

MSCI WORLD SUSTAINABILITY CHOICE 30 INDEX

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1 Introduction

The MSCI World Sustainability Choice 30 Index aims to represent the performance of a set of 30 stocks that exhibit lower volatility and higher dividend yields than the MSCI World Index along with improvement in the ESG characteristics. The index aims to achieve diversification with country and sector constraints.

2 ESG Research Framework

The MSCI World Sustainability Choice 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 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 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>

2.4 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

3 Index Construction

The MSCI World Sustainability Choice 30 Index is constructed from MSCI World (the “Parent Index”). The following steps are applied at initial construction of the Index:

- Eligible Universe Screening
- Security Selection
- Weighting Scheme

3.1 ELIGIBLE UNIVERSE SCREENING

3.1.1 ESG RATINGS ELIGIBILITY

The MSCI World Sustainability Choice 30 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 Sustainability Choice 30 Index.

3.1.2 ESG CONTROVERSIES SCORE ELIGIBILITY

The MSCI World Sustainability Choice 30 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 Sustainability Choice 30 Index.

3.1.3 LIQUIDITY SCREEN

The securities from Parent Index are screened for 12-month ADTV (Average Daily Traded Value) to be greater than USD 10 Million to be eligible for inclusion in MSCI World Sustainability Choice 30 Index.

ADTV and is calculated as:

$$ADTV_{12M} = \frac{ATV_{12M}^1}{252}$$

where ATV refers to Annual Traded Value.

3.1.4 VALUES AND CLIMATE CHANGE BASED EXCLUSIONS

The MSCI World Sustainability Choice 30 Index use MSCI ESG Business Involvement Screening Research to identify companies that are involved in the following business activities. Companies that meet the below business involvement criteria are excluded

¹ Please refer to MSCI Index Calculation Methodology <https://www.msci.com/index-methodology> and MSCI Global Investable Market Indexes Methodology at <https://www.msci.com/index-methodology>

from the MSCI World Sustainability Choice 30 Index. Please refer to Appendix 1 for details on these criteria.

- Controversial Weapons
- Nuclear Weapons
- Conventional Weapons
- Tobacco
- Gambling
- Adult Entertainment
- Genetically Modified Organisms
- Uranium Mining
- Biocides
- Palm Oil
- Unconventional Oil & Gas
- Conventional Oil & Gas
- Fossil Fuels
- Nuclear Power

3.1.5 DIVIDENDS SUSTAINABILITY SCREEN

Securities with zero or negative payout ratios are not considered for inclusion in the MSCI World Sustainability Choice 30 Index as they either do not pay dividends or have negative earnings which may put their future dividend payments at risk. Additionally, securities with payout ratio² > 100%, are also not considered for inclusion in the Index.

3.1.6 DIVIDEND PERSISTENCE SCREEN

Securities with a negative 5Y Dividend per share (DPS)³ growth are excluded from the MSCI World Sustainability Choice 30 Index as this is an indicator of shrinking dividend growth which could be a precursor to lower dividends.

² Please refer to the MSCI Fundamental Data methodology at <https://www.msci.com/index-methodology>

³ Please refer to the MSCI Fundamental Data methodology at <https://www.msci.com/index-methodology>

3.2 SECURITY SELECTION

At each index review the following steps are applied to the eligible universe to select 30 securities for inclusion in the index.

- Step 1

The securities from the eligible universe are subsequently filtered to include a single security per issuer. For issuers having multiple securities which are part of the eligible universe, the security with the highest 12-month ADTV is selected.

From the remaining securities the 200 securities with the lowest volatility are selected. Volatility is calculated as the maximum of 3-month and 12-month volatility. The calculation process uses EUR as the base currency. At each index review date, 3-month and 12-month volatility for each security is calculated from weekly prices in EUR for previous 12-weeks and 52-weeks respectively. Each security is subsequently assigned the maximum of this 12-week and 52-week volatility.

- Step 2

From the securities remaining post screening in Step 1, 30 securities with the highest 12-Month dividend yield⁴ are selected while ensuring the following:

- the maximum number of securities from any region⁵ is capped at 10 securities
- the maximum number of securities from any GICS®⁶ Sector is capped at 8 securities

If the number of securities remaining post selection in Step 2 is less than 30, then all the remaining securities post selection in Step 2 are selected for the index.

