

MSCI Value Advanced Select Screens Indexes Methodology

February 2025

Contents

1. Introduction	4
2. Constructing the Indexes	5
2.1 Defining the Parent Index	5
2.2 Eligible Universe	5
2.3 Defining the Exclusion Criteria	5
2.3.1 Controversy-Based Exclusion Criteria	5
2.3.2 Business Exclusion Criteria	5
2.4 Defining the Security Level Carbon Exposure	6
2.4.1 Greenhouse Gas Emissions	6
2.4.2 Potential Carbon Emissions from Fossil Fuels	6
2.5 Defining the Optimization Setup	6
2.5.1 Calculation of the Value Score	7
2.5.2 Optimization Constraints	7
2.6 Determining the Optimized Index	8
2.7 Treatment of Unrated Companies	8
3. Maintaining the Index	9
3.1 Semi-Annual Index Reviews	9
3.2 Monthly Review of Controversies	9
3.3 Ongoing Event Related Changes	9
4. MSCI ESG Research	11
4.1 MSCI ESG Ratings	11
4.2 MSCI ESG Controversies	11
4.3 MSCI ESG Business Involvement Screening Research	11
4.4 MSCI Climate Change Metrics	11
4.4.1 Fossil Fuels and Power Generation Metrics	12
4.4.2 Greenhouse Gas (GHG) Emissions	12
4.5 MSCI Impact Solutions: Sustainable Impact Metrics	12
Appendix I: The Parent Index and the Base Currency for Optimization	14

Appendix II: Business Exclusion Criteria 15

Appendix III: Handling Infeasible Optimizations 17

Appendix IV: New Release of Barra® Equity Model or Barra® Optimizer 18

Appendix V: Company-Level Sustainable Exposure and Calculation of Index SE% 19

Appendix VI: Minimum Index SE% Constraints 20

Appendix VII: Calculation of Carbon Exposure Metrics 21

Appendix VIII: Methodology Set 22

Appendix IX: Changes to this Document 23

1. Introduction

The MSCI Value Advanced Select Screens Indexes ('the Indexes') are designed to represent the performance of a strategy that seeks systematic integration of environmental, social and governance (ESG) norms and maximizes its exposure to the Value factor.

The Indexes are constructed by selecting constituents of a market capitalization weighted index (the 'Parent Index') and applying an optimization process that aims to maximize the exposure to the Value factor, minimize Tracking Error, meet minimum index-level sustainable exposure percentage ("Index SE%") thresholds, reduce the carbon-equivalent exposure to CO₂ and other GHG as well as reduce its exposure to potential emissions risk of fossil fuel reserves by thirty percent (30%) and improve the weighted-average industry-adjusted ESG score of the Index with respect to their respective Parent Indexes using certain constraints described below¹.

¹ The Indexes are governed by a set of methodology and policy documents ("Methodology Set"), including the present index methodology document. Please refer to Appendix VIII for more details.

2. Constructing the Indexes

The Indexes use company ratings and research provided by MSCI ESG Research² for the index construction.

Constructing the Indexes involves the following steps:

- Defining the Parent Index
- Defining the exclusion criteria
- Defining the security level carbon exposure
- Defining the optimization setup
- Determining the optimized index Defining the business exclusion criteria

The steps mentioned above are defined in detail in the subsequent sections.

2.1 Defining the Parent Index

Construction of the Indexes begins with identifying the Parent Index and the Eligible Universe for optimization. The Parent Index serves as the universe of eligible securities for optimization.

2.2 Eligible Universe

The Eligible Universe is constructed by excluding securities from the Parent Index based on the exclusion criteria described below.

2.3 Defining the Exclusion Criteria

2.3.1 Controversy-Based Exclusion Criteria

Securities of companies assessed as having involvement in ESG controversies that are classified as Red Flags (MSCI ESG Controversy Score of 0) are excluded. A Red Flag indicates an ongoing Very Severe ESG controversy implicating a company directly through its actions, products, or operations.

2.3.2 Business Exclusion Criteria

Companies that are involved in specific businesses which have high potential for negative social and/or environmental impact are ineligible for inclusion in the Indexes.

