

**iTraxx MSCI ESG Screened
Europe Index Rules
*September 2023***

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Disclaimer

1) Indices Overview

1.1) Administrator

Markit Indices GmbH is the administrator of the iTraxx MSCI ESG Screened Europe Index. The composition of the index is determined by the Administrator in accordance with the rules and methodologies set forth in this document (the “Rules”).

The Administrator has sole responsibility to interpret the Rules.

The Administrator shall make determinations and perform all actions regarding the indices pursuant to the Rules except as follows:

Upon the occurrence of an event that the Administrator determines materially impacts the integrity of one or more types of iTraxx MSCI ESG Screened Europe Index-related transactions, including but not limited to trading interruptions; market instability; and/or force majeure events, the Administrator, acting in a commercially reasonable manner, may at its sole discretion determine that it is appropriate to depart from the methodologies, timelines and/or procedures set forth in the Rules in order to obtain a result that preserves the economic intent of the iTraxx MSCI ESG Screened Europe Index. Where the best course of action is not clear IHS Markit will consult the Index Advisory Committee for guidance prior to making any such determination. The determined course of action will be documented, communicated to all stakeholders and published on the IHS Markit website www.ihsmarkit.com under the *iTraxx News* page.

In the event that any critical input required in the construction of a new series of the index is not available, IHS Markit will confer with the Index Advisory Committee and publish the outcome of any material change as well as any decisions taken at IHS Markit’s discretion that have led to a methodology change.

1.2) Roll Dates

iTraxx MSCI ESG Screened Europe Index will begin on September 20 and March 20 (or the Business Day immediately thereafter in the event that either such date is not a Business Day) of each calendar year (each such date, a “Roll Date”).

All references to “Business Days” in this document mean days on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in London, England. All times referred to in this document refer to local time in London, England.

1.3) Rule Revision

The rules for the index are reviewed semi-annually prior to the index roll. Decisions made following an index rule review will be communicated to stakeholders via e-mail and published on the IHS Markit website. The publication will contain an overview and timelines for implementation of such rules changes.

1.4) Maturity

For iTraxx MSCI ESG Screened Europe Index:

- Each Index that has a Roll Date of September 20 shall be issued with the maturity date of December 20 occurring 5 and a quarter years following the Roll Date.
- Each Index that has a Roll Date of March 20 shall be issued with the maturity date of June 20 occurring 5 and a quarter years following the Roll Date

1.5) Weighting

Each entity in iTraxx MSCI ESG Screened Europe Index will have equal or approximately equal weightings. The weighting of each entity will be equal to (i) one divided by (ii) the number of entities in such index, expressed as a percentage with three decimal places (e.g., 3.226%). In the case where rounding is necessary to express the weightings in this manner, the entities shall be arranged in alphabetical order, with the weightings of the entities at the top of the list being rounded up to the nearest one-thousandth of a percent and the weightings of the entities at the bottom of the list being rounded down to the nearest one-thousandth of a percent until the weightings of all entities have been rounded and the aggregate of the weightings equals exactly 100%.

1.6) MSCI ESG Research

A combination of the following datasets from MSCI ESG Research are used to determine the composition of the iTraxx MSCI ESG Screened Europe Index. The MSCI ESG Research data as of the last Business Day of the month prior to the month in which Roll Date occurs will be used.

- MSCI ESG Business Involvement Screening Research
- MSCI ESG Climate Change Metrics
- MSCI ESG Controversies
- MSCI ESG Ratings

2) iTraxx MSCI ESG Screened Europe Index

Prior to the Roll Date the Administrator will create the new series of the iTraxx MSCI ESG Screened Europe Index by applying the iTraxx MSCI ESG Screened Europe Index General Criteria as set forth below.

2.1) ESG Screening

The below screening criteria is used to determine ESG Screened Entities. For an entity to be an ESG Screened Entity, it must pass *all* three screens as described below.

Value-based Screen

The Value-based Screen is based on breaches of specific revenue thresholds due to involvement in the following activities:

Adult Entertainment	Controversial Weapons	Genetic Engineering	Tobacco
Alcohol	Conventional Weapons	Nuclear Power	Thermal Coal
Civilian Firearms	Gambling	Nuclear Weapons	Unconventional Oil and Gas

An entity fails the Value-based Screen if it satisfies any of the below criteria:

- *Adult Entertainment*
 - > derives 5% or more revenue from production of Adult Entertainment material, or;
 - > derives 15% or more revenue from Adult Entertainment material.
- *Alcohol*

