

MSCI China Energy IMI Plus Index Methodology

April 2024

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1. Introduction

MSCI Indexes are constructed and maintained in accordance with the MSCI Global Investable Market Indexes (GIMI) Methodology and calculated as per the MSCI Index Calculation Methodology. This methodology book provides a description of the rules and guidelines followed by MSCI for the construction and maintenance of the MSCI China Energy IMI Plus Index ¹.

The MSCI China Energy IMI Plus Index aims to represent the performance of securities within the MSCI China IMI Index, that are classified in the “Energy” sector according to the Global Industry Classification Standard (GICS®). To limit concentration, the Index is capped as per the MSCI 10/50 Indexes methodology which constrains the weight of any single issuer at 10%, and the sum of the weights of all issuers with a weight of more than 5% at a maximum of 50%. To ensure a minimum number of issuers in the index, the index may also include securities classified in Developed Markets countries in the Asia Pacific region with exposure to China as defined by the MSCI Economic Exposure Data methodology.

¹ The Indexes are governed by a set of methodology and policy documents (“Methodology Set”), including the present index methodology document. The Methodology Set for the Indexes can be accessed from MSCI’s webpage <https://www.msci.com/index-methodology> in the section ‘Search Methodology by Index Name or Index Code’.

2. Constructing the MSCI China Energy IMI Plus Index

2.1 Defining the Eligible Universe

The eligible universe for the MSCI China Energy IMI Plus Index includes the following:

- All constituents of the MSCI China IMI that are classified in the Energy Sector.
- All constituents of the MSCI AC Asia Pacific Index within the Energy Sector that are classified in Developed Markets countries and have at least 10% economic exposure to China.

2.2 Selecting the Index Constituents

From the eligible universe, all constituents of the MSCI China IMI classified in the Energy Sector are selected.

If the number of issuers from the previous step is below 18, incremental issuers are added in descending order of their economic exposure to China to reach 18 issuers if available. Issuers with the same economic exposure to China are ranked by their securities' aggregate free float-adjusted market capitalization, in descending order.

2.3 Weighting Scheme

First, the selected securities are re-weighted in proportion to their free float-adjusted market capitalization.

Then, issuers included on the basis of their economic exposure are capped at a maximum weight of 1% each. Securities belonging to the same issuer split the 1% weight in proportion to their free float-adjusted market capitalization. The excess weights after capping are redistributed proportionately across the remaining securities.

At the final step, the resulting set of constituents are capped as per the MSCI 10/50 Indexes Methodology².

² For details on the MSCI 10/50 Indexes Methodology, please refer to the MSCI Capped Indexes Methodology, available at <https://www.msci.com/index-methodology>. The securities are grouped by issuers instead of group entities as per the MSCI 10/50 Indexes Methodology.

3. Maintaining the MSCI China Energy IMI Plus Index

3.1 Quarterly Index Reviews

The Index is reviewed on a quarterly basis, coinciding with the February, May, August and November Index Reviews of the MSCI Global Investable Market Indexes. The pro forma Index is typically announced nine business days before the effective date.

MSCI uses economic exposure data as of the end of the month preceding the Index Reviews for the rebalancing of the Index.

At each Index Review, pro forma constituents will be selected from the pro forma eligible universe (defined in section 2.1) based on the following steps:

- Select all constituents from the MSCI China IMI classified in the Energy Sector. If the number of issuers from the MSCI China Energy IMI is at least 18, then no further selection is necessary.
- If the number of issuers from the previous step is below 18, then all existing constituents which were not selected in the previous step but are in the pro forma eligible universe will be retained in the Index.
- If the number of issuers from the previous step is still below 18, incremental issuers will be added in descending order of their economic exposure to China to reach 18 issuers if available. Issuers with the same economic exposure to China will be ranked by their securities' aggregated free float-adjusted market capitalization, in descending order.
- If the number of issuers in the pro forma Index are still less than 18, then no further selection is to be done.

Once the pro forma constituents are determined, apply the weighting scheme described in section 2.3.

3.2 Ongoing Event-Related Changes

The general treatment of corporate events in the MSCI China Energy IMI Plus Index aims to minimize turnover outside of Index Reviews. The methodology aims to appropriately represent an investor's participation in an event based on relevant deal terms and pre-event weighting of the Index constituents that are involved.

The following section briefly describes the treatment of common corporate events within the MSCI China Energy IMI Plus Index.

No new securities will be added (except where noted below) to the Index between Index Reviews. For cases where additions are noted below, securities will be added to the index only if added to the MSCI China IMI under Energy Sector.

Deletions from the MSCI China IMI and MSCI AC Asia Pacific Indexes which are also constituents of the MSCI China Energy IMI Plus Index will be reflected simultaneously.

EVENT TYPE

EVENT DETAILS

New additions to the Parent Index

A new security classified in the Energy Sector and added to the MSCI China IMI (such as IPO and other early inclusions) will be added to the index and trigger an ad-hoc capping of 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 if the spin-off security is classified in the Energy Sector and also added to the MSCI China IMI. 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.

The MSCI Corporate Events methodology book is available at:

<https://www.msci.com/index/methodology/latest/CE>

Appendix 1: Changes to this Document

The following sections have been modified as of April 2024:

Section 1: Introduction

- Added footnote.

Section 2.2: Selecting the Index Constituents

- Clarified the selection steps.

Section 2.3: Weighting Scheme

- Clarified the weighting scheme.
- Merged section 2.4 into section 2.3.

Section 2.4: Index Capping Scheme

- Merged into Section 2.3.

Section 3.1: Quarterly Index Reviews

- Reflected 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”.
- Added economic exposure data as of date.
- Clarified the constituent selection steps.

Section 3.2 Ongoing Event-Related Changes

- Clarified the treatment of common corporate events.

Added Appendix 1: Changes to this Document.

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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>.

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