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MSCI EUR IG Aggregate Select Tilt Index Methodology



Contents

1	Introduction	3
2	Index Construction Methodology	4
2.1	General guidelines for constructing the underlying universe	4
2.2	Determination of Combined ESG Tilt Score	5
2.3	Weighting Scheme	7
2.4	Treatment of Unrated Issuers	7
3	Index Rebalancing & Maintenance	8
3.1	Monthly Index Reviews.....	8
4	MSCI ESG Research	9
4.1	MSCI ESG Ratings.....	9
	Appendix I: Methodology Set	10
	Appendix II: Changes to the Document	11

1 Introduction

The MSCI EUR IG Aggregate Select Tilt Index (the 'Index') aims to represent the performance of an investment strategy that, by re-weighting market value weights based upon the ESG metrics of the issuers, seeks to increase exposure to issuers with better ESG rating and a positive ESG trend score.¹

The underlying eligible universe is composed of fixed coupon, Euro denominated investment grade rated bonds from sovereign, sub-sovereign, supranational, government agency and corporate issuers in the global fixed income markets.

¹ The Index is governed by a set of methodology and policy documents ("Methodology Set"), including the present index methodology document. The Methodology Set for the Index can be accessed from MSCI's webpage <https://www.msci.com/index-methodology> in the section 'Search Methodology by Index Name or Index Code'. The Methodology Set includes a document 'ESG Factors in Methodology' that contains the list of environmental, social, and governance factors considered, and how they are applied in the methodology (e.g., selection, weighting or exclusion).

2 Index Construction Methodology

2.1 General guidelines for constructing the underlying universe

Issuer Type: The Index includes EUR denominated bonds issued by the following issuers –

- Sovereigns
- Sub-Sovereigns
- Supranationals
- Government Agencies
- Corporates

Security Type: In general, the eligible bond universe includes all bullet, callable, and puttable fixed rate coupon bonds. Issues with tax-advantages, index-linked and perpetual bonds are excluded. Capital securities, such as preferred stock, are not eligible to be part of the Index. The table below summarizes the eligible and ineligible security types.

Eligible Security Types	Ineligible Security Types
Senior and Subordinated Issues	Floating Rate Coupon Bonds
Puttable and Callable Bonds	Inflation Protected Bonds
Bullet Bonds	Perpetual Bonds
Bonds with Step-up / Step-down Coupons	Bonds with sinking fund provision
RegS Bonds	144A bonds
Fixed to Floating Rate Bonds are eligible for inclusion during their fixed rate term only. They are excluded 1 year prior to the conversion date as measured from the effective date of index rebalancing (Rebalancing Date)	Private Placements
	Dual Currency Bonds
	Strips (IO/PO)
	PIKs and Hybrids ²
	Covered Bonds

Credit Rating: Bonds must be rated by either by S&P or Moody's to be eligible for the Index. For bonds that are rated by both S&P and Moody's, the lower rating will be used to determine the Index inclusion criteria. The Index only considers investment grade (IG) bonds as eligible for inclusion.

² Equity linked hybrid bonds are ineligible (e.g. - convertible bonds, warrants, preferred shares etc.)

Maturity: Each Index constituent must have a maturity greater than or equal to 1 year as measured from the Rebalancing Date (defined below). New additions to the Index must have a maturity greater than or equal to 1 ½ years as measured from the Rebalancing Date.

Pricing: Daily bond valuation utilizes bid prices from vendors. Securities not priced by the designated pricing source are not eligible for inclusion in the Index.

Settlement: MSCI applies standard same-day (T+0) index settlement convention, unless otherwise specified.

Size: At rebalancing, eligible index constituents must have a notional amount outstanding greater than or equal to the thresholds tabulated below.

Index	Security Size Threshold
EUR	EUR 300 million

2.2 Determination of Combined ESG Tilt Score

The Index uses issuer ratings and research provided by MSCI ESG Research³ to determine eligibility for Index inclusion. Each issuer in the Eligible Universe is assigned a combined ESG score, which is calculated considering its MSCI ESG Rating and its MSCI ESG Rating Trend.

