

MSCI WORLD SELECT ESG 30 INDEX

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1 INTRODUCTION

The MSCI World Select ESG 30 Index aims to represent the performance of 30 stocks that have high Environmental, Social and Governance (ESG) ratings relative to their sector peers, to ensure the inclusion of the best-in-class companies from an ESG perspective, as well as exhibit low historical realised volatility and high dividend yield. The stock selection for this index is diversified with country and sector constraints.

2 MSCI ESG RESEARCH

The MSCI World Select ESG 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, 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-integration>

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>

3 CONSTRUCTING THE INDEX

The MSCI World Select ESG 30 Index is constructed from the MSCI World Index (the “Parent Index”).

The following steps are applied at initial construction as well as at subsequent Quarterly Index Reviews of the MSCI World Select ESG 30 Index:

- ESG Eligibility Criteria
- Additional Screens
- Security Selection
- Security Weighting

3.1 ESG ELIGIBILITY CRITERIA

3.1.1 VALUES- AND CLIMATE CHANGE-BASED EXCLUSIONS

The MSCI World Select ESG 30 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 MSCI World Select ESG 30 Index. Please refer to Appendix 1 for details on these criteria.

- Adult Entertainment
- Gambling
- Tobacco
- Controversial Weapons
- Nuclear Weapons
- Conventional Weapons
- Thermal Coal Mining
- Unconventional Oil & Gas Extraction
- Conventional Oil & Gas Extraction
- Thermal Coal-based Power Generation
- Oil & Gas-based Power Generation
- Nuclear Power

3.1.2 ESG CONTROVERSIES SCORE ELIGIBILITY

The MSCI World Select ESG 30 Index uses MSCI ESG Controversies Scores to identify 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 above to be eligible for inclusion in the MSCI World Select ESG 30 Index.

3.2 ADDITIONAL SCREENS

3.2.1 LIQUIDITY SCREEN

The remaining securities from above are subsequently screened for 3-month ADTV to be greater than USD 5 Million.

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

$$ADTV_{3M} = \frac{ATV_{3M}^1}{252}$$

3.2.2 AEROSPACE AND DEFENSE GICS® SUB-INDUSTRY SCREEN

MSCI World Select ESG 30 Index excludes stocks that belong to the Aerospace and Defense GICS® Sub-Industry (GICS® Code - 20101010).

3.3 SECURITY SELECTION

From the security universe remaining post screenings, the following steps are followed to select 30 securities:

- Step 1
Select the Top 750 securities based on Industry adjusted ESG scores, ranked in the order from the highest to the lowest ESG scores. If two or more securities have the same ESG score, they will be ranked based on market capitalization in the order from highest to lowest.
- Step 2
Select the Top 300 securities with the lowest volatility from the universe of 750 securities selected in Step 1, using the following metric:

¹ MSCI Index Calculation Methodology at <https://www.msci.com/index-methodology>

Volatility metric: Maximum of 3-month and 12-month historical realized volatility. If a security has missing 3-month or 12-month volatility data, it will be excluded from consideration.

- Step 3

Select the Top 30 securities with the highest 12-Month dividend yield from the universe of 300 securities selected in Step 2, while ensuring that the maximum exposure to any country and sector does not exceed 10% above corresponding country or sector weight in the MSCI World Index.

For each country, the number of constituents is capped based on the below formula:

$$CTRCAP(k, T_R) = RoundUp((WtCTR_{BM}(k, T_R) + 10\%) * 30)$$

Where:

$CTRCAP(k, T_R)$ = Cap on Number of Securities for Country k on Index Review date T_R

$WtCTR_{BM}(k, T_R)$ = Weight of the securities from country k in the MSCI World Index

For each of the GICS® Sectors, the number of constituents is capped based on the below formula:

$$SecCAP(j, T_R) = RoundUp((WtSec_{BM}(j, T_R) + 10\%) * 30)$$

Where:

$SecCAP(k, T_R)$ = Cap on Number of Securities for Sector j on Index Review date T_R

$WtSec_{BM}(k, T_R)$ = Weight of the securities from sector j in the MSCI World Index

3.4 WEIGHTING SCHEME

Each selected security is weighted based on the inverse of its volatility metric. The weight is capped at 10% at initial construction and at every Index Review.

4 MAINTAINING THE INDEX

4.1 QUARTERLY INDEX REVIEWS

The MSCI World Select ESG 30 Index is reviewed on a quarterly basis as described in section 2, 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 in general announced nine business days before the effective date.

4.2 ONGOING EVENT RELATED CHANGES

The following section briefly describes the treatment of common corporate events within the MSCI World Select ESG 30 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 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 be kept in the Index if there are changes in its characteristics (country, sector, size segment, etc.) Reevaluation for 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 MSCI World Select ESG 30 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

- **Adult Entertainment**
 - All companies that have an industry tie to adult entertainment, including the producer, distributor, retailer, or ownership categories. In particular, the screen excludes companies that produce, direct, publish, retail, or distribute adult entertainment materials, as well as have ownership ties.
- **Gambling**
 - All companies that have an industry tie to gambling through the operation, support, licensing, or ownership categories. In particular, the screen excludes companies that own or operate gambling facilities, provide key products or services fundamental to gambling operations, license their company name or brand name to gambling products, or have ownership ties.
- **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
- **Controversial Weapons**
 - All companies that manufacture cluster munitions, essential components of these products, and delivery platforms capable of carrying and deploying cluster munitions.
 - All companies that manufacture anti-personnel landmines, anti-vehicle landmines, and essential components of anti-personnel landmines.
 - All companies that manufacture weapons, ammunition, and armor made with depleted uranium (DU) and DU alloys.
 - All companies that manufacture biological or chemical weapons, and essential components of these products.

