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# MSCI Sub-Industries Nature Exposure Indexes Methodology



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## 1. Introduction

The MSCI Sub-Industries Nature Exposure Indexes<sup>1</sup> (the "Indexes") are designed to track the performance of an investment strategy that aims to reduce exposure to nature-related physical risks by excluding or underweighting companies exposed to such risks.

The Indexes incorporate the MSCI Nature Dependencies Risk Signal<sup>2</sup> (the "Signal"), which identifies Global Industry Classification Standard (GICS®<sup>3</sup>) sub-industries assessed as having high exposure to nature-related physical risks. Securities identified by the Signal are underweighted relative to the relevant Parent Index, which is a free-float adjusted market capitalization weighted MSCI Index as per the MSCI Global Investable Markets Index (GIMI) methodology<sup>4</sup>, based on the severity of their involvement assessed using a select set of nature related environmental controversies, with those facing the most severe controversies excluded from the Indexes.

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<sup>1</sup> 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.

<sup>2</sup> The Signal is produced by MSCI Solutions and derived from the MSCI Nature Risk Matrix, which assesses GICS sub-industry level exposure to nature-related physical risks. For more details please refer to [MSCI Nature Risk Matrix Methodology](#).

<sup>3</sup> GICS is the global industry classification standard jointly developed by MSCI Inc. and S&P Dow Jones Indices.

<sup>4</sup> For details about the methodology, please refer to: <https://www.msci.com/index/methodology/latest/GIMI>.

## 2. Constructing the Indexes

The Indexes use company ratings and research provided by MSCI Solutions LLC ("MSCI Solutions")<sup>5</sup> to determine the classification and weighting of securities.

### 2.1 Applicable Universe

The Applicable Universe includes all the existing constituents of the Parent Index.

### 2.2 Identification of Nature Risk Exposure

Each security in the Applicable Universe is assessed against the MSCI Nature Dependencies Risk Signal<sup>6</sup> applicable to the GICS sub-industry of its issuer. The resulting Signal value determines the security's Tilt Score, as described in Section 2.3.

### 2.3 Weighting Scheme

Each security in the Applicable Universe is assigned a Tilt Score. For securities of the GICS sub-industries for which the Signal is TRUE, the security level Tilt Score is determined as follows –

- Select Set of Thematic Indicators: Following Thematic Indicators from the Environmental Controversy pillar<sup>7</sup> are selected. Each security is assigned a score between 0-10 on each of the Thematic Indicator by MSCI Solutions as part of MSCI Controversies, with 0 indicating the most severe controversy and 10 indicating no identified controversy.
  - Biodiversity & Land Use
  - Operational Waste (Non-Hazardous),
  - Water Stress
  - Toxic Emissions & Waste
- Involvement Score = Minimum of the Select Set of Thematic Indicators.

Scores that are unavailable for a security are disregarded rather than treated as zero.

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<sup>5</sup> See Section 4 for further information regarding sustainability and climate data used in the Indexes that MSCI Limited and MSCI Deutschland GmbH source from MSCI Solutions LLC ("MSCI Solutions"), a separate subsidiary of MSCI Inc. MSCI Solutions 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.

<sup>6</sup> A binary (TRUE/FALSE) indicator assigned at the GICS sub-industry level, which identifies sub-industries assessed as having high exposure to nature-related physical risks. For more details please refer to [MSCI Nature Risk Matrix Methodology](#).

<sup>7</sup> For more details, please refer to Appendix I of [MSCI Controversies and Global Norms Methodology](#).

| Involvement Score   | Tilt Score |
|---------------------|------------|
| <b>Below 2</b>      | 0.00       |
| <b>2 to below 5</b> | 0.25       |
| <b>5 and above</b>  | 0.50       |

Securities for which the Signal is FALSE are assigned a Tilt Score of 1.00.

At each rebalancing, all securities in the Applicable Universe are weighted by the product of their market capitalization weight in the Parent Index and their Tilt Score:

$\text{Tilt Weight} = \text{Tilt Score} \times \text{Market Capitalization Weight in the Parent Index}$

Securities with a Tilt Score of 0.00 have a weight of zero and are excluded from the Index. The weights of all remaining securities are then normalized to 100%.

Normalization redistributes the weight released by securities with a Tilt Score below 1.00 across all remaining constituents, in proportion to their weights after application of the Tilt Score. As a result, the final weight of a security with a Tilt Score of 1.00 is higher than the product of its market capitalization weight in the Parent Index and its Tilt Score.

