

# **MSCI SRI Indexes Methodology**

May 2025

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## 1. Introduction

The MSCI SRI Indexes (the “Indexes”) are designed to represent the performance of companies that meet the following criteria:

- Exclusion of companies associated with specific values- and climate change-based criteria, including low ESG ratings, exposure to ESG controversies and involvement in specific business or fossil fuel related activities.
- Selection of companies from underlying MSCI indexes (“Parent Indexes”) based on Environmental, Social and Governance (ESG) criteria. The Indexes are constructed by targeting 25% free float-adjusted market capitalization coverage of each Global Industry Classification Standard (GICS®)<sup>1</sup> sector by selecting constituents primarily based on ESG rating and the company’s industry-adjusted ESG score.

Additionally, the Indexes aim to mitigate concentration risk by applying a Concentration Control Mechanism during the selection process, to limit the active security weight by targeting a maximum +5% weight relative to the respective Parent Indexes.

Currently, MSCI constructs the Indexes for the Standard size-segment in all Developed and Emerging Markets<sup>2</sup>.

<sup>1</sup> GICS is the global industry classification standard jointly developed by MSCI and S&P Global Market Intelligence.

<sup>2</sup> The Indexes are governed by a set of methodology and policy documents (“Methodology Set”), including the present index methodology document. Please refer to Appendix VII for more details.

## 2. Constructing the Indexes

### 2.1 Underlying Universe

The Underlying Universe for the Indexes is defined by the constituents of the MSCI Global Investable Market Indexes (“GIMI”).

### 2.2 Eligibility Criteria

The Indexes use company ratings and research provided by MSCI ESG Research<sup>3</sup> to determine eligibility for Index inclusion.

The Selection Universe is defined by applying exclusions based on ESG criteria on constituents of the Parent Indexes.

#### 2.2.1 Controversial Business Involvement Criteria

The Indexes use MSCI ESG Business Involvement Screening Research and MSCI Climate Change Metrics to identify companies that are involved in the following business activities. Companies that meet the business involvement criteria are excluded from the Indexes. Please refer to Appendix I for details on these criteria.

- Controversial Weapons
- Civilian Firearms
- Nuclear Weapons
- Tobacco
- Adult Entertainment
- Alcohol
- Conventional Weapons
- Gambling
- Genetically Modified Organisms
- Nuclear Power
- Thermal Coal
- Fossil Fuel Reserves Ownership
- Fossil Fuel Extraction
- Oil & Gas Activities
- Fossil Fuel-based Power Generation

<sup>3</sup> See section 4 for further information regarding ESG and climate data used in the Indexes that MSCI Limited and MSCI Deutschland GmbH source from MSCI ESG Research LLC, a separate subsidiary of MSCI Inc. MSCI ESG Research is solely responsible for the creation, determination and management of such data as a provider to MSCI Limited and MSCI Deutschland GmbH. MSCI Limited and MSCI Deutschland GmbH are the benchmark administrators for the MSCI indexes.

- Arctic Oil & Gas Production

## 2.2.2 ESG Ratings Eligibility

The Indexes use MSCI ESG Ratings to identify companies that have demonstrated an ability to manage their ESG risks and opportunities. Companies are required to have an MSCI ESG Rating of 'A' or above to be eligible for inclusion in the Indexes.

## 2.2.3 ESG Controversies Score Eligibility

The Indexes use 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 4 or above to be eligible for inclusion in the Indexes.

## 2.3 Index Construction

Currently MSCI constructs the Indexes for the Standard size-segment in all Developed Markets and Emerging Markets.

The Indexes for the Standard size-segment are constructed at a regional level, with the exception of North America which is built separately for Canada and the USA. Each regional SRI index targets 25% coverage of each GICS sector of the underlying Parent Indexes. The weight of large securities is limited as part of the selection process, as described in section 3.1.3

The following regional SRI Indexes are aggregated to construct the MSCI World SRI Index.

MSCI Regional SRI Index	Region	Parent Index
MSCI Pacific SRI Index	Developed Asia Pacific	MSCI Pacific Index
MSCI Europe & Middle East SRI Index	Developed Europe & Middle East	MSCI Europe & Middle East Index
MSCI Canada SRI Index	Canada	MSCI Canada Index
MSCI USA SRI Index	USA	MSCI USA Index

The following regional SRI Indexes are aggregated to construct the MSCI Emerging Markets SRI Index.

MSCI Regional SRI Index	Region	Parent Index
MSCI Emerging Markets Asia SRI Index	Emerging Asia	MSCI Emerging Markets Asia Index
MSCI Emerging Markets Europe, Middle East & Africa SRI Index	Emerging Europe, Middle East & Africa	MSCI Emerging Markets Europe, Middle East & Africa Index
MSCI Emerging Markets Latin America SRI Index	Emerging Latin America	MSCI Emerging Markets Latin America Index

The MSCI World SRI Index and the MSCI Emerging Markets SRI Index are aggregated to construct the MSCI ACWI SRI Index.

