

MSCI Europe Swap Index (Ticker: M4EU0CTX Index), MSCI Europe ex-UK Swap Index (Ticker: M7CXUKL Index) – WHT custom rate review process

1st September 2022

Index Overview and Custom Dividend Withholding (WH) Tax Rate application

The MSCI Europe Index captures large and mid cap representation across 15 Developed Markets (DM) countries in Europe. With 429 constituents, the index covers approximately 85% of the free float-adjusted market capitalization across the European Developed Markets equity universe.

The MSCI Europe ex-UK Index captures large and mid cap representation across 14 Developed Markets (DM) countries in Europe (excluding the United Kingdom). With 347 constituents, the index covers approximately 85% of the free float-adjusted market capitalization across European Developed Markets excluding the UK.

Both indexes are built using MSCI's Global Investable Market Index (GIMI) methodology. Each company and its securities (i.e., share classes) in the MSCI Equity Universe are classified in one and only one country, which allows for a distinctive sorting of each company by its respective country.

The country classification of a company is generally determined by the company's country of incorporation and the primary listing of its securities. MSCI will classify a company in the country of incorporation if its securities have a primary listing in this country. This approach determines the country classification of the vast majority of companies, however, in certain cases the company's country classification may differ from the location of its primary listing.

The dividend WH rates applicable to each constituent are based on the country classification for each constituent security. For the MSCI Europe Swap Index and the MSCI Europe ex-UK Swap Index standard MSCI tax rates for net dividend reinvestment (as found in the MSCI Index Calculation Methodology document online) are applied to all countries except the countries listed below where the custom dividend WH rates as detailed below are applied. The only exception to this would be a scenario where the standard dividend WH rate is preferable (the dividend WH tax rate is lower) to the custom dividend WH rate, in which case the standard dividend WH tax rate would be applied.

Country Custom Dividend WH Tax Rates Incorporated into the MSCI Europe Swap Index (Ticker: M4EU0CTX Index) and MSCI Europe ex-UK Swap Index (Ticker: M7CXUKL Index)

The below country list only includes country rates that differ from the standard MSCI tax rates for net dividend reinvestment, and all other countries in the indexes use the standard MSCI tax rates for net dividend reinvestment.

1. MSCI Europe Swap Index (Ticker: M4EU0CTX Index) custom WHT rates:

Country	Country ISO Code	Custom Dividend WH Tax Rate
Finland	FI	0%
Ireland	IE	0%
France	FR	4%
Norway	NO	9%
Sweden	SE	9%
Belgium	BE	10%
Germany	DE	10%
Netherlands	NL	10%
Austria	AT	15%
Spain	ES	15%
Italy	IT	15%
Portugal	PT	15%
Switzerland	CH	30%

2. MSCI Europe ex-UK Swap Index (Ticker: M7CXUKL Index) custom WHT rates:

Country	Country ISO Code	Custom Dividend WH Tax Rate
Finland	FI	0%
Ireland	IE	0%
Norway	NO	9%
Sweden	SE	9%
Belgium	BE	10%
France	FR	10%
Netherlands	NL	10%
Germany	DE	14%
Austria	AT	15%
Spain	ES	15%
Italy	IT	15%
Portugal	PT	15%

Rationale for Custom Dividend WH Tax Rates

The country custom dividend WH tax rates have been agreed with the swap counterparties for the Invesco MSCI Europe UCITS ETF and Invesco MSCI Europe ex-UK UCITS ETF, synthetically-replicated ETFs which use swap contracts on the MSCI Europe Swap Index and MSCI Europe ex-UK Swap Index respectively to produce their returns.

Annual review process of Withholding Tax (WHT) custom rates for MSCI Europe Swap Index and MSCI Europe ex-UK Swap Index

The EMEA ETF Product and Sales Strategy (PSS) team at Invesco will perform the annual analysis of relevant sub-funds performance versus competing products to assess the appropriateness of the custom WHT rates. The review would be a part of the Annual Product Review process, performed annually in Q4 of each year.

Based on the above analysis follow-up actions are:

- a) Product competing in line or better than competing ETFs – recommend no change to be made to custom rates within index.
- b) Product is significantly underperforming competing ETFs – recommend review of custom tax rates within index. The EMEA Product Solutions and Implementation (PSI) team at Invesco are tasked with reviewing rates with swap counterparts to negotiate markets where rates can be adjusted to improve performance for the coming year.

Result of the review and the recommendation are a subject of internal approval of the EMEA ETF Product Strategy Group (EPPSG) which review and approve or reject the recommendation, provided as an item for an approval as a part of the annual product review results. If rejected, PSS and PSI reconsider the review, and if necessary provide further supporting information for the conclusion and recommendation made.

Once approved by the EPPSG, the EMEA ETF Product and Sales Strategy team at Invesco will provide a confirmation email to confirm the review has taken place, has been approved and no further action is to be taken.

On an ad-hoc basis, in exceptional cases or if necessary, the WHT custom rates will be reviewed in line with the above process on a more frequent basis.

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