

# **Bloomberg DM ex NZ ESG Screened Index Methodology**

February 2024

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## Introduction

The Bloomberg Developed Markets (DM) ex New Zealand ESG Screened Index is designed to capture the performance of the large- and mid-cap companies in the developed markets excluding New Zealand. In addition, constituents are excluded based on activity-based ESG factors and ESG risk scores available from Sustainalytics.

## Section 1: Overview

Name	Bloomberg DM ex New Zealand ESG Screened Index
Base date	2015-03-30
Inception Date	2023-01-31
Reconstitution	Quarterly
Share Rebalance	Quarterly
Publication	Weekdays
Currency	USD
Tickers	NZD Unhedged Price Return: DMXNZSP NZD Unhedged Total Return: DMXNZST NZD Unhedged Net Return: DMXNZSN NZD Hedged Price Return: DMXNZSPH NZD Hedged Total Return: DMXNZSTH NZD Hedged Net Return: DMXNZSNH

## Section 2: Index Eligibility Process

### Universe

To be selected for the Bloomberg DM ex New Zealand ESG Screened Index, a company must be part of the Eligible Equity Universe defined in the Bloomberg Global Equity Index methodology. Please refer to the Bloomberg Global Equity Index methodology through the link below for additional details.

[Bloomberg Global Equity Indices Methodology](#)

### Market Eligibility

A security must be classified as Developed Market for Market Classification defined in the Bloomberg Global Equity Index methodology. A security classified as New Zealand for its Market Classification will be excluded.

### Size Eligibility

A security must belong to Large- or Mid- Size Segment defined in the Bloomberg Global Equity Index methodology.

### ESG Eligibility

Securities are screened for any involvement in controversial SRI activities and ESG Risk Score using data sourced from Sustainalytics. A summary of the exclusion categories is provided in the table below. A full description of the categories and their respective thresholds used for exclusion can be found in Appendix IV of this document.

A security/issuer will be eligible for inclusion into the index where it is included in the Sustainalytics research coverage for at least one of the ESG factors considered in this methodology. The security/issuer will otherwise be deemed ineligible for inclusion.

Category	Subcategory
Global Compact	UNGC/OECD Guidelines
Non-Renewable Energy	Nuclear
	Oil & Gas

	Thermal Coal
	Unconventional Oil & Gas
Vice Products	Adult Entertainment
	Alcoholic Beverages
	Gambling
	Tobacco Products
	Cannabis
Weapons	Controversial Weapons
	Civilian Firearms
	Military Contracting
ESG Risk Score	

### Section 3: Index Construction Process

#### Index Selection Process

All eligible securities as per Section 2 are selected for the index.

#### Index Weighting

Companies within the index are free float market capitalization weighted. If a company has multiple securities, the weight of the company is prorated between its securities that are part of the eligible universe based on their respective free float market capitalization.

#### Index Rebalance and Reconstitution

The Index is reconstituted and rebalanced for share changes in March, June, September, and December.

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>Selection Date</b>	Last Wednesday	X			X			X			X		
<b>Shares Determination Date</b>	Second Last Wednesday		X			X			X			X	
<b>Announcement Date</b>	Last Wednesday		X			X			X			X	
<b>Effective Date*</b>	Second Wednesday			X			X			X			X

\*The Index reconstitutions and rebalances go effective after the close of trading.

### Section 4: Index Maintenance

#### Index Calculation

Refer to the [Bloomberg Global Equity Indices Methodology](#) and [Bloomberg Global Equity FX Hedging Methodology](#) for index calculation details. For the NZD hedged versions of the index, 'End of Month' is used as the Hedging Roll Method.

#### Deletion Policy

Index securities are not deleted outside Index Rebalance and Reconstitution window except in the case of a delisting.

#### Addition Policy

Index securities are not added outside of the Index reconstitution.

#### Replacement Policy

Index securities are not replaced outside of the Index reconstitution.

## Corporate Actions

Refer to [Bloomberg Global Equity Indices Non-Market Cap Corporate Action Methodology](#) for the treatment of corporate actions.

## Section 5: Backtest Assumptions

Point-in-time data, unless otherwise noted, were used for the historical index eligibility and construction process described in Section 2 and 3. Regarding the ESG screening process, apart from ESG risk scores, activity-based ESG data points, from base date of the index until index reconstitution in September 2021 use data as of July 1<sup>st</sup> 2021. ESG risk scores are only used for the index screening since September 2022 reconstitution.

