

MSCI EUROPE SELECT CATHOLIC PRINCIPLES ESG LEADERS 10/40 INDEX

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1 INTRODUCTION

The MSCI Europe Select Catholic Principles ESG Leaders 10/40 Index is a free float-adjusted market capitalization index designed to represent the performance of companies that have high Environmental, Social and Governance (ESG) ratings relative to their sector peers. The index aims to target sector weights that reflect the relative sector weights of the MSCI Europe Index to limit the systematic risk introduced by the ESG selection process. The index excludes companies involved in certain controversial businesses like alcohol, tobacco, gambling etc. The index also excludes companies that are not in compliance with Catholic Principles or are involved in Animal Testing. To avoid concentration, the Index is then capped as per the MSCI 10/40 Indexes methodology.

2 MSCI ESG RESEARCH FRAMEWORK

The MSCI Europe Select Catholic Principles ESG Leaders 10/40 Index uses company ratings and research provided by MSCI ESG Research LLC. In particular, this index uses the following three MSCI ESG Research products: MSCI ESG Ratings, MSCI ESG Controversies, and MSCI ESG Business Involvement Screening Research.

For details on MSCI ESG Research’s full suite of ESG products, please refer to: http://www.msci.com/products/esg/about_msci_esg_research.html

2.1 MSCI ESG RATINGS

MSCI ESG Ratings provides research, analysis and ratings of how well companies manage environmental, social and governance risks and opportunities.

MSCI ESG Ratings provides an overall company ESG rating - a seven point scale from ‘AAA’ to ‘CCC’. In addition, the product provides scores and percentiles indicating how well a company manages each key issue relative to industry peers.

For more details on MSCI ESG Ratings, please refer to

https://www.msci.com/documents/1296102/1636401/MSCI_ESG_Ratings.pdf

2.2 MSCI ESG CONTROVERSIES

MSCI ESG Controversies provides assessments of controversies concerning the 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.

For more details on MSCI ESG Controversies Score, please refer to <https://www.msci.com/documents/10199/acbe7c8a-a4e4-49de-9cf8-5e957245b86b>.

2.3 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.

For more details on MSCI ESG Business Involvement Screening Research, please refer to http://www.msci.com/resources/factsheets/MSCI_ESG_BISR.pdf.

3 CONSTRUCTING THE MSCI EUROPE SELECT CATHOLIC PRINCIPLES ESG LEADERS 10/40 INDEX

3.1 SELECTION UNIVERSE

The MSCI Europe Select Catholic Principles ESG Leaders 10/40 Index is constructed from the MSCI Europe Index (“Parent Index”).

3.2 APPLYING THE MSCI ESG LEADERS INDEXES METHODOLOGY

The MSCI ESG Leaders Indexes Methodology¹ is applied on the Parent Index with the following exceptions:

3.2.1 MSCI ESG RATINGS

Existing constituents of the MSCI Europe Select Catholic Principles ESG Leaders 10/40 Index are required to have an MSCI ESG Rating score above B to remain in the index, while companies that are currently not constituents of MSCI Europe Select Catholic Principles ESG Leaders 10/40 Index are required to have an MSCI ESG Rating score above BB to be considered eligible for addition.

3.2.2 MSCI ESG CONTROVERSIES SCORE ELIGIBILITY

Existing constituents of the MSCI Europe Select Catholic Principles ESG Leaders 10/40 Index are required to have an MSCI ESG Controversies Score above 0 to remain in the index, while companies that are currently not constituents of the MSCI Europe Select Catholic Principles ESG Leaders 10/40 Index are required to have an MSCI ESG Controversies Score above 3 to be considered eligible for addition.

3.2.3 VALUES-BASED EXCLUSIONS

The MSCI Europe Select Catholic Principles ESG Leaders 10/40 Index identifies and excludes companies that meet the business involvement criteria detailed in Section 3.2.1 of the MSCI SRI Indexes Methodology² instead of the Values-based Exclusions from the MSCI ESG Leaders Indexes 10/40 Methodology.

¹ For more details, please refer to the MSCI ESG Leaders Indexes Methodology, available at <https://www.msci.com/index-methodology>

² For more details, please refer to the MSCI SRI Indexes Methodology, available at <https://www.msci.com/index-methodology>.

3.2.4 CATHOLIC PRINCIPLES AND ANIMAL WELFARE SCREENS

The MSCI Europe Select Catholic Principles ESG Leaders 10/40 Index also excludes companies that are not in accordance with Catholic Principles as evaluated based on their involvement in the following areas:

- Stem Cells
- Adult Entertainment
- Conventional Weapons
- Abortion and Contraceptives
- Human Rights
- Animal Welfare

Please refer to Appendix 1 for a detailed description of these criteria.