The Large Cap and Mid Cap size-segments of the MSCI SRI Indexes are derived from the Standard size-segment.

The MSCI SRI Indexes for other regions and countries are determined by including securities from the particular region/country from the MSCI ACWI SRI Index and weighting them according to the weight in the MSCI ACWI SRI Index. For example, the MSCI EAFE SRI Index and the MSCI China SRI Index are constructed by including those securities from the MSCI ACWI SRI Index which are a part of the MSCI EAFE Index and the MSCI China Index respectively and weighting them in the proportion of the weight in the MSCI ACWI SRI.

## 2.4 Weighting Scheme

At each rebalancing, all the securities that are selected for inclusion in the Indexes are weighted by the product of their weight in the Parent Index and the concentration control factor.

For each security  $i$  selected for the SRI Indexes, the weight is calculated as follows:

$$\text{Security Weight}(i) = \text{Concentration Control Factor}(i) * \text{Weight in Parent Index}(i)$$

The above weights are then normalized to 100%.

The calculation of the concentration control factor is described in section 3.1.3.

## 2.5 Treatment of Unrated Companies

Companies not assessed by MSCI ESG Research on data for any of the following MSCI ESG Research products are not eligible for inclusion in the Indexes.

- MSCI ESG Ratings
- MSCI ESG Controversies
- MSCI Climate Change Metrics
- MSCI Business Involvement Screening Research (BISR)

## 3. Maintaining the Indexes

### 3.1 Annual Index Reviews

The Indexes are reviewed on an annual basis in May to coincide with the May Index Review of the Parent Index, 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<sup>4</sup> (including MSCI ESG Ratings, MSCI ESG Controversies, MSCI ESG Business Involvement Screening Research and MSCI Climate Change Metrics) as of the end of the month preceding the Index Reviews for the rebalancing of the Indexes. 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 Indexes.

At each Annual Index Review, the eligible universe is updated and the composition of the index is reassessed in order to target 25% free float-adjusted cumulative market capitalization of each sector of the Parent Index.

#### 3.1.1 Updating the Eligible Universe

The eligible universe is updated during each Annual Index Review.

Companies that are currently not constituents of the Indexes are evaluated using the same eligibility criteria described in Section 2.2.

Existing constituents of the Indexes are maintained in the eligible universe if they meet all the following conditions:

- MSCI ESG Rating of 'BB' or above
- MSCI ESG Controversies Score of 1 or above
- Not screened by the business involvement criteria described in Section 2.2.1

#### 3.1.2 Ranking of Eligible Universe

For each sector, eligible securities of the regional Parent Index are ranked based on the following criteria:

- ESG Rating
- Current index membership (existing constituents above non-constituents)
- Industry adjusted ESG scores
- Decreasing free float-adjusted market capitalization.

<sup>4</sup> See section 4 for details of data sourced from MSCI ESG Research used in the Indexes.



### 3.1.3 Selection of Eligible Securities

For each sector, eligible securities of the regional Parent Index are then selected until the target 25% cumulative coverage is reached.

As part of the selection, a concentration control factor is applied by adjusting the weight of large securities that are up for selection in a particular sector. The factor is applied so to target a maximum security weight of +5% compared to the security weight in the regional Parent Index.

For each security  $i$  that is up for selection, the weight in the regional Parent Index  $Security\ Weight(i)$  is adjusted as follows:

$$Security\ Weight(i)\ adjusted = Concentration\ Control\ Factor(i) * Security\ Weight(i)$$

$$Concentration\ Control\ Factor(i) = Min\ (1, [(Security\ Weight(i) + 0.05) / (Security\ Weight(i) * 4)])$$

Securities are selected from the ranked universe in the following order:

- Securities in the top 17.5% cumulative coverage of the ranked universe, including the first security that increases the cumulative coverage above 17.5%
- 'AAA' rated securities in the top 25% cumulative coverage of the ranked universe, including the first security that increases the cumulative coverage above 25%
- Current index constituents in the top 32.5% cumulative coverage of the ranked universe, including the first security that increases the cumulative coverage above 32.5% if that security is a current index constituent
- Remaining eligible securities in the ranked universe

The cumulative coverage of the ranked universe is calculated as the sum of the adjusted weight of selected securities in the sector of the regional Parent Index, where the weight is adjusted by the Concentration Control factor:

$$Cumulative\ coverage = \sum Concentration\ Control\ Factor(i) * \frac{Free\ Float\ Market\ Cap(i)}{Total\ Sector\ Free\ Float\ Market\ Cap}$$

Please see Appendix II for additional details on the ranking and selection rules.

## 3.2 Quarterly Index Reviews

In addition to the annual index review in May, the Indexes are also reviewed on a quarterly basis in February, August and November 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 Indexes.

At the Quarterly Index Reviews, existing constituents are deleted from the Indexes if they do not meet the eligibility criteria described in Section 3.1.1. Existing constituents that meet the eligibility criteria are retained in the Index.