## Appendix I: Risks and Limitations of the Indices

### Risks

The following is a summary of certain risks associated with the Index but is not meant to be an exhaustive list of all risks associated with the Index. Although the Index is designed to be representative of the markets it is measuring, it may not be representative of every use case. There is also inherent, though transparent, judgment in its construction, as outlined in this Methodology. The Index is designed for general applicability and not to address the individual circumstances and needs of users. BISL does not advise about the usefulness of the Index to a particular circumstance; users are therefore encouraged to seek their own counsel for such matters. This Methodology is subject to change, which may impact its usefulness to users. Although efforts will be made to alert users of any change, every individual user may not be aware of them. Such changes may also significantly impact the usefulness of the Index. BISL may also decide to cease publication of this Index. BISL maintains internal policies regarding user transitions, but no guarantee is given that an adequate alternative is available generally or for a particular use case. Markets for stocks, as with all markets, can be volatile. As the Index is designed to measure this market, it could be materially impacted by market movements, thus significantly affecting the use or usefulness of the Index for some or all users. Also, certain equity markets are less liquid than others – even the most liquid markets may suffer periods of illiquidity. Illiquidity can have an impact on the quality or amount of data available to BISL for calculation and may cause the Index to produce unpredictable results.

### Limitations of the index

Though the Index is designed to be representative of the markets it measures or otherwise aligns with its stated objective, it may not be representative in every case or achieve its stated objective in all instances. It is designed and calculated strictly to follow the rules of this Methodology, and any Index level or other output is limited in its usefulness to such design and calculation.

Markets can be volatile, including those market interests that the Index measures or upon which the Index is dependent to achieve its stated objective. For example, illiquidity can have an impact on the quality or amount of data available to the administrator for calculation and may cause the Index to produce unpredictable or unanticipated results.

In addition, market trends and changes to market structure may render the objective of the Index unachievable or to become impractical to replicate by investors.

In particular, the Index measures global equity markets. As with all equity investing, the Index is exposed to market risk. The value of equities fluctuate with the changes in economic forecasts, interest rate policies established by central banks and perceived geopolitical risk. The Index does not take into account the cost of replication and as a result a tracking portfolio's returns will underperform the Index with all else equal. As the Index is designed to measure those markets, it could be materially impacted by market movements, thus significantly impacting the use or usefulness of the fixings for some or all users.

In addition, certain sub-indices may be designed to measure smaller subsets of the Index such as specific styles, size, and sector. Some of these sub-indices have very few qualifying constituents and may have none for a period of time. During such period, the sub-index will continue to be published at its last value, effectively reporting a 0% return, until new constituents qualify. If no constituents are expected to qualify (due to changes in market structure and other factors), the sub-index may be discontinued. In such an event, this discontinuation will be announced to index users.

## Appendix II: Benchmark Oversight and Governance

### Benchmark governance, audit and review structure

Please refer to the BISL Benchmark Procedures Handbook available [here](#).

### Index and data reviews

Please refer to the BISL Benchmark Procedures Handbook available [here](#).

### Expert judgement

Please refer to the BISL Benchmark Procedures Handbook available [here](#).

### Conflicts of interest

Please refer to the BISL Benchmark Procedures Handbook available [here](#).

### Restatement policy

Please refer to the BISL Benchmark Procedures Handbook available [here](#).

## Appendix III: Methodology Document Changes

Date	Update
February 2023	Document creation
August 2023	Update of "Section 2: Index eligibility Process", enhancing descriptions relating to ESG eligibility
October 2023	Update of "Section 4: Index Maintenance: Index Calculation", Hedging Roll Method changed from default (Equity Rebalance Aligned, effective from 2015-03-30 to 2023-10-11) to "End of Month"
February 2024	Update of "Section 2: Index eligibility Process", securities/issuers not included in the Sustainalytics research coverage would not be eligible for inclusion effective from March 2024 index reconstitution.

## Appendix IV: Methodology ESG Disclosure

EXPLANATION OF HOW ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) FACTORS ARE REFLECTED IN THE KEY ELEMENTS OF THE BENCHMARK METHODOLOGY			
1. Name of the benchmark administrator.		Bloomberg Index Services Limited ("BISL")	
2. Type of benchmark.		Equity	
3. Name of the benchmark or family benchmarks.		Bloomberg DM Ex New Zealand ESG Screened Index	
4. Does the benchmark methodology for the benchmark or family of benchmarks take into account ESG factors?		Yes	
5. Where the response to Item 4 is positive, please list below, for each family of benchmarks, those ESG factors that are taken into account in the benchmark methodology, taking into account the ESG factors listed in Annex II to Delegated Regulation (EU) 2020/1816.  Please explain how those ESG factors are used for the selection, weighting or exclusion of underlying assets. The ESG factors shall be disclosed at an aggregated weighted average value at the level of the family of benchmarks.			
a) List of combined ESG factors considered:	ESG Risk Score	Exclusion	Researched companies that have an ESG Risk Score of 30 or above representing high and severe category based on Sustainalytics' ESG Risk ratings definition are excluded from the index.  Please refer to <a href="https://www.sustainalytics.com/corporate-solutions/esg-solutions/esg-risk-ratings">https://www.sustainalytics.com/corporate-solutions/esg-solutions/esg-risk-ratings</a> for additional details.
b) List of environmental factors considered:	Oil & Gas	Exclusion	Researched companies that generate 5% or more revenue from the production or supporting products/services of oil & gas or electricity generation from oil & gas are excluded from the Index.
	Unconventional Oil & Gas	Exclusion	Researched companies that generate 5% or more revenues from extracting oil sands, shale energy exploration, and production or oil and gas exploration in the Arctic regions are excluded from the Index
	Thermal Coal	Exclusion	Researched companies that generate 5% or more revenue from the extraction or supporting products/services of thermal coal or generating electricity from thermal coal are excluded from the Index.
	Nuclear	Exclusion	Researched companies that generate 5% or more revenue from the production of nuclear power are excluded from the Index.
	Degree of exposure of the portfolio to the sectors listed in Sections A to H and Section L of Annex I to Regulation (EC) No 1893/2006 of the European Parliament and of the Council.	N/A	The Index does not take apply this ESG factor in the methodology
	Greenhouse gas (GHG) intensity of the benchmark.	N/A	The Index does not take apply this ESG factor in the methodology

