

MSCI Australia IMI Select SRI Screened Index

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1 Introduction

The MSCI Australia IMI Select SRI Screened Index aims to represent the performance of a selection of securities whose MSCI Country of classification¹ is Australia, while excluding companies with high negative social or environmental impact. Additionally, the index targets companies with high Environmental, Social and Governance (ESG) ratings. The Index aims to represent the performance of the larger liquid segment of securities in the eligible Australian equity universe while achieving diversification by controlling for the maximum weight assigned to each security, thereby avoiding concentration risk.

¹ MSCI Global Investable Market Indexes methodology at <https://www.msci.com/index-methodology>

2 MSCI ESG Research

The MSCI Australia IMI Select SRI Screened Index uses company ratings and research provided by MSCI ESG Research LLC. In particular, the indexes use the following two MSCI ESG Research products: MSCI Business Involvement Screening Research and 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 ESG RATINGS

MSCI ESG Ratings provides research, analysis and ratings of how well companies manage environmental, social and governance risks and opportunities.

MSCI ESG Ratings provides an overall company ESG rating - a seven point scale from ‘AAA’ to ‘CCC’. In addition, the product provides scores and percentiles indicating how well a company manages each key issue relative to industry peers.

For more details on MSCI ESG Ratings, please refer to <https://www.msci.com/esg-ratings>

2.2 MSCI ESG CONTROVERSIES

MSCI ESG Controversies (formerly known as MSCI Impact Monitor) provides assessments of controversies concerning the 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.

For more details on MSCI ESG Controversies, please refer to : <https://www.msci.com/documents/10199/acbe7c8a-a4e4-49de-9cf8-5e957245b86b>

2.3 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.

For more details on MSCI ESG Business Involvement Screening Research, please refer to http://www.msci.com/resources/factsheets/MSCI_ESG_BISR.pdf

3 Constructing the MSCI Australia IMI Select SRI Screened Index

The MSCI Australia IMI Select SRI Screened Index is constructed using the following steps.

3.1 PARENT INDEX

The Parent Index for the MSCI Australia IMI Select SRI Screened Index is MSCI Australian Shares Investable Market Index (IMI).

3.2 ELIGIBILITY CRITERIA

The MSCI Australia IMI Select SRI Screened Index uses company ratings and research provided by MSCI ESG Research to determine eligibility for index inclusion.

3.2.1 ESG RATINGS ELIGIBILITY

The MSCI Australia IMI Select SRI Screened Index uses MSCI ESG Ratings to identify companies that have demonstrated an ability to manage their ESG risks and opportunities. Companies are required to have an MSCI ESG Rating of 'A' or above to be eligible for inclusion in the Index.

3.2.2 ESG CONTROVERSIES ELIGIBILITY

The MSCI Australia IMI Select SRI Screened Index uses MSCI ESG Controversies Scores to identify those companies that are involved in serious and very serious controversies involving the environmental, social, or governance impact of their operations and/or products and services. Companies are required to have an MSCI ESG Controversies Score of 2 or above to be eligible for inclusion in the Index.

Additionally, Companies that are assessed as being involved in human rights controversies (those with a score less than 5) by the MSCI ESG Controversies score concerning the following key performance issues are excluded

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

3.2.3 BUSINESS INVOLVEMENT SCREENING CRITERIA

The Index uses MSCI ESG Business Involvement Screening Research to identify companies that are involved in the following business activities. Companies that meet the business involvement criteria are excluded from the Index. Please refer to Appendix 1 for details on these criteria.

- Adult Entertainment

- Alcohol
- Animal Welfare
- Civilian Firearms
- Controversial Weapons
- Conventional Weapons
- Fossil Fuels
- Gambling
- Genetically Modified Organisms (GMO)
- Nuclear Power
- Nuclear Weapons
- Tobacco
- Nutrition and Health

In addition to the above screening criteria, companies classified within the “Soft Drinks” sub-industry as per the Global Industry Classification Standard (GICS®)² are ineligible for inclusion in the Index.

3.3 MARKET CAPITALIZATION SCREENING

The Index will include all securities in the Parent Index that meet the Eligibility criteria described in Section 3.2 with free float adjusted market capitalization greater than or equal to USD 750,000,000 in the Index.

3.4 WEIGHTING SCHEME

The eligible securities that meet the market capitalization requirement are weighted in proportion of their domestic free float-adjusted market capitalization. The maximum weight of any issuer in the Index is capped at 5% in accordance with the MSCI Capped Indexes Methodology³. The excess weight of the capped issuers is distributed among the remaining constituents in proportion of their existing weights in the index.

² GICS, the global industry classification standard jointly developed by MSCI Inc. and S&P Global.

³ Please refer to the MSCI Capped Indexes methodology at www.msci.com/index-methodology

4 Maintaining the MSCI Australia IMI Select SRI Screened Index

4.1 QUARTERLY INDEX REVIEWS

The Index is reviewed on a quarterly basis, coinciding with the May and November Semi-Annual Index Reviews and the February and August Quarterly Index Reviews of the Parent Index.

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 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.

The pro forma Index is typically announced nine business days before the effective date.

For securities that are not currently a part of the Index, the Eligibility Criteria and Market Capitalization thresholds are the same as the ones used at initial construction described in Section 3.

For existing constituents of the Index that meet the Eligibility criteria for inclusion in the Index, the Market capitalization thresholds are relaxed slightly, as described below, in order to reduce turnover:

- Include all existing constituents with domestic free float adjusted market capitalization greater than or equal to USD 500,000,000.

