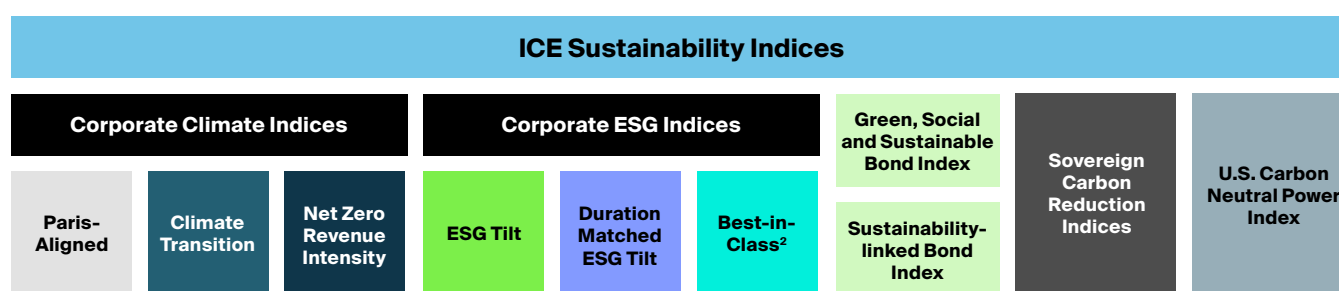


# Sustainability Indices

Creating sustainable benchmark solutions

ICE Data Indices has a range of solutions available for fixed income sustainable benchmarks that account for Environmental, Social and Governance (ESG) factors in addition to other criteria. Our Sustainability Indices<sup>1</sup>, which include corporate climate and ESG indices, green, social and sustainable bond indices, and sovereign carbon reduction indices, combine our fixed income capabilities with popular ESG strategy overlays.



## Corporate Climate Indices

In response to the UN's Intergovernmental Panel on Climate Change (IPCC), which determined that limiting global warming to 1.5°-2.0° Celsius is the best chance to avoid the worst consequences of climate change, the European Union (EU) and United Kingdom (UK) agreed to work towards achieving net zero carbon emissions by the year 2050. To achieve that goal, the Paris Agreement was signed by the EU and 192 countries.

The Climate Index series ("Climate Indices") is a range of fixed income indices that incorporate ESG screening criteria along with a carbon reduction methodology to support the transition to net zero carbon emissions by 2050. The series includes indices that are subject to the requirements for labeling as Paris-Aligned Benchmarks and Climate Transition Benchmarks, under EU and UK Benchmarks Regulation (BMR).

The Climate Indices start with an existing ICE Corporate bond index (the "Parent Index"). For each Parent Index, there are six climate variants designed to track different combinations of screening and carbon reduction approaches. All six of the index variants have certain common key elements but specific targets and/or exclusionary filters differ from one to the next.

- **Paris-Aligned Indices:** Indices are subject to the requirements for labeling as Paris-Aligned Benchmarks under EU and UK BMR. Indices are available that measure carbon reduction in terms of absolute carbon emissions or in terms of EVIC-based carbon intensity. The indices exclude companies with fossil fuel exposure and require at least a 50% carbon reduction compared to the Parent Index.
- **Climate Transition Indices:** The Indices are subject to the requirements for labeling as Climate Transition Benchmarks, under EU and UK BMR. Indices are available that measure carbon reduction in terms of absolute carbon emissions or in terms of EVIC-based carbon intensity. The Indices require at least a 30% carbon reduction compared to the Parent Index.
- **Net Zero Revenue Intensity Indices:** The Indices use an alternate measure of carbon intensity that divides a company's absolute emissions by its revenues. Indices are available that either include or exclude companies with fossil fuel exposure.

<sup>1</sup> ICE Data Indices in providing these Sustainability Indices is not intending to interpret or give guidelines on the EU Taxonomy disclosures nor the EU criteria for environmentally sustainable investments. Please refer to the methodology for each of the ICE Sustainability Indices for additional information: ESG indices, Green Bond indices and Carbon Reduction indices.

<sup>2</sup> "Best-in-Class" is industry terminology referring to an approach used to identify companies with strong ESG ratings within their respective sectors

## Corporate ESG Indices

Corporate ESG Indices can be used to filter out securities of companies with certain business involvement and tilt toward those companies with more attractive ESG risk scores. In addition to the data typically used when compiling bond indices (e.g. reference data, evaluations, credit ratings, etc.), Corporate ESG Indices also incorporate Sustainalytics ESG Ratings. History is available from 2016, providing insight into one of the most volatile periods of corporate bond indices.

### Corporate ESG Indices may employ any of the following methodologies:

- **ESG tilt:** Filter out companies with significant involvement in controversial weapons and tilt the weights of remaining constituents towards those with more attractive ESG risk scores.
- **Duration matched ESG tilt:** The same as the ESG tilt method but with additional weighting adjustments to match the Parent Index interest rate exposure across rating and sector segments as closely as practicable.
- **ESG best-in-class:** Filter out companies with significant involvement in controversial weapons and/or less attractive ESG risk scores. The weights of remaining constituents are then adjusted to closely match allocations to rating and sector segments of the Parent Index.

The Corporate ESG Index methodologies have been applied to a number of our flagship indices, including the ICE BofA U.S. and Euro Investment Grade and High Yield Indices.