- > derives 5% or more revenue from production of Alcohol-related products, or; > derives 15% or more revenue from Alcohol-related products.
- *Civilian Firearms*
 - > involved in production of civilian firearms, or;
 - > derives 5% or more revenue from civilian firearms.
- *Controversial Weapons*
 - > involved with production/ownership of chemical or biological weapons or related components, depleted uranium weapons, blinding lasers, non-detectable weapons, incendiary weapons, or; > has industry tie to manufacturing of landmines, except those for safety purposes, or; > has industry tie to cluster bombs.
- *Conventional Weapons*
 - > derives 5% or more revenue from production of Conventional Weapons, or;
 - > derives 15% or more revenue from weapons systems, components, and support systems and services.
- *Gambling*
 - > derives 5% or more revenue from ownership or operation of Gambling-related activities, or;
 - > derives 15% or more revenue from Gambling-related activities
- *Genetic Engineering*
 - > derives 5% or more revenue from activities like genetically modifying plants, such as seeds and crops, and other organisms intended for agricultural use or human consumption.
- *Nuclear Power*
 - > generates 5% or more of its total electricity from nuclear power, or; > has 5% or more of installed capacity attributed to nuclear sources, or; > derives 15% or more revenue from Nuclear Power-related activities.
- *Nuclear Weapons*
 - > manufactures nuclear warheads and/or whole nuclear missiles, or;
 - > manufactures components for nuclear-exclusive delivery platforms, or;
 - > provides auxiliary services related to nuclear weapons, or;
 - > manufactures components that were developed or are significantly modified for exclusive use in nuclear weapons, or;
 - > manufactures components that were not developed or not significantly modified for exclusive use in nuclear weapons but can be used in nuclear weapons, or;
 - > manufactures or assembles delivery platforms that were developed or significantly modified for the exclusive delivery of nuclear weapons, or;
 - > manufactures or assembles delivery platforms that were not developed or not significantly for the exclusive delivery of nuclear weapons but have the capability to delivery nuclear weapons.
- *Tobacco*
 - > involved in production of Tobacco products, or;
 - > derives 5% or more revenue from Tobacco products.
- *Thermal Coal*
 - > derives 30% or more revenue from mining and sale of Thermal Coal, or;
 - > derives 30% or more revenue from Thermal Coal-based power generation.
- *Unconventional Oil and Gas*
 - > derives combined revenues of 5% or more from:
 - unconventional oil and gas extraction such as revenues from oil sands, oil shale (kerogen-rich deposits), shale gas, shale oil, coal seam gas, and coal bed methane, or;
 - arctic oil and arctic gas production.

Rating-based Screen

An entity fails the Rating-based Screen if it has an MSCI ESG Rating of BBB or below.

Controversy-based Screen

An entity fails the Controversy-based Screen if it has an MSCI Controversy Score equal to 0.

2.2) General Criteria

To be eligible for inclusion in the iTraxx MSCI ESG Screened Europe Index, an entity must satisfy the following criteria (the “iTraxx MSCI ESG Screened Europe Index General Criteria”):

- The entity must be a constituent of the forthcoming iTraxx Europe Index series. The iTraxx Europe Index is composed of one hundred twenty five (125) liquid European entities with investment grade credit ratings that trade in the CDS market. For specific details regarding the construction of the iTraxx Europe index, please refer to *iTraxx Europe Index Rules*.
- The entity must be an ESG Screened Entity as described above.

2.3) Creation of the New Index Series

Prior to the Publication Date (as set forth below) for a new series of the iTraxx MSCI ESG Screened Europe Index, the Administrator will create the new iTraxx MSCI ESG Screened Europe Index by applying the General Criteria as stated above to create the New iTraxx MSCI ESG Screened Europe Index. The Reference Obligations for the iTraxx MSCI ESG Screened Europe Index will be the same as those of the corresponding Reference Entities in the forthcoming iTraxx Europe index.

2.4) Publication of Provisional List

The list of entities resulting after the steps above (the “Provisional iTraxx MSCI ESG Screened Europe Index”) will be published on IHS Markit’s public website for comment no later than seven (7) Business Days prior to the Roll Date. The Administrator will review comments received and determine whether amendments are necessary. The Administrator welcomes public comment but is not required to follow or otherwise address any comment received. The Administrator will publish the expected name changes (if any) on its public website as it determines such changes may be required. The comment period will end four (4) Business Days prior to the Roll Date. The draft and final annex for the iTraxx MSCI ESG Screened Europe Index will be published as set forth in the ‘Publication of Annex’ section below.

3) New iTraxx MSCI ESG Screened Europe Index Series

3.1) Final Review of Constituent List

If on any day prior to the date of the publication of a final index annex, the Administrator determines that any entity that is intended to be included in the relevant index fails any of the iTraxx MSCI ESG Screened Europe Index General Criteria, then such entity shall be excluded from the iTraxx MSCI ESG Screened Europe Index, as applicable.

Where a determination with regard to constituent selection is made by the Administrator which involves discretion and/or expert judgement, IHS Markit will consult the Index Advisory Committee for guidance. Such determinations will be documented, communicated to stakeholders via e-mail and published on the IHS Markit website www.ihsmarkit.com under the iTraxx News page. Where similar determinations are made, precedents set by previous decisions will be considered across all ESG Screened CDS indices.

In the unlikely instance an inaccuracy is not caught and resolved prior to the publication of the final list, or if input data used in the constituent selection process is revised retrospectively, IHS Markit will review the impact on the affected indices. In order to determine whether to restate the final list or any index parameters, IHS Markit will consult with the Index Advisory Committee to determine the impact of such action.

If it is decided to update the Final List or any related parameters, the reason for such revision together with revised material will be published. In addition, IHS Markit will compile an incident report to summarize the incident, the root cause, and set forth remedial actions to avoid such an error in the future, where such remedial actions are applicable.

3.2) Publication of Annex

No later than three (3) Business Days prior to the Roll Date of iTraxx MSCI ESG Screened Europe Index, the Administrator will publish a draft of the annex for such iTraxx MSCI ESG Screened Europe Index along with the weighting and final Reference Obligations for each entity. The final annex for the iTraxx MSCI ESG Screened Europe Index will be published after 5:00 p.m. on the Business Day immediately preceding the Roll Date of the Indices.

3.3) Coupon & Recovery Rates

Fixed rates and recovery rates will be determined by the Administrator in its sole discretion based on industry rates and updated from time to time.

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Formal complaints

Formal complaints can be sent electronically to our dedicated email address spdji_compliance@spglobal.com.

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