MSCI TAIWAN SELECT ESG SUSTAINABILITY HIGH YIELD TOP 30 INDEX

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1 Introduction

The MSCI Taiwan Select ESG Sustainability High Yield Top 30 Index (herein, the "Index") aims to reflect the performance of a strategy that selects 30 stocks from the MSCI Taiwan Index (herein, the "Parent Index") which have high Dividend Yield, ESG Controversy Score greater than or equal to 3 and ESG Ratings equal to or better than 'BB'. The constituents of the Index are assigned weights in proportion of the score calculated from the historic dividend yield of the constituents.

The Index staggers the changes in securities' number of shares due to rebalancing, in equal proportion over five days leading into and including the effective date of the Index Review.

2 ESG Research Framework

The MSCI Taiwan Select ESG Sustainability High Yield Top 30 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.

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

3 Constructing the Index

3.1 IDENTIFYING THE REFERENCE INDEX

The Reference Index is constructed from the MSCI Taiwan Index (the "Parent Index"). The following steps are applied at initial construction and subsequent reviews of the Reference Index.

- Eligible Universe Screening
- Security Selection
- Security Weighting

3.1.1 ELIGIBLE UNIVERSE SCREENING

3.1.1.1 ESG RATINGS ELIGIBILITY

The 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' and above are eligible for inclusion in the Index. Unrated companies (companies not assessed by MSCI ESG Research on MSCI ESG Rating) are excluded from the eligible universe.

3.1.1.2 ESG CONTROVERSIES SCORE ELIGIBILITY

Companies are required to have an MSCI ESG Controversies Score of 3 or higher to be eligible for inclusion in the Index. Unrated companies (companies not assessed by MSCI ESG Research on MSCI ESG Controversies Score) are excluded from the eligible universe.

3.1.1.3 SIZE ELIGIBILITY

Securities with closing full market capitalization greater than or equal to USD 700 million are eligible for inclusion in the Index.

3.1.1.4 EARNINGS PER SHARE ELIGIBILITY

Securities with positive annual Earnings Per Share[1] are eligible for inclusion in the Index.

Securities in the Parent Index that fulfill all the above criteria form the Eligible Universe.

If the number of securities in the Eligible Universe is less than 20, stocks with highest Earnings Per Share from the remaining stocks in the Parent Index which fulfill the

[1] Please refer to the MSCI Fundamental Data methodology at https://www.msci.com/index-methodology

ESG Ratings Eligibility, ESG Controversies Score Eligibility and Size Eligibility are added sequentially to the Eligible Universe until the number of securities in the Eligible Universe reaches 20.

3.1.1.5 DIVIDEND YIELD ELIGIBILITY

Securities will be ranked in four independent groups, based on their current dividend yield[2], and their dividend yield in each of the last 3 years.

For each dividend yield period group, the securities will be ranked in descending order of dividend yield[3].

Any security that is ranked within the bottom 10%[4] of any ranked group, after rounding down to the observed full percentile integer, are deemed ineligible for inclusion. In addition, any security that does not have dividend yield for a particular period will not be part of the ranking process and will automatically be considered ineligible for inclusion.

3.1.2 SECURITY SELECTION

From the securities in the Eligible Universe, 30 securities are selected for Index inclusion, in descending order, based on the following Dividend Score.

$$Dividend\ Score = 0.25 * Dividend\ Yield + 0.75 * (Average\ Dividend\ Yield\ of\ last\ 3\ yrs)$$

If the number of stocks in the Eligible Universe is less than 30, the Index will have as many stocks as in the Eligible Universe.

3.1.3 SECURITY WEIGHTING

The securities selected for inclusion in the Index are weighted in proportion of the Dividend Score at every Index Review.

The final weights of each security in the MSCI Taiwan Select ESG Sustainability High Yield Top 30 Index will be capped at 15%.

3.2 STAGGERING THE INDEX REBALANCING RESULTS

The rebalance changes of the Index are then staggered for implementation by spreading the change in Index Number of Shares (NOS) for each security over five

[2] Please refer to the MSCI Fundamental Data methodology at https://www.msci.com/eqb/methodology

[3] Should there be two securities with the same dividend yield, the one with the higher free float-adjusted market capitalization applicable to foreign investors is designated a higher rank.

