

# MSCI World IMI Sustainable Water Transition Index Methodology

March 2025

<b>Contents</b>	<b>1</b>	<b>Introduction</b>	<b>3</b>
	<b>2</b>	<b>Constructing the Index</b>	<b>4</b>
	2.1	Selection Universe	4
	2.2	ESG Filtered Universe	4
	2.3	“Circular Technologies” Universe	7
	2.4	“Circular Transition” Universe	8
	2.5	Weighting Scheme	8
	2.6	Treatment of Unrated Companies	9
	<b>3</b>	<b>Maintaining the Index</b>	<b>10</b>
	3.1	Semi-Annual Index Review	10
	3.2	Quarterly Index Reviews	10
	3.3	Annual Index Review	10
	3.4	Ongoing Event-Related Maintenance	11
	<b>4</b>	<b>MSCI ESG Research</b>	<b>13</b>
	4.1	MSCI Impact Solutions: Sustainable Impact Metrics	13
	4.2	MSCI Impact Solutions: SDG Alignment	14
	4.3	MSCI ESG Ratings	14
	4.4	MSCI ESG Controversies	14
	4.5	MSCI ESG Business Involvement Screening Research	15
	4.6	MSCI Climate Change Metrics	15
		Appendix I: What is a Circular Economy?	16
		Appendix II: Sector-Relative Management Score (SRMS) Calculation	17
		Appendix III: Methodology Set	18
		Appendix IV: Changes to this Document	20

# 1 Introduction

The MSCI World IMI Sustainable Water Transition Index (the ‘Index’) aims to represent the performance of a set of companies that are associated with key aspects of addressing water scarcity through their products or services, and/or through their management of related issues, all assessed within the context of potential contribution towards a circular economy (see Appendix I).<sup>1</sup>

In particular, the Index incorporates companies that provide technologies (“circular technologies”) and/or those that help enable the transition to a circular economy (“circular transition”), as defined using the following measures:

- Water Supply
- Water Utilities
- Water Treatment
- Water-related Equipment
- Water Stress

The Index also applies exclusions criteria to screen companies with business activities that are not considered aligned with the overall objective of addressing water scarcity or promoting circularity. Additionally, the Index utilizes a combination of weighting strategies at both security and component levels, as well as applies issuer capping.

---

<sup>1</sup> The Index is governed by a set of methodology and policy documents (“Methodology Set”), including the present index methodology document. Please refer to Appendix III for more details.

## 2 Constructing the Index

### 2.1 Selection Universe

The underlying universe for the Index is defined by the constituents of the MSCI World Investable Market Index (IMI, the 'Parent Index'), from which three separate universes of stocks are constructed (as described in Sections 2.2 to 2.4).<sup>2</sup>

### 2.2 ESG Filtered Universe

The Index applies two sets of exclusions criteria to determine eligibility in the ESG Filtered Universe.

#### 2.2.1 Sustainable Water Transition-specific Exclusions

The Index uses MSCI Impact Solutions' SDG Alignment to identify companies that have been assessed as negatively impacting the index objective. The exclusions criteria are as follows:

- SDG 6 and 14 Net Alignment: All companies that are assessed as Strongly Misaligned and Misaligned on their Net Alignment to SDG 6 (Clean Water and Sanitation) and SDG 14 (Life Below Water)

#### 2.2.2 Circular Economy-related Screens

The Index uses MSCI ESG Controversies, MSCI ESG Ratings, MSCI ESG Business Involvement Screening Research, MSCI Climate Change Metrics, and MSCI Impact Solutions' SDG Alignment to apply a set of exclusions standards which either address headline risks and/or contribute negatively to a circular economy. The exclusions filters are as follows:

1. **ESG Controversies Score:** All companies that are assessed as having involvement in ESG controversies that are classified as Red Flags (MSCI ESG Controversy Score of 0). A Red Flag indicates an ongoing, Very Severe ESG controversy implicating a company directly through its actions, products, or operations.
2. **Environmental Controversies:** All companies that are assessed as having involvement in environmental controversies that are classified as Red (MSCI

---

<sup>2</sup> See Section 4 for further information regarding ESG and climate data used in the Index that MSCI Limited and MSCI Deutschland GmbH source from MSCI ESG Research LLC, a separate subsidiary of MSCI Inc. MSCI ESG Research 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.

