MSCI WORLD EX AUSTRALIA SELECT ESG LOW CARBON INTEGRATED INDEX METHODOLOGY

March 2018

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1 INTRODUCTION

The MSCI World ex Australia Select ESG Low Carbon Integrated Index (the "Index") is an index designed to represent the performance of a strategy that seeks systematic integration of environmental, social and governance (ESG) norms and two dimensions of carbon exposure (carbon emissions and fossil fuel reserves) in index construction, by seeking improvement in the ESG profile and reduction in carbon exposure of the Index.

This index methodology aims to incorporate ESG-based and carbon-based constraints in a bottom-up index construction approach.

The MSCI World ex Australia Select ESG Low Carbon Integrated Index is constructed using risk-constrained optimization along with specific ESG score and carbon exposure criteria. The index construction aims to improve the index's ESG profile and reduce the carbon exposure (carbon emissions relative to sales and potential carbon emissions per dollar of market capitalization) relative to that of the Parent Index. The index construction selects the final index by minimizing the ex-ante tracking error relative to the MSCI World ex Australia Index (the "Parent Index").

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2 ESG RESEARCH FRAMEWORK

MSCI ESG Research provides in-depth research, ratings and analysis of the environmental, social and governance-related business practices of thousands of companies worldwide. It consists of an integrated suite of tools and products to efficiently manage research, analysis and compliance tasks across the spectrum of ESG factors.

The MSCI World ex Australia Select ESG Low Carbon Integrated Index uses company ratings and research data provided by MSCI ESG Research. In particular, this index uses the following MSCI ESG Research products: MSCI ESG Ratings Score, MSCI ESG Controversies Score, and MSCI ESG Business Involvement Screening Research and MSCI ESG CarbonMetrics.

For details on MSCI ESG Research's full suite of ESG products, please refer to: http://www.msci.com/products/esg/about_msci_esg_research.html

2.1 MSCI ESG CARBONMETRICS

MSCI ESG CarbonMetrics evaluates all constituents of the MSCI ACWI Investible Market Indexes. When reported carbon emissions data is not available, Scope 1 & 2 carbon emissions are estimated using MSCI ESG Research's proprietary carbon estimation model. Using MSCI ESG CarbonMetrics, MSCI provides a variety of metrics for assessing the carbon characteristics of an index or investment portfolio. Based on both reported and estimated Scope 1 & 2 carbon emissions, MSCI measures the carbon responsibility, efficiency, and exposure attributed to the MSCI Indexes.

For more details on MSCI ESG CarbonMetrics, please refer to https://www.msci.com/index-carbon-footprint-metrics

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3 INDEX CONSTRUCTION METHODOLOGY

The applicable universe includes all the existing constituents of an underlying Parent Index. This approach aims to provide an opportunity set with sufficient liquidity and capacity.

The MSCI World ex Australia Select ESG Low Carbon Integrated Index is constructed based on an optimization process from the underlying Parent Index using a Barra Equity Model to minimize the ex-ante tracking error relative to the Parent Index while improving the ESG and the carbon exposure profile of the Index.

The steps for constructing the MSCI World ex Australia Select ESG Low Carbon Integrated Index are described below.

3.1 ELIGIBLE UNIVERSE

The eligible universe consists of the securities in the Parent Index that are not involved in very severe ESG controversies (“Red flags”) or in controversial weapons or in nuclear weapons or in the manufacturing of tobacco products. The exclusions are based on the data provided by MSCI ESG Research and are determined quarterly coinciding with the MSCI Quarterly Index Reviews ("QIR"). More detailed information about the ESG-based exclusions is provided in Appendix III.

3.2 CONSTITUENT SELECTION

The selection and weighting of constituents from the applicable universe is done using an optimization process. The optimization is performed using a base currency. The default currency is the US Dollar.

3.3 OPTIMIZATION CONSTRAINTS

At each Semi-Annual Index Review (SAIR), the following optimization constraints are employed:

- The optimization objective is to minimize the ex-ante tracking error of the Index relative to the Parent Index.
- The weighted-average industry-adjusted ESG score of the Index will be at least 20% more than the weighted-average industry-adjusted ESG score of the Parent Index.
- The reduction in the Carbon Emission Intensity and the Potential Emissions per dollar of market capitalization of the Index relative to the Parent Index will be at least 50%. The Carbon Emission Intensity and the Potential Emissions per dollar of market capitalization of the Index are calculated using the formulae defined in

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Appendix I of the MSCI Global Low Carbon Leaders Indexes Methodology (for details about the methodology, please refer to: https://www.msci.com/index-methodology).

