

# Estimated Impact of the Proposed GICS<sup>®</sup> Structure Changes on the MSCI ACWI Index

---

February 2022

# Background on the ongoing 2021 GICS Consultation

- MSCI and S&P Dow Jones Indices (S&P DJI) are consulting with members of the investment community on potential changes to the GICS structure in 2022.
- Key highlights of this pending consultation are potential changes to the classification of renewable energy companies and retailers within the GICS framework. In addition, the consultation covers potential changes for Data Processing & Outsourced Services, Banks and Thrifts & Mortgage Finance, REITs, Transportation, and an update in the GICS definition for cannabis.
- Full details of these proposals can be found in the “Consultation on Potential Changes to the Global Industry Classification Standard (GICS®) Structure in 2022” document accessible on MSCI’s website at [www.msci.com/index-consultations](http://www.msci.com/index-consultations).
- The consultation began on October 18, 2021 and ends on February 18, 2022.
- Final changes to the GICS structure are expected to be announced by March 2022 with an expected GICS Direct implementation date in March 2023.
- Further information regarding MSCI proforma indices and index implementation timeline will be announced after the final changes to the GICS Structure have been announced.
- The consultation may or may not result in any changes to the GICS structure.

# Summary of topics for the 2021 GICS Consultation

S. No.	Topic	Summary
1	Classification of Renewable Energy	Consolidate all 'Energy' producers and related equipment & service providers under the Energy Sector. This includes producers of non-renewable energy such as oil, gas, thermal coal and electricity from non-renewable sources as well as generators of electricity from renewable sources. This enables a distinction between 'energy generation' and 'energy distribution to end users' and consolidates renewable energy generation and renewable energy equipment companies under the Energy Sector.
2	Classification of Retailers	Discontinue the Internet & Direct Marketing Retail Sub-Industry and consolidate various retail formats spread across the Consumer Discretionary and Consumer Staples Sectors.
3	Classification of Data Processing & Outsourced Services	Discontinue the Data Processing & Outsourced Services Sub-Industry from the Information Technology Sector and move it to the Industrials Sector. In addition, reclassify transaction and payment processing companies from the Information Technology Sector to the Financials Sector.
4	Classification of Banks and Thrifts & Mortgage Finance	Consolidate Diversified Banks, Regional Banks and Thrifts/Saving Banks into one Sub-Industry and reclassify Mortgage Finance from Banks to the Financial Services Industry Group.
5	Classification of REITs	Introduce more granularity to Equity REITs.
6	Classification of Transportation	Redefine the Trucking Sub-Industry and create one new Sub-Industry called Passenger Ground Transportation.
7	Update to GICS definition: Classification of Cannabis	Update the definition of Pharmaceuticals to include companies primarily manufacturing cannabis-based drugs used to treat diseases. Pharmaceuticals will exclude manufacturers of other cannabis-based products classified based on their end-use.

On January 21, 2022, MSCI and S&P DJI announced proforma classifications for a select list of companies potentially impacted by the proposals in the ongoing GICS consultation, with market capitalization above USD \$2 billion.

Please note that the proforma classifications should only be used for preliminary analysis and should not be considered as final classifications even if the proposals are ultimately adopted.

Based on this list, an estimated impact on MSCI ACWI Sectoral Indexes are presented in next slides

# Estimated Impact: MSCI ACWI Sectoral Indexes

- Sector indexes based on the MSCI Global Investable Market Indexes (GIMI) covering the Consumer Discretionary, Consumer Staples, Energy, Financials, Industrials, Information Technology, and Utilities potentially impacted by the proposed GICS changes.