Environmental Controversy Score of 0), Orange<sup>3</sup> (score of 1), or Yellow<sup>4</sup> Flags (scores 2 to 4).

3. **Environmental Pillar Quartile:** All companies that are assessed as belonging to the bottom quartile relative to their relevant ESG Ratings Industry.
4. **Key Issue Management Score/s:** All companies belonging to the bottom 25% of the applicable key issue management score/s. For each key issue, the following steps are applied:
  - Step 1: Using MSCI ACWI IMI Index as the universe, only key issue management scores of companies with more than 5% weight assigned to the corresponding key issue are considered.
  - Step 2: Companies are ranked based on their key issue management scores relative to all the companies considered in Step 1. When two companies have the same key issue management score, the company with higher weight in the Parent Index is ranked higher.
  - Step 3: The lowest 25% based on the ranking of Step 2 are excluded.
5. **SDG 12 Net Alignment:** All companies that are assessed as Strongly Misaligned and Misaligned on their Net Alignment to SDG 12 (Responsible Consumption and Production).
6. **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>.
7. **Thermal Coal:**
  - All companies deriving 1% or more revenue (either reported or estimated) 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

---

<sup>3</sup> An Orange Flag indicates an ongoing Severe ESG controversy implicating a company directly, or a Very Severe ESG controversy that is either partially resolved or indirectly attributed to the company's actions, products, or operations.

<sup>4</sup> A Yellow Flag indicates noteworthy ESG controversies. This includes a Very Severe or Severe ESG controversy that has been concluded, a Very Severe controversy that is partially resolved and is indirectly attributed to the company, a Severe controversy that is either partially resolved or indirectly attributed to the company, or an ongoing Moderate controversy implicating a company directly.

power producers), intracompany sales of mined thermal coal, and revenue from coal trading.

- All companies with evidence of involvement in thermal coal distribution.
8. **Power Generation:** All companies deriving 50% or more aggregate revenue from thermal coal based power generation, liquid fuel based power generation and natural gas based power generation<sup>5</sup>.
  9. **Tobacco:** All companies that are involved in the manufacturing of Tobacco products.
  10. **Oil and Gas<sup>6</sup>:**
    - All companies deriving 10% or more aggregate revenue (either reported or estimated) from oil-related activities, including:
      - Extraction and production of oil and natural gas liquids
      - Refining of oil fuels
      - Oil and oil products pipelines or natural gas liquids pipelines
      - Transportation of oil and oil products
      - Distribution of oil and related products
      - Exploration as a service to the oil and natural gas industries
      - Drilling wells as a service to the exploration and production of oil and natural gas
    - All companies deriving 50% or more aggregate revenue (either reported or estimated) from gas-related activities, including:
      - Extraction and production of natural gas
      - Processing of natural gas fuels

---

<sup>5</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 100gCO<sub>2</sub>/kWh.

<sup>6</sup> The combined oil & gas screen is applied for companies where the disaggregated oil/gas revenue data underlying the separate oil and gas screens is not available or not consistent.

The combined oil & gas screen excludes all companies deriving 10% or more aggregate revenue from oil and gas related activities, including distribution / retail, equipment and services, extraction and production, pipelines and transportation and refining but excluding biofuel production and sales and trading activities.

For further details, please refer to Appendix II of the MSCI EU CTB/PAB Index Framework at <https://www.msci.com/index/methodology/latest/EUCTBPABIndexFramework>.

- Natural gas pipelines
- Transportation of natural gas
- Distribution of gas and related products
- Exploration as a service to the oil and natural gas industries
- Drilling wells as a service to the exploration and production of oil and natural gas

## 2.3 “Circular Technologies” Universe

The Circular Technologies Universe is constructed by selecting companies in the ESG Filtered Universe that are assessed to have high exposure, as defined in Section 2.3.1, to the water theme. The theme consists of the following business activities:

- Water Supply
- Water Utilities
- Water Treatment
- Water-related Equipment

MSCI may seek input from outside market experts on the ongoing evolution of the themes underlying the water theme. However, such input is only advisory in nature. The use of any such input is at MSCI’s discretion and may or may not lead to a change to the Index or index methodology.

