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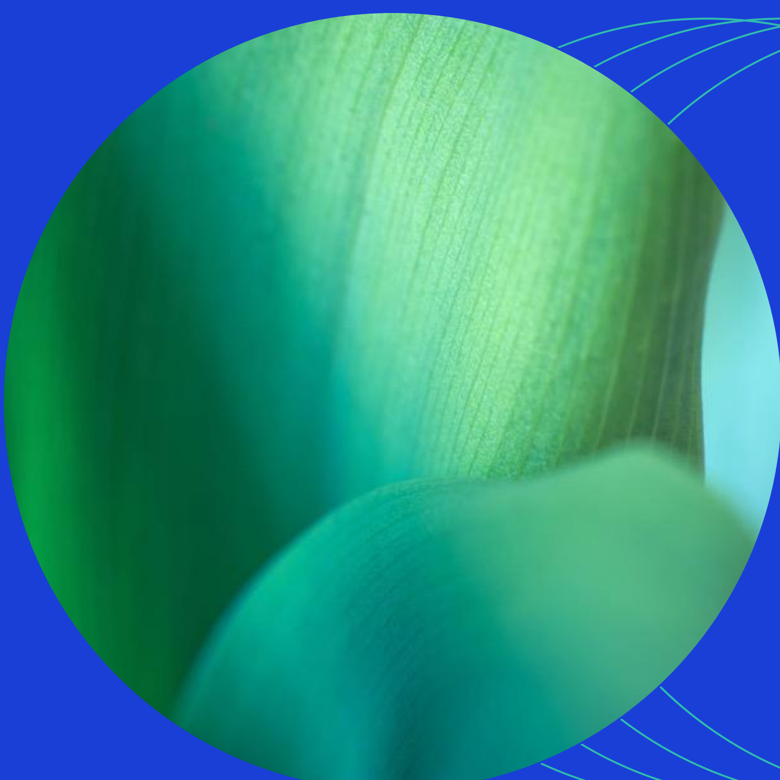
# MSCI USA AI Adopters Select Index Methodology



# Contents

# 1. Introduction

The MSCI USA AI Adopters Select Index[1] (the "Index") is designed to represent the performance of a set of companies that are associated with Artificial Intelligence (AI) based on a quantitative assessment of documented business applications reported in certain news sources.

The Index seeks to identify companies where AI is being deployed in its business activities and evaluated as being related to either:

- Cost reduction and operational efficiency improvements; or
- Revenue growth and business expansion.

[1] The Index is governed by a set of methodology and policy documents ("Methodology Set"), including the present index methodology document. Please refer to Appendix I for more details.

# 2. Constructing the Index

The Index is constructed by selecting stocks from the MSCI USA Index (the 'Parent Index') based on rules detailed in the following sections. The MSCI USA Index is a free-float adjusted, market-capitalization-weighted index constructed and maintained in accordance with the MSCI Global Investable Markets Index (GIMI) methodology[2].

## 2.1 Defining the Theme

The AI Adopters theme seeks to identify companies that are associated with adoption of artificial intelligence within their business operations.

### 2.1.1 Components of the Theme

Exposure to AI adoption activity is assessed with respect to two dimensions:

- Reducing costs and/or operational efficiency
- Increasing sales and/or business expansion

**Exhibit 1: Assessment criteria for first theme component — Reducing costs and/or operational efficiency**

| Scope | Definition |
|---|---|
| **In-Scope** | AI is materially integrated into cost-reducing functions or processes; systematic use of AI to reduce operating costs through automation, operational optimization, or risk reduction; AI-powered predictive maintenance, workflow optimization, fraud detection, cognitive automation, and resource scheduling where AI increases process efficiency or lowers cost structures. |
| **Out-of-Scope** | AI features with no material impact on cost reduction; AI used only in experiments or non-production settings; AI development or infrastructure provisioning without internal application; AI applied to revenue growth or customer-facing features; mentions of evaluating AI use cases, exploring cost-saving potential, or piloting AI for operational tasks; references to adoption strategies without deployment evidence. |

[2] For details about the methodology, please refer to: https://www.msci.com/index/methodology/latest/GIMI.