Additions, from the eligible securities as per Section 2.2, are made only to those sectors where the current coverage is less than 22.5%, until the 25% target is reached. The Concentration Control Mechanism as per Section 3.1.3 is also applied during Quarterly Index Reviews.

Market price movements may cause small deviations in the sector coverage between two Index Reviews. Therefore, in order to minimize turnover, a buffer of 10% is used on the target coverage of 25% to define under-representation.

### 3.3 Ongoing Event-Related Maintenance

The following section briefly describes the treatment of common corporate events within the Indexes.

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 Indexes 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 Index (such as IPOs, other early inclusions and migrations from a different size-segment) will be added to the Indexes on the date of security inclusion only if they meet the eligibility criteria described in Section 2.2 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 Indexes 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/latest/CE>.

## 4. MSCI ESG Research

The Indexes are products of MSCI Inc. that utilize information such as company ratings and research produced and provided by MSCI ESG Research LLC (MSCI ESG Research), a subsidiary of MSCI Inc. In particular, the Indexes use the following MSCI ESG Research product: MSCI Climate Change Metrics. MSCI Indexes are administered by MSCI Limited and MSCI Deutschland GmbH.

### 4.1 MSCI ESG Ratings

MSCI ESG Ratings aim to measure entities' management of environmental, social and governance risks and opportunities. MSCI ESG Ratings use a weighted average key issue calculation that is normalized by industry to arrive at an industry-adjusted ESG score (0-10), which is then translated to a seven-point scale from 'AAA' to 'CCC', indicating how an entity manages relevant key issues relative to industry peers.

The MSCI ESG Ratings methodology can be found at: <https://www.msci.com/legal/disclosures/esg-disclosures>.

### 4.2 MSCI ESG Controversies

MSCI ESG Controversies provide assessments of controversies concerning the potential 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.

The MSCI ESG Controversies methodology can be found at: <https://www.msci.com/legal/disclosures/esg-disclosures>.

### 4.3 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.

The MSCI Business Involvement Screening Research methodology can be found at: <https://www.msci.com/legal/disclosures/esg-disclosures>.

### 4.4 MSCI Climate Change Metrics

MSCI Climate Change Metrics provides climate data & tools to support institutional investors seeking to integrate climate risk & opportunities into their investment strategy and processes. This includes investors seeking to achieve a range of objectives, including measuring and reporting on climate risk exposure, implementing low carbon and fossil fuel-free strategies, alignment with temperature pathways and factoring climate change research into their risk management processes, in particular through climate scenario analysis for both transition and physical risks.

The dataset spans across the four dimensions of a climate strategy: transition risks, green opportunities, physical risks and 1.5° alignment.

#### 4.4.1 Fossil Fuels and Power Generation Metrics

MSCI ESG Research identifies companies involved in fossil fuel-related assets and activities including fossil fuel reserves, resource extraction, power generation and generation capacity, revenue from such assets and activities and capital investments in such assets and activities. The metrics are based on disclosed activities, disclosed revenue and estimates of revenue that are extrapolated from company disclosures and eligible third-party sources (such as NGOs).

For more details on MSCI Climate Change Metrics, please refer to <https://www.msci.com/legal/disclosures/climate-disclosures>

## Appendix I: Controversial Business Involvement Criteria

MSCI ESG Research has developed a framework designed to define significant involvement in controversial activities. According to this framework, there are four levels of restrictiveness: Most Restrictive, Highly Restrictive, Moderately Restrictive, Least Restrictive.

Each controversial activity screened by the Indexes (except Fossil Fuel Reserves Ownership, Fossil Fuel Extraction and Thermal Coal Power) is assigned to one of these restrictiveness levels.

### **"Most Restrictive" screen applied**

- **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), as defined by the methodology of the MSCI Global Ex-Controversial Weapons Indexes available at <https://www.msci.com/index/methodology/latest/XCW>

### **"Highly Restrictive" screen applied**

- **Civilian Firearms**
  - All companies classified as "Producer" of firearms and small arms ammunitions for civilian markets. It does not include companies that cater to the military, government, and law enforcement markets
  - All companies deriving 5% or more aggregate revenue from the production and distribution (wholesale or retail) of firearms or small arms ammunition intended for civilian use
- **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) but can be used in nuclear weapons
  - All companies that manufacture or assemble delivery platforms that were not developed or not significantly modified for the exclusive delivery of nuclear weapons but have the capability to deliver nuclear weapons
  - All companies that manufacture components for nuclear-exclusive delivery platforms
- **Tobacco**
  - All companies classified as a "Producer"

- All companies deriving 5% or more aggregate revenue from the production, distribution, retail, supply and licensing of tobacco-related products

## **"Moderately Restrictive" screen applied**

### • **Adult Entertainment**

- All companies deriving 5% or more revenue from the production of adult entertainment materials
- All companies deriving 15% or more aggregate revenue from the production, distribution and retail of adult entertainment materials

