

Bloomberg MSCI US High Yield SRI Sustainable ex Fossil Fuel Index

This document is intended to be read in conjunction with the [Bloomberg US Corporate High Yield Index Methodology](#) and the [Bloomberg MSCI ESG Fixed Income Indices Methodology](#); these documents collectively constitute the index methodology for this Index.

The Bloomberg MSCI US Corporate High Yield SRI Sustainable ex Fossil Fuel Index is a fixed-rate, USD-denominated, high-yield, corporate bond benchmark. The index includes issuers that meet the standard Bloomberg MSCI Sustainability thresholds, in addition to excluding issuers per the standard Bloomberg MSCI SRI and ESG Controversy screens. The index applies additional screens to exclude issuers with any tie to fossil fuels, tobacco, firearms, nuclear power, genetically modified organisms, conventional or controversial weapons. The index was created in March 2023, with history backfilled to January 1, 2017.

The features specific to this Index are set out below.

Description of Index Constituents	USD High Yield Bonds
Index Ticker	I37652US Index: Total Return USD Unhedged

Eligibility Requirements:

Currency	Principal and interest must be denominated in USD
Sector	Corporate
Credit Rating	High Yield
Minimum Amount Outstanding	USD 500mn minimum par amount outstanding
Maturity	At least one year until final maturity, regardless of optionality.
Minimum Liquidity Requirements	See Minimum Amount Outstanding specified above
Rebalance Date	Monthly
Issuer Capping	Issuers that exceed 3% of the market value of the uncapped US Corporate High Yield SRI Sustainable ex Fossil Fuel Index are limited to 3%. The excess market value over the 3% cap is redistributed on a pro rata basis to all other issuers' bonds in the index that are under the 3% cap. The process is repeated until no issuer exceeds the 3% limit.

Environmental, Social and Governance (ESG)

This section is not intended to be exhaustive and is being provided for information purposes only - detailed ESG disclosures set out in dedicated section below.

The Index applies the standard ESG factors outlined in the [Bloomberg MSCI ESG Fixed Income Indices Methodology](#) Appendix A: Bloomberg MSCI SRI Indices and Appendix B: Bloomberg MSCI Sustainability Indices ESG annexes:

- Securities must use the standard Bloomberg MSCI ESG Rating thresholds,
- Standard Bloomberg MSCI SRI screen, and
- Standard Bloomberg MSCI ESG Controversies score threshold.

Additionally, the index applies the following MSCI ESG screens:

Additional MSCI

Business Involvement Screens

The index excludes issuers with any tie to:

- Tobacco
- Genetically Modified Organisms
- Nuclear Power
- Civilian Firearms
- Fossil Fuels
- Conventional and Controversial Weapons including:
 - Depleted Uranium
 - Biological/Chemical
 - Nuclear Weapons Systems and Components

Minimum ESG Exclusions

On the last business day before month end, using the Forward Universe of the previous day, after applying the non-ESG criteria rules for inclusion defined above, and additionally removing any non-ESG rated bonds, the number of issuers for the eligible universe are defined. If, after having additionally applied the ESG selection criteria above, less than 20% of the total number of issuers in the eligible universe are excluded, then the eligible issuers are ranked in the order below, according to the following criteria:

- MSCI ESG Rating score
- MSCI ESG Controversies score

Then based on this ranking, the lowest ranking issuers will be excluded from the index, until the number of excluded issuers is higher than 20% of the eligible universe total number of issuers. If more than one issuer has the same ESG Rating and ESG Controversy score and is required to be removed to reach the 20% threshold, then all issuers with the same ESG Rating and ESG Controversy score are removed.

Document Version History

Date	Update
September 2023	Publication in new format

Environmental, Social and Governance (ESG) Disclosures

This document should be read in conjunction with Appendix A: Bloomberg MSCI SRI Indices and Appendix B: Bloomberg MSCI Sustainability Indices in the [Bloomberg MSCI ESG Fixed Income Indices Methodology](#) ESG disclosures annexes. These annexes and the information below collectively constitute the ESG factors taken into account in this Index and associated disclosures.

