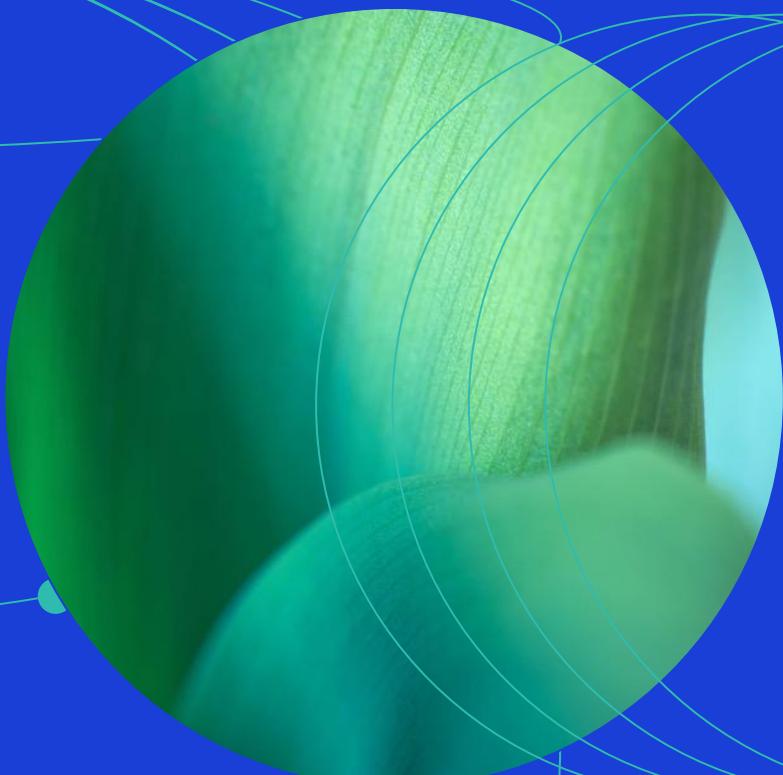


# MSCI SRI Select PAB Indexes Methodology



## Contents

<b>1</b>	<b>Introduction</b>	<b>4</b>
<b>2</b>	<b>Constructing the Indexes</b>	<b>5</b>
2.1	Constructing the SRI Select Universe	5
2.1.1	Eligible Universe	5
2.1.2	Eligibility Criteria	6
2.1.2.1	ESG Ratings Eligibility	6
2.1.2.2	Controversies Score Eligibility	6
2.1.2.3	Controversial Business Involvement Criteria	6
2.1.3	Index Construction	7
2.1.4	Security Weighting	8
2.2	Optimization Constraints	8
2.3	Determining the Optimized Index	10
2.4	Treatment of Unrated Companies	10
<b>3</b>	<b>Maintaining the Indexes</b>	<b>11</b>
3.1	Annual Index Review	11
3.1.1	Updating the Eligible Universe	11
3.1.2	Ranking of Eligible Securities	11
3.1.3	Selection of Eligible Securities	12
3.2	Quarterly Index Reviews	12
3.3	Monthly Review of Controversies	13
3.4	Ongoing Event Related Changes	13
<b>4</b>	<b>MSCI Solutions</b>	<b>15</b>
4.1	MSCI ESG Ratings	15
4.2	MSCI Controversies	15
4.3	MSCI Business Involvement Screening Research	15
4.4	MSCI Climate Change Metrics	15
4.4.1	Fossil Fuels and Power Generation Metrics	16
4.4.2	Greenhouse Gas (GHG) Emissions	16
	<b>Appendix I: Controversial Business Involvement Criteria</b>	<b>17</b>

<b>Appendix II: Guidelines on Achieving the Target Sector Coverage of 25% .....</b>	<b>22</b>
<b>Appendix III: Calculation of Target Metrics.....</b>	<b>23</b>
<b>Appendix IV: Decarbonization Trajectory of Indexes.....</b>	<b>25</b>
<b>Appendix V: Barra Equity Model Used in The Optimization .....</b>	<b>26</b>
<b>Appendix VI: New release of Barra® Equity Model or Barra® Optimizer .....</b>	<b>27</b>
<b>Appendix VII: Methodology Set.....</b>	<b>28</b>
<b>Appendix VIII: Changes to this Document .....</b>	<b>29</b>
<b>Contact Us.....</b>	<b>35</b>

## 1 Introduction

The MSCI SRI Select PAB Indexes<sup>1</sup> (the “Indexes”) are designed to represent the performance of companies that are selected from their corresponding market capitalization weighted indexes (the “Parent Indexes”) on Environmental, Social and Governance (ESG) criteria and to meet the minimum requirements of the EU Paris Aligned Benchmark (EU PAB)<sup>2</sup>.

In addition, the Indexes<sup>3</sup> incorporate selected Principal Adverse Impact (PAI) indicators under the Sustainable Finance Disclosure Regulation (SFDR), specifically PAI 3 (Greenhouse Gas Intensity) and PAI 13 (Board Gender Diversity), based on a specific interpretation of the PAI indicators in the SFDR Delegated Regulation (Annex I of Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022) by way of the optimization constraints.

The Indexes exclude constituents based on involvement in specific business activities, ESG ratings and exposure to controversies. They are derived from the Parent Indexes and aim to achieve sector weights that reflect the sector weights of the corresponding Parent Indexes. The Index construction targets 25% free float-adjusted market capitalization coverage of each Global Industry Classification Standard (GICS<sup>®</sup>)<sup>4</sup> sector by selecting constituents primarily based on criteria including the ESG rating and 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.

---

<sup>1</sup> The full list of Indexes is in Section 2 of this document.

