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Catalyzing the Bloomberg Cambridge University Corporate Indices[1]

Lily Tomson and Ellen Quigley[2]

Climate change looms large for investors concerned about systemic risks and the resultant systematic risks to the capital markets. Institutional investors have made significant progress in scaling up investment in renewable energy at a record-breaking rate, but have struggled to reduce, let alone cease, the flow of capital to fossil fuel expansion – including to demand-side infrastructure such as coal- and gas-fired power plants. These new capital commitments risk locking in decades' worth of emissions. This is a problem because most human-caused emissions come from the combustion of fossil fuels. A discourse of buck-passing to companies or governments or individuals does not reduce the growing risk facing investors from defaults and stranded assets, let alone the broader risk climate change poses to diversified portfolios.

Where does new capital for fossil fuel expansion come from? Institutional investors have historically paid most attention to public equity in their responsible investment activities. However, proceeds from bonds and bank loans account for approximately 90% of new capital for oil and gas companies. While an equity ownership stake in companies can be a useful lever for engagement (including escalation tactics such as voting against directors), primary market financing that enables fossil fuel expansion has received comparatively little attention.

Debt markets present an opportunity for investors to exert influence through the allocation of new capital. Academic evidence suggests that exclusions on the debt side can affect companies' cost of capital and the amount of capital raised.[3] Changes in pricing and issue

[1] For information and educational purposes; not investment advice. See Disclaimers and Permitted Use License: www.landecon.cam.ac.uk/bond-index-disclaimer.

[2] Lily Tomson is Senior Research Associate at Jesus College, Cambridge, Departmental Fellow at Finance for Systemic Change at the University of Cambridge, and a Fellow at the Research Institute for Sustainability (RIFS) – Helmholtz Centre Potsdam. Ellen Quigley is a Research Professor and the Director of Finance for Systemic Change at the University of Cambridge.

[3] Ellen Quigley, "Evidence-based climate impact: A financial product framework," Energy Research &

size are also incremental, in that investment banks target an oversubscription rate of 2-3 times; if fewer investors are interested in an issue, the bank may shrink the issue or propose an increase in the interest rate. Even a modest change in cost of capital could change a company's internal hurdle rate for new fossil fuel infrastructure.

The more familiar equity indices such as the S&P 500 operate as a "recipe" and the same is true for bond indices. The replication of this "recipe" by funds tracking bond indices results in the allocation of capital based on index constituents and weightings, creating relatively inexpensive financing for some of the world's highest-emitting companies. Studies have found that the threat of exclusion from public equity indices can affect corporate behavior,[4] suggesting that the combination of the threat of bond index exclusion and any resulting increase in the cost of capital should make bond indices a particularly powerful lever for investors concerned about fossil fuel expansion and its contribution to climate change. This focus on asset allocation as a way to influence systems change is a hallmark of system-level investing.

The University of Cambridge discovered that no off-the-shelf passive bond product meeting its specifications was available when the time came to implement its 2020 fossil fuel divestment commitment. Funds that focus on portfolio decarbonization do not necessarily drive changes in the real economy, and the University was keen to avoid investments that look good on paper but do not address systemic risk. Some large asset owners had turned to expensive customized passive fund products to fill the gap, which the University feared would have the further disadvantage of pulling up the ladder for small- or medium-sized asset owners without the resources to replicate leading approaches. Indeed, our research on the use of climate-related benchmarks found that 33% of asset owners studied report facing barriers in gaining access to investment grade corporate bond products (indices, benchmarks, funds) that align with their fixed income climate strategies.

The University was also concerned that some of the options available made use of blanket exclusions, which do not create an incentive for fossil fuel-related companies to change their business practices: if they will be listed for exclusion regardless of whether they are expanding, there is no reason to cease expanding or to phase down fossil fuel production or generation. For those investors interested in making the shift from portfolio decarbonization to systemic risk reduction in the real economy, there was no readily investable substitute to a standard broad-based bond index.

Social Science, Vol 105, Nov 2023.