### 2.3.1 Thematic selection criteria

The selection rules are in accordance with Sections 2.1 to 2.3 of the MSCI ACWI IMI Water Index methodology<sup>7</sup> but applies the following variations:

- **Selection on ESG Revenue**  
Companies with 25% or more revenue from the Sustainable Water category instead of using a threshold of 15% as per Section 2.2.4 of the MSCI ACWI IMI Water Index
- **Additional ESG Filter**  
Companies that do not have any revenue from products, services, and projects that attempt to resolve water scarcity and quality issues are

<sup>7</sup> Please refer to the MSCI ACWI IMI Water Index methodology at <https://www.msci.com/index/methodology/latest/ACWIWater>.

excluded from the eligible universe, in addition to the GICS<sup>®8</sup> sector and sub-industry filtering in Section 2.3.1 of the MSCI ACWI IMI Water Index.

## 2.4 “Circular Transition” Universe

The Index uses MSCI ESG Ratings’ key issue management scores to identify companies that have better management strategies to address water scarcity relative to their sector peers.

The Circular Transition Universe is constructed by selecting stocks in the top 10% of the Intermediate Universe (as described in Section 2.4.1) based on their Sector-Relative Management Score (SRMS), which is computed using the following key issue management score/s:

- Water Stress

Please refer to Appendix II detailing the computation steps.

### 2.4.1 Intermediate Universe

The Intermediate Universe is constructed by selecting stocks in the ESG Filtered Universe (Section 2.2) that are not part of the Circular Technologies Universe (Section 2.3).

## 2.5 Weighting Scheme

The Index constituents that are determined to be part of the Circular Technologies and Circular Transition universes are weighted as follows:

### 2.5.1 Security Weighting

- Circular Technologies Universe

Securities that meet the selection criteria outlined in Section 2.3 are weighted in proportion of their weight in the Parent Index. The weights are then normalized to sum to 100%.

- Circular Transition Universe

Securities that meet the selection criteria outlined in Section 2.4 are weighted in proportion of their weight in the Parent Index. The weights are then normalized to sum to 100%.

---

<sup>8</sup> GICS, the global industry classification standard, jointly developed by MSCI Inc. and S&P Global Market Intelligence.



### 2.5.2 Component Weighting

Each component is scaled down to the following proportion:

Component	Component Weight
Circular Technologies	60%
Circular Transition	40%

### 2.5.3 Issuer Capping

The maximum weight of any issuer in the Index is then capped at 5% in accordance with the MSCI Capped Indexes methodology<sup>9</sup>. The excess weight of the capped issuers is distributed among the remaining constituents in proportion of their existing weights in the Index<sup>10</sup>.

## 2.6 Treatment of Unrated Companies

- Companies that are not assessed on MSCI ESG Research’s ESG Controversies (exclusion filters 1 and 2 in Section 2.2.2) are excluded from the ESG Filtered Universe.
- Companies that are not assessed on MSCI ESG Research’s ESG Ratings and SDG Alignment (exclusion filters 3 to 5 in Section 2.2.2) are not excluded from the ESG Filtered Universe.

<sup>9</sup> Please refer to the MSCI Capped Indexes methodology at [www.msci.com/index-methodology](http://www.msci.com/index-methodology).

<sup>10</sup> Issuer capping may result in a drift in the component weights.

### 3 Maintaining the Index

#### 3.1 Semi-Annual Index Review

The Index is reviewed on a semi-annual basis, as of the close of the last business day of May and November, coinciding with the May and November Index Reviews of the Parent Index. The pro forma index is generally announced nine business days before the effective date.

As a rule, MSCI uses MSCI ESG Research data (including MSCI Impact Solutions, MSCI ESG Ratings, MSCI ESG Controversies, and MSCI Climate Change Metrics) 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.

At each Semi-Annual Index Review, the ESG Filtered, Circular Technologies, and Circular Transition universes are updated based on the criteria outlined in Sections 2.2 to 2.4.

#### 3.2 Quarterly Index Reviews

The Index is also reviewed on a quarterly basis to coincide with the Index Reviews of the Parent Index. The changes are implemented at the end of February and August. The pro forma index is generally announced nine business days before the effective date.