- Controversial Weapons
- Nuclear Weapons
- Civilian Firearms
- Tobacco

² 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.

- Thermal Coal
- Oil Sands

In addition to the above, companies that fail to comply with the United Nations Global Compact Principles (UN Global Compact Alignment value of “Fail”) are also excluded from the Indexes. Please refer to Appendix II for more details on these criteria.

2.4 Defining the Security Level Carbon Exposure

The carbon exposure of a security is measured in terms of its greenhouse gas emissions and its potential carbon emissions from fossil fuel reserves. The Indexes use MSCI Climate Change Metrics data from MSCI ESG Research.

2.4.1 Greenhouse Gas Emissions

MSCI ESG Research collects company-specific direct (Scope 1) and indirect (Scope 2) greenhouse gas (GHG) emissions data from company public documents and/or the Carbon Disclosure Project. If a company does not report GHG emissions, then MSCI ESG Research uses its proprietary methodology to estimate Scope 1 and Scope 2 GHG emissions.

For newly added companies to the Index which do not report emission data and where MSCI ESG Research has not yet estimated the greenhouse gas emissions, MSCI uses the average emissions per dollar of issuer market capitalization for the companies in the same industry group, multiplied by the market capitalization of the company as the estimated emission for the company.

2.4.2 Potential Carbon Emissions from Fossil Fuels

MSCI ESG Research collects fossil fuel reserves data where relevant for companies which have reserves, typically in the Oil & Gas, Coal Mining and Electric Utilities industries. Fossil fuel reserves can be used for several applications including energy or industrial (e.g. coking coal used for steel production). Only fossil fuel reserves used for energy are taken into account. The data is updated on an annual basis and based on information disclosed by companies. Sources include company publications, other public records and third party data providers. For newly added companies to the index where data is not available yet, MSCI uses zero fossil fuel reserves. The size of reserves of a company typically influences its market valuation, and hence MSCI normalizes for size by dividing the potential carbon emissions of the company by its market capitalization.

To convert reserves data to potential carbon emissions, MSCI ESG Research applies a formula from the Potsdam Institute for Climate Impact Research³.

2.5 Defining the Optimization Setup

The optimization objective is to maximize the Value score, while controlling the ex ante Tracking Error relative to the Parent Index at the time of rebalancing.

³ Malte Meinshausen, Nicolai Meinshausen, William Hare, Sarah C. B. Raper, Katja Frieler, Reto Knutti, David J. Frame & Myles R. Allen. Greenhouse-gas emission Target for limiting global warming to 2 °C. Nature 458, 1158- 1162 (30 April 2009) | doi: 10.1038/nature08017; Received 25 September 2008; Accepted 25 March 2009. Supplementary Information, p. 7.

The optimization is performed from a base currency perspective and does not allow short selling of securities. The default currency is the US Dollar.

Please refer to Appendix I for more details.

2.5.1 Calculation of the Value Score

The winsorized Value z-score score for each security is calculated using the formulae defined in Section 2.2 of the MSCI Enhanced Value Indexes Methodology (for details about the methodology, please refer to: <https://www.msci.com/index-methodology>).

2.5.2 Optimization Constraints

At each Semi-Annual Index Review (SAIR), the following optimization constraints are employed, which aim to ensure replicability and investability:

- The ex-ante Tracking Error of the Index, relative to the Parent Index will be capped at 5%
- 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 be the higher of the (weight of the security in the Parent Index - 2%) and 0.05%
- The minimum number of index constituents will be 100
- For countries with weight greater than 2.5% in a composite Parent Index, the weight in the Index will not deviate more than +/-5% from the country weight in the Parent Index
- For countries with weight less than 2.5% in a composite Parent Index, the weight in the Index will be capped at 3 times their weight in the Parent Index
- The above country weight constraint will also apply on China A Stock Connect listings as a group separately in addition to the usual country weight constraint on China
- The sector weights of the Index will not deviate more than +/-5% from the sector weights of the Parent Index
- The minimum weighted-average industry-adjusted ESG score of the Index at the time of rebalancing will be higher of the following:
 - 120% of the weighted-average industry-adjusted ESG score of the Parent Index and
 - The ESG Score of the Index by removing at least bottom 20% of the Parent Index by lowest ESG score
- The minimum reduction in the Weighted Average Carbon Emission Intensity⁴ relative to the Parent Index will be 30%
- The minimum reduction in the Potential Emissions per dollar of market capitalization relative to the Parent Index will be 30%