[4] This screening threshold considers securities ranked within the bottom 10.01 – 10.99% to be ineligible for inclusion. For example, a security ranked at 10.75% is considered to be the same as 10% for the purposes of eligibility consideration.

days leading into the rebalancing effective date (T). The change is distributed equally among the five days as compared to the Reference Index, where all the changes are effective on the rebalancing date (T).

For each $t \in \{5\ days\ of\ staggering\}$, number of shares for each security included in the Index ($Staggered\ Index\ NOS\ (t)$) are calculated as below:

$$Staggered\ Index\ NOS\ (t) = Reference\ Index\ NOS\ (t) + [Adjusted\ Reference\ Index\ NOS\ (T) - Reference\ Index\ NOS\ (t)] * (N/5)$$

Where:

$t : Effective\ date\ of\ the\ staggering$

$T: Rebalancing\ effective\ date\ of\ the\ Reference\ Index$

$Reference\ Index\ NOS\ (t)$: $It\ is\ the\ number\ of\ shares\ of\ a\ security\ in\ the\ Reference\ Index\ effective\ on\ t\ (as\ of\ close\ t-1).$ $It\ is\ calculated\ as\ a\ product\ of\ the\ end\ of\ day\ security\ number\ of\ shares\ on\ t-1\ and\ Full\ Market\ Cap\ Adjustment\ Factor$[5] $in\ the\ Reference\ Index\ on\ t$

$Adjusted\ Reference\ Index\ NOS\ (T)$: $Reference\ Index\ NOS\ (T)\ adjusted\ for\ change\ in\ number\ of\ shares\ due\ to\ events\ like\ Rights\ Issues, Split, Consolidation, Stock\ Dividend, effective\ between\ t\ and\ T$

$N = nth\ day\ of\ staggering$

[5] Full Market Cap Adjustment Factor (FMCAF): A factor that is used in index constituent weighting calculation defined as (Inclusion Factor (i.e. FIF)) *(Constraint Factor)*(Variable Weighting Factor). For more details, please refer to section 2.7 of the MSCI corporate Events Methodology book at http://www.msci.com/index-methodology

4 Maintaining the Index

4.1 SEMI ANNUAL INDEX REVIEWS

The Reference Index is rebalanced on a semi-annual basis as per the steps described in Section 3, usually as of the close of the last business day of May and November, coinciding with the May and November Semi-Annual Index Review (SAIR) of the MSCI Global Investable Market Indexes. The MSCI Taiwan Select ESG Sustainability High Yield Top 30 Index is generally rebalanced over five days T-4, T-3, T-2, T-1 and T, where T is the effective date of the May and November Semi-Annual Index Review of the MSCI Global Investable Market Indexes.

In general, MSCI uses MSCI ESG Research data (including MSCI ESG Ratings MSCI ESG Controversies Scores) 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.

4.1.1 BUFFER RULES

To reduce Index turnover and enhance Index stability, buffer rules are applied at 16.66% of the fixed number of securities in the MSCI Taiwan Select ESG Sustainability High Yield Top 30 Index.

For example, the MSCI Taiwan Select ESG Sustainability High Yield Top 30 Index targets 30 securities and the buffers are applied between rank 26 and 35. The securities in the Parent Index with a Dividend Score rank at or above 25 will be added to the MSCI Taiwan Select ESG Sustainability High Yield Top 30 Index on a priority basis. The existing constituents that have a Dividend Score rank between 26 and 35 are then successively added until the number of securities in the MSCI Taiwan Select ESG Sustainability High Yield Top 30 Index reaches 30. If the number of securities is below 30 after this step, the remaining securities in the Parent Index with the highest Dividend Score rank are added until the number of securities in the MSCI Taiwan Select ESG Sustainability High Yield Top 30 Index reaches 30.

4.2 ONGOING EVENT-RELATED CHANGES

Corporate event treatment for the Index depends on whether the effective date of the event falls within the Staggering Period or outside the Staggering Period. Staggering Period is the time period starting from the first day of the staggering until T (the effective date of the rebalancing of the Reference Index).

