

iBoxx MSCI ESG Liquid IG Ultrashort Indices Consultation on Eligibility Criteria

LONDON, OCTOBER 14, 2024: S&P Dow Jones Indices ("S&P DJI") is conducting a consultation with market participants on potential changes to the iBoxx MSCI ESG EUR Liquid Investment Grade Ultrashort, iBoxx MSCI ESG GBP Liquid Investment Grade Ultrashort, and iBoxx MSCI ESG USD Liquid Investment Grade Ultrashort indices.

BACKGROUND

The consultation is in response to the European Securities and Markets Authority ('ESMA') Guidelines on funds' names using ESG or sustainability-related terms. While these guidelines do not apply directly to S&P DJI, there is often a close correlation between an index name and a fund name for index-tracking investment funds. Under the regulatory guidance, restrictions will apply to investments made by a fund if specific terms are used in the fund's name. For additional information, please refer to the ESMA Guidelines on funds' names using ESG or sustainability-related terms [here](#).

Current Exclusions

Currently, the indices apply the following business involvement and climate change metrics screens:

MSCI ESG Business Involvement Screens: *Adult Entertainment, Alcohol, Civilian Firearms, Controversial Weapons, Gambling, Genetically Modified Organisms, Nuclear Power, Nuclear Weapons, Tobacco, Weapons.*

MSCI Climate Change Metrics: *Thermal Coal, Unconventional Oil & Gas, Fossil Fuel Reserves Ownership.*

PROPOSAL

S&P DJI proposes to incorporate the additional screens, excluding issuers that breach the thresholds in the table below.

Proposed Change	Methodology	
	Current	Proposed
MSCI Climate Change Metrics: Oil & Gas	--	All companies deriving 10% or more revenue from oil and gas-related activities, including distribution/ retail, equipment and services, extraction and production, petrochemicals, pipelines and transportation, and refining (not including biofuel production, sales and trading activities) are excluded.
MSCI Climate Change Metrics: Power Generation	--	All companies deriving 50% or more revenue from thermal coal-based power generation, liquid fuel-based power generation, and natural gas-based power generation are excluded.

IMPACTED INDICES

Index Name	ISIN (TRi)
iBoxx MSCI ESG EUR Liquid Investment Grade Ultrashort	GB00BKYPJT25
iBoxx MSCI ESG GBP Liquid Investment Grade Ultrashort	GB00BKYPJF88
iBoxx MSCI ESG USD Liquid Investment Grade Ultrashort	GB00BKYPKB14

IMPACT ANALYSIS

S&P DJI conducted an analysis to assess the impact of the proposed changes based on the June 30, 2024 rebalancing data with the following results:

iBoxx MSCI ESG EUR Liquid Investment Grade Ultrashort

Sector Breakdown	Current Index Weights	Number of Impacted Bonds	Index Weight Impact	Index Insertions (Count)	Index Insertions (Index Weight)
Core Financials	50.22%	0	0.00%	0	0.00%
Basic Materials	2.36%	1	0.22%	0	0.00%
Consumer Goods	11.80%	0	0.00%	0	0.00%
Consumer Services	4.95%	0	0.00%	0	0.00%
Energy	0.00%	0	0.00%	0	0.00%
Financial Services	3.67%	0	0.00%	0	0.00%
Health Care	3.69%	0	0.00%	0	0.00%
Industrials	9.86%	1	0.18%	0	0.00%
Real Estate	3.30%	0	0.00%	0	0.00%
Technology	2.70%	0	0.00%	0	0.00%
Telecommunications	3.47%	0	0.00%	0	0.00%
Utilities	3.98%	9	1.48%	0	0.00%
TOTAL	100.00%	11	1.89%	0	0.00%