<sup>2</sup> On December 3, 2020, the European Commission has published the delegated acts in the Official Journal (<https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32020R1818&from=EN>) which contain the minimum technical requirements for the EU Climate Transition Benchmark. In case there are changes in the EU delegated acts and an update to the Index methodology is required, MSCI will issue an announcement prior to implementing the changes in the methodology. MSCI will not conduct a formal consultation for such an update.

<sup>3</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

<sup>4</sup> GICS, the global industry classification standard jointly developed by MSCI Inc. and S&P Global Market Intelligence.

## 2 Constructing the Indexes

The Indexes use company ratings and research provided by MSCI Solutions LLC ("MSCI Solutions")<sup>4</sup> to determine eligibility for index inclusion.

The Indexes and their corresponding Parent Indexes are listed in Section 2.1.

### 2.1 Constructing the SRI Select Universe

The Indexes are constructed by first constructing a SRI Select Universe, followed by an optimization process to construct the Indexes to align with the minimum requirements of EU PAB.

#### 2.1.1 Eligible Universe

The Eligible Universe for the Indexes include all constituents of their respective Parent Indexes, as shown in the table below:

Index Name	Parent Index
MSCI World SRI Select PAB Index	MSCI World Index
MSCI Europe SRI Select PAB Index	MSCI Europe Index
MSCI Japan SRI Select PAB Index	MSCI Japan Index
MSCI USA SRI Select PAB Index	MSCI USA Index
MSCI Emerging SRI Select PAB Index	MSCI EM (Emerging Markets) Index
MSCI EMU SRI Select PAB Index	MSCI EMU Index
MSCI Europe Small Cap SRI Select PAB Index	MSCI Europe Small Cap Index
MSCI ACWI SRI Select PAB Index	MSCI ACWI Index

In addition, securities whose Country of Classification<sup>5</sup> fails to meet minimum governance standards, as defined below are excluded:

- Any country which is included in the latest available version of the EU list of non-cooperative jurisdictions for tax purposes<sup>6</sup>;

<sup>4</sup> See Section 4 for further information regarding sustainability and climate data used in the Indexes that MSCI Limited and MSCI Deutschland GmbH source from MSCI Solutions LLC ("MSCI Solutions"), a separate subsidiary of MSCI Inc. MSCI Solutions 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.

<sup>5</sup> The country classification of a company is generally determined by the company's country of incorporation and the primary listing of its securities. For more details, please refer to the MSCI Global Investable Market Indexes Methodology

<sup>6</sup> For further detail on the list of non-cooperative jurisdictions for tax purposes, please refer to:

<https://www.consilium.europa.eu/en/policies/eu-list-of-non-cooperative-jurisdictions/>

- Any country included in the "Black List" or "Grey List" of Financial Action Task Force (FATF)<sup>7</sup>.

## 2.1.2 Eligibility Criteria

### 2.1.2.1 ESG Ratings Eligibility

Companies are required to have an MSCI ESG Rating of 'A' or above to be eligible for inclusion in the SRI Select Universe.

### 2.1.2.2 Controversies Score Eligibility

- Companies are required to have an MSCI Controversies Score of 4 or above to be eligible for inclusion in the SRI Select Universe.
- Companies that are assessed by MSCI Solutions for involvement in one or more Very Severe Controversy<sup>8</sup> cases are excluded from the SRI Select Universe.
- Companies are required to have an Environment Controversy Score of 2 or above to be eligible for inclusion in the SRI Select Universe.

### 2.1.2.3 Controversial Business Involvement Criteria

The Indexes use MSCI 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.

- Weapons and Firearms
- Tobacco
- Adult Entertainment
- Alcohol
- Gambling
- Genetically Modified Organisms
- Nuclear Power
- Fossil Fuel Any Tie
- Fossil Fuel Reserves Ownership
- Fossil Fuel Extraction

---

<sup>7</sup> For further detail on the Financial Action Task Force please refer to:

<https://www.fatf-gafi.org/en/publications/High-risk-and-other-monitored-jurisdictions/Call-for-action-october-2025.html>

<https://www.fatf-gafi.org/en/publications/High-risk-and-other-monitored-jurisdictions/increased-monitoring-october-2025.html>

---

<sup>8</sup> For more details, the MSCI Controversies and Global Norms Methodology can be found on

<https://www.msci.com/legal/disclosures/esg-disclosures>.

- Fossil Fuel-based Power Generation
- Thermal Coal Distribution
- Fossil Fuel Power Generation
- Oil & Gas Activities
- Oil & Gas Pipelines & Transportation<sup>9</sup>
- Oil & Gas Trading<sup>10</sup>
- Shale Oil & Shale Gas

Please refer to Appendix I for details on these criteria.

### 2.1.3 Index Construction

The SRI Select Universe is constructed by targeting 25% of the free float-adjusted market capitalization within each GICS sector of the Parent Indexes.

The USA SRI Select Universe and the Europe Small Cap SRI Select Universe are constructed by applying the above methodology on their Parent Indexes.

The World SRI Select Universe and the EM SRI Select Universe are constructed by applying the above methodology to the regional carve-outs of their corresponding Parent Indexes and then combining them.

The following regions are used to construct the SRI Select Universe for the World region:

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

The following regions are used to construct the SRI Select Universe for the EM region:

Region	Regional Parent Index
Emerging Asia	MSCI Emerging Markets Asia Index

<sup>9</sup> The Oil & Gas Pipelines & Transportation screen is only applied for securities in North America.

<sup>10</sup> The Oil & Gas Trading screen is only applied for securities in North America.

Emerging Europe, Middle East & Africa	MSCI Emerging Markets Europe, Middle East & Africa Index
Emerging Latin America	MSCI Emerging Markets Latin America Index

The Europe, EMU and Japan SRI Select Universe are constructed by selecting securities from the corresponding country/region of the World SRI Select Universe and weighting them according to the weight in the World SRI Select Universe.

The World and EM SRI Select Universe are aggregated to construct the ACWI SRI Select Universe.

