

METHODOLOGY BOOK FOR:
**- MSCI WORLD HEALTH CARE TOP
ESG RATINGS SELECT INDEX**
**- MSCI WORLD HEALTH CARE TOP
ESG RATINGS SELECT 5%
DECREMENT INDEX**

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1 Introduction

The MSCI World Health Care Top ESG Ratings Select Index aims to represent the performance of an equal weighted portfolio of 50 Health Care related stocks with robust ESG characteristics.

The MSCI World Health Care Top ESG Ratings Select 5% Decrement Index aims to represent the net performance of the MSCI World Health Care Top ESG Ratings Select Index, while applying a constant markdown ('synthetic dividend') of 5% on an annual basis, expressed as a percentage of performance.

2 ESG Research Framework

The MSCI World Health Care Top ESG Ratings Select Index uses company ratings and research provided by MSCI ESG Research LLC. The indexes use the following 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-investing>

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.

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 Index

The MSCI World Health Care Top ESG Ratings Select Index is constructed from MSCI World Index (the “Parent Index”).

The following steps are applied at initial construction as well as subsequent Quarterly and Semi-Annual Index Reviews of the MSCI World Health Care Top ESG Ratings Select Index:

- Eligible Universe Screening
- ESG Eligibility Criteria
- GICS® Sector and Industry Selection
- Security Selection
- Security Weighting

After the above steps, the following additional step is applied to construct the MSCI World Health Care Top ESG Ratings Select 5% Decrement Index

- Applying the MSCI Decrement Indexes Methodology¹

3.1 ELIGIBLE UNIVERSE SCREENING

3.1.1 ESG RATINGS ELIGIBILITY

The MSCI World Health Care Top ESG Ratings Select 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 ‘AAA’, ‘AA’ or ‘A’ are eligible for inclusion in the MSCI World Health Care Top ESG Ratings Select Index.

3.1.2 ESG CONTROVERSIES SCORE ELIGIBILITY

The MSCI World Health Care Top ESG Ratings Select Index uses 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

¹Please refer to the MSCI Decrement Indexes methodology at www.msci.com/index-methodology

ESG Controversies Score of 1 or higher to be eligible for inclusion in the MSCI World Health Care Top ESG Ratings Select Index.

3.1.3 CONTROVERSIAL BUSINESS INVOLVEMENT CRITERIA

The MSCI World Health Care Top ESG Ratings Select Index uses 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 below values- and climate change-based criteria are excluded from the Eligible Universe. Please refer to Appendix 3 for details on these criteria.

- Compliance with all the UN Global Compact Principles
- Controversial Weapons
- Nuclear Weapons
- Thermal Coal
- Conventional Weapons
- Tobacco
- Gambling
- Alcohol
- Adult Entertainment
- Biocides
- Oil & Gas Extraction
- Genetic Engineering
- Uranium Mining
- Palm Oil Production
- Oil Sands

3.2 GICS®² SECTOR AND INDUSTRY SELECTION

The securities remaining post Eligible Universe Screening that belong to the following GICS sector are selected.

²GICS, the global industry classification standard jointly developed by MSCI and S&P Global. For more details please refer to <https://www.msci.com/gics>

No.	GICS® SECTOR
35	Health Care

3.3 CONSTITUENT SECURITIES SELECTION

All the securities from 3.2 are subsequently divided into three regions³ and ranked in the descending order of their free float market capitalization. The following respective number of securities from each region are selected for inclusion in the index:

- North America – 35 securities
- Europe – 10 securities
- Pacific – 5 securities

If less than the above specified number of securities from each region are remaining after step 3.2 then all the available securities from each region are selected.

3.4 SECURITY WEIGHTING

Each selected security is then assigned an equal weight at initial construction and at every Index Review, in accordance with the MSCI Equal Weighted Indexes methodology⁴.

3.5 APPLYING THE MSCI DECREMENT INDEXES METHODOLOGY

The MSCI Decrement Indexes Methodology⁵ is applied on the MSCI World Health Care Top ESG Ratings Select Index to construct the MSCI World Health Care Top ESG Ratings Select 5% Decrement Index. The parameters for the application of the decrement methodology in the above index is noted in Appendix 2.

