

MSCI WORLD IMI SELECT SUSTAINABLE IMPACT TOP 20 INDEX METHODOLOGY

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1 INTRODUCTION

The MSCI World IMI Select Sustainable Impact Top 20 Index aims to represent the performance of an equally weighted strategy that selects 20 companies with the highest quality score from a list of companies whose core business addresses at least one of the world's social and environmental challenges, as defined by the United Nations Sustainable Development Goals (UN SDGs).

2 MSCI ESG RESEARCH

The Index uses company ratings and research provided by MSCI ESG Research. In particular, the indexes use the following four MSCI ESG Research products: MSCI ESG Ratings, MSCI ESG Controversies, ESG Business Involvement Screening Research 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 provide research, analysis and ratings of how well companies manage their environmental, social and governance risks and opportunities.

For more details on MSCI ESG Ratings, please refer to https://www.msci.com/documents/1296102/1636401/MSCI_ESG_Ratings.pdf

2.2 MSCI ESG CONTROVERSIES

MSCI ESG Controversies assess 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.

For more details on MSCI ESG Controversies, please refer to www.msci.com/documents/esg-controversies

2.3 MSCI ESG BUSINESS INVOLVEMENT SCREENING RESEARCH

MSCI ESG Business Involvement Screening Research is designed to identify global publicly-traded companies involved in activities such as the production of controversial weapons, tobacco products, or those that violate religious screening mandates such as Catholic or Islamic Values.

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 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:

MSCI Sustainable Impact Taxonomy

Pillar	Themes	Categories
Environmental*	Climate Change	<ol style="list-style-type: none"> 1. Alternative energy 2. Energy efficiency 3. Green building
	Natural capital	<ol style="list-style-type: none"> 4. Sustainable water 5. Pollution prevention
Social	Basic needs	<ol style="list-style-type: none"> 6. Nutrition 7. Major Disease Treatment 8. Sanitation 9. Affordable Real Estate
	Empowerment	<ol style="list-style-type: none"> 10. SME Finance 11. Education

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

3 CONSTRUCTING THE MSCI WORLD IMI SELECT SUSTAINABLE IMPACT TOP 20 INDEX

The MSCI World IMI Select Sustainable Impact Top 20 Index (the “Index”) is constructed from the MSCI World Investible Market Index (the “Parent Index”) using the following steps:

- Defining the Eligible Universe
- Security Selection
- Weighting Scheme

These steps are defined in greater detail in the subsequent sections:

3.1 DEFINING THE ELIGIBLE UNIVERSE

The eligible universe comprises of all constituents of the Parent Index that meet the below mentioned criteria:

3.1.1 ELIGIBLE COUNTRIES

Constituents must be trading in the countries mentioned in Appendix 1.

3.1.2 MARKET CAPITALIZATION AND LIQUIDITY THRESHOLD

Constituents must have a minimum free-float adjusted security market capitalization of USD 500 million and a 3-month Annualized Traded Value (ATV)¹ greater than or equal to USD 500 million.

3.1.3 ISSUER LEVEL SCREENING

To avoid multiple securities of the same company in the final index, only the most liquid security for each issuer is included, ranked in descending order of 3-month ATV. For any issuer, should two issues have the same 3-month ATV, the one with the higher free float-adjusted market capitalization is included.

3.1.4 MINIMUM ESG STANDARDS

Constituents must not be flagged based on any of the below mentioned ESG criteria:

1. **MSCI ESG Controversies:** Companies that have faced very severe or severe ESG controversies, as defined by an MSCI ESG Controversy Score of 0 or 1.

¹ Please refer to the MSCI Index Calculation methodology available at www.msci.com/index-methodology

2. **MSCI ESG Ratings:** Companies that have an MSCI ESG Rating of BBB or below.
3. **Business Involvement:** Companies that are involved in the following businesses and meet the business involvement exclusion criteria as detailed in Appendix 2:
 - Alcohol
 - Animal testing
 - Civilian Firearms
 - Conventional Weapons
 - Controversial Weapons
 - Genetically Modified Organisms
 - Nuclear Power
 - Nuclear Weapons
 - Oil and Gas
 - Predatory Lending
 - Thermal Coal
 - Tobacco

3.1.5 SUSTAINABLE IMPACT SALES PERCENTAGE

Constituents must generate at least 50% of their revenues from any one of the following ten sustainable impact categories as defined by MSCI ESG Research Sustainable Impact Metrics².

1. Alternative Energy
2. Energy Efficiency
3. Green Building
4. Sustainable Water
5. Pollution Prevention
6. Nutrition
7. Major Disease Treatments
8. Sanitation

² Please refer to the methodology book of the MSCI ACWI Sustainable Impact Indexes available at www.msci.com/index-methodology for the definitions of the sustainable impact categories.