#### 2.1.4 Security Weighting

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

For each security selected for the SRI Select Universe, 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

## 2.2 Optimization Constraints

At each Quarterly Index Review, the Indexes are constructed using an optimization process that applies the following constraints. These constraints are used to ensure investability and replicability as well as minimize the ex-ante tracking error relative to the respective Parent Indexes. In addition, they are used to reflect PAI 3 (Greenhouse Gas Intensity) and PAI 13 (Board Gender Diversity) in the Index as described in the SFDR.

1. Climate and gender diversity objectives – constraints detailed in Table 1
2. Diversification objectives – constraints detailed in Table 2

The definitions of the target metrics for the optimization are detailed in Appendix III.

### Climate and Gender Diversity Objectives – Table 1

Table 1: Constraints imposed to meet climate and diversity objectives

No.	Transition and Physical Risk Objective	Values
1	Minimum reduction in Greenhouse Gas (GHG) Intensity (Scope 1+2+3)	50%

2	Minimum average reduction (per annum) in GHG Intensity relative to GHG Intensity at the Base Date	7%
3	Minimum active weight in High Climate Impact Sector <sup>11</sup> as defined in Appendix III relative to the Parent Index	0%
4	Minimum reduction in Greenhouse Gas (GHG) Intensity (Scope 1+2) normalized by sales relative to the Parent Index	0%
5	Minimum increase in Weighted Average Percentage Women On Board relative to the Parent Index	1%

## Diversification Objectives – Table 2

Table 2: Constraints imposed to meet diversification objectives

No.	Parameter	Values
1	Security Weight as a multiple of its weight in the Parent Index	20x
2	Absolute Issuer Capping	18%
3	Active Issuer Weight Constraint relative to the Parent Index	+/-5%
4	Active Sector Weights (the Energy GICS® Sector is not constrained) relative to the Parent Index	+/-2%
5	Active Country Weights relative to the Parent Index	+/-5%
6	One Way Turnover during May Index Reviews	10%
7	One Way Turnover during February, August and November Index Reviews	5%
8	Specific Risk Aversion <sup>12</sup>	0.075
9	Common Factor Risk Aversion <sup>13</sup>	0.0075

<sup>11</sup> For further details on how MSCI assigns companies to either the high or low climate impact sectors, please refer to the MSCI EU CTB/PAB Index Framework available on <https://www.msci.com/index/methodology/latest/EUCTBPABIndexFramework>.

<sup>12</sup> The Systematic Risk Aversion penalizes idiosyncratic (asset-specific) risk during the optimization process.

<sup>13</sup> The Common Risk Aversion penalizes systematic risk during the optimization process

## Active Country Weights

In case there are countries in the Parent Index which weigh less than 2.5% in the Parent Index, then for such countries the active country upper bound of +5% is not applicable. When a country weighs less than 2.5% in the Parent Index then the upper bound of country weight in the MSCI SRI Select PAB Index is set at three times of the country's weight in the Parent Index.

## Infeasible Solution –

During Index Reviews, in the event that there is no optimal solution that satisfies all the optimization constraints, the following constraints will be relaxed, until an optimal solution is found:

- Relax the one-way index turnover constraint in steps of 1% up to 20%
- Relax the active sector weight constraint in steps of 1% up/down to +/-20%

The one-way index turnover constraint and the active sector weight constraint are alternately relaxed until a feasible solution is achieved.

In the event that no optimal solution is found after the above constraint relaxations are exhausted, the relevant Index will not be rebalanced for that Index Review.

## 2.3 Determining the Optimized Index

The Indexes are constructed using the Barra Open Optimizer<sup>14</sup> in combination with the relevant Barra Equity Model. The optimization uses the universe of eligible securities and the specified optimization objectives and constraints to determine the constituents of and the weights of constituents in the Indexes.

## 2.4 Treatment of Unrated Companies

Companies not assessed by MSCI Solutions on data for any of the following MSCI sustainability and climate products are not eligible for inclusion in the Indexes.

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

---

<sup>14</sup> Please refer to Appendix VI for more details

## 3 Maintaining the Indexes

### 3.1 Annual Index Review

The Indexes are subject to an Annual Review in May to coincide with the May Index Review of the Parent Indexes, 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 Solutions data (including MSCI ESG Ratings, MSCI Controversies Scores, MSCI 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 Solutions 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 Indexes.

At each Annual Index Review, the SRI Select Universe is updated and the composition of the indexes 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 SRI Select Universe are evaluated using the same eligibility criteria described in Section 2.1.2.

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

- MSCI ESG Rating of 'BB' or above
- MSCI Controversies Score of 1 or above
- Not screened by the business involvement criteria described in Section 2.1.2.3

#### 3.1.2 Ranking of Eligible Securities

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.

### 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:

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

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

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:

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

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

## 3.2 Quarterly Index Reviews

The Indexes are subject to a Quarterly Review 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.

In general, MSCI uses MSCI Solutions data (MSCI ESG Ratings, MSCI Controversies Score assessments, MSCI BISR data and MSCI Climate Change Metrics) 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 Solutions 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 SRI Select Universe if they do not meet the eligibility criteria described in Section 2.1.2. Existing constituents that meet the eligibility criteria are retained in the indexes.

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

Additions, from the eligible securities as per Section 2.1.2, are made only to those sectors where the current market capitalization coverage is less than 22.5%, until the 25% target is reached.

At each Quarterly Index Review, the optimization process outlined in Section 2.2 is implemented.

### 3.3 Monthly Review of Controversies

Index constituents are reviewed on a monthly basis for the involvement in controversies. Existing constituents will be deleted if they face controversies as defined by MSCI Controversy Score of 0 ('Red flag' companies). A Red Flag indicates an ongoing, Very Severe controversy implicating a company directly through its actions, products, or operations. Existing Index constituents with missing MSCI Controversy Scores are not deleted during Monthly Review of Controversies.