3.3 WEIGHTING SCHEME

The remaining securities are weighted in proportion of their free float-adjusted market capitalization.

3.4 APPLYING THE MSCI 10/40 INDEXES METHODOLOGY

The MSCI 10/40 Indexes methodology³ is then applied on the remaining securities, such that the weight of any single group entity⁴ is capped at 10% and the sum of the weights of all group entities with a weight of more than 5% is capped at a maximum of 40%.

³ For details, refer to the MSCI 10/40 Indexes Methodology at www.msci.com/index-methodology.

⁴ For a definition and a description of the maintenance of Group Entities, please refer to the MSCI 10/40 Indexes methodology at www.msci.com/index-methodology.

4 MAINTAINING THE MSCI EUROPE SELECT CATHOLIC PRINCIPLES ESG LEADERS 10/40 INDEX

4.1 QUARTERLY INDEX REVIEWS

The Index is reviewed on a quarterly basis to coincide with the regular Semi-Annual and Quarterly Index Reviews of the MSCI Global Investable Market Indexes. The changes are implemented as of the close of the last business day of February, May, August and November.

In general, MSCI uses MSCI ESG Research data (including MSCI ESG Ratings, MSCI ESG Controversies Scores and MSCI Business Involvement Screening Research) 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 Index is in general announced nine business days before the effective date.

4.2 ONGOING EVENT RELATED CHANGES

The general treatment of corporate events in the MSCI Europe Select Catholic Principles ESG Leaders 10/40 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 Europe Select Catholic Principles ESG Leaders 10/40 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 parent index.

Parent Index deletions will be reflected simultaneously.

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 be added to the index, if it meets the eligibility criteria.

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.

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>.

APPENDIX 1: VALUES BASED 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 MSCI Europe Select Catholic Principles ESG Leaders 10/40 Index (except Animal Testing and Global Norms) is assigned to one of these tolerance levels.

Activities classified under “Minimal Tolerance”

- **Adult Entertainment**

- All companies that produce, direct, or publish adult entertainment materials that fall into the following categories: Producer of X-rated films, Producer of Pay-per-view programming or channels, Producer of sexually explicit video games, Producer of books or magazines with adult content, Live entertainment of an adult nature, Producer of adults-only material on the internet.
- All companies deriving 5% or more revenue from the retail sales of adult entertainment related products through specialty stores or online sites. All companies deriving 5% or more revenue from the distribution of adult entertainment materials.
- All companies deriving 5% or more aggregate revenue from the production, distribution and retail of adult entertainment materials.

- **Conventional Weapons**

- All companies that manufacture conventional weapons and weapons systems, including naval, land-based and aircraft gun and fire-control systems; tactical missiles and their warheads and launchers, long-range strategic missiles; howitzers, torpedoes, bombs, ordnance, mortars, sub munitions, grenades, ammunition, and other explosive devices; delivery platforms such as bombers, fighters, combat helicopters and attack aircraft; ships (warships, battleships, submarines, battlecruisers, corvettes, landing craft, destroyers, frigates, minehunters, minesweepers, flotillas, river craft,); armored land vehicles (tactical, assault, tanks, main battle tanks (MBTs)).
- All companies that manufacture conventional weapons components such as engines for attack vehicles or command and control systems.

- All companies deriving 5% or more revenue from weapons-related support systems and services.
- **Stem Cell**
 - All companies that conduct stem cell research with cells derived from human embryos.
 - All companies that develop or produce products for scientific research specifically on embryonic or fetal stem cells, such as technology that isolates or regulates the growth and proliferation of stem cells.
 - All companies that conduct stem cell research with cells derived from human fetal tissue.
 - All companies that use fetal cell lines in the development of vaccines and other biologics, such as therapeutic proteins and gene therapy products.
- **Abortion And Contraceptives**
 - All companies engaged in the development or manufacture of products that may be used as abortifacients.
 - All companies that own or operate one or more acute care hospitals or surgical centers that provide general medical services, which may include abortions.
 - All companies that own or operate a facility where an abortion has been performed within the last three fiscal years.
 - All companies that manufacture or are developing contraceptives.

Activities not classified under any specific tolerance level

- **Animal Testing**
 - All companies engaged in “Animal Testing for Non-Pharmaceutical Products” and “Do Not Disclose Any Statement” addressing the welfare of animals used for laboratory testing and do not disclose any statement in support of researching or “Employing Alternatives to Animal Testing”.
- **Global Norms – Human Rights Compliance**
 - All companies that fail to be in compliance with the United Nations Guiding Principles for Business and Human Rights.

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* = toll free

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Our line of products and services includes indexes, analytical models, data, real estate benchmarks and ESG research.

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