## 2.4 Treatment of Unrated Companies

The MSCI Nature Risk Matrix provides a risk assessment for all GICS sub-industries, and a Signal value is therefore expected to be available for each security in the universe. Where a Signal value is nonetheless unavailable, the security is assigned a Tilt Score of 1.00.

Securities for which the Signal is TRUE but none of the four Thematic Indicator Scores are available are assigned a Tilt Score of 0.50.

## 3. Maintaining the Indexes

### 3.1 Index Reviews

The Indexes are reviewed on a quarterly basis, coinciding with the February, May, August and November Index Reviews of the MSCI Global Investable Market Indexes. The pro forma Indexes are in general announced nine business days before the effective date.

In general, MSCI uses MSCI Solutions data<sup>8</sup> (including MSCI Controversies, and MSCI Nature Dependencies Risk Signal) as of the end of the month preceding the Index Reviews for the rebalancing of the Indexes. MSCI uses issuer GICS classifications as of the end of the month preceding the Index Reviews for the rebalancing of the Indexes.

### 3.2 Ongoing Event Related Changes

The general treatment of corporate events in the Indexes 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 Indexes.

No new securities will be added (except where noted below) to the Indexes between Index Reviews. Parent Index deletions will be reflected simultaneously in the Index.

| EVENT TYPE                               | EVENT DETAILS                                                                                                                                                                                                                                                                                               |
|------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>New additions to the Parent Index</b> | A new security added to the Parent Index (such as IPO and other early inclusion) will not be added to the Index.                                                                                                                                                                                            |
| <b>Spin-Offs</b>                         | 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 if the spin-off security is also added to the Parent Index. Reevaluation for continued inclusion in the Index will occur at the subsequent Index Review. |
| <b>Merger/Acquisition</b>                | For Mergers and Acquisitions, the acquirer's post event weight will account for the proportionate amount of shares                                                                                                                                                                                          |

<sup>8</sup> For Index history predating the availability of MSCI Nature Dependencies Risk Signal data, the Signal is sourced from a static snapshot dated 30 August 2026. From the first Index Review on or after that date, the Signal is sourced as described above.

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.) Re-evaluation 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 the Indexes can be found in the MSCI Corporate Events Methodology book under the sections detailing the treatment of events in Capped Weighted and Non-Market Capitalization Weighted indexes.

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

## 4. MSCI Solutions

The Indexes are products of MSCI Inc. that utilize information such as company ratings and research produced and provided by MSCI Solutions LLC ("MSCI Solutions"), a subsidiary of MSCI Inc. In particular, the Indexes use the following MSCI sustainability and climate products: MSCI Controversies and MSCI Nature Risk Matrix. MSCI Indexes are administered by MSCI Limited and MSCI Deutschland GmbH.

### 4.1 MSCI Nature Risk Matrix

The MSCI Nature Risk Matrix assesses GICS® sub-industry level exposure to nature-related physical risks. It combines the World Wildlife Fund Biodiversity Risk Filter methodology<sup>9</sup> which looks at how exposed a location is to nature-related risk with MSCI's GeoSpatial Asset Intelligence data, which maps nearly 5 million locations where companies operate and how much revenue they generate at each location. This matrix is used to identify which GICS sub-industries face material exposure to nature-related physical risks, across seven risk types

Based on the matrix, MSCI produces a Nature Dependencies Risk Signal which is a True/False flag indicating whether a sub-industry is potentially highly exposed to nature-related physical risk. The Signal condenses the matrix's sub-industry-level nature risk assessments into a single, systematic indicator that can be applied to companies based on their GICS classification and aggregated across an index or portfolio.

The MSCI Nature Risk Matrix methodology can be found at: <https://www.msci.com/legal/sustainability-and-climate-resources-and-disclosures>.

### 4.2 MSCI Controversies

MSCI Controversies provide assessments of controversies concerning the potential negative environmental, social, and/or governance impact of company operations, products and services. The evaluation framework used in MSCI 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 Controversies Score falls on a 0-10 scale, with "0" being the most severe controversy.

The MSCI Controversies methodology can be found at: <https://www.msci.com/legal/sustainability-and-climate-resources-and-disclosures>.

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<sup>9</sup> For more details, please refer to WWF Risk Filter Suite – Data & Methods, <https://riskfilter.org/data-&-methods>.

## 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 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 Investable Market Indexes Methodology –  
<https://www.msci.com/index/methodology/latest/GIMI>
- MSCI Global Industry Classification Standard (GICS) Methodology –  
<https://www.msci.com/index/methodology/latest/GICS>
- 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.

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