ESG Factors	
Fossil Fuels	Excludes researched companies with an industry tie to fossil fuels (thermal coal, oil and gas), in particular reserve ownership, related revenues and power generation.
Civilian Firearms	Excludes researched companies that have an industry tie to the manufacture or retail of civilian firearms.
Weapons	Excludes researched companies that have an industry tie to the manufacture of conventional (including depleted uranium), biological/chemical, or nuclear weapons systems and components. This includes companies that provide support systems and services, as well as those with indirect ties to weapons production through ownership.
Tobacco	Excludes researched companies that have an industry tie to tobacco products through the distributor, licensor, retailer, supplier, or ownership categories.
Nuclear Power	Excludes researched companies that have an industry tie to the nuclear power industry.
Genetically Modified organisms	Excludes researched companies involved in the production of genetically modified organisms.
Data and standards used	
<p>a) Data input.</p> <p>(i) Describe whether the data are reported, modelled or, sourced internally or externally.</p> <p>(ii) Where the data are reported, modelled or sourced externally, please name the third party data provider.</p>	<p>All ESG data for the benchmarks is sourced externally from:</p> <p>MSCI Research esgclient@msci.com https://www.msci.com/research-and-insights</p> <p>MSCI ESG Research relies on a proprietary methodology informed by a range of data sources.</p> <ul style="list-style-type: none"> Reported data <ul style="list-style-type: none"> Corporate documents: annual reports, proxy filings, environmental and social reports, securities filings, websites and Carbon Disclosure Project responses. Externally sourced data Government data: central bank data, U.S. Toxic Release Inventory, Comprehensive Environmental Response and Liability Information System (CERCLIS), RCRA Hazardous Waste Data Management System, etc. We continue to assess the value of other, similar information sources, particularly for European companies. Popular, trade, and academic journals: accessed through websites, subscriptions and searches of online databases. News media: major news publications globally, including local-language sources across a range of markets. Relevant organizations and professionals: reports from and interviews with trade groups, industry experts and nongovernmental organizations familiar with the companies' operations and any related controversies Modelled data <ul style="list-style-type: none"> For climate-related metrics, when data is not disclosed by companies, MSCI ESG Research uses a proprietary GHG emission estimation model. When companies do not report exact revenue figures for a covered business activity, MSCI ESG Research provides an estimate of the extent of companies' involvement in the subject activity. <p>For top level scores (ESG Ratings, Environmental, Social and Governance pillars), MSCI ESG Research estimates macro-level risk exposure for companies' based on the type and location of operations, distribution of products. Data sources used in the exposure calculations include, but not limited to:</p>

	<ul style="list-style-type: none"> • Comprehensive Environmental Data Archive (CEDA) • US Department of Energy; International Council on Clean Transportation • Lamont-Doherty Earth Observatory, Columbia University • Organization of Economic Co-Operation and Development (OECD) • Canadian Industrial Water Survey • Hoekstra, A.Y. and Mekonnen, M.M. (2011) • Ecorisk • World Development Indicators (WDI) • Annual Change of Forest Resources _ Food and Agriculture Organization (FAO) • World Wildlife Fund (WWF) • US EPA's Toxics Release Inventory (TRI) • Risk-Screening Environmental Indicators (RSEI) • US Bureau of Labor Statistics (BLS) • International Labour Organization (ILO) • US Occupational Health & Safety Administration (OSHA) • UK Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) • International Monetary Fund (IMF) • World Health Organization (WHO) • UN Principles for Responsible Investments (UN PRI) • World Resource Institute (WRI) • Consultative Group to Assist the Poor (CGAP) • US Census Bureau Current Population Survey Supplement • World Bank Governance Indicators (WGI) • Transparency International (TI) • World Bank (WB) • SNL Financial • Thomson Financial <p>Refer to the MSCI ESG & Climate Methodologies page for further details on the data sources for the relevant ESG factors.</p>
<p>b) Verification of data and guaranteeing the quality of those data. <i>Describe how data are verified and how the quality of those data is ensured.</i></p>	<p>MSCI Business Involvement Screens</p> <p>Initial company research and analysis is followed by a rigorous quality review process. Data accuracy and company profiles are peer-reviewed, then sent to content leads for final approval. In specific cases in which a company's business activity is not clearly defined by MSCI ESG Research's methodology and there is no precedent, the case is escalated to the Head of Screening Research. Cases that require further interpretation or an update to the methodology are brought to the MSCI ESG Impact and Screening Methodology Committee for resolution.</p> <p>Please see the MSCI Business Involvement Methodology Overview for further detail.</p>
<p>c) Reference standards <i>Describe the international standards used in the benchmark methodology.</i></p>	<p>MSCI Business Involvement Screens</p> <p>The MSCI ESG Research team utilised a combination of industry classifications, business descriptions and keyword searches in company filings to identify potential involvement in each of the screening topics.</p>
<p>Date on which information has been last updated and reason for the update:</p>	<p>September 2023 (first publication)</p>

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