ESG Rating Score

Using the MSCI ESG Rating, issuers in the Eligible Universe are assigned an ESG Rating score as illustrated in the table below:

ESR Rating	ESG Rating Score
AAA	1.50
AA	1.50
A	1.50
BBB	1.00
BB	0.80

³ See section 4 for further information regarding ESG and climate data used in the Indexes that MSCI Limited sources from MSCI ESG Research LLC, a separate subsidiary of MSCI Inc. MSCI ESG Research is solely responsible for the creation, determination and management of such data. MSCI Limited is the benchmark administrator for the MSCI indexes.

ESR Rating	ESG Rating Score
B	0.67
CCC	0.50
NR ⁴	0.75

ESG Rating Trend Score

MSCI ESG Rating Trend shows the ESG rating change from prior to current: it is expressed as the number of levels between the current rating and the previous rating. The rating trend is positive for a ratings upgrade (for example, the issuer's ESG rating changed from BBB to AAA), negative for ratings downgrade (for example issuer's ESG rating changed from AA to A) and neutral for no change in the rating.

An 'ESG Rating Trend Score' is assigned to each issuer based on its ESG Rating Trend as per the following table –

ESG Rating Trend*	ESG Rating Trend Score
Positive	2.0
Neutral	1.0
Negative	0.75

* ESG Rating Trend

- Positive – Issuer's latest ESG Rating has increased by at least one level compared to previous assessment.
- Neutral – Issuer's latest ESG Rating has stayed the same as its ESG Rating from previous assessment or MSCI ESG Research has initiated coverage on the issuer for the first time.
- Negative – Issuer's latest ESG Rating has decreased by at least one level compared to its previous assessment.

Combined ESG Tilt Score

The Combined ESG Tilt Score is calculated for each issuer as follows:

$$\text{Combined Custom ESG Tilt Score} = \text{ESG Rating Score} * \text{ESG Rating Trend Score}$$

⁴ All issuers which are not rated (NR) by MSCI ESG Research remain eligible for Index inclusion and are assigned an ESG Rating Score of 0.75.

2.3 Weighting Scheme

At each rebalancing, all the securities from the Eligible Universe are weighted by the product of their market value weight in the underlying Eligible Universe and the Combined ESG Tilt Score.

$$\text{Security Weight} = \text{Combined Custom ESG Tilt Score} * \text{Market Value Weight in the underlying Eligible Universe}$$

The above weights are then re-normalized to 100%.

2.4 Treatment of Unrated Issuers

Issuers not assessed by MSCI ESG Research for ESG Rating remain eligible for index inclusion and are assigned an ESG Rating Score of 0.75

3 Index Rebalancing & Maintenance

3.1 Monthly Index Reviews

- The composition of the Indexes is reviewed monthly, with an effective rebalancing impact on the first business day of the month (Rebalancing Date). For clarification, bonds are added to the Index at the closing of the last business day of every month, however, the return impact is on the first business day of the month.
- In general, change in the Index composition is based on latest⁵ data available (including MSCI ESG & Climate data) three days prior to the Rebalancing Date, which is defined as the Cut-Off Date. Any inclusion or exclusion criteria satisfied for a given security in the universe, after the Cut-Off Date (T-3), will generally become effective at the following monthly rebalancing; should conditions remain unchanged. In exceptional cases, for instance, cases of input data correction, MSCI can reduce the Cut-Off Date for Index rebalancing from T-3 to T-2, T-1 or T. In such instances, MSCI will notify Index clients of such changes via announcement.
- MSCI will disclose proforma Index rebalancing results starting the second business day of each month. MSCI will freeze the pro forma Index rebalancing results as of the Cut-Off Date.
- Bonds are added to or deleted from the Index only on monthly rebalancing dates. For the existing Index components any changes to Index eligibility will only be reflected in the next monthly rebalancing.
- Any inclusion or exclusion criteria satisfied for a given security in the universe, after the Cutoff Date, will generally become effective at the following monthly rebalancing; should conditions remain unchanged.
- Any cash that accrues within the index each month is re-invested on a pro-rata basis across the index constituents on the effective date of rebalancing. In essence, cash in the Index is swept out on rebalancing and the opening Index portfolio on the Rebalancing Date starts with zero accrued cash balance.
- Specific variants of total return calculation of the Index on the Rebalancing Date may be adjusted for transaction costs as securities are added to the Index at the offer price.