- The maximum weight of an index constituent will be restricted to the lower of (the weight of the security in the Parent Index + 2%) and 10 times the weight of the security in the Parent Index. The minimum weight of an index constituent will be restricted to the higher of the (weight of the security in the Parent Index - 2%) and 0.
- The active exposure of the MSCI World ex Australia Select ESG Low Carbon Integrated Index to the Barra style factors will be restricted to +/- 0.1 standard deviations relative to the Parent Index.
- The sector weights of the MSCI World ex Australia Select ESG Low Carbon Integrated Index will be restricted to +/-2% from the sector weights of the Parent Index.
- For countries with weight greater than 2.5% in the Parent Index, the weight in the MSCI World ex Australia Select ESG Low Carbon Integrated Index will be restricted to +/- 2% from the country weight in the Parent Index.
- For countries with weight less than 2.5% in the Parent Index, the weight in the MSCI World ex Australia Select ESG Low Carbon Integrated Index will be capped at 3 times their weight in the Parent Index.
- The one-way turnover of the MSCI World ex Australia Select ESG Low Carbon Integrated Index will be constrained to a maximum of 10% at each SAIR.

3.4 DETERMINING THE OPTIMIZED INDEX

The MSCI World ex Australia Select ESG Low Carbon Integrated Index is constructed using the Barra Open Optimizer in combination with the relevant Barra Equity Model[1]. The optimization uses the Parent Index as the universe of eligible securities and the specified optimization objective and constraints to determine the MSCI World ex Australia Select ESG Low Carbon Integrated Index. Infeasible optimizations are handled as explained in Appendix I.

[1] Please refer to Appendix II for the detailed information on model usage

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4 MAINTAINING THE INDEXES

4.1 SEMI-ANNUAL INDEX REVIEWS

The MSCI World ex Australia Select ESG Low Carbon Integrated Index is rebalanced on a semi-annual basis, usually as of the close of the last business day of May and November, coinciding with the May and November Semi-Annual Index Reviews (SAIRs) of the MSCI Global Investable Market Indexes. The Barra Equity Model data as of the end of April and October are used respectively. This approach aims to capture timely updates to the risk characteristics of the companies and coincide with the rebalancing frequency of the relevant Parent Index. Similarly, the ESG data used for the Semi-annual Index Reviews will be taken as of the end of the month preceding the Index Review i.e., April and October. For some securities, ESG 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 MSCI World ex Australia Select ESG Low Carbon Integrated Index. This approach aims to capture timely updates to ESG data of the constituents and coincides with the rebalancing of the relevant MSCI Parent Indexes.

The pro forma MSCI World ex Australia Select ESG Low Carbon Integrated Index is in general announced nine business days before the effective date.

4.2 QUARTERLY INDEX REVIEWS

In addition to the SAIR, the ESG-based exclusions are applied on a quarterly basis at the time of regular Quarterly Index Reviews (QIR) of the MSCI Global Investable Market Indexes, usually as of the close of the last business day of February and August. At the quarterly index reviews, the Index is not re-constituted, but existing constituents are deleted if they do not satisfy the eligibility criteria as described in section 3.1 above. The ESG data used for the QIR will be taken as of the end of the month preceding the Index Review (i.e. January and July). 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 MSCI World ex Australia Select ESG Low Carbon Integrated Index.

4.3 ONGOING EVENT RELATED CHANGES

The general treatment of corporate events in the MSCI World ex Australia Select ESG Low Carbon Integrated Index aims to minimize turnover outside of Index Reviews. The methodology aims to appropriately represent an investor's participation in an event based on relevant deal terms and pre-event weighting of the index constituents that are involved.

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Further, changes in index market capitalization that occur as a result of corporate event implementation will be offset by a corresponding change in the Variable Weighting Factor (VWF) of the constituent.