MSCI uses MSCI Controversies data as of the end of the month preceding the review (e.g., end of June data for the July monthly review). For some securities, such data may not be published by MSCI Solutions 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 Index is generally announced nine business days before the effective date.

### 3.4 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.

Additionally, if the frequency of Index Reviews in the Parent Index is greater than the frequency of Index Reviews in the Indexes, the changes made to the Parent Index during intermediate Index Reviews will be neutralized in the Indexes.

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. Parent Index deletions will be reflected simultaneously.

There are no deletions from the Indexes between Index Reviews because of a security becoming ineligible because of MSCI ESG Rating downgrade and/or decrease in MSCI Controversies Score and/or change in business involvement.

**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**

Securities created as a result of the spin-off of an existing index constituent will not be added to the Index at the time of the event implementation. Reevaluation for inclusion in the Indexes 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>.

## 4 MSCI Solutions

The Indexes are products of MSCI Inc. that utilize information such as company ratings and research produced and provided by MSCI Solutions LLC ("MSCI Solutions"), a subsidiary of MSCI Inc. In particular, the Indexes use the following MSCI sustainability and climate products: MSCI ESG Ratings, MSCI 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 Controversies

MSCI 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 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 Controversies Score falls on a 0-10 scale, with "0" being the most severe controversy.

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

### 4.3 MSCI Business Involvement Screening Research

MSCI 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.

#### **4.4.1 Fossil Fuels and Power Generation Metrics**

MSCI Solutions 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>

#### **4.4.2 Greenhouse Gas (GHG) Emissions**

MSCI Solutions collects reported emissions and uses proprietary estimation methodologies that follows the GHG Protocol in including carbon dioxide (CO<sub>2</sub>) and the five other principal GHGs: hydrofluorocarbons (HFCs), methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O), perfluorocarbons (PFCs), and sulfur hexafluoride (SF<sub>6</sub>). Emissions of these other gases are accounted for in terms of the quantity of CO<sub>2</sub> 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>

## Appendix I: Controversial Business Involvement Criteria

Companies whose activities meet the following values and climate change-based criteria, as evaluated by MSCI Solutions, are excluded from the MSCI SRI Select Indexes.

### **Values-based Exclusions Criteria:**

#### **• Weapons and Firearms**

- All companies deriving 10% or more aggregate revenue from the following products and services:
  - Nuclear, Biological, Chemical, and Conventional weapons, components, support systems production; related support services (including trading and distribution); and/or
  - Civilian firearms and ammunition production and retailing
- **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>
- **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
- **Nuclear Weapons – Fissile Materials**
  - All companies that are involved in the production and/or storage of fissile materials used for nuclear weapons. This includes companies with contracts to operate or manage facilities that are responsible for manufacturing these materials.
- **Weapons**
  - All companies deriving 5% or more aggregate revenue from conventional, controversial and nuclear weapons. This includes companies with involvement in weapons systems, components, and support systems and services

- **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 manufacture and retail of civilian firearms and ammunition.

- **Landmines**

- All companies with 'Strong Evidence' or 'Limited Evidence' of involvement in any of the following activities
  - Production of anti-personnel landmine whole weapons systems.
  - Production of essential components developed or significantly modified for exclusive use in anti-personnel landmines.
  - Production of essential components that could be used in anti-personnel landmines but were not developed or significantly modified exclusively for such purpose.

- **Cluster Munition**

- All companies with 'Strong Evidence' or 'Limited Evidence' of involvement in any of the following activities
  - Production of cluster munitions whole-weapons systems.
  - Production of weapon platforms capable of carrying and deploying cluster munitions to designated target areas.
  - Production of essential components used in cluster munitions that were not developed or are not significantly modified for exclusive use in cluster munitions.
  - Production of essential components that were developed or are significantly modified for exclusive use in cluster munitions.

- **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

- **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.

- **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

- **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 deriving 5% or more revenue from the mining of Uranium
  - All companies deriving 5% or more revenue from the ownership or operation of nuclear power plants
  - All companies deriving 5% or more aggregate revenue from nuclear power activities
  - 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

**Climate Change based Exclusions Criteria:**

- **Fossil Fuels**
  - All companies with reserves, mining (or extraction), distribution or transport of fossil fuels (thermal coal, oil and gas), other oil and gas related revenues and fossil fuel-based installed capacity or power generation (both captive and for sale). Company involvement in metallurgical coal is not flagged.
- **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, as defined by the methodology of the MSCI Global Ex Fossil Fuels Indexes available at <https://www.msci.com/index-methodology>
- **Fossil Fuel Extraction**
  - All companies deriving any revenue (either reported or estimated) from thermal coal mining, or unconventional and conventional oil and gas extraction.
    - Thermal Coal Mining: 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
    - Unconventional Oil & Gas Extraction: Revenue 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, deepwater, shallow water and other onshore/offshore