⁴ Carbon Intensity = Scope 1 & 2 Emission / Sales. For Parent Index constituents where the Emissions Intensity is not available, the average Emissions Intensity of all the constituents of the MSCI ACWI Index in the same GICS Industry Group in which the constituent belongs is used.

- The constraint on minimum Index SE% (which reflects a particular interpretation of the company-level sustainable investment assessment as per Article 2(17) of the Sustainable Finance Disclosure Regulation (SFDR)⁵ along with an associated aggregation method) for the Index is defined in Appendix VI.
- The one-way turnover of the Index is constrained to a maximum of 20% at each SAIR

Please refer to Appendix V for the criteria used to determine the company-level sustainable exposure qualification and the calculation of Index SE%. The Potential Emissions per dollar of market capitalization of the Indexes is calculated using the formulae defined in Appendix VII. The Weighted Average Carbon Intensity is calculated using the formulae defined in section 1.2 of MSCI Carbon Footprint Index Ratios Methodology⁶.

2.6 Determining the Optimized Index

The Indexes are constructed using the Barra Open Optimizer in combination with the relevant Barra Equity Model⁷. The optimization uses the Eligible Universe as the universe of eligible securities and the specified optimization objective and constraints to determine the Index. Infeasible optimizations are handled as explained in Appendix III.

2.7 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

⁵ Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector, available at: <https://eur-lex.europa.eu/legalcontent/EN/TXT/PDF/?uri=CELEX:32019R2088&from=EN>

⁶ For details about the methodology, please refer to: <https://www.msci.com/index-carbon-footprint-metrics>.

⁷ Please refer to Appendix IV for the detailed information on model usage

3. Maintaining the Index

3.1 Semi-Annual Index Reviews

The Indexes are rebalanced usually as of the close of the last business day of May and November, coinciding with the May and November Index Reviews of the MSCI Global Investable Market Indexes. Fundamental variables and Barra Equity Model data as of the end of April and October are used respectively.

In general, MSCI uses MSCI ESG Research data⁸ (including MSCI ESG Ratings, MSCI ESG Controversies Scores, MSCI Business Involvement Screening Research, MSCI Impact Solutions and MSCI Climate-change metrics) 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 Indexes are in general announced nine business days before the effective date.

3.2 Monthly Review of Controversies

Index constituents are reviewed on a monthly basis for the involvement in ESG controversies and for compliance with the United Nations Global Compact Principles. Existing constituents will be deleted if they face controversies as defined by MSCI ESG Controversies Score of 0 ('Red Flag' companies), or if they fail to comply with the UN Global Compact Principles (UN Global Compact Alignment value of "Fail").

MSCI uses MSCI ESG Controversies data as of the end of the month preceding the review (e.g., end of June data for the end of July monthly review). For some securities, such data may not be published by MSCI ESG Research by the end of the month preceding the review. For such securities, MSCI will use ESG data published after the end of month, when available, for the monthly review of the Index.

The pro forma indexes are generally announced nine business days before the first business day of the month

3.3 Ongoing Event Related Changes

The general treatment of corporate events in the Indexes 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. 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.

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

⁸ See section 4 for details of data sourced from MSCI ESG Research used in the Indexes

No new securities will be added (except where noted below) to the Index between Index Reviews. Parent Index deletions will be reflected simultaneously in the Index.

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/latest/CE>.

4. MSCI ESG Research

The Indexes are products of MSCI Inc. that utilizes 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 Index uses the following MSCI ESG Research products: MSCI ESG Ratings, MSCI ESG Controversies, MSCI Business Involvement Screening Research and 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 provide 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).