iBoxx MSCI ESG GBP Liquid Investment Grade Ultrashort

Sector Breakdown	Current Index Weights	Number of Impacted Bonds	Index Weight Impact	Index Insertions (Count)	Index Insertions (Index Weight)
Collateralized & Sub-Sovereigns	81.06%	0	0.00%	3*	2.01%
ABS	0.00%	0	0.00%	0	0.00%
Basic Materials	0.37%	1	0.37%	0	0.00%
Consumer Goods	1.51%	0	0.00%	0	0.00%
Consumer Services	0.00%	0	0.00%	0	0.00%
Core Financials	10.35%	0	0.00%	0	0.00%
Energy	0.00%	0	0.00%	0	0.00%
Financial Services	0.00%	0	0.00%	0	0.00%
Guaranteed Financials	0.00%	0	0.00%	2*	1.46%
Health Care	0.95%	0	0.00%	0	0.00%
Housing Associations	0.00%	0	0.00%	0	0.00%
Industrials	2.20%	0	0.00%	0	0.00%
MBS	0.00%	0	0.00%	0	0.00%
Non-Financials	0.00%	0	0.00%	0	0.00%
Real Estate	1.56%	0	0.00%	0	0.00%
Technology	0.00%	0	0.00%	0	0.00%
Telecommunications	0.00%	0	0.00%	0	0.00%
Utilities	2.02%	1	0.43%	0	0.00%
Whole Business Securitized	0.00%	0	0.00%	0	0.00%

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Sector Breakdown	Current Index Weights	Number of Impacted Bonds	Index Weight Impact	Index Insertions (Count)	Index Insertions (Index Weight)
TOTAL	100.00%	2	0.80%	5	3.46%

* The insertions are due to the Minimum Issuer Exclusion Rule. Please refer to the Index Methodology Guide for more details [here](#).

iBoxx MSCI ESG USD Liquid Investment Grade Ultrashort

Sector Breakdown	Current Index Weights	Number of Impacted Bonds	Index Weight Impact	Index Insertions (Count)	Index Insertions (Index Weight)
Core Financials	42.59%	0	0.00%	0	0.00%
Basic Materials	0.48%	0	0.00%	0	0.00%
Consumer Goods	11.34%	0	0.00%	0	0.00%
Consumer Services	6.05%	1	0.27%	0	0.00%
Energy	2.75%	18	2.75%	0	0.00%
Financial Services	7.07%	0	0.00%	0	0.00%
Health Care	10.01%	0	0.00%	0	0.00%
Industrials	6.93%	11	1.41%	0	0.00%
Real Estate	2.34%	0	0.00%	0	0.00%
Technology	8.18%	0	0.00%	0	0.00%
Telecommunications	1.29%	0	0.00%	0	0.00%
Utilities	0.95%	5	0.53%	0	0.00%
TOTAL	100.00%	35	4.96%	0	0.00%

Additional data and analysis may be made available in the Client Resource Center www.spglobal.com/spdji/en/client-services/, which may be updated from time to time throughout the consultation without notice. Additional data and analysis may also be made available upon request.

IMPLEMENTATION TIMING

S&P DJI is proposing to implement the previously described methodology changes, if adopted, in conjunction with the March 2025 month-end rebalancing, which takes effect prior to the market open on **April 1, 2025**. If adopted, the changes will first be visible to clients in preliminary membership files beginning on **March 10, 2025**.

QUESTIONS

Please answer the following questions and provide S&P DJI with the reasoning behind your answers:

1. Do you agree with the proposal to incorporate the Oil & Gas climate change metric screen to the above mentioned indices?
2. Do you agree with the proposal to incorporate the Power Generation climate change metric screen to the above mentioned indices?
3. Should the proposed methodology changes be adopted, do you agree with the proposed implementation date?
4. Do you have any other comments or feedback regarding the proposed changes outlined above?

Participation in this consultation is important as S&P DJI gathers information from various market participants to properly evaluate the market participants' views and preferences. Please respond to this

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survey by **Thursday, October 31, 2024**, as S&P DJI does not accept responses post the survey closure date. Prior to the Index Committee's final review, S&P DJI may request clarifications from respondents as part of that review.

To participate in this consultation, please visit the online survey available [here](#).

Please be advised that S&P DJI reviews and considers all feedback before a final decision is made. However, S&P DJI makes no guarantees and is under no obligation to comply with any of the responses. The survey may result in no changes or outcome of any kind. If S&P DJI decides to change the index methodology, the change(s) will be announced to clients and posted on the S&P DJI website with prior notice ahead of the effective date.

Thank you for taking the time to complete this survey.

ABOUT S&P DOW JONES INDICES

S&P Dow Jones Indices is the largest global resource for essential index-based concepts, data and research, and home to iconic financial market indicators, such as the S&P 500® and the Dow Jones Industrial Average®. More assets are invested in products based on our indices than products based on indices from any other provider in the world. Since Charles Dow invented the first index in 1884, S&P DJI has been innovating and developing indices across the spectrum of asset classes helping to define the way investors measure and trade the markets.

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