For the Quarterly Index Reviews, MSCI ESG Ratings, MSCI ESG Controversies, MSCI BISR, MSCI Climate Change Metrics, and MSCI SDG Alignment data are taken as of the end of the month preceding the Index Reviews, i.e., January and July. For some securities, this 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.

At the Quarterly Index Reviews, existing constituents in the ESG Filtered Universe are deleted from the Index if they do not meet the exclusions criteria described in Section 2.2. Existing constituents that meet the criteria are retained in the Index.

#### 3.3 Annual Index Review

The business segment selection criteria (in accordance with Section 2.2.2.1 of the MSCI ACWI IMI Water Index) are reviewed annually by MSCI during the May Semi-

Annual Index Review. In general, MSCI completes this review nine business days before the effective date of the May Semi-Annual Index Review.

### 3.4 Ongoing Event-Related Maintenance

The general treatment of corporate events in the 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 Index.

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 Index between Index Reviews on account of a security becoming ineligible because of lower SRMS resulting in a drop in ranking, decrease in MSCI ESG Controversies Score, and/or change in SDG Alignment assessment.

<b>EVENT TYPE</b>	<b>EVENT DETAILS</b>
<b>New additions to the Parent Index</b>	A new security added to the Parent Index (such as IPO and other early inclusions) will not be added to the index.
<b>Spin-Offs</b>	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 addition in the Index will occur at the subsequent Index Review.
<b>Merger/Acquisition</b>	<p>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.</p> <p>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.</p>
<b>Changes in Security Characteristics</b>	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.

The MSCI Corporate Events methodology book is available at: <https://www.msci.com/index-methodology>.

## 4 MSCI ESG Research

The Index is a product of MSCI Inc. that utilizes information such as company ratings and research produced and provided by MSCI ESG Research LLC (MSCI ESG Research), a subsidiary of MSCI Inc. In particular, the Index uses the following MSCI ESG Research products: MSCI Impact Solutions, MSCI ESG Ratings, MSCI ESG Controversies, MSCI ESG Business Involvement Screening Research, and MSCI Climate Change Metrics. MSCI Indexes are administered by MSCI Limited and MSCI Deutschland GmbH.

### 4.1 MSCI Impact Solutions: Sustainable Impact Metrics

MSCI Impact Solutions’ Sustainable Impact Metrics is designed to identify companies that derive revenue from products or services with positive impact on society and the environment. The Sustainable Impact Metrics are comprised of six Environmental Impact categories and seven Social Impact categories arranged by theme.

#### MSCI Sustainable Impact Taxonomy

Pillar	Themes	Categories
Environmental Impact	Climate Change	1. Alternative energy 2. Energy efficiency 3. Green building
	Natural capital	4. Sustainable water 5. Pollution prevention 6. Sustainable agriculture
Social Impact	Basic needs	7. Nutrition 8. Major Disease Treatment 9. Sanitation 10. Affordable Real Estate
	Empowerment	11. SME Finance 12. Education 13. Connectivity – Digital divide

Under each of the actionable environmental and social impact themes, MSCI ESG Research has identified specific categories of products and services that it has determined companies can offer as potential solutions to environmental and social challenges.

For more details on MSCI Sustainable Impact Metrics, please refer to <https://www.msci.com/legal/disclosures/esg-disclosures>.

## 4.2 MSCI Impact Solutions: SDG Alignment

MSCI Impact Solutions' SDG Alignment is designed to provide a holistic view of companies' net contribution – both positive and negative – towards addressing each of the 17 UN Sustainable Development Goals (SDGs). SDG Alignment assessments and scores include analysis of companies' operations, products and services, policies, and practices and their net contribution – positive and adverse – to addressing key global challenges.

The MSCI SDG Alignment framework provides 17 SDG Net Alignment scores and 17 SDG Net Alignment assessments (including Strongly Aligned, Aligned, Neutral, Misaligned and Strongly Misaligned) for each of the 17 global goals. In addition, the model offers assessments and scores for two dimensions, product alignment and operation alignment, for each company and for each of the 17 goals.

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

## 4.3 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>.

## 4.4 MSCI ESG Controversies

MSCI ESG Controversies provides 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 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.

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

## 4.5 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.

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

## 4.6 MSCI Climate Change Metrics

MSCI Climate Change Metrics provides 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.