- Conventional Oil & Gas Extraction: Revenue from all types of conventional oil and gas production including Arctic onshore/offshore, deepwater, shallow water and other onshore/offshore. It does not cover unconventional oil & gas (oil sands, shale oil, shale gas)
- **Fossil Fuel-based Power Generation**
  - **Thermal Coal-based Power Generation**
    - All companies that generate more than 0% of their total electricity from thermal coal in a given year
    - All companies that have more than 0% of installed capacity attributed to thermal coal in a given year
    - All companies deriving more than 0% revenue (either reported or estimated) from thermal coal-based power generation.
  - **Oil & Gas-based Power Generation**
    - All companies generating more than 30% of their total electricity from liquid fuel and natural gas in a given year
    - All companies that have more than 30% of installed capacity attributed to liquid fuel and natural gas in a given year
    - All companies deriving more than 30% aggregate revenue (either reported or estimated) from liquid fuel- and natural gas-based power generation
    - All companies deriving more than 5% or more revenue (either reported or estimated) from liquid fuel-based power generation.
- **Thermal Coal Distribution**
  - All companies with evidence of involvement in thermal coal distribution.
- **Fossil Fuel Power Generation:**
  - All companies deriving 50% or more revenue from fossil fuel (thermal coal, liquid fuel and natural gas) based power generation<sup>15</sup>
- **Oil & Gas Activities**
  - All companies deriving 10% or more revenue from oil and gas related activities, including distribution / retail, equipment and services, extraction and production, petrochemicals, pipelines and transportation and refining but excluding biofuel production and sales and trading activities
- **Shale Oil & Shale Gas**
  - All companies deriving any revenue from shale gas production. Excluding revenue from non-extraction activities (e.g. exploration, surveying, processing, refining); ownership of shale gas reserves with no associated extraction revenues; revenue from intra-company sales.

---

<sup>15</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 100gCO2/kWh.

- All companies deriving any revenue from shale oil production. Excluding revenue from non-extraction activities (e.g. exploration, surveying, processing, refining); ownership of shale gas reserves with no associated extraction revenues; revenue from intra-company sales

For securities classified in the USA and Canada, below additional screens will be applied:

- **Oil & Gas Pipelines and Transportation**

- All companies deriving 30% or more revenue (either reported or estimated) from oil and gas pipelines and transportation. It includes revenues from mid-stream operations but excludes revenues from terminals and storage facilities

- **Oil & Gas Trading**

- All companies deriving 30% or more revenue (either reported or estimated) from the trading of oil and gas and related products

—

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

The SRI Select Universe target 25% coverage of the free float-adjusted market capitalization of each GICS sector of the regional Parent Index. The underlying principle in the construction of the indexes is to achieve cumulative sector coverage closest to 25%, 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 with the same ESG Rating, the existing index constituent is given priority to maintain index stability. Between two existing constituents with the same ESG, the company with the higher industry-adjusted ESG Score is given priority. For two existing 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 2.1.2 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 index constituent, then it is always selected.
  - If the marginal company is not a current 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: Calculation of Target Metrics

### Greenhouse Gas (GHG) Emissions Intensity

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

MSCI ESG Research estimates company-specific indirect (Scope 3) GHG emissions from the Scope 3 Carbon Emissions Estimation Model. The data is generally updated on an annual basis.

### Calculation of GHG Intensity

Carbon emissions of a company are normalized for size by dividing annual carbon emissions by Enterprise Value including Cash (EVIC). The Carbon Emissions Intensity is calculated using the latest Scope 1+2 carbon emissions, Scope 3 carbon emissions and EVIC of a company.

*Security Level GHG Intensity (Scope 1+2+3) =*

*(Unadjusted Security Level GHG Intensity (Scope 1+2) + Unadjusted Security Level GHG Intensity (Scope 3)) \* (1 + EVIAF)*

*Unadjusted Security Level GHG Intensity (Scope 1+2) =*

$$\frac{\text{Scope 1 + 2 Carbon Emissions}}{\text{EVIC (in M\$)}}$$

If Scope 1+2 carbon emissions and/or EVIC are not available, the average Scope 1+2 intensity of all the constituents of the MSCI ACWI in the same GICS®<sup>16</sup> Industry Group in which the security belongs is used.

*Unadjusted Security Level GHG Intensity (Scope 3) =*

$$\frac{\text{Scope 3 Carbon Emissions}}{\text{EVIC (in M\$)}}$$

If Scope 3 carbon emissions and/or EVIC are not available, the average Scope 3 intensity of all the constituents of the MSCI ACWI in the same GICS Industry Group in which the security belongs is used.

---

<sup>16</sup> GICS is the global industry classification standard jointly developed by MSCI and S&P Global Market Intelligence.

Enterprise Value Inflation Adjustment Factor (EVIAF) =

$$\left( \frac{\text{Average}(EVIC)}{(\text{Average}(EVIC) \text{ Previous } (\text{Average}(EVIC)))} \right) - 1$$

Weighted Average GHG Intensity of Parent Index =

$$\sum (\text{Weight in Parent Index} * \text{Security Level GHG Intensity})$$

Weighted Average GHG Intensity of Derived Index =

$$\sum (\text{Index Weight} * \text{Security Level GHG Intensity})$$

The Weighted Average GHG Intensity on the Base Date ( $W_1$ ) is used to compute the target Weighted Average GHG Intensity at any given Quarterly Index Review ( $W_t$ ) as per the below formula.

$$W_t = W_1 * 0.93^{\frac{(t-1)}{4}}$$

Where 't' is the number of Quarterly Index Reviews since the Base Date.

### Greenhouse Gas (GHG) Emissions Intensity (Scope 1+2/Sales)

Security Level GHG Intensity (Scope 1+2/Sales) =

$$\frac{\text{Scope 1 + 2 Carbon Emissions}}{\text{Sales}^{17}}$$

If Scope 1+2 carbon emissions and/or Sales are not available, the average Scope 1+2 intensity (carbon emissions scope 1+2 / sales) of all the constituents of the MSCI ACWI in the same GICS Industry Group in which the security belongs is used.

---

<sup>17</sup> Only securities with positive and non-zero sales are considered for calculation. For other cases, the missing data treatment is applied.