4.4.2 Greenhouse Gas (GHG) Emissions

MSCI ESG Research collects reported emissions and uses proprietary estimation methodologies that follows the GHG Protocol in including carbon dioxide (CO₂) and the five other principal GHGs: hydrofluorocarbons (HFCs), methane (CH₄), nitrous oxide (N₂O), perfluorocarbons (PFCs), and sulfur hexafluoride (SF₆). Emissions of these other gases are accounted for in terms of the quantity of CO₂ that has an equivalent global warming potential.

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

4.5 MSCI Impact Solutions: Sustainable Impact Metrics

MSCI Impact Solutions' Sustainable Impact Metrics is designed to identify companies that derive revenue from products or services with positive impact on society and the environment. The Sustainable Impact Metrics are comprised of six Environmental Impact categories and seven Social Impact categories arranged by theme.

MSCI Sustainable Impact Taxonomy

Pillar	Themes	Categories
Environmental Impact	Climate Change	1. Alternative energy 2. Energy efficiency 3. Green building
	Natural capital	4. Sustainable water 5. Pollution prevention 6. Sustainable agriculture
Social Impact	Basic needs	7. Nutrition 8. Major Disease Treatment 9. Sanitation 10. Affordable Real Estate
	Empowerment	11. SME Finance 12. Education 13. Connectivity – Digital divide



Under each of the actionable environmental and social impact themes, MSCI ESG Research has identified specific categories of products and services that it has determined companies can offer as potential solutions to environmental and social challenges.

For more details on MSCI Sustainable Impact Metrics, please refer to <https://www.msci.com/legal/disclosures/esg-disclosures>.

Appendix I: The Parent Index and the Base Currency for Optimization

MSCI Value Advanced Select Screens Index	Parent Index	Base Currency for Optimization
MSCI USA Value Advanced Select Screens Index	MSCI USA Index	USD
MSCI World Value Advanced Select Screens Index	MSCI World Index	USD

Appendix II: Business Exclusion Criteria

MSCI ESG Research has developed a framework designed to define significant involvement in controversial activities. According to this framework, there are three tolerance levels: Zero Tolerance, Minimal Tolerance and Low Tolerance.

Each controversial activity screened by the Indexes (except Thermal Coal, Oil Sands and Global Norms) is assigned to one of these tolerance levels:

Activities classified under “Zero Tolerance”

- **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 Ex-Controversial Weapons Indexes available at <https://www.msci.com/index/methodology/latest/XCW>.

Activities classified under “Minimal Tolerance”

- **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.

- **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 revenue from the distribution (wholesale or retail) of firearms or small arms ammunition intended for civilian use.

- **Tobacco**

- All companies classified as a “Producer”.
- All companies deriving 5% or more aggregate revenue from the production, distribution, retail and supply of tobacco-related products.

Activities not classified under any specific tolerance level

- **Thermal Coal**

- All companies deriving 5% or more revenue (either reported or estimated) 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.
- All companies deriving 5% or more revenue (either reported or estimated) from the thermal coal based power generation.

- **Oil Sands**

- All companies deriving 5% or more revenue from oil sands extraction, which own oil sands reserves and disclose evidence of deriving revenue from oil sands extraction. Companies that derive revenue from nonextraction activities (e.g. exploration, surveying, processing, refining) or intra-company sales are not excluded. Additionally, companies that own oil sands reserves with no associated revenue are also not excluded.

- **Global Norms - United Nations Global Compact Compliance**

- Failure to comply with the United Nations Global Compact Principles (UN Global Compact Alignment value of “Fail”).

Appendix III: 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 2.5, the following constraints are relaxed, until an optimal solution is found:

- Relax the maximum weight multiple in steps of 2 up to a maximum of 5 iterations (up to a maximum of 20 times the weight of the security in the Parent Index)
- Relax the turnover constraint in steps of 2%, up to a maximum of 30%
- The maximum active weight multiple constraint and the maximum turnover constraint are alternately relaxed until a feasible solution is achieved. For example, constraints relaxation is executed in the sequence as illustrated below:

Order of Relaxation	Maximum Asset Weight Multiple	Turnover Limit
1	12 times the weight of the security in the Parent Index	20%
2	12 times the weight of the security in the Parent Index	22%
3	14 times the weight of the security in the Parent Index	22%
4	14 times the weight of the security in the Parent Index	24%

In the event that no optimal solution is found after the above constraints have been relaxed and if the ESG Score constraint is set at 120% of the Parent Index ESG Score, the ESG score⁹ is relaxed from 120% of the weighted-average industry- adjusted ESG score of the Parent Index down to a minimum value equivalent to the ESG score of the Index by removing at least bottom 20% of the Parent Index by lowest ESG score in 5 equal steps.