---

## ICE Green, Social and Sustainable Index

With history going back to 2018, the ICE Green, Social and Sustainable Index tracks securities issued for green, social or sustainable purposes. Qualifying bonds must have a clearly designated use of proceeds that is outlined in the ICMA Green Bond Principals, ICMA Social Bond Principles or the ICMA Sustainability Bond Principles. Green, social and sustainable use of proceeds are segmented into individual indices.

## ICE Sustainability-Linked Bond Index

The ICE Sustainability-Linked Bond Index tracks the performance of securities issued for qualified sustainability-linked purposes. Qualifying bonds have coupons or a redemption price tied to specific goals contributing to sustainability (from an environmental and/or social and/or governance perspective) as outlined by the ICMA Sustainability-Linked Bond Guidelines.

## Sovereign Carbon Reduction Indices

Sovereign Carbon Reduction Indices tilt the weights of constituent countries to lower the weighted average carbon footprint of the overall index while helping to minimize tracking error versus the starting capitalization-weighted Parent Index. The information used to compile the Sovereign Carbon Reduction Indices is based, in part, on CO2 per capita data published in the Emissions Database for Global Atmospheric Research (EDGAR) Carbon Data Report. The methodology for the Sovereign Carbon Reduction Indices has been applied to a number of our most popular Global, Euro and Emerging Markets Government Indices.

## U.S. Carbon Neutral Power Index

The ICE U.S. Carbon Neutral Power Index provides a broadly representative performance benchmark for the U.S. electricity market on a carbon neutral basis, reflecting a backdrop where renewables will comprise a larger portion of the power generation fuel mix. For market participants, the index offers the ability to track a core commodity on a sustainable basis and the potential for unique investment diversification. For example, over its nine-year back test, the ICE U.S. Carbon Neutral Power Index has very low performance correlation to not only U.S. equity and fixed income indices but also to broad commodities and sector indices.

## About ICE Data Indices

ICE Data Indices (IDI) is a leading index provider, calculating over 6,000 standard and custom indices spanning the global fixed income, equity, commodity and currency markets. IDI combines ICE Data Services' leading reference data, evaluated pricing and analytics, along with its own established track record in index provisioning spanning 50 years, to deliver unique index solutions as an Index Administrator and as a provider of calculation services for certain third-party indices and intraday estimates of an exchange traded fund's net asset value per share.

### Limitations and notices:

This document is not to be published, reproduced, copied, disclosed or used without the express written consent of ICE Data Indices, LLC. This document is provided for informational purposes only. The information contained herein is subject to change without notice and does not constitute any form of warranty, representation, or undertaking. Nothing herein should in any way be deemed to alter the legal rights and obligations contained in agreements between Intercontinental Exchange, Inc., ICE Data Indices, LLC and/or any of their affiliates and their respective clients relating to any of the products or services described herein. Nothing herein is intended to constitute legal, tax, accounting, investment or other professional advice. Clients should consult with an attorney, tax, or accounting professional regarding any specific legal, tax or accounting situation. The content in this document is provided on an "AS IS" basis. Intercontinental Exchange, Inc. and its affiliates, including ICE Data Indices, LLC, make no warranties whatsoever, either express or implied, as to merchantability, fitness for a particular purpose, or any other matter. Without limiting the foregoing, Intercontinental Exchange, Inc. and its affiliates, including ICE Data Indices, LLC or any of its affiliates make no representation or warranty that any data or information (including but not limited to evaluated pricing) supplied to or by it are complete or free from errors, omissions, or defects. In no event shall Intercontinental Exchange, Inc., ICE Data Indices, LLC and/or any of their affiliates be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of the content in this document even if advised of the possibility of such damages. Fixed income evaluations, continuous evaluated pricing, end-of-day evaluations, evaluated curves, model-based curves, and Fair Value Information Services related to securities are provided in the US through ICE Data Pricing & Reference Data, LLC and internationally through ICE Data Services entities in Europe and Asia Pacific. ICE Data Services refers to a group of products and services offered by certain Intercontinental Exchange, Inc. (NYSE:ICE) companies and is the marketing name used for ICE Data Services, Inc. and its subsidiaries globally, including ICE Data Pricing & Reference Data, LLC, ICE Data Services Europe Limited and ICE Data Services Australia Pty Ltd. ICE Data Services is also the marketing name used for ICE Data Indices, LLC and ICE Data Derivatives Inc. and its subsidiaries globally and certain other data products and services offered by other affiliates of Intercontinental Exchange, Inc. (NYSE:ICE). Trademarks of Intercontinental Exchange, Inc. and/or its affiliates include: Intercontinental Exchange, ICE, ICE block design, NYSE, ICE Data Services, New York Stock Exchange, Intellidex, and StrataQuant. Information regarding additional trademarks and intellectual property rights of Intercontinental Exchange, Inc. and/or its affiliates is located at [ice.com/terms-of-use](https://ice.com/terms-of-use). BofA® is a registered trademark of Bank of America Corporation licensed by Bank of America Corporation and its affiliates ("BofA"), and may not be used without BofA's prior written approval. Other products, services, or company names mentioned herein are the property of, and may be the service mark or trademark of, their respective owners.

Historical returns and weights before the launch date of an Index are based upon back tested data. For the period prior to the launch date of an Index, simulated performance data has been provided as an illustration of how the Index would have performed during the relevant period had the Index been calculated by ICE Data Indices, LLC using the current Index methodology. Such simulated performance data has inherent limitations, as the simulated data is produced by the retroactive application of the methodology. Simulated performance data is based on criteria applied retroactively with the benefit of hindsight and knowledge of factors that may have positively affected its performance and may reflect a bias toward strategies that have performed well in the past.