## Additions to and deletions from sector Indexes based on the MSCI ACWI Index

		Additions								
MSCI ACWI Sector Index	Energy	Industrials	Consumer Discretionary	Consumer Staples	Financials	Information Technology	Utilities	Total	Weight of Deletions in MSCI ACWI	
Energy	-	-	-	-	-	-	-	-	-	
Industrials	12	-	-	-	-	-	-	12	0.11%	
Consumer Discretionary	-	1	-	4	-	-	-	5	0.31%	
Consumer Staples	-	-	-	-	-	-	-	-	-	
Financials	-	-	-	-	-	-	-	-	-	
Information Technology	12	5	2	-	18	-	-	37	2.11%	
Utilities	33	-	-	-	-	-	-	33	0.20%	
<b>Total</b>	<b>57</b>	<b>6</b>	<b>2</b>	<b>4</b>	<b>18</b>	<b>-</b>	<b>-</b>			
<b>Weight of Additions in MSCI ACWI</b>	<b>0.41%</b>	<b>0.26%</b>	<b>0.05%</b>	<b>0.30%</b>	<b>1.71%</b>	<b>-</b>	<b>-</b>			

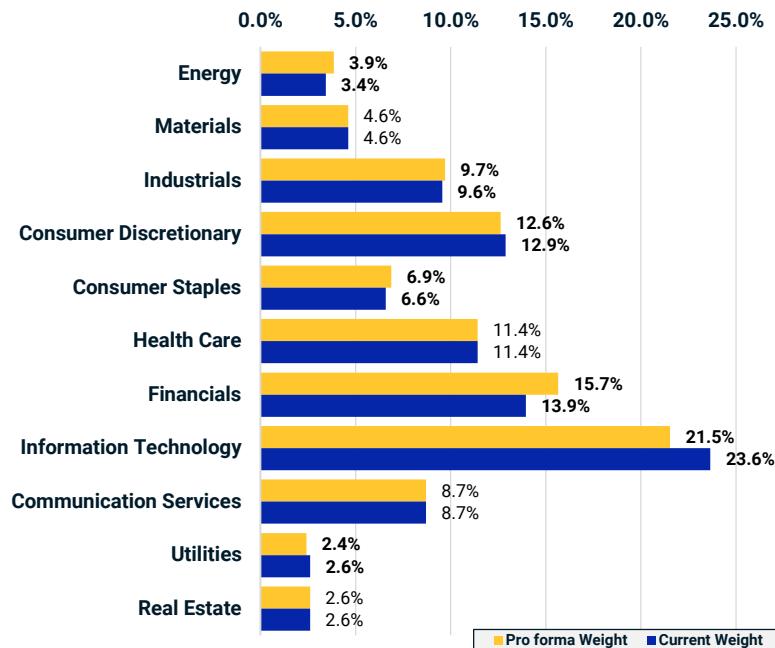
## One-way Index Turnover for MSCI ACWI Sector Indexes

Sector Index	One-way Index Turnover
Energy	10.76%
Industrials	2.69%
Consumer Discretionary	2.37%
Consumer Staples	4.35%
Financials	10.92%
Information Technology	8.94%
Utilities	7.57%

Further information regarding estimated changes in other indexes, proforma indexes and index implementation will be communicated in due course after the final GICS structure has been announced. Simulations as of December 1, 2021, based on the selected list of companies potentially impacted by the proposals in the ongoing GICS consultation. Full details of the GICS change proposals can be found in the Consultation on Potential Changes to the Global Industry Classification Standard (GICS®) Structure in 2022 document accessible on MSCI's website at [www.msci.com/index-consultations](http://www.msci.com/index-consultations). Please see the disclosure at the end of this document regarding simulated and back tested data.

# Estimated Impact: MSCI ACWI Index

Current and Estimated Pro Forma Sector Weights for the MSCI ACWI Index<sup>1</sup>



<sup>1</sup> Further information regarding estimated changes in other indexes, proforma indexes and index implementation will be communicated in due course after the final GICS structure has been announced. Simulations as of December 1, 2021, based on the selected list of companies potentially impacted by the proposals in the ongoing GICS consultation. Full details of the GICS change proposals can be found in the Consultation on Potential Changes to the Global Industry Classification Standard (GICS®) Structure in 2022 document accessible on MSCI's website at [www.msci.com/index-consultations](http://www.msci.com/index-consultations). Please see the disclosure at the end of this document regarding simulated and back tested data.