In the event that no optimal solution is found after all the above constraints have been relaxed, the Index will not be rebalanced for that Semi-Annual Index Review.

⁹ Weighted-average industry-adjusted ESG score of the Index

Appendix IV: New Release of Barra® Equity Model or Barra® Optimizer

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

Appendix V: Company-Level Sustainable Exposure and Calculation of Index SE%

A company qualifies as having company-level sustainable exposure if it meets all the following conditions

1. MSCI ESG Rating of “BB” or above¹⁰
2. MSCI ESG Controversies Score of 2 or above¹¹
3. At least one of the following conditions is met:
 - a. Derives 20% or more aggregate revenue from any of the thirteen social and environmental impact categories of Sustainable Impact Metrics (including nutrition, sanitation, major diseases treatment, SME finance, education, connectivity, affordable real estate, alternative energy, energy efficiency, green building, pollution prevention, sustainable agriculture and sustainable water).
 - b. Has one or more active carbon emissions reduction target(s) approved by the Science Based Targets initiative (SBTi).
4. Not flagged by the following business involvement criteria:
 - a. Has any tie to Controversial Weapons (cluster munitions, landmines, depleted uranium weapons, biological/chemical weapons, blinding lasers, non-detectable fragments and incendiary weapons), in line with the methodology of the MSCI Ex-Controversial Weapons Indexes available at <https://www.msci.com/index/methodology/latest/XCW>.
 - b. Derives 1% or more revenue (either reported or estimated) from the mining of thermal coal (including lignite, bituminous, anthracite and steam coal) and its sale to external parties.
 - c. Manufactures tobacco products, such as cigars, blunts, cigarettes, ecigarettes, inhalers, beedis, kreteks, smokeless tobacco, snuff, snus, dissolvable and chewing tobacco.
 - d. Derives 5% or more aggregate revenue from the production, distribution, retail, supply and licensing of tobacco-related products

The index-level sustainable exposure is calculated as the sum of the weight of companies in the Index that qualify as having company-level sustainable exposure.

¹⁰ The condition is not met if the MSCI ESG Rating is missing for the company.

¹¹ The condition is not met if the MSCI ESG Controversies Score is missing for the company.

Appendix VI: Minimum Index SE% Constraints

The following optimization constraints on minimum Index SE% are used for each Index.

No.	Index	Index SE% Threshold
1	MSCI USA Value Advanced Select Screens Index	10%
2	MSCI World Value Advanced Select Screens Index	15%

Appendix VII: Calculation of Carbon Exposure Metrics

Index Carbon Emissions –

For Parent Index constituents where the Scope 1+2 Emissions Intensity is not available, the average Scope 1+2 Emissions Intensity relative to Sales of all the constituents of the MSCI ACWI in the same GICS Industry Group in which the constituent belongs to is used.

Security Level GHG Intensity relative to Sales =

$$\frac{\text{Scope 1 + 2 + 3 Carbon Emission}}{\text{Sales (in M\$)}}$$

Weighted Average GHG Intensity relative to Sales of the Parent Index –

$$\sum_i (\text{Weight in Parent Index} * \text{Security Level GHG Intensity relative to Sales})$$

Weighted Average GHG Intensity relative to Sales of the Derived Index –

$$\sum_i (\text{Weight in Derived Index} * \text{Security Level GHG Intensity relative to Sales})$$

Index Potential Carbon Emissions from Fossil Fuels

- Parent Index Potential Carbon Emissions from Fossil Fuels –

$$\sum_i \frac{\text{Float Market Capitalization} * \text{Absolute Potential Emissions}}{\text{Issuer Market Capitalization}}$$