### • **Alcohol**

- All companies deriving 5% or more revenue from the production of alcohol-related products
- All companies deriving 15% or more aggregate revenue from the production, distribution, retail and supply of alcohol-related products

### • **Weapons**

- All companies deriving 5% or more revenue from the production of conventional weapons and components
- All companies deriving 15% or more aggregate revenue from weapons systems, components, and support systems and services based on the following categories:
  - Companies involved in the production of conventional weapons, components for such products or support systems and services for such products
  - Companies involved in the production of biological or chemical weapons, components for such products
  - Companies involved in the production of nuclear weapons, exclusive and dual-use delivery platform capable to deliver such products, intended and dual-use components of such products, services provided for such products
  - Companies involved in the production of blinding laser, incendiary or non-detectable fragments weapons in its most recently completed fiscal year

### • **Gambling**

- All companies deriving 5% or more revenue from ownership of operation of gambling-related business activities
- All companies deriving 15% or more aggregate revenue from gambling-related business activities

### • **Genetically Modified Organisms (GMO)**

- All companies deriving 5% or more revenue from activities like genetically modifying plants, such as seeds and crops, and other organisms intended for agricultural use or human consumption

- **Nuclear Power**

- All companies generating 5% or more of their total electricity from nuclear power in a given year
- All companies that have 5% or more of installed capacity attributed to nuclear sources in a given fiscal year
- All companies deriving 15% or more aggregate revenue from nuclear power activities

**No specific restrictiveness level applied**

- **Thermal Coal**

- **Thermal Coal Mining:** All companies deriving more than 0% revenue from the mining of thermal coal (including lignite, bituminous, anthracite and steam coal) and its sale to external parties. It does not cover 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
- **Thermal Coal Distribution:** All companies with evidence of thermal coal distribution or transport involvement. This includes transport of thermal coal by road, rail, shipping or air, and physical trading of thermal coal. It does not include involvement in storage of thermal coal, or involvement in metallurgical coal-related activities.
- **Thermal Coal Power Generation:** All companies deriving 5% or more revenue (either reported or estimated) from thermal coal-based power generation.

- **Fossil Fuel Reserves Ownership**

- All companies with evidence of owning proven & probable coal reserves and/or proven oil and natural gas reserves used for energy purposes, or evidence of owning thermal coal reserves.

- **Fossil Fuel Extraction**

- **Unconventional Oil & Gas Extraction:** All companies deriving more than 0% from oil sands, oil shale (kerogen-rich deposits), shale gas, shale oil, coal seam gas, and coal bed methane. It does not cover all types of conventional oil and gas production including Arctic onshore/offshore, deep water, shallow water and other onshore/offshore.
- **Arctic Oil & Gas:** All companies deriving more than 0% revenue from Arctic Oil or Arctic Gas production.

- **Fossil Fuel-based Power Generation:** All companies deriving 50% or more revenue from fossil fuel (thermal coal, liquid fuel and natural gas) based power generation<sup>5</sup>

<sup>5</sup> As per [https://www.ipcc.ch/site/assets/uploads/2018/02/ipcc\\_wg3\\_ar5\\_chapter7.pdf](https://www.ipcc.ch/site/assets/uploads/2018/02/ipcc_wg3_ar5_chapter7.pdf), thermal coal based power generation, liquid fuel based power generation and natural gas based power generation have median lifecycle emissions exceeding 100gCO<sub>2</sub>/kWh.



- **Oil Activities<sup>6</sup>**

- All companies deriving 10% or more aggregate revenue (either reported or estimated) from oil-related activities, including:
  - Extraction and production of oil and natural gas liquids
  - Refining of oil fuels
  - Oil and oil products pipelines or natural gas liquids pipelines
  - Transportation of oil and oil products
  - Distribution of oil and related products
  - Exploration as a service to the oil and natural gas industries
  - Drilling wells as a service to the exploration and production of oil and natural gas

- **Gas Activities<sup>7</sup>**

- All companies deriving 50% or more aggregate revenue (either reported or estimated) from gas-related activities, including:
  - Extraction and production of natural gas
  - Processing of natural gas fuels
  - Natural gas pipelines
  - Transportation of natural gas
  - Distribution of gas and related products
  - Exploration as a service to the oil and natural gas industries
  - Drilling wells as a service to the exploration and production of oil and natural gas

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<sup>6</sup> The combined oil & gas screen is applied for companies where the disaggregated oil/gas revenue data underlying the separate oil and gas screens is not available or is not consistent. The combined oil & gas screen excludes all companies deriving 10% or more aggregate revenue from oil and gas related activities, including distribution/retail, equipment and services, extraction and production, pipelines and transportation, and refining but excluding biofuel production and sales and trading activities. For further details, please refer to Appendix II of the MSCI EU CTB/PAB Index Framework at: <https://www.msci.com/index/methodology/latest/EUCTBPABIndexFramework>

<sup>7</sup> As noted in footnote 9.