- 9. SME Finance
- 10. Education

3.2 SECURITY SELECTION

The Index is created by applying the following steps on the Eligible Universe determined in section 3.1, sequentially:

1. All constituents in the eligible universe defined in section 3.1 are ranked based on their quality score. The quality score is determined in accordance with Section 2.2 of the MSCI Quality Indexes Methodology.³
2. If there are fewer than 20 securities at this stage, all the securities are selected for inclusion in the Index.
3. If there are more than 20 securities at this stage, for each sustainable impact category defined in section 3.1.5 above, the top 2 constituents based on quality score that have also generated at least 50% revenues from that category are selected.
 - If two constituents have the same quality score, the constituent with the higher market capitalization is selected.
4. If the total number of securities selected after step 3 is less than 20, the shortfall is met by adding the highest ranked constituents based on quality score from the remaining securities in the Eligible Universe.

3.3 WEIGHTING SCHEME

Each selected security is assigned an equal weight at initial construction and at every index review, in accordance with the MSCI Equal Weighted Indexes methodology.⁴

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

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

4 INDEX REVIEWS

4.1 SEMI-ANNUAL INDEX REVIEWS

The MSCI World IMI Select Sustainable Impact Top 20 Index is reviewed on a semi-annual basis to coincide with the regular Semi-Annual Index Reviews of the MSCI Global Investable Market Indexes. The changes are implemented as of the close of the last business day of May and November.

In general, MSCI uses MSCI ESG Research data (including MSCI ESG Ratings, MSCI ESG Controversies Scores, MSCI Business Involvement Screening Research and MSCI ESG Sustainable Impact Metrics) 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 MSCI World IMI Select Sustainable Impact Top 20 Index.

The pro forma Index is, in general, announced nine business days before the effective date.

4.2 ONGOING EVENT-RELATED MAINTENANCE

The general treatment of corporate events in the MSCI World IMI Select Sustainable Impact Top 20 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.

The following section briefly describes the treatment of common corporate events within the MSCI World IMI Select Sustainable Impact Top 20 Index.

No new securities will be added (except where noted below) to the Indexes 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.

The MSCI Corporate Events methodology book is available at: <https://www.msci.com/index-methodology>.

APPENDIX 1: ELIGIBLE COUNTRIES

Only the securities that are traded in the following countries would be eligible:

1. Australia
2. Austria
3. Belgium
4. Denmark
5. Finland
6. France
7. Germany
8. Hong Kong
9. Ireland
10. Italy
11. Japan
12. Netherlands
13. New Zealand
14. Norway
15. Portugal
16. Singapore
17. South Korea
18. Spain
19. Sweden
20. Switzerland
21. United Kingdom
22. United States of America

Please refer to Appendix 1 of the MSCI Global Investable Market Indexes methodology⁵ for a list of eligible stock exchanges in each country.

⁵ Please refer to the MSCI Global Investable Market Indexes methodology available at www.msci.com/index-methodology

APPENDIX 2: BUSINESS INVOLVEMENT EXCLUSION CRITERIA

- **Alcohol**
 - All companies deriving greater than 10% revenues from the manufacture of alcoholic products.

- **Animal Testing**
 - All companies engaged in “Animal Testing for Non-Pharmaceutical Products” that do not disclose any statement addressing the welfare of animals used for laboratory testing and do not disclose any statement in support of researching or employing alternatives to animal testing.

- **Civilian Firearms**
 - All companies classified as “Producer” of firearms and small arms ammunitions for civilian markets. It does not include companies that cater to the military, government, and law enforcement markets.
 - All companies deriving more than 5% revenues from the distribution (wholesale or retail) of firearms or small arms ammunition intended for civilian use.

- **Conventional Weapons**
 - All companies deriving any revenue from weapons systems, components, and support systems and services.

- **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), as defined by the methodology of the MSCI Ex-Controversial Weapons Indexes available at <https://www.msci.com/index-methodology>.

- **Genetically Modified Organisms**
 - All companies deriving any revenue from activities like genetically modifying plants, such as seeds and crops, and other organisms intended for agricultural use or human consumption.

- **Nuclear Power**

- All companies involved in uranium enrichment and processing.
- All companies that own or operate uranium mines.
- All companies that own or operate nuclear power plants.
- All companies involved in the design and engineering of nuclear power reactors.
- All companies that supply key nuclear-specific products or services to the nuclear power industry and earn more than 15% aggregate revenue from nuclear power activities.
- All companies with 6000 MW or more of installed capacity attributed to nuclear sources or with 50% or more of installed capacity attributed to nuclear sources.

- **Nuclear Weapons**

- All companies that manufacture nuclear warheads and/or whole nuclear missiles.
- 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 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 manufacture components for nuclear-exclusive delivery platforms.
- All companies that provide auxiliary services related to nuclear weapons.

- All companies that manufacture nuclear weapons, including nuclear warheads, intercontinental ballistic missiles, and ballistic missile submarines, which are capable of the delivery of nuclear warheads.
- All companies that manufacture key nuclear weapons components.
- **Oil and Gas**
 - All companies deriving any revenue from conventional oil and gas.
 - All companies deriving any revenue from unconventional oil and gas.
- **Predatory Lending**
 - Companies that provide products and services associated with certain controversial lending practices.
 - Companies that have been the subject of alleged lending controversies.
- **Thermal Coal**
 - All companies deriving any revenue from the mining of thermal coal and its sale to external parties.
 - All companies deriving any revenue from thermal coal-based power generation.
- **Tobacco**
 - All companies deriving greater than 10% revenues from the manufacture of tobacco products.

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