- Derived Index Potential Carbon Emissions from Fossil Fuels –

$$\sum_i \frac{\text{Derived Index Market Capitalization} * \text{Absolute Potential Emissions}}{\text{Issuer Market Capitalization}}$$

Appendix VIII: Methodology Set

The Index is 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>
- MSCI Index Calculation Methodology –
<https://www.msci.com/index/methodology/latest/IndexCalc>
- MSCI Index Glossary of Terms –
<https://www.msci.com/index/methodology/latest/IndexGlossary>
- 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 –
<https://www.msci.com/index/methodology/latest/XCW>
- MSCI Enhanced Value Indexes Methodology –
<https://www.msci.com/index/methodology/latest/EV>
- MSCI ACWI Sustainable Development Indexes Methodology –
<https://www.msci.com/index/methodology/latest/SustainableDev>
- ESG Factors In Methodology*

The Methodology Set for the Index 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 IX: Changes to this Document

The following sections have been modified since May 2021:

- Appendix I: The Parent Index and the Base Currency for Optimization Addition of MSCI World Value ESG Reduced Carbon Target Select Index

The following sections have been modified since May 2022:

- Section 3.4.2: Optimization Constraints
Update to reflect the change in weighted-average industry-adjusted ESG score and Carbon Emission Intensity constraints
- Appendix III: Handling Infeasible Optimizations Update to reflect the change in weighted-average industry-adjusted ESG score constraint relaxation

The following sections have been modified since November 2022:

- Introduction: Updated to reflect the new requirement on index-level sustainable exposure
- Section 3.6.2: Optimization Constraints Update to reflect the addition of minimum index-level sustainable exposure (Index SE%) constraint
- Section 4.2: Monthly Review of Controversies Added to reflect the monthly exclusions of 'Red Flag Companies'
- Appendix V: Additional details of the calculation of index-level sustainable exposure
- Appendix VI: Added to reflect the optimization constraints on index-level sustainable exposure

The following sections have been modified since December 2022:

- Section 3.5.2 Optimization Constrains: Update to reference Appendix VII
- Appendix VII: Added to reference formulae used for Potential Emissions per dollar of market capitalization calculation.

The following sections have been modified since July 2023:

- 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 2.3.1: Clarified the exclusion criteria for companies involved in ESG Controversies.
- Section 4: ESG Research
 - Moved that section after Section 3.
 - Updated the descriptions of MSCI ESG Research products.

The following sections have been modified as of February 2025

- The methodology and index names were updated, effective February 3rd; MSCI Value ESG Reduced Carbon Target Select Indexes will be renamed to MSCI Value Advanced Select Screens Indexes.

Section 2.7: Treatment of Unrated Companies

- Moved treatment of companies when ratings and research is not available from MSCI ESG Research to a new section.

Section 4.4: MSCI Climate Change Metrics.

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

Appendix VIII: Methodology Set

- Added details on the Methodology Set for the Indexes

Contact us

msci.com/contact-us

AMERICAS

United States	+ 1 888 588 4567 *
Canada	+ 1 416 687 6270
Brazil	+ 55 11 4040 7830
Mexico	+ 52 81 1253 4020

EUROPE, MIDDLE EAST & AFRICA

South Africa	+ 27 21 673 0103
Germany	+ 49 69 133 859 00
Switzerland	+ 41 22 817 9777
United Kingdom	+ 44 20 7618 2222
Italy	+ 39 02 5849 0415
France	+ 33 17 6769 810

ASIA PACIFIC

China	+ 86 21 61326611
Hong Kong	+ 852 2844 9333
India	+ 91 22 6784 9160
Malaysia	1800818185 *
South Korea	+ 82 70 4769 4231
Singapore	+ 65 67011177
Australia	+ 612 9033 9333
Taiwan	008 0112 7513 *
Thailand	0018 0015 6207 7181 *
Japan	+ 81 3 4579 0333

* toll-free

About MSCI

MSCI is a leading provider of critical decision support tools and services for the global investment community. With over 50 years of expertise in research, data and technology, we power better investment decisions by enabling clients to understand and analyze key drivers of risk and return and confidently build more effective portfolios. We create industry-leading research-enhanced solutions that clients use to gain insight into and improve transparency across the investment process.