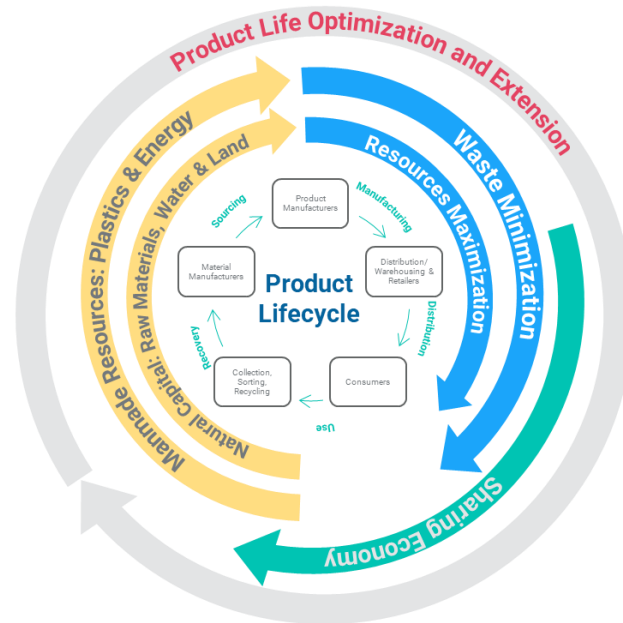
The dataset spans across the four dimensions of a climate strategy: transition risks, green opportunities, physical risks and 1.5° alignment.

- **Fossil Fuels and Power Generation Metrics**

MSCI ESG Research 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>.

## Appendix I: What is a Circular Economy?



A circular economy is an economic system wherein resources are kept as long as possible within the system, whether by rethinking resource-intensive products and processes, maximizing the use of materials, extending the life of products, and/or recycling of waste materials. This is a structural shift from the current linear economy, where materials are taken, converted via a manufacturing process, used, and then disposed. Underlying to the concept of a circular economy are the 9R strategies,<sup>11</sup> which provide a holistic view to improving circularity at each stage of a product’s lifecycle.

For more information, please see the Circular Economy Theme Insight written by Rachel A. Meidl:

<https://www.msci.com/documents/1296102/28401354/ThematicIndex-CircularEconomy-cbr-en.pdf>

<sup>11</sup> Circular Economy: Measuring Innovation in the Product Chain, *Policy Report by PBLK Netherlands Environmental Assessment Agency*, (Potting, J., Hekkert, M., Worrell, E., Hanemaaijer, A.), <https://www.pbl.nl/sites/default/files/downloads/pbl-2016-circular-economy-measuring-innovation-in-product-chains-2544.pdf>



## Appendix II: Sector-Relative Management Score (SRMS) Calculation

Companies are selected based on their SRMS. The calculation steps are as follows:

1. An average management score (AMS) is calculated for companies in MSCI ACWI IMI using management scores based on the identified key issue/s, granted that they meet the following conditions:
  - Companies are assessed on any of the identified key issue/s listed in Section 2.4.
  - Companies have corresponding key issue weight/s greater than 5%.

The calculation of AMS will consider the applicable number of key issues, meaning a company with two relevant scores are divided by two, for example.

2. The SRMS is calculated for companies that are identified in Step 1 by dividing the AMS by the corresponding highest (maximum) AMS based on their GICS Sector.

*Exception clause: A GICS Sector with a maximum AMS below 5 is excluded from scope, which in turn, results in the exclusion of all companies belonging to the excluded sector, from the calculation of SRMS.*

## Appendix III: 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 – [www.msci.com/index/methodology/latest/ReadMe](http://www.msci.com/index/methodology/latest/ReadMe)
- MSCI Corporate Events Methodology – [www.msci.com/index/methodology/latest/CE](http://www.msci.com/index/methodology/latest/CE)
- MSCI Fundamental Data Methodology – [www.msci.com/index/methodology/latest/FundData](http://www.msci.com/index/methodology/latest/FundData)
- MSCI Index Calculation Methodology – [www.msci.com/index/methodology/latest/IndexCalc](http://www.msci.com/index/methodology/latest/IndexCalc)
- MSCI Index Glossary of Terms – [www.msci.com/index/methodology/latest/IndexGlossary](http://www.msci.com/index/methodology/latest/IndexGlossary)
- MSCI Index Policies – [www.msci.com/index/methodology/latest/IndexPolicy](http://www.msci.com/index/methodology/latest/IndexPolicy)
- MSCI Global Industry Classification Standard (GICS) Methodology – [www.msci.com/index/methodology/latest/GICS](http://www.msci.com/index/methodology/latest/GICS)
- MSCI Global Investable Market Indexes Methodology – [www.msci.com/index/methodology/latest/GIMI](http://www.msci.com/index/methodology/latest/GIMI)
- ESG Factors In Methodology<sup>12</sup>
- MSCI ACWI IMI Sustainable Impact Indexes Methodology – [www.msci.com/index/methodology/latest/SI](http://www.msci.com/index/methodology/latest/SI)
- 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>
- ACWI IMI Water Index Methodology – <https://www.msci.com/index/methodology/latest/ACWIWater>

