

MSCI ACWI IMI Accelerating Change Index

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1 Introduction

The MSCI ACWI IMI Accelerating Change Index (the ‘Index’¹) aims to represent the performance of a set of companies associated with the development of new products and services focused on one or more of the following themes:

- Efficient Energy and low carbon transition
- Genomic Innovation
- Next Generation Internet Innovation

¹ The Index is governed by a set of methodology and policy documents (“Methodology Set”), including the present index methodology document. The Methodology Set for the Index can be accessed from MSCI’s webpage <https://www.msci.com/index-methodology> in the section ‘Search Methodology by Index Name or Index Code’. The Methodology Set includes a document ‘ESG Factors in Methodology’ that contains the list of environmental, social, and governance factors considered, and how they are applied in the methodology (e.g., selection, weighting or exclusion).

2 Constructing the Index

The Index is constructed by selecting stocks from the MSCI ACWI Investable Market Index (IMI) ('Parent Index'), based on rules explained in the following sections.

2.1 Determining the components of the Index

The Index uses the relevance scores of the constituents of three MSCI Thematic Indexes² ('Component Indexes'), of which the first two listed below have been developed in collaboration with ARK Invest:

- MSCI ACWI IMI Genomic Innovation Index
- MSCI ACWI IMI Next Generation Internet Innovation Index
- MSCI Efficient Energy Index

2.2 Determining the Eligible Universe of the Index

An eligible universe for each component described in section 2.1 is constructed using the following steps.

2.2.1 Eligible Universe for Genomic Innovation Component

The following additional steps are followed to construct the eligible universe:

1. Securities from the Parent Index which are present in the top half of the MSCI ACWI IMI Genomic Innovation Index, by relevance score, are selected in the eligible universe.
2. Securities in the eligible universe are weighted by the product of their relevance score and their weight in Parent Index. The weights of selected securities are then normalized to sum to 100%.

2.2.2 Eligible Universe for Next Generation Internet Innovation Component

The following additional steps are followed to construct the eligible universe:

1. Securities from the Parent Index which are present in the top half of the MSCI ACWI IMI Next Generation Internet Innovation Index, by relevance score are selected in the eligible universe.
2. Securities in the eligible universe are weighted by the product of their relevance score and their weight in Parent Index. The weights of selected securities are then normalized to sum to 100%.

² Please refer to <https://www.msci.com/index-methodology> for the methodology of the Component Indexes and for details of the calculation of relevance score.

2.2.3 Eligible Universe for Efficient Energy Component

The following additional steps are followed to construct the eligible universe:

1. Securities in the Parent Index are sorted by a combined relevance score which is calculated, as follows:
Maximum (Relevance Score in the Efficient Energy Index, LCT Score (if greater than or equal to 7)/10).
2. Securities which are present in the top half of the Parent Index by the combined relevance score are selected in the eligible universe.
3. Securities in the eligible universe are weighted by the product of their relevance score and their weight in Parent Index. The weights of selected securities are then normalized to sum to 100%.

2.3 Determining the weights of the constituents of the Index

The weight of each stock in the Index is calculated as follows:

$$w_i^{Index} = \sum_{C(j)} \left(\frac{1}{3}\right) \times w_i^{C(j)}$$

where:

- w_i^{Index} is the weight of stock i in the MSCI ACWI IMI Accelerating Change Index
- $w_i^{C(j)}$ is the weight of stock i in the eligible universe $C(j)$

Additionally, constituent weights are capped at the issuer level to mitigate concentration risk in the Index. The issuer weight in the Index is capped at 5%.

3 Maintaining the Index

3.1 Semi-Annual Index Review

The Index is reviewed on a Semi-Annual basis in May and November to coincide with the May and November Index Reviews of the Component Indexes, and the changes are implemented at the end of May and November. In general, the pro forma index is announced nine business days before the effective date.

During the Semi-Annual Index Review, the eligible universe and selected universe are updated.

3.2 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. Further, changes in Index market capitalization that occur as a result of corporate event implementation will be offset by a corresponding change in the Variable Weighting Factor (VWF) of the constituent.

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.

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 be added to the Index at the time of event implementation if the spin-off security is also added to the Parent Index. 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.

The MSCI Corporate Events methodology book is available at:

<https://www.msci.com/index-methodology>.

4 MSCI ESG Research

The Index uses company ratings and research 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 Climate Change Metrics.

For details on MSCI ESG Research's full suite of ESG products, please refer to:
<https://www.msci.com/esg-investing>

4.1 MSCI CLIMATE CHANGE METRICS

MSCI Climate Change Metrics provide 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.

For more details on MSCI Climate Change Metrics, please refer to <https://www.msci.com/climate-solutions>

Appendix 1: Changes to this Document

The following sections have been modified since January 2022:

- Introduction
- Eligible Universe for Efficient Energy Component – to reflect the correct formula for calculation of the combined relevance score.

The following sections have been modified as of June 1, 2023:

- 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.”

The following sections have been modified as of October, 2023:

- ESG Research Section moved to the end (changed from Section 2 to Section 4)

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