## Appendix II: Guidelines on Achieving the Target Sector Coverage of 25%

The Indexes target 25% coverage of the free float-adjusted market capitalization, adjusted for the Concentration Control Mechanism described in section 3.1.3, of each GICS sector of the regional Parent Indexes (“cumulative sector coverage”). The underlying principle in the construction of the indexes is to achieve cumulative sector coverage closest to 25%, restrict securities with a high weight to a maximum target weight of +5% relative to their weight in the regional Parent Index while aiming to maintain index stability.

The following guidelines are used in achieving the target cumulative sector coverage of 25%:

- For each sector, the eligible companies of the regional Parent Index are first ranked based on the company level ESG Rating.
- If two companies have the same ESG Ratings, the existing SRI index constituent is given priority to maintain index stability. Between two existing constituents with the same ESG Rating, the company with the higher industry adjusted ESG Score is given priority. For two existing SRI index constituents with the same industry adjusted ESG score, the security with the largest free float-adjusted market capitalization is given priority.
- The cumulative sector coverage at each rank is calculated.
- In each sector, companies are selected as per the rules mentioned in Section 3.1.2 until the cumulative sector coverage crosses 25% or there are no eligible securities left to be selected.
- MSCI defines the company that increases the cumulative sector coverage above 25% as the “marginal company”.
  - If the marginal company is a current SRI index constituent, then it is always selected.
  - If the marginal company is not a current SRI index constituent, then it is selected only if the cumulative sector coverage with the marginal company is closer to 25% compared to the cumulative sector coverage without the marginal company.
- The minimum cumulative sector coverage is set to 22.5%.
  - The marginal company is always selected if this is required to achieve cumulative sector coverage of 22.5%.
- Securities which are ineligible as per Section 3.1.1 will not be selected even if the cumulative sector coverage after selection of all eligible securities is below 25%.

## Appendix III: Methodology Transition

The following section reflects the methodology updates up to December 2020. For changes made after this date, please refer to Appendix VIII.

### June 2012

Prior to May 2012 Index Review, the MSCI SRI Indexes were constructed using the Global Socrates ESG ratings. Any company that had an ESG rating of 'BB' or lower was not eligible for inclusion in the MSCI SRI Indexes. The underlying universe for the MSCI Global SRI Indexes was defined by the constituents of the MSCI Global ESG Indexes. The MSCI SRI Indexes were constructed by targeting 50% of the free float-adjusted market capitalization of each GICS sector of the underlying MSCI regional ESG Index.

Effective May 2012 Index Review, MSCI SRI Indexes transitioned to MSCI ESG IVA Ratings and using the regional GIMI Indexes as the Parent Index.

### June 2016

Effective May 2016 Index Review, the MSCI SRI Indexes reflected enhancements to the MSCI ESG Controversies (formerly known as MSCI Impact Monitor). The details of the changes are as given below.

The changes to MSCI ESG Controversies included adjusting the scoring model to align the scores with individual controversy case levels, including the introduction of an Orange flag, and the removal of specific controversial business involvement (CBI) criteria from the model to refocus the ESG Controversies scores on event-driven controversies.

MSCI implemented the following changes to the MSCI SRI Indexes methodology effective June 1, 2016 to maintain consistency with the existing index construction objectives:

1 - As per the old MSCI ESG Impact Monitor methodology, securities which had an Impact Monitor score of 0 and 1 had a Red controversy flag. Under the new methodology, only securities with an ESG controversies score of 0 have a Red controversy flag. For indexes where constituents were ineligible to be included in the index if their Impact Monitor score was 0 or 1 (current Red controversy flag), the exclusion criteria was changed to ESG Controversies score = 0 in order to continue to only exclude securities with Red controversy flag in the MSCI SRI Indexes.

2 - MSCI Impact Monitor earlier incorporated exclusion rules based on controversial business involvement criteria related to alcohol, tobacco, gambling, nuclear power, conventional weapons and controversial weapons. The values-based exclusion criteria that were already a part of the MSCI SRI Indexes were more stringent than most of these rules. Therefore, there is no additional impact, over the existing values-based exclusion criteria, of applying controversial business involvement exclusion related to alcohol, tobacco, gambling, conventional weapons and controversial weapons. Only the 'Nuclear Power' screen was updated to reflect the additional rules that were earlier incorporated in the MSCI Impact Monitor. The details of the exclusion rules are mentioned in Appendix I.

### June 2018

Effective from the May 2018 Annual Index Review, the controversial business involvement criteria have been enhanced to reflect a new framework designed by MSCI ESG Research to define significant involvement in controversial activities. According to this framework, there are four

restrictiveness levels: Most Restrictive, Highly Restrictive, Moderately Restrictive, Least Restrictive. Also, a screen for Thermal Coal was added.