	Percentage of GHG emissions reported versus estimated.	N/A	The Index does not take apply this ESG factor in the methodology
	Exposure of the benchmark portfolio to companies the activities of which fall under Divisions 05 to 09, 19 and 20 of Annex I to Regulation (EC) No 1893/2006.	N/A	The Index does not take apply this ESG factor in the methodology
	Exposure of the benchmark portfolio to activities included in the environmental goods and services sector, as defined in Article 2, point (5) of Regulation (EU) No 691/2011 of the European Parliament and of the Council	N/A	The Index does not take apply this ESG factor in the methodology
c) List of social factors considered:	Adult Entertainment	Exclusion	Researched companies that generate 5% or more revenues from production of adult entertainment and/or owns/operates adult entertainment establishments, or distribution of adult entertainment materials.
	Alcoholic Beverages	Exclusion	Researched companies that generate 5% or more revenue from manufacturing alcoholic beverages, or supplying alcohol related products/services to alcoholic beverage manufacturers, or distribution and/or retail sale of alcoholic beverages.
	Gambling	Exclusion	Researched companies that generate 5% or more revenue from owning and/or operating a gambling establishment, or manufacturing specialized equipment used exclusively for gambling or providing supporting products/services to gambling operations.
	Tobacco Products	Exclusion	Researched companies that generate 5% or more revenue from the production of tobacco products or supplying tobacco-related products and services or the distribution and/or retail sale of tobacco products are excluded from the Index.
	Cannabis	Exclusion	Researched companies that generate 5% or revenue from development and/or cultivation of medical cannabis or cannabis for recreational purposes, or distribution and/or retail sale of medical cannabis or cannabis for recreational purposes.
	Controversial Weapons	Exclusion	Researched companies that have any involvement in the core weapon system or components and services of the core weapon system, including significant ownership, tailor-made, and non-tailor made, are excluded from the Index.
	Civilian Firearms	Exclusion	Researched companies that have any involvement in the manufacture and sell assault weapons to civilian customers, military and law enforcement, or manufacture

			and sell key components of small arms, or generate any revenue from the retail and/or distribution of assault weapons or small arms or involved through significant ownership, are excluded from the index.
	Military Contracting	Exclusion	Researched companies that, in aggregate, generate 5% or more revenue from the manufacturing of military weapon systems, components of these weapons, or tailor-made components of these weapons, or involved through significant ownership, are excluded from the Index.
	UNGC/OECD Guidelines	Exclusion	<p>Researched companies that are non-compliant following UNGC guidelines or companies that have been identified being either high or severe violators of the societal norms listed here:</p> <ul style="list-style-type: none"> <li>- Access to basic services</li> <li>- Accounting and taxation</li> <li>- Animal welfare</li> <li>- Anti-competitive practices</li> <li>- Bribery and corruption</li> <li>- Business ethics</li> <li>- Community relations</li> <li>- Corporate governance</li> <li>- Occupational health and safety</li> <li>- Intellectual property</li> <li>- Labor relations</li> <li>- Lobbying and public policy</li> <li>- Marketing practices</li> <li>- Media ethics</li> <li>- Data privacy and security</li> <li>- Quality and safety</li> <li>- Resilience</li> <li>- Sanctions</li> <li>- Social impact of products</li> <li>- Weapons</li> <li>- Employees</li> <li>- Human rights</li> <li>- Society</li> <li>- Human rights</li> </ul>
	Exposure of the benchmark portfolio to companies without due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8.	N/A	The Index does not take apply this ESG factor in the methodology
	Weighted average gender pay gap.	N/A	The Index does not take apply this ESG factor in the methodology
	Weighted average ratio of female to male board members.	N/A	The Index does not take apply this ESG factor in the methodology
	Weighted average ratio of accidents, injuries, fatalities.	N/A	The Index does not take apply this ESG factor in the methodology