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>.

Notice and disclaimer

This document is research for informational purposes only and is intended for institutional professionals with the analytical resources and tools necessary to interpret any performance information. Nothing herein is intended to promote or recommend any product, tool or service.

This document and all of the information contained in it, including without limitation all text, data, graphs, charts (collectively, the "Information") is the property of MSCI Inc. or its subsidiaries (collectively, "MSCI"), or MSCI's licensors, direct or indirect suppliers or any third party involved in making or compiling any Information (collectively, with MSCI, the "Information Providers") and is provided for informational purposes only. The Information may not be modified, reverse-engineered, reproduced or disseminated in whole or in part without prior written permission from MSCI. All rights in the Information are reserved by MSCI and/or its Information Providers.

The Information may not be used to create derivative works or to verify or correct other data or information. For example (but without limitation), the Information may not be used to create indexes, databases, risk models, analytics, software, or in connection with the issuing, offering, sponsoring, managing or marketing of any securities, portfolios, financial products or other investment vehicles utilizing or based on, linked to, tracking or otherwise derived from the Information or any other MSCI data, information, products or services.

The user of the Information assumes the entire risk of any use it may make or permit to be made of the Information. NONE OF THE INFORMATION PROVIDERS MAKES ANY EXPRESS OR IMPLIED WARRANTIES OR REPRESENTATIONS WITH RESPECT TO THE INFORMATION (OR THE RESULTS TO BE OBTAINED BY THE USE THEREOF), AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, EACH INFORMATION PROVIDER EXPRESSLY DISCLAIMS ALL IMPLIED WARRANTIES (INCLUDING, WITHOUT LIMITATION, ANY IMPLIED WARRANTIES OF ORIGINALITY, ACCURACY, TIMELINESS, NON-INFRINGEMENT, COMPLETENESS, MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE) WITH RESPECT TO ANY OF THE INFORMATION.

Without limiting any of the foregoing and to the maximum extent permitted by applicable law, in no event shall any Information Provider have any liability regarding any of the Information for any direct, indirect, special, punitive, consequential (including lost profits) or any other damages even if notified of the possibility of such damages. The foregoing shall not exclude or limit any liability that may not by applicable law be excluded or limited, including without limitation (as applicable), any liability for death or personal injury to the extent that such injury results from the negligence or willful default of itself, its servants, agents or sub-contractors.

Information containing any historical information, data or analysis should not be taken as an indication or guarantee of any future performance, analysis, forecast or prediction. Past performance does not guarantee future results.

The Information may include "Signals," defined as quantitative attributes or the product of methods or formulas that describe or are derived from calculations using historical data. Neither these Signals nor any description of historical data are intended to provide investment advice or a recommendation to make (or refrain from making) any investment decision or asset allocation and should not be relied upon as such. Signals are inherently backward-looking because of their use of historical data, and they are not intended to predict the future. The relevance, correlations and accuracy of Signals frequently will change materially.

The Information should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. All Information is impersonal and not tailored to the needs of any person, entity or group of persons.

None of the Information constitutes an offer to sell (or a solicitation of an offer to buy), any security, financial product or other investment vehicle or any trading strategy.

It is not possible to invest directly in an index. Exposure to an asset class or trading strategy or other category represented by an index is only available through third party investable instruments (if any) based on that index. MSCI does not issue, sponsor, endorse, market, offer, review or otherwise express any opinion regarding any fund, ETF, derivative or other security, investment, financial product or trading strategy that is based on, linked to or seeks to provide an investment return related to the performance of any MSCI index (collectively, "Index Linked Investments"). MSCI makes no assurance that any Index Linked Investments will accurately track index performance or provide positive investment returns. MSCI Inc. is not an investment adviser or fiduciary and MSCI makes no representation regarding the advisability of investing in any Index Linked Investments.