## **December 2020**

Effective from the November 2020 Index Review, new controversial business involvement criteria were added for Fossil Fuel Reserves and Fossil Fuel Extraction, and the screen for Thermal Coal was adjusted.

## Appendix IV: MSCI Country and Region SRI Indexes

The MSCI Country and Region SRI Indexes are constructed with an aim to represent the performance of companies that have high Environmental, Social and Governance (ESG) performance.

The MSCI Country SRI Indexes aim to target sector weights that reflect the relative sector weights of the underlying country Index to limit the systematic risk and country specific risk introduced by the ESG selection process. Currently the MSCI Country SRI Indexes can be constructed for the Standard size-segment in any Developed and Emerging Markets.

The MSCI Region SRI Indexes can be constructed for regions different than those used in the construction of the MSCI SRI Indexes and aim to target sector weights that reflect the relative sector weights of the underlying regional Index. Currently the MSCI Region SRI Indexes can be constructed for the Standard size-segment in any regions in Developed and Emerging Markets.

The MSCI Country and Region SRI Indexes are constructed by applying the index construction rules detailed in Section 2 at the level of the respective country or region covered by the index, instead of the specific regional level used in the construction of MSCI SRI Indexes.

The MSCI Country and Region SRI Indexes target 25% of the free float-adjusted market capitalization of each GICS sector of the Parent Country or Region Index. The MSCI Country and Region SRI Indexes follows the same index review cycle, maintenance rules and corporate events treatment as the MSCI SRI Indexes as described in Section 3.

## Appendix V: Initial Construction of the MSCI Emerging Markets SRI Index at Launch

The MSCI Emerging Markets SRI Index was launched with an initial construction as of the November 2013 Index Review.

In order to achieve free float-adjusted market capitalization coverage close to the target of 25% at launch, the entry rules for the MSCI Emerging Markets SRI Index were slightly relaxed at the initial construction. Specifically, the ESG Rating threshold was lowered to a minimum rating of 'BBB' at the initial construction instead of the threshold of a minimum ESG Rating of 'A'. The Impact Monitor threshold was not relaxed and was kept at a minimum of '4'.

Note that this relaxation was done only for the initial construction.

## Appendix VI: MSCI Extended SRI and MSCI Extended SRI 5% Issuer Capped Indexes

The MSCI Extended SRI Indexes are constructed with an aim to reflect the performance of companies that are consistent with specific values- and climate change-based criteria, and have high minimum level of ESG performance. The Index is also designed to more broadly cover the underlying investment universe. Extended SRI Indexes can be constructed on the Standard or the IMI size-segment in Developed and Emerging Markets.

Companies that fail the controversial business involvement criteria as described in Section 2 are excluded from the MSCI Extended SRI Indexes. Any company that has an ESG Rating<sup>8</sup> of 'BB' or lower or has an MSCI ESG Controversies Score<sup>9</sup> of 0 is not eligible for inclusion in the MSCI Extended SRI Indexes.

The MSCI Extended SRI Indexes target 50% of the underlying Parent Indexes. The MSCI Extended Global SRI Indexes follows the same index review cycle and corporate events treatment as the MSCI SRI Indexes as described in Section 3.

MSCI currently offers the following Extended SRI Indexes:

1. MSCI World Extended SRI Index
2. MSCI Emerging Markets Extended SRI Index
3. MSCI Europe Extended SRI Index
4. MSCI UK IMI Extended SRI Index
5. MSCI Sweden IMI Extended SRI Index
6. MSCI Switzerland IMI Extended SRI Index

The MSCI Extended SRI 5% Issuer Capped Indexes are issuer capped variants of the MSCI Extended SRI Indexes, capped according to the MSCI Capped Index Methodology<sup>10</sup>. The excess weight of the capped issuers is distributed among the remaining constituents in proportion of their existing weights in the index.

MSCI currently offers the following Extended SRI 5% Issuer Capped Indexes:

1. MSCI World Extended SRI 5% Issuer Capped Index
2. MSCI Emerging Markets Extended SRI 5% Issuer Capped Index
3. MSCI Europe Extended SRI 5% Issuer Capped Index
4. MSCI UK IMI Extended SRI 5% Issuer Capped Index
5. MSCI Switzerland IMI Extended SRI 5% Issuer Capped Index

<sup>8</sup> The ESG Ratings criterion is the same for new or existing constituents.

<sup>9</sup> The MSCI ESG Controversy criterion is the same for new or existing constituents.