4.2.1 EVENTS EFFECTIVE OUTSIDE THE STAGGERING PERIOD

The general treatment of corporate events effective outside the staggering period in the 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. Further, changes in index market capitalization that occur because of corporate event implementation will be offset by a corresponding change in the Variable Weighting Factor (VWF) of the constituent.

Additionally, if the frequency of Index Reviews in the Parent Index is greater than the frequency of Index Reviews in the Index, the changes made to the Parent Index during intermediate Index Reviews will be neutralized in the Index.

The following section briefly describes the treatment of common corporate events within the 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.

There are no deletions from the Index between Index Reviews on account of a security becoming ineligible because of any change in the ESG data.

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 be added to the index with an estimated full market capitalization adjustment factor on the date of security inclusion.
Spin-Offs	All securities created as a result of the spin-off of an existing Index constituent will 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.
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 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

4.2.2 EVENTS EFFECTIVE DURING THE STAGGERING PERIOD

Events effective in the Index during the staggering period incorporate the event implementation in the Reference Index. The impact of events on the Index depends on the type of event and calculation date of the Index as elaborated below.

4.2.2.1 CALCULATION ON T-9

a) Before effective date

The pro forma Index in general is announced nine business days before T (T-9). If there is an event already confirmed on T-9 with an effective date in the staggering period, the change in numbers of shares for the security due to the rebalancing will not be staggered for such security until the event effective date. In this case, number of shares for that security in the Index will be same as that in the Reference Index. In case of multiple events, the staggering will be postponed till the effective date of the earliest event.

b) On and after effective date

In case of Rights Issues and market neutral events (like Split, Consolidation, Stock Dividend etc.) which involve change in security number of shares but does not involve change in the full market cap adjustment factor in the Reference Index, staggering (as explained in the Section 3.2) will start from the next day of the event effective date.

For all other events, staggering (as explained in the Section 3.2) will start from the effective date of the event.

4.2.2.2 CALCULATION AFTER T-9

a) Before Effective Date

In case of an event effective in the staggering period, the numbers of shares for the security involved in the event as announced on T-9 will hold until a day before the effective date. In case of multiple events, the effective date of the earliest event will be taken into account.

b) On and after the Effective Date

In case of Rights Issues and market neutral events (like Split, Consolidation, Stock Dividend etc.) which involve change in security number of shares but does not involve a change in inclusion factor in the Reference Index, staggering (as explained in the Section 3.2) will be applied from the next day of the event effective date, taking into account the new post event number of shares in the Reference Index.

For all other events, staggering (as explained in the Section 3.2) will be applied from the effective date of the event, incorporating the post event number of shares in the Reference Index.

4.2.3 TREATMENT OF SUSPENDED SECURITIES

A suspension treatment will be applied to any security suspended on any day starting from two days before the start of the Staggering Period through T-4. On the day of suspension (t), the pro-forma Full Market Cap Adjustment Factor in the Index announced for the security for the next day (t+1) will be held constant until T. However, in case, on T-4, if a new addition to the Parent Index is reverted due to suspension and the security is no longer a part of the Parent Index on T, the security will also be deleted from the Index effective on T.

In case a security resumes suspension on or before T-2, the Full Market Cap Adjustment Factor of the security in the Index on T will be set equal to the Full Market Cap Adjustment Factor of the security in the Reference Index on T.

Suspension treatment may result in different constituents and weights for the Index on T as compared to the Reference Index on the same day (T).

The following sections have been modified since April 2020

Section 4.2 Ongoing Event-Related Changes[6]

- Updated the treatment of Corporate Event – New Additions to the Parent Index

The following sections have been modified effective June 01, 2022:

Section 1: Introduction

Section 3: Constructing the Index

- Updated the steps to clarify the construction of the Reference Index
- Added Section 3.2 to illustrate the steps in staggering the index rebalancing results

Section 4: Maintaining the Index

- Updated Section 4.1 to distinguish the maintenance rules between the Reference Index and the Index
- Updated Section 4.2 to illustrate the corporate event treatment for the Index related to the staggered index rebalancing

The following sections have been modified effective December 01, 2022:

Section 3: Constructing the Index

- Added Section 3.1.1.5 as an additional eligibility screening criteria for the index

[6] These changes are effective from May 2021 SAIR

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