

# **MSCI ACWI SELECT GLOBAL NORMS AND CRITERIA INDEX METHODOLOGY**

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## **1 INTRODUCTION**

The MSCI ACWI Select Global Norms and Criteria Index (the “Index”) excludes a set of securities from the MSCI ACWI Index. The excluded securities are identified as a result of the application of MSCI ESG Research’s ESG screens detailed in Appendix 1. The Index is free float-adjusted market capitalization weighted.

## **2 CONSTRUCTING THE MSCI ACWI SELECT GLOBAL NORMS AND CRITERIA INDEX**

The Index includes all constituents of the MSCI ACWI Index with the exception of those securities that are identified by applying the MSCI ESG Research's ESG screens detailed in Appendix 1.

### 3 MAINTAINING THE MSCI ACWI SELECT GLOBAL NORMS AND CRITERIA INDEX

In general, changes to the MSCI ACWI Index as described in the MSCI Global Investable Market Indexes methodology (<https://www.msci.com/index-methodology>), including changes related to Semi-Annual Index Reviews, Quarterly Index Reviews and Corporate Events, are applied to the Index. The pro forma indexes are announced five business days before the effective date.

The below sections describe the maintenance rules specific to the Index.

#### 3.1 QUARTERLY UPDATES TO THE EXCLUSION LIST

The exclusion list is updated on a quarterly basis and the changes resulting from these updates are made coinciding with the Semi-Annual and Quarterly Index Reviews of the MSCI Global Investable Market Indexes, usually 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 MSCI ACWI Select Global Norms and Criteria 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 For some securities, such data may not be published by MSCI ESG Research by the end of the month preceding the Index Review.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 MSCI ACWI Select Global Norms and Criteria Index. Additions to ACWI that are migrations from the MSCI ACWI Small-cap Index will be assessed for inclusion in the Index using the ESG Screening criteria in Appendix I.

Additions to ACWI that are not migrations from the MSCI ACWI Small-cap Index will be evaluated as follows

- If no ESG data exists defining involvement with the ESG Screening criteria in Appendix I, the security will not be added to the Index at the current index review and will be assessed for inclusion in the Index at the following index review
- If ESG data exists, but involvement with “Utilities which derive a portion of their fuel mix from fossil fuels” or “Companies primarily involved in the production and mining of coal, related products and other consumable fuels related to the generation of energy” is not defined
  - Securities classified in the below Sector and Sub-industry according to the Global Industry Classification Standard (GICS®) will not be added to the

Index at the current index review and will be assessed for inclusion in the Index at the following index review

- 10 – Energy
- 15104010 – Aluminium
- 15104020 – Diversified Metals & Mining
- 15104030 – Gold
- 15104040 – Precious Metals & Mining
- 15104050 – Steel
- 55101010 – Electric Utilities
- 55102010 – Gas Utilities
- 55103010 – Multi-Utilities
- 55104010 – Water Utilities
- 55105010 – Independent Power Producers & Energy Traders

Any security of the MSCI ACWI Index at the effective date of the Index Review that is not part of the updated exclusion list is included in the Index, including additions to the MSCI ACWI Index effective at that Index Review.

### 3.2 ONGOING EVENT-RELATED MAINTENANCE

Companies deleted from the MSCI ACWI Index between index reviews are simultaneously deleted from the Index.

Companies added to the MSCI ACWI Index between index reviews are not added to the Index and are reviewed for inclusion at the following Index Review based on the updated exclusion list, as described in section 3.1.

The details relating to the handling of specific corporate event types can be found in the MSCI Corporate Events Methodology book available at: <https://www.msci.com/index-methodology>

## APPENDIX I: ESG SCREENING CRITERIA

Companies that are involved in serious violations of widely accepted international norms of responsible corporate behavior and involved in certain controversial business activities, as described in this Appendix, are excluded from the MSCI ACWI Select Global Norms and Criteria Index.

The norms-based exclusions are defined as violations of standards related to Human Rights, Working Conditions, Environment and Governance. The business activities exclusions are for involvement in Alcohol, Gambling, Tobacco, Military Weapons, Controversial Weapons, Fossil Fuels and Adult Entertainment. MSCI ESG Research utilizes data from its proprietary ESG screening service, MSCI Business Involvement Screening Research, to identify the companies to be excluded from the Index based on business activities.