³ Please refer to Appendix 1 for details

⁴ Please refer to the MSCI Equal Weighted Indexes methodology at www.msci.com/index-methodology

⁵ Please refer to the MSCI Decrement Indexes methodology at www.msci.com/index-methodology

4 Maintaining the Index

4.1 QUARTERLY INDEX REVIEWS

The MSCI World Health Care Top ESG Ratings Select Index is reviewed on a quarterly basis as per the steps described in Section 3, coinciding with the May and November Semi-Annual Index Reviews and the February and August Quarterly Index Reviews of the Parent Index.

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.

4.2 DAILY DECREMENT CALCULATION

The performance of the MSCI World Health Care Top ESG Ratings Select 5% Decrement Index is computed by reducing the net performance of the MSCI World Health Care Top ESG Ratings Select Index, by a fixed percentage, on a daily basis using parameters detailed in Appendix 2.

4.3 ONGOING EVENT-RELATED CHANGES

The following section briefly describes the treatment of common corporate events within the MSCI World Health Care Top ESG Ratings Select 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. 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>

Appendix 1: Regions

The following indexes are used as reference to identify countries belonging to each region in MSCI World Health Care Top ESG Ratings Select Index

	Region	Index
1	North America	MSCI North America Index
2	Europe	MSCI Europe Index
3	Pacific	MSCI Pacific Index

Appendix 2: Parameters used for the MSCI World Health Care Top ESG Ratings Select 5% Decrement Index

The following parameters are used for the calculation of MSCI World Health Care Top ESG Ratings Select 5% Decrement Index

	MSCI Decrement Indexes Methodology Parameters	Parameters
1	Currency of Calculation	EUR
2	Return Variant of the MSCI World Health Care Top ESG Ratings Select Index	Daily Net Total Return
3	Decrement Type	Fixed Percentage
4	Decrement Application	Geometric
5	Decrement Value	5%
6	Day-count Convention	Actual / 360
7	Index Floor	0
8	Decrement Frequency	Daily

Appendix 3: Values- and Climate Change-Based Exclusion Criteria

MSCI World Health Care Top ESG Ratings Select Index is constructed with an aim to reflect the performance of companies that are consistent with specific values- and climate change-based criteria.

Compliance with all the UN Global Compact Principles

- All companies that fail to comply with the United Nations Global Compact principles are excluded. In this filter, activities are not classified under any specific tolerance level

Values-based Exclusions Criteria

- **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) according to MSCI Ex-Controversial Weapons Indexes are excluded.

- **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).
- All companies that manufacture or assemble delivery platforms that were not developed or not significantly modified for the exclusive delivery of nuclear weapons.

- All companies that manufacture components for nuclear-exclusive delivery platforms.
- **Conventional Weapons**
 - All companies that manufacture conventional weapons components or conventional weapons and weapons systems and earn 5% or more in revenue from these activities.
- **Tobacco**
 - All companies classified as a “Producer”.
 - All companies deriving more than 0% aggregate revenue from the production, distribution, retail and supply of tobacco-related products.
- **Gambling**
 - All companies classified as gambling “Operations” or “Support” that earn 5% or more revenue from gambling-related products.
- **Alcohol**
 - All companies classified as alcohol “Producer” that earn either 10% or more revenue from alcohol-related products.
- **Adult Entertainment**
 - All companies classified as a “Producer” that earn more than 0% in revenue from adult entertainment materials.
 - All companies that earn more than 5% or more revenue from the retail sale of adult entertainment products through specialty stores or online sites.
- **Genetically Modified Organisms (GMO)**
 - All companies deriving more than 0% revenue from genetically modifying plants, such as seeds and crops, and other organisms intended for agricultural use or human consumption
- **Palm Oil**
 - All companies deriving more than 0% revenue from the production of Palm Oil
- **Biocide**
 - All companies deriving 5% or more revenue from biocides related business activities.
- **Uranium Mining**

- All companies that own or operate active uranium mines
- **Oil Sands**
 - All companies deriving more than 0% revenue from oil sands extraction are excluded.

Climate Change-based Exclusions Criteria

- **Thermal Coal Mining**
 - All companies deriving 5% or more revenue from the mining of thermal coal are excluded
- **Unconventional Oil & Gas Extraction**
 - All companies deriving 5% or more revenue from unconventional oil and gas. It includes revenues from oil sands, shale gas, and shale oil. It excludes all types of conventional oil and gas production including Arctic
- **Conventional Oil & Gas Extraction**
 - All companies deriving 5% or more revenue from conventional oil and gas. It includes all types of conventional oil and gas production including Arctic

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