# Contact Us

AMERICAS		EUROPE, MIDDLE EAST & AFRICA		ASIA PACIFIC	
Americas	+1 888 588 4567 *	Cape Town	+ 27 21 673 0100	China North	10800 852 1032 *
Atlanta	+ 1 404 551 3212	Frankfurt	+ 49 69 133 859 00	China South	10800 152 1032 *
Boston	+ 1 617 532 0920	Geneva	+ 41 22 817 9777	Hong Kong	+ 852 2844 9333
Chicago	+ 1 312 675 0545	London	+ 44 20 7618 2222	Mumbai	+ 91 22 6784 9160
Monterrey	+ 52 81 1253 4020	Milan	+ 39 02 5849 0415	Seoul	00798 8521 3392 *
New York	+ 1 212 804 3901	Paris	0800 91 59 17 *	Singapore	800 852 3749 *
San Francisco	+ 1 415 836 8800			Sydney	+ 61 2 9033 9333
São Paulo	+ 55 11 3706 1360			Taipei	008 0112 7513 *
Toronto	+ 1 416 628 1007			Thailand	0018 0015 6207 7181 *
* = toll free msci.com <a href="mailto:clientservice@msci.com">clientservice@msci.com</a> <a href="mailto:esgclientservice@msci.com">esgclientservice@msci.com</a>				Tokyo	+81 3 5290 1555

# About MSCI

MSCI is a leading provider of critical decision support tools and services for the global investment community. With over 50 years of expertise in research, data and technology, we power better investment decisions by enabling clients to understand and analyze key drivers of risk and return and confidently build more effective portfolios. We create industry-leading research-enhanced solutions that clients use to gain insight into and improve transparency across the investment process. To learn more, please visit [www.msci.com](http://www.msci.com).

# Notice and Disclaimer

This document and all of the information contained in it, including without limitation all text, data, graphs, charts (collectively, the "Information") is the property of MSCI Inc. or its subsidiaries (collectively, "MSCI"), or MSCI's licensors, direct or indirect suppliers or any third party involved in making or compiling any Information (collectively, with MSCI, the "Information Providers") and is provided for informational purposes only. The Information may not be modified, reverse-engineered, reproduced or disseminated in whole or in part without prior written permission from MSCI. All rights in the Information are reserved by MSCI and/or its Information Providers.

The Information may not be used to create derivative works or to verify or correct other data or information. For example (but without limitation), the Information may not be used to create indexes, databases, risk models, analytics, software, or in connection with the issuing, offering, sponsoring, managing or marketing of any securities, portfolios, financial products or other investment vehicles utilizing or based on, linked to, tracking or otherwise derived from the Information or any other MSCI data, information, products or services.

The user of the Information assumes the entire risk of any use it may make or permit to be made of the Information. NONE OF THE INFORMATION PROVIDERS MAKES ANY EXPRESS OR IMPLIED WARRANTIES OR REPRESENTATIONS WITH RESPECT TO THE INFORMATION (OR THE RESULTS TO BE OBTAINED BY THE USE THEREOF), AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, EACH INFORMATION PROVIDER EXPRESSLY DISCLAIMS ALL IMPLIED WARRANTIES (INCLUDING, WITHOUT LIMITATION, ANY IMPLIED WARRANTIES OF ORIGINALITY, ACCURACY, TIMELINESS, NON-INFRINGEMENT, COMPLETENESS, MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE) WITH RESPECT TO ANY OF THE INFORMATION.

Without limiting any of the foregoing and to the maximum extent permitted by applicable law, in no event shall any Information Provider have any liability regarding any of the Information for any direct, indirect, special, punitive, consequential (including lost profits) or any other damages even if notified of the possibility of such damages. The foregoing shall not exclude or limit any liability that may not by applicable law be excluded or limited, including without limitation (as applicable), any liability for death or personal injury to the extent that such injury results from the negligence or willful default of itself, its servants, agents or sub-contractors.