## Appendix IV: Decarbonization Trajectory of Indexes

The table below shows the Weighted Average GHG Intensity on the Base Date( $W_1$ ) for each of the regions where the Indexes are constructed:

Index Name	Parent Index	Base Date	$W_1$ (tCO2/M\$ Enterprise Value + Cash)
MSCI ACWI SRI Select PAB Index	MSCI ACWI Index	Dec 1, 2021	160.26
MSCI World SRI Select PAB Index	MSCI World Index	Dec 1, 2021	145.05
MSCI EM (Emerging Markets) SRI Select PAB Index	MSCI EM (Emerging Market) Index	Dec 1, 2021	295.33
MSCI USA SRI Select PAB Index	MSCI USA Index	Dec 1, 2021	102.79
MSCI Europe SRI Select PAB Index	MSCI Europe Index	Dec 1, 2021	232.69
MSCI EMU SRI Select PAB Index	MSCI EMU Index	Dec 1, 2021	246.02
MSCI Japan SRI Select PAB Index	MSCI Japan Index	Dec 1, 2021	276.18
MSCI Europe Small Cap SRI Select PAB Index	MSCI Europe Small Cap Index	Dec 1, 2021	198.05

## Appendix V: Barra Equity Model Used in The Optimization

The Indexes currently use an optimization setup using the MSCI Barra Global Equity Model for Long-Term Investors (GEMLTL)

## Appendix VI: New release of Barra® Equity Model or Barra® Optimizer

A major new release of the relevant Barra Equity Model or Barra Optimizer may replace the former version within a suitable timeframe.

## 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>
- 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 Capped Indexes Methodology –  
<https://www.msci.com/index/methodology/latest/Capped>
- MSCI Global ex Controversial Weapons Indexes Methodology –  
<https://www.msci.com/index/methodology/latest/XCW>
- MSCI Global Fossil Fuels Exclusion Indexes Methodology –  
<https://www.msci.com/index/methodology/latest/XFF>
- 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 updated as of August 2020:**

- 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'

#### Appendix I: Controversial Business Involvement Criteria

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

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

#### Appendix I: Controversial Business Involvement Criteria

- Updated the screening criteria for companies involved in Thermal Coal Power Generation, Nuclear Power and Weapons.

#### Appendix III: MSCI China Select SRI S-Series 10% Capped Index

- Added construction details for MSCI China Select S-Series 10% Capped Index

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

#### Appendix III: MSCI China Select SRI S-Series 10% Capped Index

- Updated the screening criteria for companies involved in Civilian Firearms, Nuclear Power and Oil and Gas-based Power Generation
- Updated the capping methodology

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

- Section 3.4: Security Weighting - Updated to align with the minimum requirements of the EU PAB
- Appendix I: Updated screening criteria for conventional weapons
- Appendix III:
- Updated screening criteria for conventional weapons
- Removal of redundant screens for Genetically Modified Organisms and Nuclear Power
- Clarified the screen adjustment timeline for Tobacco

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

#### Section 4.3: Updated Ongoing Event Related Changes for IPOs and Early Additions to a "Do not include" treatment.

**The following sections have been updated as of May 2022:**

Appendix III: MSCI China Select SRI S-Series 10% Capped Index

- Added screen for 'Fossil Fuel Ties'

**The following sections have been updated as of February 2023:**

Section 3.4: Security Weighting

- Added footnote for the treatment of the MSCI Europe Small Cap SRI S-Series PAB 5% Capped Index during the February 2023 Index Review

**The following sections have been updated as of April 2023:**

Section 3.1.1: Eligible Universe

- Added details for the MSCI ACWI SRI S-Series Index

Section 3.1.3: Index Construction

- Added details for the MSCI ACWI SRI S-Series Index

Section 3.1.4: Security Weighting

- Clarified the weighting scheme for the SRI S-Series Universe

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

Section 1: Introduction

- Updated the description of the Indexes and added footnote on Methodology Set

Section 2.2: Constructing the MSCI SRI S-Series PAB 5% Capped Indexes

- Added footnote for the constraints that were relaxed during the May 2023 Index Review

Section 3: Maintaining the Indexes

- 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 3.3: Clarified the treatment of Corporate Events

Section 4: MSCI ESG Research

- Moved that section after the Section 3 (Maintaining the Indexes)

**The following sections have been modified as of September 1, 2023:**

Section 2.1.2.3 ESG Controversies Score Eligibility

- Clarified the exclusion criteria for companies involved in ESG Controversies.

Appendix 1: Controversial Business Involvement Criteria

- The screening criteria was updated to add additional screens implemented in August 2023. This includes companies which are involved in stem cell research, nuclear fissile materials, oil & gas refining and stricter screens for Thermal Coal and Liquid Fuel based power generation.

#### Appendix III: MSCI China Select SRI S-Series 10% Capped Index

- The screening criteria was updated to add additional screens implemented in August 2023. This includes companies which are involved in stem cell research and nuclear fissile materials.

#### **The following sections have been modified as of March 1, 2024:**

##### Section 2.1.2.3 ESG Controversies Score Eligibility

- Added an exclusion criterion for companies which are assessed for involvement in more than one Very Severe ESG Controversy case. This criterion is based on the latest MSCI ESG Controversies methodology outlined by MSCI ESG Research.

#### **The following section has been modified as of May 2024:**

##### Section 2.1.2.3 ESG Controversies Score Eligibility

- Updated footnotes to reflect that all SRI S-Series PAB Indexes apply the new controversy criterion. This criterion will not apply for MSCI China Select SRI S-Series 10% Capped Index

##### Section 2.2: Constructing the MSCI SRI S-Series PAB 5% Capped Indexes

- Added footnote for the constraints that were relaxed during the May 2024 Index Review

#### Appendix VI: Methodology Set

- Added details on the Methodology Set for the Indexes

#### The following section has been modified as of September 2024

##### Section 3.3: MSCI Monthly Review of Controversies

- Added to detail the monthly review of controversies and subsequent sections re-numbered.

#### Appendix I: Controversial Business Involvement Criteria

- The timeline for adjusting the tobacco screening criteria to a stricter threshold has been removed

#### Appendix III: MSCI China Select SRI S-Series 10% Capped Index

- Added clarification for the exceptional treatment on the Monthly Review of Controversies.

