

MSCI Global ex Tobacco Involvement Indexes Methodology

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1. Introduction

The MSCI Global ex Tobacco Involvement Indexes (the 'Indexes') have been developed for use by institutional investors, including pension funds, and universal owners who wish to avoid investments in companies involved in the tobacco business.

These indexes are free float - adjusted market capitalization weighted.¹

¹ The Indexes are governed by a set of methodology and policy documents ("Methodology Set"), including the present index methodology document. Please refer to Appendix I for more details

2. Constructing the Indexes

2.1 Underlying Universe

The selection universe for the Indexes is defined by the constituents of the MSCI Global Investable Market Indexes (GIMI).

2.2 Screening Criteria

The Indexes use company research provided by MSCI ESG Research² to determine eligibility for index inclusion. In particular, the indexes use MSCI ESG Business Involvement Screening Research to identify companies that are involved in the tobacco business.

Companies that meet the following business involvement criteria are excluded from the Indexes:

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

2.3 Treatment of Unrated Companies

Companies not assessed by MSCI ESG Research on MSCI ESG Business Involvement Screening Research data are not eligible for inclusion in the Indexes if they are classified in the following Global Industry Classification Standard (GICS®)³ Industry Groups: Capital Goods, Materials, Food, Beverage & Tobacco, Consumer Staples Distribution & Retail, Consumer Discretionary Distribution & Retail and Transportation.

² See section 4 for further information regarding ESG and climate data used in the Indexes that MSCI Limited and MSCI Deutschland GmbH source from MSCI ESG Research LLC, a separate subsidiary of MSCI Inc. MSCI ESG Research is solely responsible for the creation, determination and management of such data as a provider to MSCI Limited and MSCI Deutschland GmbH. MSCI Limited and MSCI Deutschland GmbH are the benchmark administrators for the MSCI indexes.

³ GICS is the global industry classification standard jointly developed by MSCI and S&P Global Market Intelligence.

3. Maintaining the Indexes

3.1 Index Reviews

The Indexes are reviewed on a quarterly basis to coincide with the 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 Indexes. Existing constituents may be deleted from the Indexes if they become involved in tobacco and are screened according to the criteria described in Section 2. Any constituent that is deleted from the Parent Index as a result of an index review is also deleted from the Indexes.

The pro forma Indexes are generally announced nine business days before the index review effective date.

In general, MSCI uses MSCI ESG Research data⁴ (MSCI Business Involvement Screening Research) as of the end of the month preceding the Index Reviews for the rebalancing of the 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 Indexes.

3.2 Ongoing Event-Related Maintenance

The MSCI Corporate Events Methodology is applied for the maintenance of the Indexes between index reviews

3.2.1 IPOs and Other Early Inclusions

IPOs and other newly listed securities that are added to the Parent Index as well as securities added to the Parent Index following a migration from a different size-segment, will be considered for inclusion in the Indexes at the next index review according to the rules outlined in Section 2.

3.2.2 Additions and Deletions Due to Corporate Events

Deletions from the Parent Index following a corporate event will be simultaneously deleted from the Indexes. Additions to the Parent Index following corporate events related to existing constituents (such as spin-offs) will not be automatically added to the Indexes. These Parent Index additions will be considered for addition at the next index review according to the rules outlined in Section 2.

There are no deletions from the Indexes between index reviews on account of a security becoming involved in the tobacco business.

⁴ See section 4 for details of data sourced from MSCI ESG Research used in the Indexes.

4. MSCI ESG Research

The Indexes are products of MSCI Inc. that utilize information such as company ratings and research produced and provided by MSCI ESG Research LLC (MSCI ESG Research), a subsidiary of MSCI Inc. In particular, the Index uses the following MSCI ESG Research product: MSCI ESG Business Involvement Screening Research. MSCI Indexes are administered by MSCI Limited and MSCI Deutschland GmbH.

4.1 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 <https://www.msci.com/legal/disclosures/esg-disclosures>.

Appendix I: Methodology Set

The Indexes are governed by a set of methodology and policy documents (“Methodology Set”), including the present index methodology document as mentioned below:

- Description of methodology set – <https://www.msci.com/index/methodology/latest/ReadMe>
- MSCI Corporate Events Methodology – <https://www.msci.com/index/methodology/latest/CE>
- MSCI Fundamental Data Methodology – <https://www.msci.com/index/methodology/latest/FundData>
- MSCI Index Calculation Methodology – <https://www.msci.com/index/methodology/latest/IndexCalc>
- MSCI Index Glossary of Terms – <https://www.msci.com/index/methodology/latest/IndexGlossary>
- MSCI Index Policies – <https://www.msci.com/index/methodology/latest/IndexPolicy>
- MSCI Global Industry Classification Standard (GICS) Methodology – <https://www.msci.com/index/methodology/latest/GICS>
- MSCI Global Investable Market Indexes Methodology – <https://www.msci.com/index/methodology/latest/GIMI>
- ESG Factors In Methodology*

The Methodology Set for the Indexes can also be accessed from MSCI’s webpage <https://www.msci.com/index-methodology> in the section ‘Search Methodology by Index Name or Index Code’.

* ‘ESG Factors in Methodology’ contains the list of environmental, social, and governance factors considered, and how they are applied in the methodology (e.g., selection, weighting or exclusion). It can be accessed in the Methodology Set as described above.

Appendix II: Changes to this Document

The following sections have been updated as of September 2018:

Section 3.2: Screening Criteria

- Clarified the screening criteria for companies involved in Tobacco

The following sections have been updated as of June 2023:

- Methodology book was updated to reflect the transition of the MSCI Global Investable Market Indexes (GIMI) to Quarterly Comprehensive Index Reviews.
- All references to “Semi-Annual Index Reviews” and “Quarterly Index Reviews” of the MSCI GIMI were replaced with “Index Reviews.”

Section 4: MSCI ESG Research

- Moved that section after the Section 3.
- Updated the descriptions of MSCI ESG Research products.

The following sections have been updated as of August 2024

Section 2.3: Treatment of Unrated Companies

- New section detailing the treatment of companies when business involvement screening research is not available from MSCI ESG Research

Section 4: ESG Research

- Updated with the latest descriptions and links

Appendix I: Methodology Set

- Added details on the Methodology Set for the Indexes

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The process for submitting a formal index complaint can be found on the index regulation page of MSCI's website at: <https://www.msci.com/index-regulation>.

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