

MSCI World Small Cap ESG Leaders Select Index Methodology

May 2020

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1 Introduction

The MSCI World Small Cap ESG Leaders Select 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 Select 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 World Small Cap ESG Leaders Select 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-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.

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 Select 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 Select 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 Select 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 Select Index.

4 Maintaining the Index

4.1 Annual Index Review

The MSCI World Small Cap ESG Leaders Select Index is reviewed on an annual basis in May to coincide with the May Semi-Annual Index Review of the Parent Indexes, and the changes are implemented at the end of May. In general, the pro forma indexes are announced nine business days before the effective date.

In general, MSCI uses MSCI ESG Research data (including MSCI ESG Ratings, MSCI ESG Controversies Scores and MSCI Business Involvement Screening Research) 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.

At each Annual Index Review, the eligible universe is updated and the composition of the index is reassessed in order to target 50% free float-adjusted cumulative market capitalization of each sector of the Parent Indexes, as per the rules described in the MSCI ESG Leaders Indexes Methodology³.

4.2 Quarterly Index Reviews

The MSCI World Small Cap ESG Leaders Select Index is also reviewed on a quarterly basis to coincide with the regular Index Reviews of the Parent Indexes. The changes are implemented at the end of February, August and November. The pro forma indexes are in general announced nine business days before the effective date.

For the Quarterly Index Reviews, MSCI ESG Ratings, MSCI ESG Controversies Score assessments and MSCI BISR data are taken as of the end of the month preceding the Index Reviews, i.e., January, July and October. For some securities, this 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 maintenance rules applied at the Quarterly Index Reviews are 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.

4.3 Ongoing Event-Related Maintenance

The following section briefly describes the treatment of common corporate events for the MSCI World Small Cap ESG Leaders 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.

There are no deletions from the Index between Index Reviews on account of a security becoming ineligible because of MSCI ESG Rating downgrade and/or decrease in MSCI ESG Controversies Score and/or change in business involvement.

EVENT TYPE	EVENT DETAILS
New additions to the Parent Index	New securities added to the Parent Indexes (such as IPOs, other early inclusions and migrations from a different size-segment) will be added to the Index on the date of security inclusion only if they meet the eligibility criteria described in Section 3.2 and the market capitalization coverage of the sector to which the security belongs is less than 22.5%.
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 addition in the Indexes will occur at the subsequent Index Review.
Merger/Acquisition	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>

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To learn more, please visit www.msci.com.

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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