed capacity attributed to nuclear sources in a given fiscal year

**Climate Change based Exclusions Criteria:**

- **Fossil Fuel Reserves Ownership**
  - All companies with evidence of owning proven & probable coal reserves and/or proven oil and natural gas reserves used for energy purposes, as defined by the methodology of the MSCI Global Ex Fossil Fuels Indexes available at <https://www.msci.com/index-methodology>
- **Fossil Fuel Extraction**
  - All companies deriving any revenue (either reported or estimated) from thermal coal mining, or unconventional and conventional oil and gas extraction.
    - *Thermal Coal Mining:* Revenue 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
    - *Unconventional Oil & Gas Extraction:* Revenue from oil sands, oil shale (kerogen-rich deposits), shale gas, shale oil, coal seam gas, and coal bed

methane. It does not cover all types of conventional oil and gas production including Arctic onshore/offshore, deepwater, shallow water and other onshore/offshore

- *Conventional Oil & Gas Extraction*: Revenue from all types of conventional oil and gas production including Arctic onshore/offshore, deepwater, shallow water and other onshore/offshore. It does not cover unconventional oil & gas (oil sands, shale oil, shale gas)

- **Fossil Fuel-based Power Generation**

- **Thermal Coal-based Power Generation**

- All companies generating more than 10% of their total electricity from thermal coal in a given year
- All companies that have more than 10% of installed capacity attributed to thermal coal in a given year
- All companies deriving more than 0% revenue (either reported or estimated) from thermal coal-based power generation

- **Oil & Gas-based Power Generation**

- All companies generating more than 30% of their total electricity from liquid fuel and natural gas in a given year
- All companies that have more than 30% of installed capacity attributed to liquid fuel and natural gas in a given year
- All companies deriving more than 30% revenue (either reported or estimated) from liquid fuel- and natural gas-based power generation

For securities classified in the USA and Canada, below additional screens will be applied:

- **Oil & Gas Pipelines and Transportation**

- All companies deriving 30% or more revenue (either reported or estimated) from oil and gas pipelines and transportation. It includes revenues from mid-stream operations but excludes revenues from terminals and storage facilities

- **Oil & Gas Trading**

- All companies deriving 30% or more revenue (either reported or estimated) from the trading of oil and gas and related products



**TIMELINE OF SCREEN ADJUSTMENT**

Some criteria from the above-mentioned screens for Tobacco, will adjust between 2020 and 2025 to reflect the adoption of stricter thresholds over time. The changes will be implemented at the November Index Review of the preceding year, so that the indexes reflect the thresholds for the relevant calendar year.

**Screens that will be modified**

- **Tobacco**

2019 to 2024	2025 onwards
<p>All companies classified as a “Producer”;</p> <p>All companies deriving 5% or more aggregate revenue from the production, distribution, retail and supply of tobacco-related products</p>	<p>All companies that have an industry tie to tobacco products through the distributor, licensor, retailer, supplier, or ownership categories.</p>

## Appendix 2: Guidelines on Achieving the Target Sector Coverage of 25%

The MSCI SRI S-Series Indexes target 25% coverage of the free float-adjusted market capitalization of each Global Industry Classification Standard (GICS®) sector of the regional Parent Index (“cumulative sector coverage”). The underlying principle in the construction of the indexes is to achieve cumulative sector coverage closest to 25%, while aiming to maintain index stability.

The following guidelines are used in achieving the target cumulative sector coverage of 25%:

- For each sector, the eligible companies of the regional Parent Index are first ranked based on the company level ESG Rating.
- If two companies have the same ESG Rating, the company with better ESG Trend is given priority (positive ESG Trend preferred to neutral ESG Trend and neutral ESG Trend preferred to negative ESG Trend).
- In case of two companies with the same ESG Rating and the same ESG Trend, an existing index constituent is given priority to maintain index stability. Between two existing constituents with the same ESG Rating and the same ESG Trend, the company with the higher industry adjusted ESG Score is given priority. For two existing index constituents with the same industry adjusted ESG score, the security with the largest free float-adjusted market capitalization is given priority.
- The cumulative sector coverage at each rank is calculated.
- In each sector, companies are selected as per the rules mentioned in Section 4.1.2 until the cumulative sector coverage crosses 25% or there are no eligible securities left to be selected.
- MSCI defines the company that increases the cumulative sector coverage above 25% as the “marginal company”.
  - If the marginal company is a current index constituent, then it is always selected.
  - If the marginal company is not a current index constituent, then it is selected only if the cumulative sector coverage with the marginal company is closer to 25% compared to the cumulative sector coverage without the marginal company.
- The minimum cumulative sector coverage is set to 22.5%.
  - The marginal company is always selected if this is required to achieve cumulative sector coverage of 22.5%.