Information containing any historical information, data or analysis should not be taken as an indication or guarantee of any future performance, analysis, forecast or prediction. Past performance does not guarantee future results.

The Information should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. All Information is impersonal and not tailored to the needs of any person, entity or group of persons.

None of the Information constitutes an offer to sell (or a solicitation of an offer to buy), any security, financial product or other investment vehicle or any trading strategy.

It is not possible to invest directly in an index. Exposure to an asset class or trading strategy or other category represented by an index is only available through third party investable instruments (if any) based on that index. MSCI does not issue, sponsor, endorse, market, offer, review or otherwise express any opinion regarding any fund, ETF, derivative or other security, investment, financial product or trading strategy that is based on, linked to or seeks to provide an investment return related to the performance of any MSCI index (collectively, "Index Linked Investments"). MSCI makes no assurance that any Index Linked Investments will accurately track index performance or provide positive investment returns. MSCI Inc. is not an investment adviser or fiduciary and MSCI makes no representation regarding the advisability of investing in any Index Linked Investments.

Index returns do not represent the results of actual trading of investible assets/securities. MSCI maintains and calculates indexes, but does not manage actual assets. Index returns do not reflect payment of any sales charges or fees an investor may pay to purchase the securities underlying the index or Index Linked Investments. The imposition of these fees and charges would cause the performance of an Index Linked Investment to be different than the MSCI index performance.

The Information may contain back tested data. Back-tested performance is not actual performance, but is hypothetical. There are frequently material differences between back tested performance results and actual results subsequently achieved by any investment strategy.

Constituents of MSCI equity indexes are listed companies, which are included in or excluded from the indexes according to the application of the relevant index methodologies. Accordingly, constituents in MSCI equity indexes may include MSCI Inc., clients of MSCI or suppliers to MSCI. Inclusion of a security within an MSCI index is not a recommendation by MSCI to buy, sell, or hold such security, nor is it considered to be investment advice.

Data and information produced by various affiliates of MSCI Inc., including MSCI ESG Research LLC and Barra LLC, may be used in calculating certain MSCI indexes. More information can be found in the relevant index methodologies on [www.msci.com](http://www.msci.com).

MSCI receives compensation in connection with licensing its indexes to third parties. MSCI Inc.'s revenue includes fees based on assets in Index Linked Investments. Information can be found in MSCI Inc.'s company filings on the Investor Relations section of [www.msci.com](http://www.msci.com).

MSCI ESG Research LLC is a Registered Investment Adviser under the Investment Advisers Act of 1940 and a subsidiary of MSCI Inc. Except with respect to any applicable products or services from MSCI ESG Research, neither MSCI nor any of its products or services recommends, endorses, approves or otherwise expresses any opinion regarding any issuer, securities, financial products or instruments or trading strategies and MSCI's products or services are not intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Issuers mentioned or included in any MSCI ESG Research materials may include MSCI Inc., clients of MSCI or suppliers to MSCI, and may also purchase research or other products or services from MSCI ESG Research. MSCI ESG Research materials, including materials utilized in any MSCI ESG Indexes or other products, have not been submitted to, nor received approval from, the United States Securities and Exchange Commission or any other regulatory body.

Any use of or access to products, services or information of MSCI requires a license from MSCI. MSCI, Barra, RiskMetrics, IPD and other MSCI brands and product names are the trademarks, service marks, or registered trademarks of MSCI or its subsidiaries in the United States and other jurisdictions. The Global Industry Classification Standard (GICS) was developed by and is the exclusive property of MSCI and S&P Global Market Intelligence. "Global Industry Classification Standard (GICS)" is a service mark of MSCI and S&P Global Market Intelligence.

Privacy notice: For information about how MSCI collects and uses personal data, please refer to our Privacy Notice at <https://www.msci.com/privacy-pledge>.

