

# **MSCI World IMI Select Food Industry & Innovation Index**

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## **1 Introduction**

The MSCI World IMI Select Food Industry & Innovation Index (the 'Index') aims to represent the performance of a select set of companies associated with food production, distribution and consumption while excluding those involved in certain controversial businesses or with relatively low market capitalization and liquidity.

## 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 three MSCI ESG Research products: MSCI ESG Ratings, MSCI ESG Controversies Score and MSCI ESG Business Involvement Screening Research. 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 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](http://www.msci.com/resources/factsheets/MSCI_ESG_BISR.pdf)

### 3 Constructing the Index

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

#### 3.1 Eligible Universe

The Eligible Universe is constructed by selecting all securities from the Parent Index which satisfy any of the following criteria –

- All securities which are constituents of ACW IMI Food Revolution Index
- All securities mapped to the following GICS® sub-industries

No.	GICS® Sector	GICS® Sub-Industries
1	Consumer Staples	<ul style="list-style-type: none"> <li>• Agricultural Products</li> <li>• Food Distributors</li> <li>• Food Retail</li> <li>• Packaged Foods &amp; Meats</li> </ul>
2	Industrials	<ul style="list-style-type: none"> <li>• Agricultural &amp; Farm Machinery</li> </ul>

#### 3.2 Selected Universe

##### 3.2.1 Liquidity screening criteria

Securities that have a 3-month average daily trading value (3M ADTV) less than 8 million USD are excluded from the Selected Universe. For the calculation of ADTV, please refer to Appendix 1.

##### 3.2.2 Size screening criteria

Securities in the Eligible Universe that have a free-float market capitalization less than 5 billion USD are also excluded from the Selected Universe.

##### 3.2.3 ESG Rating

Companies having an MSCI ESG Rating below 'A' are excluded from the Selected Universe.

### 3.2.4 Controversial Business Exclusion Criteria

Securities of companies involved in following businesses are excluded from the Selected Universe:

- Controversial Weapons
- Nuclear Weapons
- Uranium Mining
- Conventional Weapons
- Biocides
- Tobacco
- Gambling
- Adult Entertainment
- Genetically Modified Organisms (GMO)
- Palm Oil
- Fossil Fuel based Power Generation
- Thermal Coal Power
- Oil Sands
- UN Global Compact Violators

Please refer to Appendix 2 for more details on these criteria.

### 3.3 Weighting Scheme

Stocks included in the Index are weighted in proportion of their float adjusted market capitalization. The weights are then normalized to sum to 100%. Additionally, constituent weights are capped at the security level to mitigate concentration risk in the Index. The security weight in the Index is capped at 8% at each index review.

## **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 Parent Index, 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 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: Calculation of 3-Month Average Daily Traded Value (ADTV)

$$ADTV = ATV / 252$$

Where:

- ADTV = 3-month Average Daily Traded Value
- ATV = 3-month Annualized Traded Value

For details on the calculation of ATV, please refer to the MSCI Global Investable Market Indexes Methodology (<https://www.msci.com/index-methodology>).

## Appendix 2: Controversial Business Exclusion Criteria

Companies whose activities meet the following values and climate change-based criteria, as evaluated by MSCI ESG Research, are excluded from Index.

- Controversial Weapons
  - All companies with any tie to Controversial Weapons (cluster munitions, landmines, depleted uranium weapons, biological/chemical weapons, blinding lasers, non-detectable fragments and incendiary weapons), as defined by the methodology of the MSCI Ex-Controversial Weapons Indexes available at <https://www.msci.com/index-methodology>.
- Nuclear Weapons
  - All companies that manufacture nuclear weapons, including nuclear warheads, intercontinental ballistic missiles, and ballistic missile submarines, which are capable of the delivery of nuclear warheads.
  - All companies that manufacture key nuclear weapons components.
  - All companies that provide auxiliary services related to nuclear weapons, such as repairing and maintaining nuclear weapons, providing overhaul and upgrade services (including engineering), stockpiling and stewardship, R&D work, testing and simulations, etc. (Includes companies with contracts to operate/manage government-owned facilities that conduct R&D, testing, simulations, and other essential sciences on nuclear weapons).

- All companies that are 50 percent or more owned by a company with nuclear weapons involvement.
- All companies that own 20 to 49.99 percent of a company with involvement (When a company owns 50 percent or more of a subsidiary with involvement, MSCI treats it as a consolidated subsidiary).
- Uranium Mining
  - All companies that own or operate active uranium mines.
- Conventional Weapons
  - All companies deriving 5% or more revenue from the production of conventional weapons and components.
- Biocides
  - All companies deriving 5% or more revenues (either reported or estimated) from biocides.
- Tobacco
  - All companies that have an industry tie to tobacco products through the distributor, licensor, retailer, supplier, or ownership categories.
- Gambling
  - All companies deriving 5% or more revenues (either reported or estimated) from gambling-related business activities.
- Adult Entertainment
  - All companies deriving 5% or more revenues (either reported or estimated) from distributing sexually explicit products and services, including X-rated movies and videos, printed materials, television programs, and online products.
  - All companies that produce, direct, or publish adult entertainment materials that fall into the following categories: Producer of X-rated films, Producer of Pay-per-view programming or channels, Producer of sexually explicit video games, Producer of books or magazines with adult content, Live entertainment of an adult nature, Producer of adults-only material on the internet.
- Genetically Modified Organisms (GMO)
  - All companies involved in the production of genetically modified organisms.

- Palm Oil
  - All companies that cultivate oil palm trees and harvest fresh fruit bunches (FFBs) used to produce palm oil products. Includes millers that extract the oil from FFBs and process it into crude palm oil (CPO), crude palm kernel oil (PLO) and palm kernel meal. Will also flag companies that process CPO and PLO into refined, bleached, and/or deodorized palm oil and palm kernel oil.
  - All Palm Oil production companies that are not certified by the RSPO (Roundtable on Sustainable Palm Oil).
- Fossil Fuel based Power Generation
  - All companies deriving 5% or more revenue (either reported or estimated) from fossil fuel (thermal coal, liquid fuel and natural gas) based power generation.
- Thermal Coal
  - All companies deriving 5% or more revenue (either reported or estimated) from the mining of thermal coal (including lignite, bituminous, anthracite and steam coal) and its sale to external parties. It excludes: revenue from metallurgical coal; coal mined for internal power generation (e.g. in the case of vertically integrated power producers); intra-company sales of mined thermal coal; and revenue from coal trading.
- Oil Sands
  - All companies deriving 5% or more revenue from oil sands extraction, which own oil sands reserves and disclose evidence of deriving revenue from oil sands extraction. Companies that derive revenue from non-extraction activities (e.g. exploration, surveying, processing, refining) or intra-company sales are not excluded. Additionally, companies that own oil sands reserves with no associated revenue are also not excluded.
- Global Norms – United Nations Global Compact Compliance
  - All companies that fail to comply with the United Nations Global Compact principles.

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