- Securities which are ineligible as per Section 4.1.1 will not be selected even if the cumulative sector coverage after selection of all eligible securities is below 25%.

## Appendix 3: MSCI China Select SRI S-Series 10% Capped Index

The MSCI China Select SRI S-Series 10% Capped Index is constructed based on the MSCI SRI S-Series Methodology with the following exceptions to its eligibility criteria, and its issuer capping threshold.

### ESG Ratings Eligibility

Companies are required to have an MSCI ESG Rating of 'BB' or above to be eligible for inclusion in the MSCI China Select SRI S-Series 10% Capped Index.

### Controversial Business Involvement Criteria

Companies whose activities meet the following values and climate change-based criteria, as evaluated by MSCI ESG Research, are excluded from the MSCI China Select SRI S-Series 10% Capped Index.

#### Values-based Exclusions Criteria:

- **Weapons and Firearms**
  - **Controversial Weapons**
    - All companies with any tie to Controversial Weapons (cluster munitions, landmines, depleted uranium weapons, biological/chemical weapons, blinding lasers, non-detectable fragments and incendiary weapons), as defined by the methodology of the MSCI Global Ex-Controversial Weapons Indexes available at <https://www.msci.com/index-methodology>
  - **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

- All companies that manufacture components that were not developed or not significantly modified for exclusive use in nuclear weapons (warheads and missiles) but can be used in nuclear weapons
- All companies that manufacture or assemble delivery platforms that were not developed or not significantly modified for the exclusive delivery of nuclear weapons but have the capability to deliver nuclear weapons
- All companies that manufacture components for nuclear-exclusive delivery platforms
- **Conventional Weapons**
  - All companies deriving 5% or more revenue from the production of conventional weapons
  - All companies deriving 10% or more aggregate revenue from weapons systems, components, and support systems and services
  - All companies that manufacture conventional weapons and weapons systems, including naval, land-based and aircraft gun and fire-control systems; tactical missiles and their warheads and launchers, long-range strategic missiles; howitzers, torpedoes, bombs, ordnance, mortars, submunitions, grenades, ammunition, and other explosive devices; delivery platforms such as bombers, fighters, combat helicopters and attack aircraft; ships (warships, battleships, submarines, battlecruisers, corvettes, landing craft, destroyers, frigates, minehunters, minesweepers, flotillas, river craft, ); armored land vehicles (tactical, assault, tanks, main battle tanks (MBTs))
  - All companies that manufacture conventional weapons components such as engines for attack vehicles or command and control systems
- **Civilian Firearms**
  - All companies classified as “Producer” of firearms and small arms ammunitions for civilian markets. It does not include companies that cater to the military, government, and law enforcement markets.
  - All companies deriving any revenue from the distribution (wholesale or retail) of firearms or small arms ammunition intended for civilian use
- **Tobacco**
  - All companies classified as a “Producer”
  - All companies deriving 5% or more aggregate revenue from the production, distribution, retail, supply and licensing of tobacco-related products

- **Alcohol**
  - All companies deriving 5% or more revenue from the production of alcohol-related products
  - All companies deriving 15% or more aggregate revenue from the production, distribution, retail and supply of alcohol-related products
- **Adult Entertainment**
  - All companies deriving 5% or more revenue from the production of adult entertainment materials
  - All companies deriving 15% or more aggregate revenue from the production, distribution and retail of adult entertainment materials
- **Gambling**
  - All companies deriving 5% or more revenue from ownership of operation of gambling-related business activities
  - All companies deriving 15% or more aggregate revenue from gambling-related business activities
- **Genetically Modified Organisms (GMO)**
  - All companies deriving 5% or more revenue from activities like genetically modifying plants, such as seeds and crops, and other organisms intended for agricultural use or human consumption
  - All companies that genetically modify plants, such as seeds and crops, and other organisms intended for agricultural use or human consumption. It also covers companies that have applied for USDA APHIS permits for field testing, notifications, or deregulated status of genetically modified crops.
- **Nuclear Power**
  - All companies generating 5% or more of their total electricity from nuclear power in a given year
  - All companies that have 5% or more of installed capacity attributed to nuclear sources in a given fiscal year
  - All companies deriving 15% or more aggregate revenue from nuclear power activities
  - All companies that own or operate nuclear power plants
  - All companies that supply key nuclear-specific products or services to the nuclear power industry