Additionally, if the frequency of Index Reviews in the Parent Index is greater than the frequency of Index Reviews in the MSCI World ex Australia Select ESG Low Carbon Integrated Index, the changes made to the Parent Index during intermediate Index Reviews will be neutralized in the MSCI World ex Australia Select ESG Low Carbon Integrated Index.

The following section briefly describes the treatment of common corporate events within the MSCI World ex Australia Select ESG Low Carbon Integrated Index.

No new securities will be added (except where noted below) to the Index between Index Reviews. 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.

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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

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APPENDIX I: HANDLING INFEASIBLE OPTIMIZATIONS

During the Semi-Annual Index Review, in the event that there is no optimal solution that satisfies all the optimization constraints defined in Section 3.3, the following constraints are relaxed, until an optimal solution is found:

- Relax the turnover constraint in steps of 2% up to a maximum of 20%
- Relax the asset upper bound multiple (default is 10) constraint in steps of 2, up to a maximum of 20
- The turnover and the asset upper bound multiple constraints are alternately relaxed until a feasible solution is achieved. For example, constraints relaxation is executed in the sequence as illustrated below:

Order of Relaxation	Turnover Limit	Asset Upper Bound Multiple Constraint
1	12.0%	10 times the weight of the security in the Parent Index
2	12.0%	12 times the weight of the security in the Parent Index
3	14.0%	12 times the weight of the security in the Parent Index
4	14.0%	14 times the weight of the security in the Parent Index

In the event that no optimal solution is found after the above constraints have been relaxed over all the iterations, the MSCI World ex Australia Select ESG Low Carbon Integrated Index will not be rebalanced for that Semi-Annual Index Review.

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APPENDIX II: NEW RELEASE OF BARRA® EQUITY MODEL OR BARRA® OPTIMIZER

The methodology presently uses MSCI Barra Global Equity Model for Long-Term Investors ("GEMLTL") for the optimization. A new release of the relevant Barra Equity Model or Barra Optimizer may replace the former version within a suitable timeframe.

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APPENDIX III: ESG-BASED EXCLUSION CRITERIA

ESG Controversy Score ("Red Flags")

Securities of companies having faced very severe controversies pertaining to ESG issues are not eligible for inclusion in the Index. This is implemented by excluding constituents of Parent Index with MSCI ESG Controversy Score = 0 ("Red Flag" companies). For more details on MSCI ESG Controversies Score, please refer to https://www.msci.com/esg-integration

Controversial Weapons Involvement

For details, please refer to MSCI Global ex Controversial Weapons Indexes Methodology at https://www.msci.com/index-methodology.

Nuclear Weapons Involvement

- Companies that manufacture nuclear weapons, including nuclear warheads, intercontinental ballistic missiles, and ballistic missile submarines, which are capable of the delivery of nuclear warheads.
- Companies that manufacture nuclear warheads and/or whole nuclear missiles. Includes assembly and integration of warhead and missile body and companies with contracts to operate/manage government-owned facilities that manufacture nuclear warheads and missiles.
- Companies that manufacture or assemble delivery platforms that were developed or significantly modified for the exclusive delivery of nuclear weapons.
- Companies that manufacture components which are developed or are significantly modified for exclusive use in nuclear weapons (warheads and missiles). Includes companies with contracts to operate/manage government-owned facilities that manufacture components for nuclear warheads and missiles, such as fissile materials, non-nuclear components, explosives, triggers and detonators etc.
- Companies that provide auxiliary services related to nuclear weapons, such as repairing and maintaining nuclear weapons, providing overhaul and upgrade services (including engineering), stockpiling and stewardship, R&D work, testing and simulations, etc. Includes companies with contracts to operate/manage government-owned facilities that conduct R&D, testing, simulations, and other essential sciences on nuclear weapons.

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- Companies involved in the production and/or storage of fissile materials used in/for nuclear weapons. Includes companies with contracts to operate/manage facilities that are responsible for the manufacture of fissile materials for nuclear weapons.

Tobacco Involvement

Companies that manufacture tobacco products, such as cigars, blunts, cigarettes, beedis, kreteks, smokeless tobacco, snuff, snus, and chewing tobacco. This also includes companies that grow or process raw tobacco leaves.

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