For further information on index total return calculation please refer to the MSCI Fixed Income Index Calculation Methodology⁶. For the holiday calendar used in the index, please refer to the MSCI

⁵ ESG and Climate data will utilize the most recent, quality-assured information available. For index rebalancing, the latest data that has successfully undergone quality assurance checks will be employed. In cases where recent data changes are still undergoing verification, only data that has passed the quality assurance process will be considered.

⁶ Please refer to MSCI Fixed Income Index calculation methodology for further details on calculation of market value. Available at <https://www.msci.com/index-methodology>

4 MSCI ESG Research

The Indexes are products of MSCI Inc. that utilize information such as company ratings and research produced and provided by MSCI ESG Research LLC (MSCI ESG Research), a subsidiary of MSCI Inc. In particular, the Indexes use the following MSCI ESG Research products: MSCI ESG Ratings. MSCI Indexes are administered by MSCI Limited and MSCI Deutschland GmbH.

4.1 MSCI ESG Ratings

MSCI ESG Ratings aim to measure entities' management of environmental, social and governance risks and opportunities. MSCI ESG Ratings are based on a seven-point scale from 'AAA' to 'CCC', indicating how an entity manages relevant key issues relative to industry peers.

The MSCI ESG Ratings methodology can be found at: <https://www.msci.com/legal/disclosures/esg-disclosures>.

Appendix I: Methodology Set

The Indexes are governed by a set of methodology and policy documents ("Methodology Set"), including the present index methodology document as mentioned below:

- Description of methodology set –
<https://www.msci.com/index/methodology/latest/FIInfo>
- MSCI Fixed Income Data Methodology –
<https://www.msci.com/index/methodology/latest/FIDATA>
- MSCI Fixed Income Calculation Methodology –
<https://www.msci.com/index/methodology/latest/FIINDEXCALC>
- MSCI Fixed Income Glossary of Terms –
<https://www.msci.com/index/methodology/latest/FIGLOSS>
- MSCI Fixed Income Index Policies –
<https://www.msci.com/index/methodology/latest/FIINDEXPOLICY>
- MSCI Corporate Bond Indexes Methodology–
<https://www.msci.com/index/methodology/latest/FIIGCORP>
- ESG Factors in Methodology*

The Methodology Set for the Indexes can also be accessed from MSCI's webpage <https://www.msci.com/index-methodology> in the section 'Search Methodology by Index Name or Index Code'.

*'ESG Factors in Methodology' contains the list of environmental, social, and governance factors considered, and how they are applied in the methodology (e.g., selection, weighting or exclusion). It can be accessed in the Methodology Set as described above

Appendix II: Changes to the Document

The following sections have been modified as of July 2025:

- The Index Name was updated, effective July 2025; MSCI EUR IG Aggregate ESG Tilt Select Indexes Methodology has been renamed MSCI EUR IG Aggregate Select Tilt Index Methodology
- Added Section 2.4 to clarify treatment of companies with ratings and research not available from MSCI ESG Research
- Updated links for ESG Data Disclosures in Section 4
- Added Appendix I to clarify the Methodology Set of the Index
- Updated the branding template.

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AMERICA

United States	+ 1 888 588 4567 *
Canada	+ 1 416 687 6270
Brazil	+ 55 11 4040 7830
Mexico	+ 52 81 1253 4020

EUROPE, MIDDLE EAST & AFRICA

South Africa	+ 27 21 673 0103
Germany	+ 49 69 133 859 00
Switzerland	+ 41 22 817 9777
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EUROPE, MIDDLE EAST & AFRICA

China	+ 86 21 61326611
Hong Kong	+ 852 2844 9333
India	+ 91 22 6784 9160
Malaysia	1800818185 *
South Korea	+ 82 70 4769 4231
Singapore	+ 65 67011177
Australia	+ 612 9033 9333
Taiwan	008 0112 7513 *
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Japan	+ 81 3 4579 0333

* toll-free

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