

**METHODOLOGY BOOK FOR:
-MSCI WORLD IMI DISRUPTIVE
TECHNOLOGY ESG 30 SELECT
INDEX
- MSCI WORLD IMI DISRUPTIVE
TECHNOLOGY ESG 30 SELECT 5%
DECREMENT INDEX**

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1 Introduction

The MSCI World IMI Disruptive Technology ESG 30 Select Index aims to represent the performance of a quarterly rebalanced portfolio of 30 stocks that have higher exposure to Disruptive Technology business activity and a robust ESG profile.

The MSCI World IMI Disruptive Technology ESG 30 Select 5% Decrement Index aims to represent the net performance of the MSCI World IMI Disruptive Technology ESG 30 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 IMI Disruptive Technology ESG 30 Select Index uses company ratings and research provided by MSCI ESG Research LLC. The index uses 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 IMI Disruptive Technology ESG 30 Select Index is constructed from the MSCI World IMI Index (herein, the “Parent Index”).

The following steps are applied in the MSCI World IMI Disruptive Technology ESG 30 Select Index:

- Applicable Universe
- Eligible Universe Screening
- ESG Eligibility Criteria
- Security Selection
- Security Weighting

After the above steps, the following additional step is applied to construct the MSCI World IMI Disruptive Technology ESG 30 Select 5% Decrement Index

- Applying the MSCI Decrement Indexes Methodology

3.1 APPLICABLE UNIVERSE

The Applicable Universe for MSCI World IMI Disruptive Technology ESG 30 Select Index is constructed by selecting only those securities from the Parent Index that are also a part MSCI ACWI IMI Disruptive Technology Index¹.

3.2 ELIGIBLE UNIVERSE SCREENING

3.2.1 LIQUIDITY CRITERIA

Securities with 3-month ADTV greater than or equal to USD 5 Million are eligible for inclusion in the MSCI World IMI Disruptive Technology ESG 30 Select Index.

ADTV is defined as Average Daily Traded Value and is calculated as:

¹ MSCI ACWI IMI Disruptive Technology Index Methodology at <https://www.msci.com/index-methodology>

$$ADTV_{3M} = \frac{ATV_{3M}^2}{252}$$

Where ATV_{3M} is annualized 3-month Average Traded Value of the security.

To avoid multiple securities of the same company in the final index, only the most liquid security for each issuer per its 3-month ADTV is eligible for inclusion in the Index. For any issuer, should two securities have the same 3-month ADTV, the one with the higher free float-adjusted market capitalization is included.

3.2.2 ESG RATINGS ELIGIBILITY

The MSCI World IMI Disruptive Technology ESG 30 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 IMI Disruptive Technology ESG 30 Select Index

3.2.3 ESG CONTROVERSIES SCORE ELIGIBILITY

The MSCI World IMI Disruptive Technology ESG 30 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 ESG Controversies Score of 1 or higher to be eligible for inclusion in the MSCI World IMI Disruptive Technology ESG 30 Select Index.

3.2.4 CONTROVERSIAL BUSINESS INVOLVEMENT CRITERIA

The MSCI World IMI Disruptive Technology ESG 30 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 1 for details on these criteria.

- Controversial Weapons
- Nuclear Weapons
- Thermal Coal
- Conventional Weapons

² MSCI Index Calculation Methodology at <https://www.msci.com/index-methodology>

MSCI Global Investable Market Indexes Methodology at <https://www.msci.com/index-methodology>

- Tobacco
- Gambling
- Alcohol
- Adult Entertainment
- Biocides
- Oil & Gas Extraction
- Genetic Engineering
- Uranium Mining
- Palm Oil Production

3.3 SECURITY SELECTION

From the securities in the Eligible Universe that meet the above screening criteria, the largest 30 securities based on their free-float adjusted market capitalization are selected for inclusion in the MSCI World IMI Disruptive Technology ESG 30 Select Index. Should there be two securities with the same free float adjusted market capitalization, the one with higher liquidity per its 3-month ATV is selected. In case there are less than 30 securities left after applying the above screens all the available securities are selected.

3.4 SECURITY WEIGHTING

The securities selected for inclusion in the Index are assigned equal weights.

3.5 APPLYING THE MSCI DECREMENT INDEXES METHODOLOGY

The MSCI Decrement Indexes Methodology³ is applied on the MSCI World IMI Disruptive Technology ESG 30 Select Index to construct the MSCI World IMI Disruptive Technology ESG 30 Select 5% Decrement Index.

The parameters for the application of the decrement methodology in the above indexes are noted in Appendix 2.

³Please refer to the MSCI Decrement Indexes methodology at www.msci.com/index-methodology.

4 Maintenance of the MSCI World IMI Disruptive Technology ESG 30 Select

4.1 QUARTERLY INDEX REVIEWS

The MSCI World IMI Disruptive Technology ESG 30 Select Index is reviewed on a quarterly basis, coinciding with the May and November Semi-Annual Index Reviews and the February and August Quarterly Index Reviews of the Parent Index.

The pro forma Index is typically announced nine business days before the effective date.

4.2 DAILY DECREMENT CALCULATION

The performance of the MSCI World IMI Disruptive Technology ESG 30 Select 5% Decrement Index is computed by reducing the performance of the MSCI World IMI Disruptive Technology ESG 30 Select Index, by a fixed percentage, on a daily basis using parameters detailed in Appendix 2.

4.3 ONGOING EVENT RELATED CHANGES

The general treatment of corporate events in the MSCI World IMI Disruptive Technology ESG 30 Select 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 as a result 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. No new securities will be added (except where noted below) to the Index between Index Reviews. 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 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: Values- and Climate Change-Based Exclusion Criteria

The World IMI Disruptive Technology ESG 30 Select Index is constructed with an aim to reflect the performance of companies that are consistent with specific values- and climate change-based criteria.

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 5% or more 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

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
- **Palm Oil**
 - All companies deriving 0% or more 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

Appendix 2: Parameters used for MSCI World IMI Disruptive Technology ESG 30 Select 5% Decrement Index

- The following parameters are used for the calculation of MSCI World IMI Disruptive Technology ESG 30 Select 5% Decrement Index

	MSCI Decrement Indexes Methodology Parameters	Parameters
1	Currency of Calculation	EUR
2	Return Variant of the MSCI World IMI Disruptive Technology ESG 30 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

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* = toll free

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