---

<sup>12</sup> ‘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.

The Methodology Set for the Index 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'.

## Appendix IV: Changes to this Document

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

#### Section 3.2.2: Circular Economy-related Screens

- Clarified the calculation logic for the ‘Key Issue Management Score/s’ exclusions criterion.

### The following sections have been modified as of November 2023:

The Methodology book was updated to re-organize the sections and clarify key components.

#### Section 2.2.2: Circular Economy-related Screens

- The MSCI ESG Controversies-related criteria were updated to reflect the enhancement to the underlying MSCI ESG Controversies framework.
- The Key Issue Management Score/s criterion was clarified by outlining the calculation steps.

#### Section 3.1: Semi- Annual Index Review

- Methodology book was 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 4: MSCI ESG Research

- Moved the information regarding MSCI ESG Research from Section 2 to Section 4.

### The following sections have been modified as of March 2025:

#### Section 2

- Updated the threshold of the Thermal Coal Mining exclusion filter from 5% to 1% in Section 2.2.2.
- Added the following exclusion filters to Section 2.2.2:
  - Thermal Coal Distribution
  - Power Generation
  - Tobacco
  - Oil and Gas
- Moved “Note on Unrated Securities or Securities with Missing Coverage” from under Section 2.2.2 to a separate Section 2.6 “Treatment of Unrated Companies”.

#### Section 4

- Updated the description of MSCI ESG Research products.

#### Appendix III

- Added details on the Methodology set for the Index.

## Contact us

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

### AMERICAS

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

### ASIA PACIFIC

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

### 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](https://www.msci.com).

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>.

## Notice and disclaimer

This document is research for informational purposes only and is intended for institutional professionals with the analytical resources and tools necessary to interpret any performance information. Nothing herein is intended to promote or recommend any product, tool or service.

This document and all of the information contained in it, including without limitation all text, data, graphs, charts (collectively, the "Information") is the property of MSCI Inc. or its subsidiaries (collectively, "MSCI"), or MSCI's licensors, direct or indirect suppliers or any third party involved in making or compiling any Information (collectively, with MSCI, the "Information Providers") and is provided for informational purposes only. The Information may not be modified, reverse-engineered, reproduced or disseminated in whole or in part without prior written permission from MSCI. All rights in the Information are reserved by MSCI and/or its Information Providers.

The Information may not be used to create derivative works or to verify or correct other data or information. For example (but without limitation), the Information may not be used to create indexes, databases, risk models, analytics, software, or in connection with the issuing, offering, sponsoring, managing or marketing of any securities, portfolios, financial products or other investment vehicles utilizing or based on, linked to, tracking or otherwise derived from the Information or any other MSCI data, information, products or services.

The user of the Information assumes the entire risk of any use it may make or permit 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, WITHOUT LIMITATION, ANY IMPLIED WARRANTIES OF ORIGINALITY, ACCURACY, TIMELINESS, 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 any Information Provider have any liability regarding any of the Information 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, including without limitation (as applicable), any liability for death or personal injury to the extent that such injury results from the negligence or willful default of itself, its servants, agents or sub-contractors.

Information containing any historical information, data or analysis should not be taken as an indication or guarantee of any future performance, analysis, forecast or prediction. Past performance does not guarantee future results.

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. Neither these Signals nor any description of historical data are intended to provide investment advice or a recommendation to make (or refrain from making) any investment decision or asset allocation and should not be relied upon as such. Signals are inherently backward-looking because of their use of historical data, and they are not intended to predict the future. The relevance, correlations and accuracy of Signals frequently will change materially.