#### Appendix IV: Appendix IV: Timeline of Screen Adjustment

- The timeline for adjusting the tobacco screening criteria to a stricter threshold has been removed, subsequent Appendixes were re-numbered

#### **The following sections have been modified as of February 2025**

##### Section 2.1.2.3 Controversial Business Involvement Screens

- The Climate Change Metrics screens were updated to include the already applied Oil & Gas screens and to add the Thermal Coal distribution screen.

### Section 2.3: Treatment of Unrated Companies

- Added the treatment of companies when data on Business Involvement Screening Research or Climate Change Metrics research is not available from MSCI ESG Research

### 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 I: Controversial Business Involvement Screening Criteria

- Added the description for the thermal coal distribution screen.

### **The following has been modified as of August 2025**

The methodology and Index names were updated. As of December 3, 2025, the MSCI SRI S-Series PAB 5% Issuer Capped Indexes have been renamed as MSCI SRI S-Series PAB Capped Indexes

### Appendix I: Controversial Business Involvement Criteria

- Added additional exclusion criteria for landmines and cluster munitions.

### **The following sections have been modified as of November 2025**

The methodology and Index names were updated. As of December 15, 2025, the MSCI SRI S-Series PAB Capped Indexes have been renamed as MSCI SRI Select PAB Indexes

### Section 1: Introduction

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

### Section 2.1.1: Eligible Universe

- Updated to clarify that the Parent Indexes are also subject to governance-based country exclusion criteria (EU non-cooperative jurisdictions, FATF black/grey lists, and countries with corruption perception index below 40).

### Section 2.1.2.2: Controversies Score Eligibility

- Updated section to include the environment controversy score eligibility

### Section 2.1.2.3 Controversial Business Involvement Criteria

- Updated list to reflect the addition of Fossil Fuel Any Tie, Power Generation, Oil & Gas, Shale Oil & Shale Gas
- Updated list to reflect the deletion of Embryonic Stem Cell

### Section 2.1.4: Security Weighting

- Updated section to detail the maximum active security weight in SRI Select Regional Indexes

## Section 2.2: Constructing the Index

- Added details on the optimization parameters
- Removed references to MSCI EU CTB PAB Overlay Indexes Methodology

## Section 3.1.1 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
- Added a description of the Concentration Control Mechanism

## Appendix I: Controversial Business Involvement Criteria

- Removed the description for Embryonic Stem Cell, Oil & Natural Gas Refining
- Added the description for Fossil Fuels Any Tie, Power Generation, Oil & Gas and Shale Oil & Shale Gas

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

- Removed the ESG Rating Trend criteria and description

## Appendix III: MSCI China Select SRI S-Series 10% Capped Index

- Removed appendix as the Index is transitioning to a Parameter Sheet

## Appendix III: Calculation of Target Metrics

- Added details on the calculation of the GHG Intensity and the decarbonization trajectory

## Appendix III: Barra Equity Model Used in The Optimization

- New appendix to describe the Model Used in the optimization

## Appendix VI: New release of Barra® Equity Model or Barra® Optimizer

- New appendix to describe the Barra® Equity Model

## Appendix IV: Decarbonization Trajectory of Indexes

- Base Date for the Decarbonization trajectory was corrected to December 1<sup>st</sup>, 2021.

## **The following sections have been modified as of January 2026**

### Section 1: Introduction

- Updated the Introduction section to include details on the selected Principal Adverse Impact (PAI) indicators incorporated into the Indexes.

### Section 2.2: Optimization Constraints

- Updated section to incorporate a reference to the Principal Adverse Impact (PAI) indicators

## Contact Us

### 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](http://www.msci.com).  
[msci.com/contact-us](http://msci.com/contact-us)

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>.

### AMERICA

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

### EUROPE, MIDDLE EAST & AFRICA

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

## Notice and Disclaimer

The data, data feeds, databases, reports, text, graphs, charts, images, videos, recordings, models, metrics, analytics, indexes, ratings, scores, cases, estimates, assessments, software, websites, products, services and other information and materials contained herein or delivered in connection with this notice (collectively, the "Information") are copyrighted, trade secrets (when not publicly available), trademarks and proprietary property of MSCI Inc. or its subsidiaries (collectively, "MSCI"), MSCI's licensors, direct or indirect suppliers and authorized sources, and/or any third party contributing to the Information (collectively, with MSCI, the "Information Providers"). All rights in the Information are reserved by MSCI and its Information Providers and user(s) shall not, nor assist others to, challenge or assert any rights in the Information.

Unless you contact MSCI and receive its prior written permission, you must NOT use the Information, directly or indirectly, in whole or in part (i) for commercial purposes, (ii) in a manner that competes with MSCI or impacts its ability to commercialize the Information or its services, (iii) to provide a service to a third party, (iv) to permit a third party to directly or indirectly access, use or resell the Information, (v) to redistribute or resell the Information in any form, (vi) to include the Information in any materials for public dissemination such as fund factsheets, market presentations, prospectuses, and investor information documents (e.g. KIIDs or KIDs), (vii) to create or as a component of any financial products, whether listed or traded over the counter or on a private placement basis or otherwise, (viii) to create any indexes, ratings or other data products, including in derivative works combined with other indexes or data or as a policy, product or performance benchmarks for active, passive or other financial products, (ix) to populate a database, or (x) to train, use as an input to, or otherwise in connection with any artificial intelligence, machine learning, large language models or similar technologies except as licensed and expressly authorized under MSCI's AI Contracting Supplement at <https://www.msci.com/legal/supplemental-terms-for-client-use-of-artificial-intelligence>.