**Exhibit 2: Assessment criteria for second theme component — Increasing sales and/or business expansion**

| Scope | Definition |
|---|---|
| **In-Scope** | AI is materially integrated into revenue-generating functions or offerings; systematic use of AI to increase sales through customer acquisition, pricing, personalization, or monetization; AI-powered marketing, sales enablement, customer experiences, and product features where AI is core to the value proposition or sales channel. |
| **Out-of-Scope** | AI not deployed in production or not linked to commercial outcomes; AI applied to internal operations, productivity, or infrastructure with no direct revenue impact; AI features that are auxiliary, optional, or not central to monetization; mentions of evaluating AI use cases, exploring potential applications, or assessing AI strategies; references to pilots, experiments, or early-stage testing. |

## 2.2 Eligibility and Selection Criteria

At each Index Review, a security from the Parent Index is eligible for inclusion if it satisfies both of the following conditions:

- **Relative News Exposure Requirement:** The security's News Intensity score[3] should be greater than the median News Intensity score of securities within the same GICS®[4] Sector. Securities with zero Issuer Total Summaries[5] are excluded from the calculation of the sector median.
- **Positive News Exposure Requirement:** The security's News Intensity score should be greater than zero.

## 2.3 Weighting and Capping

At each Index Review, all selected securities are weighted in proportion to their float-adjusted market capitalization, subject to a 10% issuer weight cap. Any excess weight resulting from the application of the cap is redistributed proportionally among the remaining uncapped constituents. If it is not possible to

[3] News Intensity (NI) measures attention to a thematic investing strategy in company-related news and represents a company's potential economic involvement with a thematic investing strategy. In this methodology, NI is calculated in accordance with the News Intensity methodology set out in the MSCI Strategy Exposure Calculation Methodology, as applied to the AI Adopters theme defined in Section 2.1, with a three-month Lookback Window. The MSCI Strategy Exposure Calculation Methodology is available at: https://www.msci.com/index-methodology.

[4] GICS is the global industry classification standard jointly developed by MSCI Inc. and S&P Dow Jones Indices.

[5] Issuer Total Summaries is defined in the News Intensity section of the MSCI Strategy Exposure Calculation Methodology. For the purposes of this methodology, Issuer Total Summaries is determined over a three-month Lookback Window. The MSCI Strategy Exposure Calculation Methodology is available at: https://www.msci.com/index-methodology.

satisfy the weighting constraints with a 10% issuer weight cap, the issuer weight cap is relaxed in increments of 1 percentage point until a feasible solution is obtained, up to a maximum cap of 100%.

# 3. Maintaining the Index

## 3.1 Index Reviews

The MSCI USA AI Adopters Select Index (the "Index") is reviewed on a quarterly basis, coinciding with the February, May, August, and November Index Reviews. The pro forma indexes are typically announced and determined 9 business days before the effective date of an Index Review.

MSCI uses News Intensity score and Issuer Total Summaries data as of the end of the month preceding the Index Reviews for the rebalancing of the Index. If the data required to calculate the News Intensity Score are unavailable for a security as of the close of the last business day of the month, the News Intensity Score will not be calculated for that security.

## 3.2 Ongoing Event Related Changes

The following section briefly describes the treatment of common corporate events within the Index. No new securities will be added to the Index. Index constituents that are deleted from the Parent Index will be simultaneously deleted from 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 not 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.<br><br>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 be removed from the index if there are changes in its characteristics (country, sector, size segment, etc.) Reevaluation for inclusion in the Index will occur at the subsequent Index Review. |

Further detail and illustration regarding specific treatment of corporate events relevant to the 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

# Appendix I: 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 Investable Market Indexes Methodology – https://www.msci.com/index/methodology/latest/GIMI
- MSCI Strategy Exposure Calculation Methodology - https://www.msci.com/index/methodology/latest/ISE

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

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