Index returns do not represent the results of actual trading of investible assets/securities. MSCI maintains and calculates indexes, but does not manage actual assets. The calculation of indexes and index returns may deviate from the stated methodology. Index returns do not reflect payment of any sales charges or fees an investor may pay to purchase the securities underlying the index or Index Linked Investments. The imposition of these fees and charges would cause the performance of an Index Linked Investment to be different than the MSCI index performance.

The Information may contain back tested data. Back-tested performance is not actual performance, but is hypothetical. There are frequently material differences between back tested performance results and actual results subsequently achieved by any investment strategy.

Constituents of MSCI equity indexes are listed companies, which are included in or excluded from the indexes according to the application of the relevant index methodologies. Accordingly, constituents in MSCI equity indexes may include MSCI Inc., clients of MSCI or suppliers to MSCI. Inclusion of a security within an MSCI index is not a recommendation by MSCI to buy, sell, or hold such security, nor is it considered to be investment advice.

Data and information produced by various affiliates of MSCI Inc., including MSCI ESG Research LLC and Barra LLC, may be used in calculating certain MSCI indexes. More information can be found in the relevant index methodologies on www.msci.com.

MSCI receives compensation in connection with licensing its indexes to third parties. MSCI Inc.'s revenue includes fees based on assets in Index Linked Investments. Information can be found in MSCI Inc.'s company filings on the Investor Relations section of msci.com.

MSCI ESG Research LLC is a Registered Investment Adviser under the Investment Advisers Act of 1940 and a subsidiary of MSCI Inc. Neither MSCI nor any of its products or services recommends, endorses, approves or otherwise expresses any opinion regarding any issuer, securities, financial products or instruments or trading strategies and MSCI's products or services are not a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such, provided that applicable products or services from MSCI ESG Research may constitute investment advice. MSCI ESG Research materials, including materials utilized in any MSCI ESG Indexes or other products, have not been submitted to, nor received approval from, the United States Securities and Exchange Commission or any other regulatory body. MSCI ESG and climate ratings, research and data are produced by MSCI ESG Research LLC, a subsidiary of MSCI Inc. MSCI ESG Indexes, Analytics and Real Estate are products of MSCI Inc. that utilize information from MSCI ESG Research LLC. MSCI Indexes are administered by MSCI Limited (UK) and MSCI Deutschland GmbH.

Please note that the issuers mentioned in MSCI ESG Research materials sometimes have commercial relationships with MSCI ESG Research and/or MSCI Inc. (collectively, "MSCI") and that these relationships create potential conflicts of interest. In some cases, the issuers or their affiliates purchase research or other products or services from one or more MSCI affiliates. In other cases, MSCI ESG Research rates financial products such as mutual funds or ETFs that are managed by MSCI's clients or their affiliates, or are based on MSCI Inc. Indexes. In addition, constituents in MSCI Inc. equity indexes include companies that subscribe to MSCI products or services. In some cases, MSCI clients pay fees based in whole or part on the assets they manage. MSCI ESG Research has taken a number of steps to mitigate potential conflicts of interest and safeguard the integrity and independence of its research and ratings. More information about these conflict mitigation measures is available in our Form ADV, available at <https://adviserinfo.sec.gov/firm/summary/169222>.

Any use of or access to products, services or information of MSCI requires a license from MSCI. MSCI, Barra, RiskMetrics, IPD and other MSCI brands and product names are the trademarks, service marks, or registered trademarks of MSCI or its subsidiaries in the United States and other jurisdictions. The Global Industry Classification Standard (GICS) was developed by and is the exclusive property of MSCI and S&P Global Market Intelligence. "Global Industry Classification Standard (GICS)" is a service mark of MSCI and S&P Global Market Intelligence.

MIFID2/MIFIR notice: MSCI ESG Research LLC does not distribute or act as an intermediary for financial instruments or structured deposits, nor does it deal on its own account, provide execution services for others or manage client accounts. No MSCI ESG Research product or service supports, promotes or is intended to support or promote any such activity. MSCI ESG Research is an independent provider of ESG data.

Privacy notice: For information about how MSCI collects and uses personal data, please refer to our Privacy Notice at <https://www.msci.com/privacy-pledge>.