The pro forma Index constituents are weighted in accordance with the Weighting scheme noted in Section 3.

4.2 MONTHLY UPDATES ON BASIS OF ELIGIBILITY CRITERIA

Index constituents are reviewed on a monthly basis for meeting Eligibility Criteria noted in Section 3.2. Existing constituents are deleted if they fail any of the criteria. New securities will not be added to the Index at monthly updates. The pro forma index is generally announced nine business days before the first business day of the month.

4.3 ONGOING EVENT-RELATED CHANGES

The general treatment of corporate events in the MSCI Australia IMI Select SRI Screened 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 MSCI Australia IMI Select SRI Screened Index.

No new securities will be added (except where noted below) to the Index between Index Reviews. For cases where additions are noted below, securities will be added to the index only if added to the parent index.

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	<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>

Changes in Security Characteristics

A security will be removed as an Index constituent if there are changes in characteristics (country, sector, size segment, etc.). Reevaluation for 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>

Appendix 1: Business Involvement Screening Criteria

- **Adult Entertainment**

- All companies deriving 5% or more revenue from the production of adult entertainment materials.
- All companies deriving 15% or more aggregate revenue from the production, distribution and retail of adult entertainment materials.

- **Alcohol**

- All companies classified as a “Producer”.
- All companies deriving 5% or more aggregate revenue from the production, distribution, retail and supply of alcohol-related products.

- **Animal Welfare**

- All companies that are involved in commercial animal husbandry for the purpose of food production, including breeding, raising, and slaughtering pork, veal, poultry, and beef, as well as dairy and egg farm operators.
- All companies that conduct animal testing for non-pharmaceutical products such as cosmetic, personal care, and household cleaning products.

- **Controversial Weapons**

- All companies with any tie to Controversial Weapons (cluster munitions, landmines, depleted uranium weapons, biological/chemical weapons, blinding lasers, nondetectable 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>.

- **Conventional Weapons**

- All companies deriving 5% or more revenue from the production of conventional weapons.
- All companies deriving 15% or more aggregate revenue from weapons systems, components, and support systems and services.

- **Civilian Firearms**

- All companies classified as “Producer” of firearms and small arms ammunitions for civilian markets. It does not include companies that cater to the military, government, and law enforcement markets.

- All companies deriving 5% or more revenue from the distribution (wholesale or retail) of firearms or small arms ammunition intended for civilian use.

- **Fossil Fuel**

- All companies excluded by the application of the MSCI Global ex Fossil Fuels Indexes methodology⁴
- All companies with evidence of owning fossil fuel reserves regardless of their industry, including companies that own less than 50% of a reserves field.
- All companies that derive a part of their revenue (either reported or estimated), from oil and gas related activities, including distribution / retail, equipment and services, extraction and production, petrochemicals, pipelines and transportation and refining but excluding biofuel production and sales and trading activities.
- All companies that derive a part of their revenue (either reported or estimated) from the mining of thermal coal (including lignite, bituminous, anthracite and steam coal) and its sale to external parties.

- **Gambling**

- All companies deriving 5% or more revenue from ownership of operation of gambling-related business activities.
- All companies deriving 15% or more aggregate revenue from gambling-related business activities.

- **Genetically Modified Organisms (GMO)**

- All companies deriving 5% or more revenue from activities like genetically modifying plants, such as seeds and crops, and other organisms intended for agricultural use or human consumption.

- **Nuclear Power**

- All companies generating 5% or more of their total electricity from nuclear power in a given year.
- All companies that have 5% or more of installed capacity attributed to nuclear sources in a given fiscal year.
- All companies deriving 15% or more aggregate revenue from nuclear power activities.
- All companies that have any tie to the nuclear power industry

⁴ Please refer to the MSCI Global Fossil Fuels Exclusion Indexes methodology at www.msci.com/index-methodology

- **Nuclear Weapons**

- All companies that manufacture nuclear warheads and/or whole nuclear missiles.
- All companies that manufacture components that were developed or are significantly modified for exclusive use in nuclear weapons (warheads and missiles).
- All companies that manufacture or assemble delivery platforms that were developed or significantly modified for the exclusive delivery of nuclear weapons
- All companies that provide auxiliary services related to nuclear weapons.
- All companies that manufacture components that were not developed or not significantly modified for exclusive use in nuclear weapons (warheads and missiles) but can be used in nuclear weapons.
- All companies that manufacture or assemble delivery platforms that were not developed or not significantly modified for the exclusive delivery of nuclear weapons but have the capability to deliver nuclear weapons.
- All companies that manufacture components for nuclear-exclusive delivery platforms.

- **Tobacco**

- All companies classified as a “Producer”.
- All companies deriving 5% or more aggregate revenue from the production, distribution, retail and supply of tobacco-related products.

- **Nutrition and Health**

- All companies with a “Opportunities in Nutrition and Health score” greater than 2 (i.e. 3rd and 4th quartile). Companies that are classified within the “Household & Personal products” Industry group are exempted from exclusion due to this screening.

The following sections have been modified since June 2019:

Section 3.1: Updated to reflect the use of MSCI Australian Shares IMI as the Parent Index

Appendix 1: Business Involvement Screening Criteria

Updated to clarify the use of MSCI Global ex Fossil Fuel Indexes as one of the Fossil Fuel exclusion criteria

The following section has been updated effective December 2021:

Appendix 1: Business Involvement Screening Criteria

Updated the controversial business involvement screening criteria for nuclear power

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