

# Bloomberg MSCI Euro High Yield SRI Sustainable Ex Fossil Fuel Index

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

The Bloomberg MSCI Euro High Yield SRI Sustainable Ex Fossil Fuel Index is a fixed-rate, high-yield corporate bond benchmark that follows the rules of the Bloomberg Euro Corporate High Yield Index. To be eligible for the index, bonds must have a minimum amount outstanding of EUR250mn. The index includes issuers with MSCI ESG Ratings of BB or higher, and excludes issuers that are involved in business activities that are restricted according to pre-defined Business Involvement Screens and issuers with a "Red" MSCI ESG Controversy Score. The index was created in October 2020, with history backfilled to January 1, 2014.

The features specific to this Index are set out below.

**Description of Index Constituents** High Yield Corporate Bonds in EUR

**Index Ticker** I35881EU Index: Total Return EUR

## Eligibility Requirements:

**Currency** Principal and interest must be denominated in EUR.

**Credit Rating** High Yield

**Minimum Amount Outstanding** EUR250mn minimum par amount outstanding.

**Maturity** At least one year remaining until final maturity, regardless of optionality.

**Minimum Liquidity Requirements** See Minimum Amount Outstanding specified above

**Rebalance Date** Monthly

## Rebalancing Rules:

**Issuer Capping Methodology** Issuers that exceed 3% of the market value of the uncapped Bloomberg MSCI Euro High Yield SRI Sustainable Ex Fossil Fuel Index are limited at 3%. The excess market value over the 3% cap will be 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. For example, an issuer that represents 4% of the uncapped index will have 1% of the index's market value redistributed to each bond from all issuers under the 3% cap on a pro rata basis. The 3% issuer cap is applied each month as the index is rebalanced.

## 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.

Starting June 2019, the Index applies the standard ESG factors outlined in the Appendix A: Bloomberg MSCI SRI Indices and Appendix B: Bloomberg MSCI Sustainability Indices of the [Bloomberg MSCI ESG Fixed Income Indices Methodology](#) ESG annexes:

- Standard Bloomberg MSCI SRI screen,
- Standard Bloomberg MSCI ESG Controversies score threshold, and
- Standard Bloomberg MSCI ESG Ratings.

The index also excludes issuers that MSCI define as having a percentage of revenue from, or being involved in, business activities related to:

- Controversial Weapons:
  - Cluster Munitions Manufacturer
  - Landmines Manufacturer
- Weapons
- Nuclear Power
- Fossil Fuels
- Tobacco
- Civilian Firearms
- Genetically Modified Organisms (GMO)

## Rebalancing Rules:

### Minimum ESG Exclusions

From 28 February 2021, the following criteria will be applied. 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 (higher Ticker ESG Rating score preferred to remain in the index)
- MSCI ESG Controversies score (higher Ticker Controversies score preferred to remain in the index)

Then based on this 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 Controversy score and is required to be removed to reach the 20% threshold, then all issuers with the same ESG Rating and 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 the [Bloomberg MSCI ESG Fixed Income Indices Methodology](#) Bloomberg MSCI SRI and Bloomberg MSCI Sustainability 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		
Controversial Weapons	Exclusion	Excludes researched companies that manufacture or are involved in: <ul style="list-style-type: none"> <li>• cluster munitions whole weapons systems, components, or delivery platforms</li> <li>• landmines whole systems or components</li> </ul>
Fossil Fuels – Any Tie	Exclusion	<ul style="list-style-type: none"> <li>• Companies with an industry tie to fossil fuels (thermal coal, oil and gas), in particular reserve ownership, related revenues and power generation. It does not flag companies providing evidence of owning metallurgical coal reserves.</li> </ul> <p>Exclusion applies to researched companies that have any tie to this factor.</p>
Tobacco – Any Tie	Exclusion	<ul style="list-style-type: none"> <li>• Companies that have an industry tie to tobacco products through the distributor, licensor, retailer, supplier, or ownership categories.</li> </ul> <p>Exclusion applies to researched companies that have any tie to this factor.</p>
Civilian Firearms – Any Tie	Exclusion	<ul style="list-style-type: none"> <li>• Companies that have an industry tie to the manufacture or retail of civilian firearms.</li> </ul> <p>Exclusion applies to researched companies that have any tie to this factor.</p>
Nuclear Power – Any Tie	Exclusion	<ul style="list-style-type: none"> <li>• Companies that have an industry tie to the nuclear power industry.</li> </ul> <p>Exclusion applies to researched companies that have any tie to this factor.</p>
Weapons – Any Tie	Exclusion	<ul style="list-style-type: none"> <li>• 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. Note: Involvement in the production of landmines and/or cluster bombs is not captured here, but tracked separately.</li> </ul> <p>Exclusion applies to researched companies that have any tie to this factor</p>
Genetic Engineering - Any Tie	Exclusion	<ul style="list-style-type: none"> <li>• Companies involved in the production of genetically modified organisms.</li> </ul> <p>Exclusion applies to researched companies that have any tie to this factor</p>