3.3 WEIGHTING SCHEME

The securities selected from above are weighted in proportion to the inverse of their volatility⁷ at initial construction and at every Index Review. To avoid concentration, individual security weights in the Index are capped at 5%.

⁴ Please refer to the MSCI Fundamental Data methodology at <https://www.msci.com/index-methodology>

⁵ Please refer to Appendix 2 for details

⁶ GICS, the global industry classification standard jointly developed by MSCI and S&P Global. For more details please refer to <https://www.msci.com/gics>

⁷ Please refer to Section 3.2 for volatility calculation details

4 Maintenance of the Index

4.1 QUARTERLY INDEX REVIEWS

The 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 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 Index. Changes in index market capitalization that occur because of corporate event implementation will be offset by a corresponding change in the Variable Weighting Factor (VWF) of the constituent.

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 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 Indexes are constructed with an aim to reflect the performance of companies that are consistent with specific values- and climate change-based criteria.

Compliance with all the UN Global Compact Principles

- All companies that fail to comply with the United Nations Global Compact principles are excluded.

Compliance with ILO's conventions

- All companies that fail to comply with the International Labor Organization's broader set of labor standards are excluded.

Compliance with the UN Guiding Principles on Business and Human Rights

- All companies that fail to comply with the United Nations Guiding Principles on Business and Human Rights are excluded.

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 deriving more than 5% from weapons systems, components, and support systems and services.
- **Tobacco**
 - All companies deriving revenue from tobacco-related activities.
- **Gambling**
 - All companies deriving more than 5% revenue from gambling-related business activities.
- **Adult Entertainment**
 - All companies deriving any revenue from the production of adult entertainment materials.
 - All companies deriving 5% or more aggregate revenue from the production, distribution and retail of adult entertainment materials.
- **Genetically Modified Organisms (GMO)**
 - All companies involved in production of genetically activities like genetically modifying plants, such as seeds and crops, and other organisms intended for agricultural use or human consumption.
- **Uranium mining**
 - All companies that own or operate active uranium mines.
- **Biocides**
 - All companies deriving 5% or more revenue from Biocides.
- **Palm Oil Producer**
 - All Palm Oil production companies that are not certified by the RSPO (Roundtable on Sustainable Palm Oil).

Climate Change-based Exclusions Criteria

- **Unconventional Oil & Gas**
 - All companies deriving any revenue from unconventional oil and gas. It includes revenues from oil sands, oil shale (kerogen-rich deposits), shale gas,

shale oil, coal seam gas, and coal bed methane. It excludes all types of conventional oil and gas production including Arctic onshore/offshore, deepwater, shallow water and other onshore/offshore.

- **Conventional Oil & Gas**

- All companies deriving revenue from conventional oil and gas. It includes all types of conventional oil and gas production including Arctic onshore/offshore, deepwater, shallow water and other onshore/offshore. It excludes revenues from unconventional oil & gas (oil sands, shale oil, shale gas)

- **Thermal Coal**

- All companies deriving any revenue 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.

- **Fossil fuels based and Nuclear power**

- All Companies deriving revenue from the fossil fuel (thermal coal, liquid fuel and natural gas) based or nuclear energy based power generation and do not fall under below criteria:
 - Governance criteria – Companies have a strategy to reduce the adverse impact of their activities and to increase their contributing activities
 - Business criteria - Companies 50% revenue derived from renewable and hydro power generation.

Appendix 2: Regions

The following countries⁸ belong to each region in MSCI World Sustainability Choice 30 Index

	Region	Countries
1	North America	USA Canada
2	Europe & Middle East	Denmark Netherlands Austria Sweden Portugal Ireland Spain Norway Finland Belgium Italy United Kingdom France Germany Switzerland Israel
3	Pacific	Australia Singapore New Zealand Hongkong Japan

⁸ If a country will be removed from the MSCI World index, it will also be removed from the respective region

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* = toll free

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www.msci.com/index-regulation

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