### VIOLATIONS OF INTERNATIONAL NORMS

#### HUMAN RIGHTS

Companies that are assessed as being involved in “very severe” controversies (those with a score = 0 or 1) in MSCI’s ESG Controversies concerning the following key performance issues are excluded:

- Human Rights Abuses
- Support for Controversial Regimes
- Freedom of Expression & Censorship
- Impact on Local Communities

#### WORK CONDITIONS

Companies that are assessed as being involved in “very severe” and “structural” controversies (those with a score = 0) in MSCI’s ESG Controversies concerning the following key performance issues are excluded:

- Collective Bargaining & Unions
- Labor-Management Relations
- Employee Health & Safety
- Discrimination & Workforce Diversity
- Supply Chain Labor Standards and Others
- Labor Rights – Child Labor

**ENVIRONMENT**

Companies that are assessed as being involved in “very severe” and “structural” controversies (those with a score = 0) in MSCI’s ESG Controversies concerning the following key performance issues are excluded:

- Toxic Spills & Releases
- Land Use & Biodiversity
- Energy & Climate Change
- Water Management
- Operational Non-Hazardous Waste
- Impact of Product & Services
- Supply Chain Management

**GOVERNANCE**

Companies that are assessed as being involved in “very severe” and “structural” governance-related controversies (those with a score = 0) in MSCI’s ESG Controversies concerning the following key performance issues are excluded:

- Bribery & Fraud
- Controversial Investments
- Governance structure and others

**CONTROVERSIAL BUSINESS INVOLVEMENT**

**ALCOHOL**

- Companies earning greater than 5% of revenues from the manufacture, supply, distribution, or sale of alcoholic beverages are excluded from the Index.
- Companies that own 20 to 49.99% of a company with involvement in manufacture, supply, distribution, or sale of alcoholic beverages are excluded from the Index.

**GAMBLING**

- Companies earning greater than 5% of revenues from owning and/or operation of gambling establishments; and/or the manufacture or sale of products necessary for the gambling industry are excluded from the Index.



- Companies that own 20 to 49.99% of a company with involvement in gambling establishments or the manufacture or sale of products necessary for the gambling industry are excluded from the Index.

**TOBACCO**

- Companies earning greater than 5% of revenues from the retail, distribution, or supply of tobacco products are excluded from the Index.
- Companies involved in tobacco production are excluded from the Index.
- Companies that own 20 to 49.99% of a company with involvement in production, retail, distribution, or supply of tobacco products are also excluded from the Index.

**ADULT ENTERTAINMENT**

- Companies earning greater than 5% of revenues from the distribution and retail of adult entertainment products and/or services are excluded from the Index.
- Companies involved in the production of adult entertainment products and/or services are excluded from the Index.
- Companies that own 20 to 49.99% of a company with involvement in production, distribution and retail of adult entertainment products and/or services are also excluded from the Index.

**MILITARY WEAPONS**

- Companies earning greater than 0.25% of revenues from conventional weapons are excluded from the index.
- Companies involved in nuclear or support systems and services are excluded from the Index.

**CONTROVERSIAL WEAPONS**

Companies involved in the manufacture of controversial weapons are excluded from the Index. Controversial weapons include the following:

- anti-personnel mines
- cluster munitions
- depleted uranium
- biological or chemical weapons

**FOSSIL FUELS**

Companies involved in fossil fuels are excluded from the Index including:

- Utilities which derive a portion of their fuel mix from fossil fuels
- Companies with evidence of owning fossil fuel reserves
- Companies involved in the manufacturing of equipment and the provision of supplies and services to the energy producers
- Companies involved in the exploration and production of oil and gas as well as in the refining and marketing of oil and gas products.
- Companies primarily involved in the production and mining of coal, related products and other consumable fuels related to the generation of energy.

Information about MSCI ESG Research methodologies and data is available at <https://www.msci.com/esg-integration>.

**THE FOLLOWING SECTIONS HAVE BEEN MODIFIED SINCE FEBRUARY 2017:**

Section 3: Maintaining the MSCI ACWI Select Global Norms and Criteria Index

- Clarification on use of ESG data for securities whose data would be available after the end of the month preceding Index Review

**THE FOLLOWING SECTIONS HAVE BEEN MODIFIED SINCE MAY 2016**

Section 3 – Maintaining the MSCI ACWI Select Global Norms and Criteria Index

- Update to pro forma announcement date for the Index
- Clarification to the process for “Quarterly Updates to the Exclusion List”

**THE FOLLOWING SECTIONS HAVE BEEN MODIFIED SINCE FEBRUARY 2016**

Appendix I – ESG Screening Criteria

- Updates to Screening Criteria following enhancements to MSCI ESG Controversies (earlier known as MSCI ESG Impact Monitor) methodology

**THE FOLLOWING SECTIONS HAVE BEEN MODIFIED SINCE FEBRUARY 2014**

Appendix I – ESG Screening Criteria

- Updates to Screening Criteria

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