

# **MSCI World ex Australia ex Tobacco ex Controversial Weapons ex Nuclear Weapons Index Methodology**

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## 1 Introduction

The MSCI World ex Australia ex Tobacco ex Controversial Weapons ex Nuclear Weapons Index (the “Index”) is designed to represent the performance of a set of companies from the MSCI World ex Australia Index that are selected to eliminate or minimize exposure to companies involved in controversial weapons, nuclear weapons, and companies classified under the Tobacco Global Industry Classification Standard (GICS®) Industry.

## 2 MSCI ESG Research

The Index use company ratings and research provided by MSCI ESG Research. The Index uses the following MSCI ESG Research product: MSCI 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 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**

### **3.1 Eligible Universe**

The eligible universe for the Index is defined by the constituents of the MSCI World ex Australia Index (the “Parent Index”) with the exception of securities classified under the Tobacco GICS Industry.

### **3.2 ESG Exclusions**

The MSCI Index uses MSCI ESG Business Involvement Screening Research to identify companies that are involved in the following business activities. Companies that meet the business following involvement criteria<sup>1</sup> are excluded from the Index.

- Controversial Weapons
- Nuclear Weapons

Companies that are not assessed by MSCI ESG Research for ESG BISR are excluded from the Index.

### **3.3 Weighting Scheme**

The remaining securities, after the exclusions based on Section 3.2, are weighted in proportion of their free float-adjusted market capitalization.

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<sup>1</sup> Please refer to the Appendix for details on these criteria.

## 4 Maintaining the Index

### 4.1 Quarterly Index Reviews

The Index is 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.

In general, MSCI uses MSCI ESG Research data (including 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 Indexes are in general announced nine business days before the effective date.

### 4.2 Ongoing Event-Related Maintenance

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. 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.

There are no deletions from the Index between Index Reviews on account of a security becoming ineligible because of a change in business involvement.

#### 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 not be added to the Index at the time of event implementation. Reevaluation for

addition in the Indexes will occur at the subsequent Index Review.

### **Merger/Acquisition**

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 book.

The MSCI Corporate Events methodology book is available at:  
<https://www.msci.com/index-methodology>.

## Appendix: Controversial Business Involvement Criteria

Companies, whose activities meet the following criteria, as determined by MSCI ESG Research, are excluded from the 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

- Companies that manufacture nuclear weapons, including nuclear warheads, intercontinental ballistic missiles, and ballistic missile submarines, which are capable of the delivery of nuclear warheads
- Companies that manufacture components that was developed or is significantly modified for exclusive use in nuclear weapons (warheads and missiles). Includes companies with contracts to operate/manage government-owned facilities that manufacture components for nuclear warheads and missiles, such as fissile materials, non-nuclear components, explosives, triggers and detonators, etc.
- 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. All companies that manufacture nuclear warheads and/or whole nuclear missiles



**The following sections have been modified effective 1<sup>st</sup> September 2022:**

Section 3.2: ESG Exclusions

- Updated to include screening criteria related to BISR Coverage

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