- All companies that manufacture weapons utilizing laser technology to cause permanent blindness.
- All companies that manufacture weapons using non-detectable fragments to inflict injury.
- All companies that manufacture weapons using white phosphorus.
- All companies with ownership of 20% or more of a weapons, components, or delivery platforms producer for the above-mentioned controversial weapons. The minimum limit is raised to 50% for financial companies having an ownership in a company that manufactures controversial weapons, key components, or delivery platforms of controversial weapons
- All companies owned 50% or more by a company involved in weapons, components, or delivery platforms production for the above-mentioned controversial weapons.
- **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) but can be used in nuclear weapons
 - All companies that manufacture or assemble delivery platforms that were not developed or not significantly modified for the exclusive delivery of nuclear weapons but have the capability to deliver nuclear weapons
 - All companies that manufacture components for nuclear-exclusive delivery platforms
- **Conventional Weapons**
 - All companies deriving 5% or more revenue from the production of conventional weapons

- All companies deriving 15% or more aggregate revenue from weapons systems, components, and support systems and services

Climate Change-based Exclusions Criteria

- **Thermal Coal Mining**

- All companies deriving more than 10% revenue (either reported or estimated) from the mining of thermal coal (including lignite, bituminous, anthracite and steam coal) and its sale to external parties. It excludes: revenue from metallurgical coal; coal mined for internal power generation (e.g. in the case of vertically integrated power producers); intra-company sales of mined thermal coal; and revenue from coal trading

- **Unconventional Oil & Gas Extraction**

- All companies deriving more than 10% revenue (either reported or estimated) from unconventional oil and gas production. It includes revenue from the production of oil sands, oil shale (kerogen-rich deposits), shale gas, shale oil, coal seam gas, and coal bed methane, as well as revenue from onshore or offshore oil and gas production in the Arctic region. It excludes revenue from conventional oil and gas production including deepwater, shallow water, and other onshore/offshore oil and gas.

- **Conventional Oil & Gas Extraction**

- All companies deriving more than 0% revenue (either reported or estimated) from conventional oil and gas production. It includes revenue from the production of deepwater shallow water, and other onshore/offshore oil and gas. It excludes revenue from unconventional oil and gas production (oil sands, shale oil, shale gas) and onshore/offshore oil and gas production in the Arctic region.

- **Thermal Coal-based Power Generation**

- All companies generating more than 10% of their total electricity from thermal coal in a given year
- All companies that have more than 10% of installed capacity attributed to thermal coal in a given year
- All companies deriving more than 10% revenue (either reported or estimated) from thermal coal-based power generation

- **Oil & Gas-based Power Generation**

- All companies generating more than 30% of their total electricity from liquid fuel and natural gas in a given year
- All companies that have more than 30% of installed capacity attributed to liquid fuel and natural gas in a given year
- All companies deriving more than 30% revenue (either reported or estimated) from liquid fuel- and natural gas-based power generation
- **Nuclear Power-based Power Generation**
 - All companies generating more than 30% of their total electricity from nuclear power in a given year
 - All companies that have more than 30% of installed capacity attributed to nuclear sources in a given fiscal year
 - All companies deriving more than 30% revenue (either reported or estimated) from ownership or operation of nuclear power plants

TIMELINE OF SCREEN ADJUSTMENT

Some criteria from the above-mentioned screens for the MSCI World Select ESG 30 Index, including Tobacco, Thermal Coal Mining, Thermal Coal -based Power Generation, and Unconventional Oil & Gas Extraction, will be adjusted between 2020 and 2025 to reflect the adoption of stricter thresholds over time. The changes will be implemented at the November Index Review of the preceding year, so that the index reflects the thresholds for the relevant calendar year.

Screens that will be modified

- **Tobacco**

2019 to 2024	2025 onwards
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	All companies that have an industry tie to tobacco products through the distributor, licensor, retailer, supplier, or ownership categories.

- **Thermal Coal Mining**

2019 to 2021	2022 to 2024	2025 onwards
All companies deriving more than 10% revenue (either reported or estimated) from the mining of thermal coal (including lignite, bituminous, anthracite and steam coal) and its sale to external parties.	All companies deriving more than 5% revenue (either reported or estimated) from the mining of thermal coal (including lignite, bituminous, anthracite and steam coal) and its sale to external parties.	All companies deriving more than 0% revenue (either reported or estimated) from the mining of thermal coal (including lignite, bituminous, anthracite and steam coal) and its sale to external parties.

- Thermal Coal-based Power Generation**

2019 to 2024	2025 onwards
<p>All companies generating more than 10% of their total electricity from thermal coal in a given year;</p> <p>All companies that have more than 10% of installed capacity attributed to thermal coal in a given year;</p> <p>All companies deriving more than 10% revenue (either reported or estimated) from thermal coal-based power generation</p>	<p>All companies generating more than 0% of their total electricity from thermal coal in a given year;</p> <p>All companies that have more than 0% of installed capacity attributed to thermal coal in a given year;</p> <p>All companies deriving more than 0% revenue (either reported or estimated) from thermal coal-based power generation</p>

- Unconventional Oil & Gas Extraction**

2019 to 2021	2022 to 2024	2025 onwards
All companies deriving more than 10% revenue (either reported or estimated) from unconventional oil and gas production.	All companies deriving more than 5% revenue (either reported or estimated) from unconventional oil and gas production.	All companies deriving more than 0% revenue (either reported or estimated) from unconventional oil and gas production.

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