

# **MSCI GLOBAL EX CONTROVERSIAL WEAPONS INDEXES METHODOLOGY**

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## **1 INTRODUCTION**

The MSCI Global ex Controversial Weapons Indexes have been developed for use by investors, including pension funds, and universal owners who wish to avoid investments in cluster bombs, landmines, depleted uranium and chemical and biological weapons.

Currently MSCI constructs MSCI Global ex Controversial Weapons Indexes for the Standard size-segment in all MSCI Developed and Emerging Markets. These indexes are free float-adjusted market capitalization weighted.

## 2 SCREENING CRITERIA

The MSCI Global ex Controversial Weapons Indexes exclude companies involved in:

- Cluster Bombs
- Landmines
- Depleted Uranium Weapons
- Chemical and Biological Weapons

Please refer to Appendix 1 for more details on these criteria.

### **3 CONSTRUCTING THE MSCI GLOBAL EX CONTROVERSIAL WEAPONS INDEXES**

#### **3.1 UNDERLYING UNIVERSE**

The selection universe for the MSCI Global ex Controversial Weapons Indexes is the MSCI All Country World Index (ACWI).

#### **3.2 EXCLUSION CRITERIA**

Companies that are involved in controversial weapons as described in the screening criteria in Section 2 are excluded from the MSCI Global ex Controversial Weapons Indexes.

#### **3.3 INDEX CONSTRUCTION**

Currently, MSCI constructs MSCI Global ex Controversial Weapons Indexes for the standard size-segment in all MSCI Developed and Emerging Markets.

## **4 MAINTAINING THE MSCI GLOBAL EX CONTROVERSIAL WEAPONS INDEXES**

### **4.1 INDEX REVIEWS**

The MSCI Global ex Controversial Weapons Indexes are reviewed on a quarterly basis to coincide with the regular Semi-Annual and Quarterly Index Reviews of the MSCI Global Investable Market Indexes. The changes are implemented as of the close of the last business day of February, May, August and November. At index reviews, all companies in the underlying universe are reviewed and eligible companies are added to the MSCI Global ex Controversial Weapons Indexes. Existing constituents may be deleted from the MSCI Global ex Controversial Weapons Indexes if they become involved in controversial weapons and are excluded by the screening criteria. Any constituent that is deleted from the underlying index as a result of an index review is also deleted from the MSCI Global ex Controversial Weapons Indexes.

The pro forma MSCI Global ex Controversial Weapons Indexes are generally announced nine business days before the effective date.

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 Global ex Controversial Weapons Indexes. 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 Global ex Controversial Weapons Indexes.

### **4.2 ONGOING EVENT-RELATED MAINTENANCE**

The MSCI Corporate Events Methodology is applied for the maintenance of the MSCI Global ex Controversial Weapons Indexes between index reviews. Companies deleted from the underlying index between index reviews are also deleted at the same time from the MSCI Global ex Controversial Weapons Indexes. Additions to the Parent Index following corporate events related to existing constituents (such as spin-offs) will not be automatically added to the MSCI Global ex Controversial Weapons Indexes. These Parent Index additions will be considered for addition at the next index review according to the rules outlined in Section 3. 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 1: CONTROVERSIAL WEAPONS CRITERIA

The MSCI Global ex Controversial Weapons Indexes exclude companies involved in:

- **Cluster Bombs**

MSCI ESG Research’s cluster bomb research identifies public companies that are involved in the production of cluster bombs and munitions, or the essential components of these products.

- **Landmines**

MSCI ESG Research’s landmines research identifies public companies that are involved in the production of anti-personnel landmines, anti-vehicle landmines, or the essential components of these products.

- **Depleted Uranium Weapons**

MSCI ESG Research’s depleted uranium weapons research identifies public companies involved in the production of depleted uranium weapons and armor.

- **Chemical and Biological Weapons**

MSCI ESG Research’s chemical and biological weapons research identifies public companies that are involved in the production of chemical and biological weapons, or the essential components of these products.

Involvement criteria:

- Producers of the weapons
- Producers of key components of the weapons
- Ownership of 20% or more of a weapons or components producer

The minimum limit is raised to 50% for financial companies having an ownership in a company that manufactures controversial weapons or key components of controversial weapons

- Owned 50% or more by a company involved in weapons or components production

Revenue limits:

Any identifiable revenues, i.e., zero tolerance

**The following sections have been modified since June 2011:**

Section 4.2: Ongoing Event-Related Maintenance

- Clarification of treatment of corporate events

**The following sections have been modified since November 2014:**

Section 4: Maintaining the MSCI Global ex Controversial Weapons Indexes

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 2017:**

Section 4.1: Index Reviews

- Updated to include the announcement date of the pro forma indexes.

Section 4.2: Ongoing event-related maintenance

- Updated link to the MSCI Corporate Events Methodology



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