<sup>10</sup> Please refer to the MSCI Capped Indexes methodology at [www.msci.com/index-methodology](http://www.msci.com/index-methodology)

## Appendix VII: Methodology Set

The Indexes are governed by a set of methodology and policy documents (“Methodology Set”), including the present index methodology document as mentioned below:

- Description of methodology set –  
<https://www.msci.com/index/methodology/latest/ReadMe>
- MSCI Corporate Events Methodology –  
<https://www.msci.com/index/methodology/latest/CE>
- MSCI Fundamental Data Methodology –  
<https://www.msci.com/index/methodology/latest/FundData>
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- MSCI Index Policies –  
<https://www.msci.com/index/methodology/latest/IndexPolicy>
- MSCI Global Industry Classification Standard (GICS) Methodology –  
<https://www.msci.com/index/methodology/latest/GICS>
- MSCI Global Investable Market Indexes Methodology –  
<https://www.msci.com/index/methodology/latest/GIMI>
- MSCI Global ex Controversial Weapons Indexes Methodology –  
[www.msci.com/index/methodology/latest/XCW](https://www.msci.com/index/methodology/latest/XCW)
- ESG Factors In Methodology\*

The Methodology Set for the Indexes can also be accessed from MSCI’s webpage <https://www.msci.com/index-methodology> in the section ‘Search Methodology by Index Name or Index Code’.

\* ‘ESG Factors in Methodology’ contains the list of environmental, social, and governance factors considered, and how they are applied in the methodology (e.g., selection, weighting or exclusion). It can be accessed in the Methodology Set as described above.



## Appendix VIII: Changes to this Document

**The following section has been modified as of September 2014:**

Appendix 6: MSCI Extended SRI Index

- Addition of appendix 6 containing the methodology details of MSCI Extended SRI Indexes

**The following sections have been modified as of November 2014:**

Section 2: MSCI ESG Research and Section 3: Constructing the MSCI SRI Indexes

- Clarification of MSCI SRI Index construction rules

Section 4: Maintaining the MSCI SRI Indexes

- Enhancement of treatment of corporate events

Appendix I: Values-Based Exclusion Criterion

- Correction to the Values-Based Exclusion Criterion

**The following sections have been modified as of May 2016:**

Section 2: MSCI ESG Research

- Updated to include the impact of the change in the MSCI ESG Controversies Scores methodology on MSCI SRI Indexes methodology

Section 3: Constructing the MSCI SRI Indexes

- Changed Section 3 to update the eligibility criteria for inclusion in MSCI SRI Indexes and to include clarification on the construction of regional and country level SRI Indexes

Section 4: Maintaining the MSCI SRI Indexes

- Updated to clarify the treatment of ESG Rating downgrade or decrease in ESG Controversies scores between index reviews

Appendix 1: Values-Based Exclusion Criteria

- Updated the screening criteria for companies involved in 'Nuclear Power'

Appendix 2: Guidelines on achieving the target sector coverage of 25%

- Added a clarification to specify that non-eligible securities would not be included to increase the sector coverage to 25%

Appendix 3: Methodology Transition

- Added details which highlight the changes to the MSCI SRI Indexes effective June 2016

**The following section has been updated as of May 2017:**

Section 4: Maintaining the MSCI SRI Indexes

- Clarification on use of ESG data for securities whose data would be available after the end of the month preceding Index Review.

**The following sections have been updated as of June 2017:**

- Methodology book updated to reflect change in name of MSCI Global Socially Responsible Indexes to MSCI SRI Indexes.

**The following sections have been updated as of December 2017:**

Section 4.2: Quarterly Index Reviews

- Correction of the target coverage percentage in the last paragraph

Appendix 2: Guidelines on achieving the target sector coverage of 25%

- Correction of the sector coverage percentage in the last bullet

**The following section has been updated as of February 2018:**

Appendix 4: MSCI Country and Region SRI Indexes

- New appendix detailing the construction methodology for the MSCI Country and Region SRI Indexes

**The following sections have been updated as of May 2018:**

Section 3: Constructing the MSCI SRI Indexes

- Added “Thermal Coal” to the list of controversial business activities
- Removed the references to minimum ESG Ratings and ESG Controversies Score for existing constituents

Section 4: Maintaining the MSCI SRI Indexes

- Added references to minimum ESG Ratings and ESG Controversies Score for existing constituents
- Updated the ranking rules to reflect the addition of the ESG Trend criterion

Appendix 1: Values-Based Exclusion Criteria

- Updated the controversial business involvement criteria for each controversial activity according to the new framework designed by ESG Research to define significant involvement in controversial activities
- Added a controversial business involvement criterion for Thermal Coal

Appendix 2: Guidelines on Achieving the Target Sector Coverage of 25%

- Added clarifications

**The following section has been updated as of February 2019:**

Appendix 2: Guidelines on Achieving the Target Sector Coverage of 25%

- Updated the guidelines to reflect the addition of the ESG Trend criterion

**The following sections have been updated as of April 2019:**

Section 2: MSCI ESG Research

- Introduced the MSCI Climate Change Metrics product used in the MSCI SRI S-Series and MSCI SRI S-Series Capped Indexes

## Section 4: Maintaining the MSCI SRI Indexes

- Clarified the Ongoing Event-Related Maintenance section

## Appendix 1: Values-Based Exclusion Criteria

- Clarified the screening criteria for companies involved in 'Nuclear Weapons'