The Information should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. All Information is impersonal and not tailored to the needs of any person, entity or group of persons.

None of the Information constitutes an offer to sell (or a solicitation of an offer to buy), any security, financial product or other investment vehicle or any trading strategy.

It is not possible to invest directly 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 does not issue, sponsor, endorse, market, offer, review or otherwise express any opinion regarding any fund, ETF, derivative or other security, investment, financial product or trading strategy that is based on, linked to or seeks to provide an investment return related to the performance of any MSCI index (collectively, "Index Linked Investments"). MSCI makes no assurance that any Index Linked Investments will accurately track index performance or provide positive investment returns. MSCI Inc. is not an investment adviser or fiduciary and MSCI makes no representation regarding the advisability of investing in any Index Linked Investments.

Index returns do not represent the results of actual trading of investable assets/securities. MSCI maintains and calculates indexes, but does not manage actual 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 the securities underlying the index or Index Linked Investments. The imposition of these fees and charges would cause the performance of an Index Linked Investment to be different than the MSCI index performance.

The Information may contain back tested data. Back-tested performance 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.

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. Accordingly, constituents in MSCI equity indexes may include MSCI Inc., clients of MSCI or suppliers to MSCI. Inclusion of a security within an MSCI index is not a recommendation by MSCI to buy, sell, or hold such security, nor is it considered to be investment advice.

Data and information produced by various affiliates of MSCI Inc., including MSCI ESG Research LLC and Barra LLC, may be used in calculating certain MSCI indexes. More information can be found in the relevant index methodologies on [www.msci.com](http://www.msci.com).

MSCI receives compensation in connection with licensing its indexes to third parties. MSCI Inc.'s revenue includes fees based on assets in Index Linked Investments. Information can be found in MSCI Inc.'s company filings on the Investor Relations section of [msci.com](http://msci.com).

MSCI ESG Research LLC is a Registered Investment Adviser under the Investment Advisers Act of 1940 and a subsidiary of MSCI Inc. Neither MSCI nor any of its products or services recommends, endorses, approves or otherwise expresses any opinion regarding any issuer, securities, financial products or instruments or trading strategies and MSCI's products or services are not a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such, provided that applicable products or services from MSCI ESG Research may constitute investment advice. MSCI ESG Research materials, including materials utilized in any MSCI ESG Indexes or other products, have not been submitted to, nor received approval from, the United States Securities and Exchange Commission or any other regulatory body. MSCI ESG and climate ratings, research and data are produced by MSCI ESG Research LLC, a subsidiary of MSCI Inc. MSCI ESG Indexes, Analytics and Real Estate are products of MSCI Inc. that utilize information from MSCI ESG Research LLC. MSCI Indexes are administered by MSCI Limited (UK) and MSCI Deutschland GmbH.

Please note that the issuers mentioned in MSCI ESG Research materials sometimes have commercial relationships with MSCI ESG Research and/or MSCI Inc. (collectively, "MSCI") and that these relationships create potential conflicts of interest. In some cases, the issuers or their affiliates purchase research or other products or services from one or more MSCI affiliates. In other cases, MSCI ESG Research rates financial products such as mutual funds or ETFs that are managed by MSCI's clients or their affiliates, or are based on MSCI Inc. Indexes. In addition, constituents in MSCI Inc. equity indexes include companies that subscribe to MSCI products or services. In some cases, MSCI clients pay fees based in whole or part on the assets they manage. MSCI ESG Research has taken a number of steps to mitigate potential conflicts of interest and safeguard the integrity and independence of its research and ratings. More information about these conflict mitigation measures is available in our Form ADV, available at <https://adviserinfo.sec.gov/firm/summary/169222>.

Any use of or access to products, services or information of MSCI requires a license from MSCI. MSCI, Barra, RiskMetrics, IPD 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 Global Market Intelligence. "Global Industry Classification Standard (GICS)" is a service mark of MSCI and S&P Global Market Intelligence.

MIFID2/MIFIR notice: MSCI ESG Research LLC 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 ESG Research product or service supports, promotes or is intended to support or promote any such activity. MSCI ESG Research is an independent provider of ESG data.

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>.