

MSCI World ESG Select Impact ex Fossil Fuels Index

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1 INTRODUCTION

The MSCI World ESG Select Impact ex Fossil Fuels Index (the “Index”) is an index designed to represent the performance of a strategy that identifies securities of companies that help address one or more of the social and environmental themes as defined by MSCI ESG Research’s Sustainable Impact Metrics.

To be eligible for inclusion in the Index, securities must cumulatively generate at least 30% of sales from social and environmental themes and meet minimum ESG standards (defined in Section 3.2).

The eligible securities are weighted in proportion of their weights in the MSCI World ESG Leaders Index (the “Parent Index”) followed by capping applied to the sector and issuer weights.

2 ESG RESEARCH FRAMEWORK

MSCI ESG Research provides in-depth research, ratings and analysis of the environmental, social and governance-related business practices of thousands of companies worldwide. It consists of an integrated suite of tools and products to efficiently manage research, analysis and compliance tasks across the spectrum of ESG factors.

The MSCI World ESG Select Impact ex Fossil Fuels Index uses company ratings and research data provided by MSCI ESG Research. In particular, this index uses the following MSCI ESG Research products: MSCI ESG Ratings Score, MSCI ESG Controversies Score, MSCI ESG Business Involvement Screening Research, MSCI ESG Climate Change Metrics and MSCI ESG Sustainable Impact Metrics.

For details on MSCI ESG Research’s full suite of ESG products, please refer to: http://www.msci.com/products/esg/about_msci_esg_research.html

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 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

2.4 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.

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

2.5 MSCI ESG SUSTAINABLE IMPACT METRICS

MSCI ESG Research’s Sustainable Impact Metrics is designed to identify companies that currently offer products or services that address at least one of the major social and environmental challenges as defined by the UN Sustainable Development Goals. Designed as a positive screen, it is designed to highlight companies that are deriving

sales from products or services that may have a positive impact on society and the environment under the following categories:

Figure 1 - MSCI Sustainable Impact Taxonomy

Pillar	Themes	Categories
Environmental*	Climate Change	1. Alternative energy
		2. Energy efficiency
		3. Green building
	Natural capital	4. Sustainable water
		5. Pollution prevention
Social	Basic needs	6. Nutrition
		7. Major Disease Treatment
		8. Sanitation
		9. Affordable Real Estate
	Empowerment	10. SME Finance
		11. Education

*Note that the environmental metrics are based on MSCI ESG Research Cleantech Metrics.

For more details on MSCI Sustainable Impact Metrics, please refer to <https://www.msci.com/esg-sustainable-impact-metrics>

3 INDEX CONSTRUCTION METHODOLOGY

The MSCI World ESG Select Impact ex Fossil Fuels Index is constructed using the following steps:

- Defining the Parent Index
- Applying the Screening Criteria
- Determining the Index Weights

The steps mentioned above are defined in detail in the subsequent sections.

3.1 DEFINING THE PARENT INDEX

The Parent Index serves as the universe of eligible securities for the Index. The MSCI World ESG Select Impact ex Fossil Fuels Index is constructed using the MSCI World ESG Leaders Index as the Parent Index.

3.2 APPLYING THE SCREENING CRITERIA

The securities which meet the screening criteria defined in Appendix I are excluded from the Parent Index. The remaining securities are eligible for inclusion in the Index. The exclusions are based on the data provided by MSCI ESG Research and are determined quarterly coinciding with the MSCI Quarterly Index Reviews ("QIR").

3.3 DETERMINING THE INDEX WEIGHTS

The securities eligible for inclusion after applying the above screening criteria, are weighted in proportion of their weights in the Parent Index. Additionally, sector weights are capped¹ at 25% and issuer weights are capped at 5%.

¹ The capping criteria may be relaxed if capping is infeasible for one or more sectors.

4 MAINTAINING THE INDEXES

4.1 QUARTERLY INDEX REVIEWS

The MSCI World ESG Select Impact ex Fossil Fuels Index is rebalanced on a quarterly basis, usually as of the close of the last business day of February, May, August and November, coinciding with the regular Semi-Annual and Quarterly Index Reviews of the MSCI Global Investable Market Indexes. The ESG data used for the Index Reviews will be taken as of the end of the month preceding the Index Review i.e., January, April, July and October. For some securities, ESG 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 World ESG Select Impact ex Fossil Fuels Index. This approach aims to capture timely updates to ESG data of the constituents and coincides with the rebalancing of the relevant MSCI Parent Indexes.

The pro forma MSCI World ESG Select Impact ex Fossil Fuels Index is in general announced nine business days before the effective date.

4.2 ONGOING EVENT RELATED CHANGES

The general treatment of corporate events in the MSCI World ESG Select Impact ex Fossil Fuels 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, through an accounting of proportionate share inflows related to an event.

The following section briefly describes the treatment of common corporate events within the MSCI World ESG Select Impact ex Fossil Fuels 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

New additions to the Parent Index

A new security added to the parent index (such as IPO and other early inclusions) will not be added to the index.

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.

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>

APPENDIX I

Securities are excluded from the Parent Index based on following screening criteria:

Sustainable Impact Sales Percentage:

Securities of companies that have cumulatively generated less than 30% of sales from one or more of the social and environmental themes as defined by MSCI ESG Research's Sustainable Impact Metrics.

For more details on MSCI Sustainable Impact Metrics, please refer to <https://www.msci.com/esg-sustainable-impact-metrics>

ESG Controversies:

Securities of companies that have faced ESG controversies as defined by an MSCI ESG Controversy Score of 0, 1 and 2.

For more details on MSCI ESG Controversies Score, please refer to <https://www.msci.com/esg-integration>

Fossil Fuels:

Securities of companies that have proved and probable coal reserves and/or oil and natural gas reserves used for energy purposes.

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

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* = toll free

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