## Appendix 7: MSCI SRI S-Series and MSCI SRI S-Series Capped Indexes

Addition of Appendix 7 containing the methodology details of MSCI SRI S-Series and MSCI SRI S-Series Capped Indexes

### **The following section has been updated as of May 2019:**

#### Appendix 1: Values-Based Exclusion Criteria

- Clarified the screening criteria for companies involved in 'Tobacco'

### **The following section has been updated as of November 2019:**

#### Appendix 1: Values-Based Exclusion Criteria

- Clarified the screening criteria for companies involved in 'Civilian Firearms' and 'Conventional Weapons'

### **The following section has been updated as of August 2020:**

#### Appendix 7: MSCI SRI S-Series and MSCI SRI S-Series Capped Indexes

- Added details on the additional screens used for USA and Canada securities
- Updated the capping details of the MSCI Emerging SRI S-Series 5% Capped Index

### **The following sections have been updated as of November 2020:**

#### Section 3.2.1: Controversial Business Involvement Criteria

- Added screens for 'Fossil Fuel Reserves Ownership' and 'Fossil Fuel Extraction'

#### Section 4.1.3: Selection of Eligible Securities

- Clarified the selection rules

#### Appendix 1: Controversial Business Involvement Criteria

- Added screens for 'Fossil Fuel Reserves Ownership' and 'Fossil Fuel Extraction'
- Updated the screening criteria for companies involved in 'Thermal Coal Power'

#### Appendix 6: MSCI Extended SRI and MSCI Extended SRI 5% Issuer Capped Indexes

- Additional indexes were added to the list of indexes offered under the methodology
- Updated to include the methodology for the MSCI Extended SRI 5% Issuer Capped Indexes

### **The following sections have been updated as of February 2021:**

#### Appendix 7: MSCI SRI S-Series and MSCI SRI S-Series Capped Indexes

- Deleted the Appendix as the methodology for the MSCI SRI S-Series and MSCI SRI S-Series capped Indexes has been made available in a separate methodology book

**The following sections have been modified as of August 2022:**

Section 4.1.2: Ranking of Eligible Securities

- Updated footnote

Appendix 2: Guidelines on Achieving the Target Sector Coverage of 25%

- Clarified the definition of 'ESG Trend' and the priority rules for companies that have the same ESG Rating but a different ESG Trend

**The following sections have been modified as of November 2022:**

Section 4.1.2: Ranking of Eligible Securities

- Clarified the priority rules for existing constituents of the MSCI SRI Indexes

**The following sections have been modified as of June 2023:**

Section 3: Maintaining the MSCI SRI Indexes

- Methodology book was updated to reflect the transition of the MSCI Global Investable Market Indexes (GIMI) to Quarterly Comprehensive Index Reviews.
- All references to "Semi-Annual Index Reviews" and "Quarterly Index Reviews" of the MSCI GIMI were replaced with "Index Reviews."

Section 4: MSCI ESG Research

- Moved that section after the Section 3 (Maintaining the MSCI SRI Indexes)
- Updated the descriptions of MSCI ESG Research products

**The following sections have been modified as of November 2023:**

Section 2.4: Treatment of Unrated Companies

- New section detailing the treatment of companies with ratings and research not available from MSCI ESG Research

**The following section has been modified as of January 2024:**

Appendix 7: Methodology Set

- Added details on the Methodology Set for the Indexes

**The following section has been modified as of August 2024**

Section 2.4: Treatment of Unrated Companies

- Added the treatment of companies when business involvement screening research and Climate Change Metrics are not available from MSCI ESG Research

**The following section has been modified as of December 2024**

Section 4.4: MSCI Climate Change Metrics

- Added a sub-section under Climate Change Metrics to provide additional details on Fossil Fuels related activities.

**The following section has been modified as of May 2025**

Section 1: Introduction

- Removed the ESG Ratings Trend from the Index description
- Added a description of the Concentration Control Mechanism

Section 2.2.1 Controversial Business Involvement Criteria

- Updated list to reflect the addition of Oil and Gas Value Chain, Fossil Fuel-based Power Generation, Thermal Coal Distribution, Arctic Oil & Gas Production

Section 2.3.1: Concentration Control Mechanism

- New Section added to detail the maximum active security weight in SRI Regional Indexes

Section 3.1.2 Updating the Eligible Universe

- Removed the ESG Ratings Trend from the ranking criteria

Section 3.1.3 Selection of Eligible Securities

Removed AA prioritization from the top 25% selection  
Appendix I: Controversial Business Involvement Criteria

- Updated description for Conventional Weapons
- Updated the Fossil Fuel Reserves Ownership criteria
- Added the description for Oil and Gas Value Chain, Fossil Fuel-based Power Generation, Thermal Coal Distribution, Arctic Oil & Gas Production.

Appendix II: Guidelines on Achieving the Target Sector Coverage of 25%

- Added a description of the Concentration Control Mechanism
- Removed the ESG Rating Trend criteria and description

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