

MSCI Global ex Controversial Weapons Indexes Methodology

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1. Introduction

The MSCI Global ex Controversial Weapons Indexes (the '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, chemical and biological weapons, blinding laser weapons, non-detectable fragments and incendiary weapons (white phosphorus).

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 II for more details

2. Constructing the Indexes

The Indexes use company ratings and research provided by MSCI ESG Research² for the Index construction.

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 Eligibility Criteria

Companies that meet the business involvement criteria are excluded from the Indexes. Please refer to Appendix I for details on these criteria.

- Cluster Bombs
- Landmines
- Depleted Uranium Weapons
- Chemical and Biological Weapons
- Blinding Laser Weapons
- Non-Detectable Fragments
- Incendiary Weapons (White Phosphorus)

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 and Materials.

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 controversial weapons and are screened according to the criteria described in Section 3. 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 effective date.

In general, MSCI uses MSCI ESG Research data³ (MSCI ESG 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 Indexes.

3.2 Ongoing Event-Related Maintenance

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 Index between Index Reviews. Parent Index deletions will be reflected simultaneously.

There are no deletions from the Index between Index Reviews on account of a security becoming involved in controversial weapons.

EVENT TYPE

EVENT DETAILS

New additions to the Parent Index

New securities added to the Parent Index (such as IPOs, other early inclusions and migrations from a different size-segment) will not be added to the Index at the time of event implementation. Such securities will be considered for addition in the Index at the subsequent Index Review.

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 Index will occur at the subsequent Index Review.

³ See section 4 for details of data sourced from MSCI ESG Research used in the Indexes.

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/latest/CE>

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: Controversial Weapons Criteria

The 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.

- **Blinding Laser Weapons**

MSCI ESG Research's blinding laser weapons research identifies public companies that are involved in the production of weapons utilizing laser technology to cause permanent blindness.

- **Non-Detectable Fragments**

MSCI ESG Research's non-detectable fragments research identifies public companies that are involved in the production of weapons that use non-detectable fragments to inflict injury.

- **Incendiary Weapons (White Phosphorus)**

MSCI ESG Research's incendiary weapons research identifies companies that are involved in the production of weapons using white phosphorus.

Involvement criteria:

- Producers of the weapons
- Producers of key components of the weapons (only applies to cluster bombs, landmines, depleted uranium weapons as well as chemical and biological 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.

Appendix II: 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 III: Changes to this Document

The following sections have been modified as of November 2014:

Section 4.2: Ongoing Event-Related Maintenance

Clarification of treatment of corporate events

The following sections have been modified as of May 2017:

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 as of September 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

The following sections have been modified as of May 2018:

Section 1: Introduction

Section 2: Screening Criteria

Appendix 1: Controversial Weapons Criteria

- Updated to reflect the addition of new screens for blinding lasers, non-detectable fragments and incendiary weapons (while phosphorus)

The following sections have been modified as of November 2019:

Section 2: MSCI ESG Research

- New section

Section 4.1: Underlying Universe

- Updated to refer to the MSCI Global Investable Market Indexes

Section 4.3: Index Construction

- Removed the section

Section 5.2: Ongoing Event-Related Maintenance

- Clarified the treatment of different types of corporate events

The following sections have been modified as of June 2023:

Section 4: Maintaining the MSCI Global ex Controversial Weapons Indexes

- 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 5: MSCI ESG Research.

- Moved that section after the Section 4 (Maintaining the MSCI Global ex Controversial Weapons Indexes).
- Updated the descriptions of MSCI ESG Research products.

The following sections have been modified 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 II: Methodology Set

- Added details on the Methodology Set for the Indexes

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