### 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  <a href="mailto:esgclientservice@msci.com">esgclientservice@msci.com</a>  <a href="https://www.msci.com/research-and-insights">https://www.msci.com/research-and-insights</a></p> <p>MSCI ESG Research relies on a proprietary methodology informed by a range of data sources.</p> <ul style="list-style-type: none"> <li>• Reported data <ul style="list-style-type: none"> <li>○ Corporate documents: annual reports, proxy filings, environmental and social reports, securities filings, websites and Carbon Disclosure Project responses. Externally sourced data</li> <li>○ 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.</li> <li>○ Popular, trade, and academic journals: accessed through websites, subscriptions and searches of online databases.</li> </ul> </li> </ul>
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	<ul style="list-style-type: none"> <li>○ News media: major news publications globally, including local-language sources across a range of markets.</li> <li>○ 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</li> </ul> <ul style="list-style-type: none"> <li>● Modelled data <ul style="list-style-type: none"> <li>○ For climate-related metrics, when data is not disclosed by companies, MSCI ESG Research uses a proprietary GHG emission estimation model.</li> <li>○ 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.</li> </ul> </li> </ul> <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"> <li>● Comprehensive Environmental Data Archive (CEDA)</li> <li>● US Department of Energy; International Council on Clean Transportation</li> <li>● Lamont-Doherty Earth Observatory, Columbia University</li> <li>● Organization of Economic Co-Operation and Development (OECD)</li> <li>● Canadian Industrial Water Survey</li> <li>● Hoekstra, A.Y. and Mekonnen, M.M. (2011)</li> <li>● Ecorisk</li> <li>● World Development Indicators (WDI)</li> <li>● Annual Change of Forest Resources _ Food and Agriculture Organization (FAO)</li> <li>● World Wildlife Fund (WWF)</li> <li>● US EPA's Toxics Release Inventory (TRI)</li> <li>● Risk-Screening Environmental Indicators (RSEI)</li> <li>● US Bureau of Labor Statistics (BLS)</li> <li>● International Labour Organization (ILO)</li> <li>● US Occupational Health &amp; Safety Administration (OSHA)</li> <li>● UK Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR)</li> <li>● International Chemical Secretariat (ChemSec) Substitute It Now (SIN) List</li> <li>● International Monetary Fund (IMF)</li> <li>● World Health Organization (WHO)</li> <li>● UN Principles for Responsible Investments (UN PRI)</li> <li>● World Resource Institute (WRI)</li> <li>● Consultative Group to Assist the Poor (CGAP)</li> <li>● US Census Bureau Current Population Survey Supplement</li> <li>● World Bank Governance Indicators (WGI)</li> <li>● Transparency International (TI)</li> <li>● World Bank (WB)</li> <li>● SNL Financial</li> <li>● Thomson Financial</li> </ul>
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	Refer to the <a href="#">MSCI ESG &amp; Climate Methodologies page</a> for further details on the data sources for the relevant ESG factors.
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><b>MSCI Business Involvement Screens</b></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 <a href="#">MSCI Business Involvement Methodology Overview</a> for further detail.</p>
c) Reference standards <i>Describe the international standards used in the benchmark methodology.</i>	<p><b>MSCI Business Involvement Screens</b></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>

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