

MSCI ACWI IMI Accelerating Change Index

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1 Introduction

The MSCI ACWI IMI Accelerating Change Index (the 'Index') aims to represent the performance of a set of companies that are expected to derive significant revenue from one or more of the following themes:

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

2 MSCI ESG Research

MSCI ESG Research provides in-depth research, ratings and analysis of the environmental, social and governance-related business practices of thousands of companies worldwide. It consists of an integrated suite of tools and products to efficiently manage research, analysis and compliance tasks across the spectrum of ESG factors.

The Index uses company ratings and research provided by MSCI ESG Research. In particular, this 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>

2.1 MSCI Climate Change Metrics

MSCI Climate Change Metrics is designed to support investors seeking to achieve a range of objectives, including measuring and reporting on climate risk exposure, implementing low carbon and fossil fuel-free strategies, and factoring climate change research into their risk management processes. It provides Carbon Emissions, Fossil Fuel exposure, environmental impact (i.e., clean technology) data and screens, as well as climate-related risk exposure and management assessment on companies.

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

3 **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.

3.1 **Determining the components of the Index**

The Index uses the relevance scores of the constituents of three MSCI Thematic Indexes¹ ('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

3.2 **Determining the Eligible Universe of the Index**

An eligible universe for each component described in section 3.1 is constructed using the following steps.

3.2.1 **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 float adjusted market capitalization. The weights of selected securities are then normalized to sum to 100%.

¹ 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.

3.2.2 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 float adjusted market capitalization. The weights of selected securities are then normalized to sum to 100%.

3.2.3 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: Maximum (Relevance Score in the Efficient Energy component, Low Carbon Transition (LCT) Score²/10).
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 float adjusted market capitalization. The weights of selected securities are then normalized to sum to 100%.

3.3 Determining the weights of the constituents of the Index

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

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

where:

- w_i^{Mix} 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 $C(j)$

² Please refer to <https://www.msci.com/climate-change-solutions> for further details regarding the MSCI Low Carbon Transition score and category

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%.

4 Maintaining the Index

4.1 Semi-Annual Index Review

The Index is reviewed on a Semi-Annual basis in May and November to coincide with the May and November Semi-Annual 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.

4.2 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. 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 details 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>.

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