

MSCI World Small Cap ESG Leaders Index Methodology

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1 Introduction

The MSCI World Small Cap ESG Leaders Index is a free float-adjusted market capitalization weighted index designed to represent the performance of companies that have high Environmental, Social and Governance (ESG) performance. The MSCI World Small Cap ESG Leaders Index targets 50% of the free float-adjusted market capitalization of each Global Industry Classification Standard (GICS®) sector of the underlying regional parent indexes.

2 MSCI ESG Research

The MSCI ESG Leaders Indexes use company ratings and research provided by MSCI ESG Research. 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, 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 such as Low Carbon Transition scores and categories.

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 Small Cap ESG Leaders Index is constructed using the following steps:

- Defining the Parent Indexes
- Applying the MSCI ESG Leaders Indexes methodology¹

3.1 Defining the Parent Indexes

The MSCI World Small Cap ESG Leaders Index targets 50% of the free float-adjusted market capitalization of each GICS® sector of each of the following regional parent indexes (the “Parent Indexes”):

- MSCI USA Small Cap Index
- MSCI Canada Small Cap Index
- MSCI Europe & Middle East Small Cap Index
- MSCI Pacific Small Cap Index

3.2 Applying the MSCI ESG Leaders Indexes Methodology

The index constituents and their weights are determined by applying the MSCI ESG Leaders Indexes Methodology to each of the four Parent Indexes defined in section 3.1². Securities selected from each Parent Index are aggregated to construct the MSCI World Small Cap ESG Leaders Index.

¹ Please refer to section 3 of the methodology book for the MSCI ESG Leaders Indexes, available at www.msci.com/index-methodology for more information.

² The Small Cap size-segment for certain Developed Market countries may not be fully covered by MSCI ESG Research. Companies with missing MSCI ESG Ratings and/or MSCI ESG Controversies Score are not eligible for the MSCI World Small Cap ESG Leaders Index.

4 Maintaining the Index

The MSCI World Small Cap ESG Leaders Index is reviewed during the Annual Index Review, the Quarterly Index Reviews and as part of corporate events, as per the rules described in the MSCI ESG Leaders Indexes Methodology³.

³ Please refer to section 4 of the methodology book for the MSCI ESG Leaders Indexes, available at www.msci.com/index-methodology for more information.

The following sections have been modified as of May 2021:

Name updated from 'MSCI World Small Cap ESG Leaders Select Index' to 'MSCI World Small Cap ESG Leaders Index' throughout the document.

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The process for submitting a formal index complaint can be found on the index regulation page of MSCI's website at: <https://www.msci.com/index-regulation>.

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