The intellectual property rights of MSCI and its Information Providers may not be misappropriated or used in a competitive manner through the use of third-party data or financial products linked to the Information, including by using an MSCI index-linked future or option in a competing third-party index to provide an exposure to the underlying MSCI index or by using an MSCI index-linked ETF to create a financial product that provides an exposure to the underlying MSCI index without obtaining a license from MSCI.

The user or recipient of the Information assumes the entire risk of any use it may make, permit or cause 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 ANY IMPLIED WARRANTIES OF ORIGINALITY, ACCURACY, TIMELINESS, SUITABILITY, 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 MSCI or any other Information Provider have any liability arising out of or relating to any of the Information, including 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.

The Information, including index construction, ratings, historical data, or analysis, is not a prediction or guarantee of future performance, and must not be relied upon as such. Past performance is not indicative of future results. The Information may contain back tested data. Back-tested performance based on back-tested data 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.

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. Signals are inherently backward-looking because of their use of historical data, and they are inherently inaccurate, not intended to predict the future and must not be relied upon as such. The relevance, correlations and accuracy of Signals frequently change materially over time.

The Information may include data relating to indicative prices, evaluated pricing or other information based on estimates or evaluations (collectively, "Evaluations") that are not current and do not reflect real-time traded prices. No evaluation method, including those used by the Information Providers, may consistently generate evaluations or estimates that correspond to actual "traded" prices of any relevant securities or other assets. Evaluations are subject to change at any time without notice and without any duty to update or inform you, may not reflect prices at which actual transactions or collateral calls may occur or have occurred. The market price of securities, financial instruments, and other assets can be determined only if and when executed in the market. There may be no, or may not have been any, secondary trading market for the relevant securities, financial instruments or other assets. Private capital, equity, credit and other assets and their prices may be assessed infrequently, may not be priced on a secondary market, and shall not be relied upon as an explicit or implicit valuation of a particular instrument. Any reliance on fair value estimates and non-market inputs introduces potential biases and subjectivity. Internal Rate of Return metrics are not fully representative without full disclosure of fund cash flows, assumptions, and time horizons.

The Information does not constitute, and must not be relied upon as, investment advice, credit ratings, or proxy advisory or voting services. None of the Information Providers, their products or services, are fiduciaries or make any recommendation, endorsement, or approval of any investment decision or asset allocation. Likewise, the Information does not represent an offer to sell, a solicitation to buy, or an endorsement of any security, financial product, instrument, investment vehicle, or trading strategy, whether or not linked to or in any way based on any MSCI index, rating, subcomponent, or other information (collectively, "Linked Investments")

The Information should not be relied on and is not a substitute for the skill, judgment and experience of any user when making investment and other business decisions. MSCI is not responsible for any user's compliance with applicable laws and regulations. All Information is impersonal, not tailored to the needs of any person, entity or group of persons, not objectively verifiable in every respect, and may not be based on information that is important to any user.

It is not possible to invest 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 makes no assurance that any Linked Investments will accurately track index performance or provide positive investment returns. Index returns do not represent results of actual trading.

of investible assets/securities. MSCI maintains and calculates indexes but does not manage 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 securities underlying the index or Linked Investments. The imposition of these fees and charges would cause the performance of a Linked Investment to be different than the MSCI index performance.

Information provided by MSCI Solutions LLC and certain related entities ("MSCI Solutions"), including materials utilized in MSCI sustainability and climate products, have not been submitted to, nor received approval from any regulatory body. MSCI sustainability and climate offerings, research and data are produced by, and ratings are solely the opinion of MSCI Solutions. MSCI India Domestic ESG Ratings are produced by MSCI ESG Ratings and Research Private Limited and offered domestically in India. Other MSCI products and services may utilize information from MSCI Solutions, Barra LLC or other affiliates. More information can be found in the relevant methodologies on [www.msci.com](https://www.msci.com). MSCI Indexes are administered by MSCI Limited (UK) and MSCI Deutschland GmbH. No regulated use of any MSCI private real assets indexes in any jurisdiction is permitted without MSCI's express written authorization. The process for applying for MSCI's express written authorization can be found at: <https://www.msci.com/index-regulation>.

MSCI receives compensation in connection with licensing its indexes and other Information to third parties. MSCI Inc.'s revenue includes fees based on assets in Linked Investments. Information can be found in MSCI Inc.'s company filings on the Investor Relations section of [msci.com](https://www.msci.com). Issuers mentioned in MSCI Solutions materials or their affiliates may purchase research or other products or services from one or more MSCI affiliates, manage financial products such as mutual funds or ETFs rated by MSCI Solutions.

tions or its affiliates or are based on MSCI Indexes. 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. Constituents in MSCI Inc. equity indexes may include MSCI Inc., clients of MSCI or suppliers to MSCI. MSCI Solutions has taken steps to mitigate potential conflicts of interest and safeguard the integrity and independence of its research and ratings.

MIFID2/MIFIR notice: MSCI Solutions 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 product or service supports, promotes or is intended to support or promote any such activity. MSCI Solutions is an independent provider of sustainability and climate data. All use of indicative prices for carbon credits must comply with any rules specified by MSCI. All

transactions in carbon credits must be traded "over-the-counter" (i.e. not on a regulated market, trading venue or platform that performs a similar function to a trading venue) and result in physical delivery of the carbon credits.

You may not remove, alter, or obscure any attribution to MSCI or notices or disclaimers that apply to the Information. MSCI, Barra, RiskMetrics, 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 Dow Jones Indices. "Global Industry Classification Standard (GICS)" is a service mark of MSCI and S&P Dow Jones Indices. Terms such as including, includes, for example, such as and similar terms used herein are without limitation.

MSCI and its Information Providers may use automated technologies and artificial intelligence to help generate content and output incorporated in the Information.

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>. For copyright infringement claims contact us at [dmca@msci.com](mailto:dmca@msci.com). This notice is governed by the laws of the State of New York without regard to conflict of laws principles.