

**METHODOLOGY BOOK FOR:**  
**- MSCI WORLD TECHNOLOGY  
SELECT ESG TOP 50 INDEX**  
**- MSCI WORLD TECHNOLOGY  
SELECT ESG TOP 50 5%  
DECREMENT INDEX**

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## **1 Introduction**

The MSCI World Technology Select ESG Top 50 Index aims to represent the performance of a set of 50 Technology related stocks with improved ESG characteristics.

The MSCI World Technology Select ESG Top 50 5% Decrement Index aims to represent the net performance of the MSCI World Technology Select ESG Top 50 Index, while applying a constant markdown (“synthetic dividend”) of 5% on an annual basis, expressed as a percentage of performance.

## **2 ESG Research Framework**

The MSCI World Technology Select ESG Top 50 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.

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>

### **3 Constructing the Index**

The MSCI World Technology Select ESG Top 50 Index is constructed from MSCI World Index (the “Parent Index”).

#### **3.1 ELIGIBLE UNIVERSE SCREENING**

##### **3.1.1 ESG RATINGS ELIGIBILITY**

The MSCI World Technology Select ESG Top 50 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’, ‘A’, ‘BBB’ or ‘BB’ are eligible for inclusion in the MSCI World Technology Select ESG Top 50 Index.

For more details on MSCI ESG Ratings, please refer to: <https://www.msci.com/esg-ratings>

##### **3.1.2 ESG CONTROVERSIES SCORE ELIGIBILITY**

The MSCI World Technology Select ESG Top 50 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 Technology Select ESG Top 50 Index.

For more details on MSCI ESG Controversies, please refer to : <https://www.msci.com/documents/10199/acbe7c8a-a4e4-49de-9cf8-5e957245b86b>

#### **3.2 GICS®<sup>1</sup> SECTOR AND INDUSTRY SELECTION**

The securities remaining post Eligible Universe Screening that belong to the following GICS sector are selected.

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<sup>1</sup>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>

No.	GICS® SECTOR
45	Information Technology
50	Communication Services

### 3.3 CONSTITUENT SECURITIES SELECTION

All the securities from 3.2 are subsequently divided into three regions<sup>2</sup> and ranked in the descending order of their free float market capitalization. The following respective number of securities from each region are selected for inclusion in the index:

- North America – 35 securities
- Europe – 10 securities
- Pacific – 5 securities

### 3.4 SECURITY WEIGHTING

Each selected security is then assigned an equal weight at initial construction and at every Index Review, in accordance with the MSCI Equal Weighted Indexes methodology<sup>3</sup>.

### 3.5 APPLYING THE MSCI DECREMENT INDEXES METHODOLOGY

The MSCI Decrement Indexes Methodology<sup>4</sup> is applied on the MSCI World Technology Select ESG Top 50 Index to construct the MSCI World Technology Select ESG Top 50 5% Decrement Index. The parameters for the application of the decrement methodology in the above index is noted in Appendix 2.

<sup>2</sup> Please refer to Appendix 1 for details

<sup>3</sup> Please refer to the MSCI Equal Weighted Indexes methodology at [www.msci.com/index-methodology](http://www.msci.com/index-methodology)

<sup>4</sup> Please refer to the MSCI Decrement Indexes methodology at [www.msci.com/index-methodology](http://www.msci.com/index-methodology)

## **4 Maintaining the Index**

### **4.1 QUARTERLY INDEX REVIEWS**

The MSCI World Technology Select ESG Top 50 Index is reviewed on a quarterly basis as per the steps described in Section 3, coinciding with the May and November Semi-Annual Index Reviews and the February and August Quarterly Index Reviews of the Parent Index.

In general, MSCI uses MSCI ESG Research data (including MSCI ESG Ratings, MSCI ESG Controversies Scores) 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.

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

### **4.2 DAILY DECREMENT CALCULATION**

The performance of the MSCI World Technology Select ESG Top 50 5% Decrement Index is computed by reducing the net performance of the MSCI World Technology Select ESG Top 50 Index, by a fixed percentage, on a daily basis using parameters detailed in Appendix 1.

### **4.3 ONGOING EVENT-RELATED CHANGES**

The following section briefly describes the treatment of common corporate events within the MSCI World Technology Select ESG Top 50 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
<b>New additions to the Parent Index</b>	A new security added to the parent index (such as IPO and other early inclusions) will not be added to the index.
<b>Spin-Offs</b>	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 continued inclusion in the Index will occur at the subsequent Index Review.
<b>Merger/Acquisition</b>	<p>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.</p> <p>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.</p>
<b>Changes in Security Characteristics</b>	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: Regions

The following indexes are used as reference to identify countries belonging to each region in MSCI World Technology Select ESG Top 50 Index

	Region	Index
1	North America	MSCI North America Index
2	Europe	MSCI Europe Index
3	Pacific	MSCI Pacific Index

## Appendix 2: Parameters used for the MSCI World Technology Select ESG Top 50 5% Decrement Index

The following parameters are used for the calculation of MSCI World Technology Select ESG Top 50 5% Decrement Index

	MSCI Decrement Indexes Methodology Parameters	Parameters
1	Currency of Calculation	EUR
2	Return Variant of the Parent Index	Daily Net Total Return
3	Decrement Type	Fixed Percentage
4	Decrement Application	Geometric
5	Decrement Value	5%
6	Day-count Convention	Actual / 360
7	Index Floor	0
8	Decrement Frequency	Daily

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\* = toll free

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