

MSCI TAIWAN SELECT ESG SUSTAINABILITY HIGH YIELD TOP 30 INDEX

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Contents

- 1 Introduction 3
- 2 ESG Research Framework 4
 - 2.1 MSCI ESG Ratings..... 4
 - 2.2 MSCI ESG Controversies 4
- 3 Constructing the Index 5
 - 3.1 Eligible Universe Screening..... 5
 - 3.1.1 ESG Ratings Eligibility..... 5
 - 3.1.2 ESG Controversies Score Eligibility 5
 - 3.1.3 Size Eligibility 5
 - 3.1.4 Earnings per share eligibility 5
 - 3.2 Security Selection 6
 - 3.3 Security Weighting..... 6
- 4 Maintaining the Index..... 7
 - 4.1 Semi Annual Index Reviews 7
 - 4.1.1 Buffer Rules..... 7
 - 4.2 Ongoing Event-Related Changes 7

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.

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

The MSCI Taiwan Select ESG Sustainability High Yield Top 30 Index is constructed from the MSCI Taiwan Index. The following steps are applied at initial construction and subsequent reviews of the Index:

- Eligible Universe Screening
- Security Selection
- Security Weighting

3.1 ELIGIBLE UNIVERSE SCREENING

3.1.1 ESG RATINGS ELIGIBILITY

The MSCI Taiwan Select ESG Sustainability High Yield Top 30 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 MSCI Taiwan Select ESG Sustainability High Yield Index. Unrated companies (companies not assessed by MSCI ESG Research on MSCI ESG Rating) are excluded from the eligible universe.

3.1.2 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 MSCI Taiwan Select ESG Sustainability High Yield Index. Unrated companies (companies not assessed by MSCI ESG Research on MSCI ESG Controversies Score) are excluded from the eligible universe.

3.1.3 SIZE ELIGIBILITY

Securities with closing full market capitalization greater than or equal to USD 700 million are eligible for inclusion in the MSCI Taiwan Select ESG Sustainability High Yield Index.

3.1.4 EARNINGS PER SHARE ELIGIBILITY

Securities with positive annual Earnings Per Share¹ are eligible for inclusion in the MSCI Taiwan Select ESG Sustainability High Yield Index.

Securities in the Parent Index that fulfil 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 fulfil ESG

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

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.

3.2 SECURITY SELECTION

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

$$\text{Dividend Score} = 0.25 * \text{Dividend Yield}^2 + 0.75 * (\text{Average Dividend Yield of last 3 yrs})$$

If the number of stocks in the Eligible Universe is less than 30, MSCI Taiwan Select ESG Sustainability High Yield Top 30 Index will have as many stocks as in the Eligible Universe.

3.3 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%.

² Please refer to the MSCI Fundamental Data methodology at <https://www.msci.com/index-methodology>

4 Maintaining the Index

4.1 SEMI ANNUAL INDEX REVIEWS

The MSCI Taiwan Select ESG Sustainability High Yield Top 30 Index is reviewed on a semi-annual basis as per the steps described in Section 3, coinciding with the May and November Semi-Annual Index Reviews of the Parent Index.

In general, MSCI uses MSCI ESG Research data (including MSCI ESG Ratings and 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

The following section briefly describes the treatment of common corporate events within the MSCI Taiwan Select ESG Sustainability High Yield Top 30 Index. 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.

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
New additions to the Parent Index	A new security added to the parent index (such as IPO and other early inclusions) will trigger an ad-hoc rebalancing of the Index.
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>.

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