### **Climate Change based Exclusions Criteria:**

- **Fossil Fuel Reserves Ownership**
  - All companies with evidence of owning proven & probable coal reserves and/or proven oil and natural gas reserves used for energy purposes, as defined by the methodology of the MSCI Global Ex Fossil Fuels Indexes available at <https://www.msci.com/index-methodology>
- **Fossil Fuel Extraction**
  - All companies deriving any revenue (either reported or estimated) from thermal coal mining, or unconventional and conventional oil and gas extraction.
    - *Thermal Coal Mining:* Revenue 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
    - *Unconventional Oil & Gas Extraction:* Revenue from oil sands, oil shale (kerogen-rich deposits), shale gas, shale oil, coal seam gas, and coal bed methane. It does not cover all types of conventional oil and gas production including Arctic onshore/offshore, deepwater, shallow water and other onshore/offshore
    - *Conventional Oil & Gas Extraction:* Revenue from all types of conventional oil and gas production including Arctic onshore/offshore, deepwater, shallow water and other onshore/offshore. It does not cover unconventional oil & gas (oil sands, shale oil, shale gas)
- **Fossil Fuel-based Power Generation**
  - **Thermal Coal-based Power Generation**
    - All companies generating more than 0% of their total electricity from thermal coal in a given year
    - All companies that have more than 0% of installed capacity attributed to thermal coal in a given year
    - All companies deriving any revenue (either reported or estimated) from thermal coal-based power generation
  - **Oil & Gas-based Power Generation**
    - All companies generating more than 30% of their total electricity from liquid fuel and natural gas in a given year

- All companies that have more than 30% of installed capacity attributed to liquid fuel and natural gas in a given year
- All companies deriving any revenue (either reported or estimated) from liquid fuel and natural gas-based power generation
- **Oil & Natural Gas Refining**
  - All companies deriving any revenue (either reported or estimated) from refining oil and gas

The MSCI China Select SRI S-Series 10% Capped Index is also subject to the screen adjustment timeline detailed in Appendix 1.

The MSCI 10/40 Indexes methodology<sup>4</sup> is applied to the MSCI China Select SRI S-Series 10% Capped Index such that the maximum weight of any issuer is capped at 10%, and all issuers representing more than 5% of the index cannot exceed 40% of the index weight. No buffers are applied to these thresholds. Index will not be rebalanced on “as needed” basis due to breach in constraints between the rebalancings.

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<sup>4</sup> For more details, please refer to the MSCI 10/40 Indexes Methodology at <https://www.msci.com/index-methodology>



**The following section has been updated as of August 2020:**

- Added details on the additional screens used for USA and Canada securities
- Updated the capping details of the MSCI Emerging SRI S-Series 5% Capped Index

**The following sections have been updated as of November 2020:**

Section 3.2.1: Controversial Business Involvement Criteria

- Added screens for 'Fossil Fuel Reserves Ownership'

Appendix 1: Controversial Business Involvement Criteria

- Enhanced screens for 'Fossil Fuel Reserves Ownership'
- Updated the screening criteria for companies involved in 'Thermal Coal Power'

**The following sections have been updated as of February 2021:**

Appendix 1: Controversial Business Involvement Criteria

- Updated the screening criteria for companies involved in Thermal Coal Power Generation, Nuclear Power and Weapons.

Appendix 3: MSCI China Select SRI S-Series 10% Capped Index

- Added construction details for MSCI China Select S-Series 10% Capped Index

**The following sections have been updated as of May 2021:**

Appendix 3: MSCI China Select SRI S-Series 10% Capped Index

- Updated the screening criteria for companies involved in Civilian Firearms, Nuclear Power and Oil and Gas-based Power Generation
- Updated the capping methodology

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