	Numbers of convictions and amount of fines for violations of anti-corruption and anti-bribery laws.	N/A	The Index does not take apply this ESG factor in the methodology
d) List of governance factors considered:	Weighted average percentage of board members who are independent	N/A	The Index does not take apply this ESG factor in the methodology
	Weighted average percentage of female board members	N/A	The Index does not take apply this ESG factor in the methodology
<p><b>6.</b> Where the response to Item 4 is positive, please list below, for each benchmark, those ESG factors that are taken into account in the benchmark methodology, taking into account the ESG factors listed in Annex II to Delegated Regulation (EU) 2020/1816, depending on the relevant underlying asset concerned.</p> <p>Please explain how those ESG factors are used for the selection, weighting or exclusion of underlying assets.</p> <p>The ESG factors shall not be disclosed for each constituent of the benchmark, but shall be disclosed at an aggregated weighted average value of the benchmark.</p> <p>Alternatively, all of this information may be provided in the form of a hyperlink to a website of the benchmark administrator included in this explanation. The information on the website shall be easily available and accessible. Benchmark administrators shall ensure that information published on their website remains available for five years</p>			
a) List of environmental factors considered:		As above	
b) List of social factors considered:		As above	
c) List of governance factors considered:		As above	
<b>7.</b> 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 Sustainalytics (reported and modelled from Product Involvement, Global Standards Screening, Controversy, and Risk Ratings data libraries).</p> <p>Please refer to the link below for additional details:</p> <p><a href="https://www.sustainalytics.com/investor-solutions/esg-research/esg-screening/esg-criteria">https://www.sustainalytics.com/investor-solutions/esg-research/esg-screening/esg-criteria</a></p>	
<p>b) Verification and quality of data</p> <p>Describe how data are verified and how the quality of those data is ensured.</p>		<p>The Indices use the following external data provider which has robust governance and processes in place to validate the quality and reliability of the data.</p> <p>Sustainalytics:</p> <ul style="list-style-type: none"> <li>• Universe Management <ul style="list-style-type: none"> <li>○ Centralized universe definitions and processes for rebalancing;</li> <li>○ Quarterly rebalances of Sustainalytics' standard coverage and compliance universes;</li> <li>○ Clear, transparent and consistent approach to the allocation of research versus coverage entities.</li> </ul> </li> <li>• Company Research <ul style="list-style-type: none"> <li>○ Continuous improvement and maintenance of quality and research standards;</li> <li>○ Feedback that is received from Companies in Sustainalytics' Coverage Universe and that are a part of Sustainalytics ESG Risk Ratings and controversy research is taken into consideration, and whenever relevant included;</li> </ul> </li> </ul>	

	<ul style="list-style-type: none"> <li>○ Quality reviews of ESG assessments before publication;</li> <li>○ Reviewing controversy ratings by the Events Oversight Committee – focus on controversy level changes to and from level 4 and 5.</li> <li>• Data and deliverable management <ul style="list-style-type: none"> <li>○ Quality and reliability of Sustainalytics Covered Company and identifier data through automated quality assurance;</li> <li>○ Quality and reliability of Sustainalytics proprietary (i.e. research) data through automated quality assurance, prior to publication;</li> <li>○ Quality and reliability of standard deliverables through end-of-gate quality assurance process.</li> <li>○ Quality and reliability of custom client deliverables through end-of-gate quality assurance processes (automated and manual);</li> <li>○ Monitoring and investigating ESG score fluctuations and their root causes using automated tools.</li> </ul> </li> <li>• Update cycle <ul style="list-style-type: none"> <li>○ Sustainalytics aims for annual updates of management indicators for the Covered Companies’;</li> <li>○ Continuous updates are made as incidents occur and feed into updates of event indicators, which is not disclosure driven;</li> <li>○ Annual updates to the rating framework (selection of material ESG issues, weighting of indicators).</li> </ul> </li> </ul>
<p>c) Reference standards</p> <p><i>Describe the international standards used in the benchmark methodology.</i></p>	<p>UNGC Violations: The United Nations Global Compact (UNGC) Principles, the Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights (UNGPs), and their underlying conventions.</p> <p>Controversial Weapons: International treaties and conventions used to define Controversial Weapons include Non-proliferation Treaty (1968), Biological and Toxin Weapons Convention (1972), Chemical Weapons Convention (1997), Anti-Personnel Mine Ban Convention (1999), Convention on Cluster Munitions (2008), United Nations Convention on Certain Conventional Weapons (1980), and Convention on the Physical Protection of Nuclear Material (1980)</p>
Date on which information has been last updated and reason for the update:	February 2024

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