[4] See, for example, Mackenzie, Rees and Rodionova 2013; Slager and Chapple 2016; and Heeb and Kolbel 2024.

The Bloomberg Cambridge University Corporate Indices (BCam Indices)

This problem, and the realizations that followed, sparked a research paper that proposed an underlying evidence-based research framework to be practically applied to the development of a new bond index, and a research report that elucidated current practice and barriers among asset owners. Following a feasibility study, the University undertook a Request for Proposals (RfP) for a competitive index build process, selecting Bloomberg, with Bloomberg Index Services Limited (BISL) acting as administrator of this investment grade index family. The lead author of this chapter, Lily Tomson, led all aspects of this process as the Project Director; the second author, Professor Ellen Quigley, proposed the project in a 2023 academic paper and leads on the academic elements of the project.

The index offers a 'systems demonstrator' – a blueprint to meet the growing asset owner expectation of a system-level investing approach. Bloomberg has constructed the index to closely track its parent benchmark, the Bloomberg Global Aggregate Corporate Index. This makes it more straightforward to substitute the BCam Index for the Aggregate Index and reduces the risk of the BCam index being seen as a niche proposition.

The project has benefited from what a university can bring to bear, as a prominent public institution and as an asset owner. First, the University of Cambridge is a research institution whose academics are able to critically assess the evidence base beyond the surface-level design elements and to identify gaps in both academic research and in practice. Second, the University approaches the capital markets as a long-term asset owner – a universal owner – with needs that are not met by products currently on the market.

The project features a number of key innovations that the Cambridge team will be monitoring through ongoing qualitative and quantitative research.

Bloomberg has constructed the Indices based on a transparent methodology building from the University's "Key Sectors Methodology (KSM)". The KSM, in turn, draws on criteria outlined in the "Cambridge Framework for assessing corporate climate action".[5] The Framework sets out criteria for assessing corporate climate actions across key sectors in the fossil fuel system that contribute to fossil fuel expansion and lock-in: fossil fuel extraction (supply), electric utilities (demand), banks (financing), and insurance (facilitation). The Framework has been designed to help investors address real-world greenhouse gas emissions by redirecting primary market debt capital away from companies driving fossil fuel

[5] See https://www.landecon.cam.ac.uk/sites/default/files/2026-08/260731_-_cambridge_framework_for_assessing_corporate_climate_action.pdf.

expansion and from companies that are failing to phase out fossil fuel activities at a sufficient rate.

Bloomberg uses data sources for the Framework's four "Key Sectors" that we believe are new to index construction but are tried and tested in other parts of the financial markets. To construct and calculate the index, Bloomberg has integrated several new data sources into its systems. German NGO and data provider Urgewald supplies the Global Coal Exit List (GCEL) and Global Oil and Gas Exit List (GOGEL) databases used in the index, which identify fossil fuel and electric utility companies that are expanding fossil fuel activities and/or are not phasing out these activities at a science-based rate. Those companies are excluded from the index. For the banking sector, Bloomberg combines the Urgewald data with data from Bloomberg New Energy Finance (BNEF) on bank financing to evaluate the financing and securities underwriting of fossil fuel expansionist companies and companies not phasing out fossil fuel activities at a sufficient rate specifically, not just companies with a business classification of "Energy". Bloomberg assesses property and casualty insurers based on the strength of their fossil fuel underwriting policies, using Bloomberg data. Companies furthest from alignment with the Bloomberg methodology are excluded, with less misaligned companies progressively underweighted, and those aligned with the criteria overweighted. These data points assess bond issuers based on their current corporate behavior. Companies can know, based on the public index methodology, what is required for increased weighting and even, in the case of those currently excluded, inclusion in the index.

The impact of this project will depend on the extent to which investors create and allocate to financial products that use the index. Because funds that replicate the index will focus on the most systemic elements of the whole fossil fuel system, investors may have the opportunity to shift the cost of capital for fossil fuel extraction and infrastructure projects, as well as influencing public discourse regarding the financing and facilitation of fossil fuel expansionism within banking and insurance.

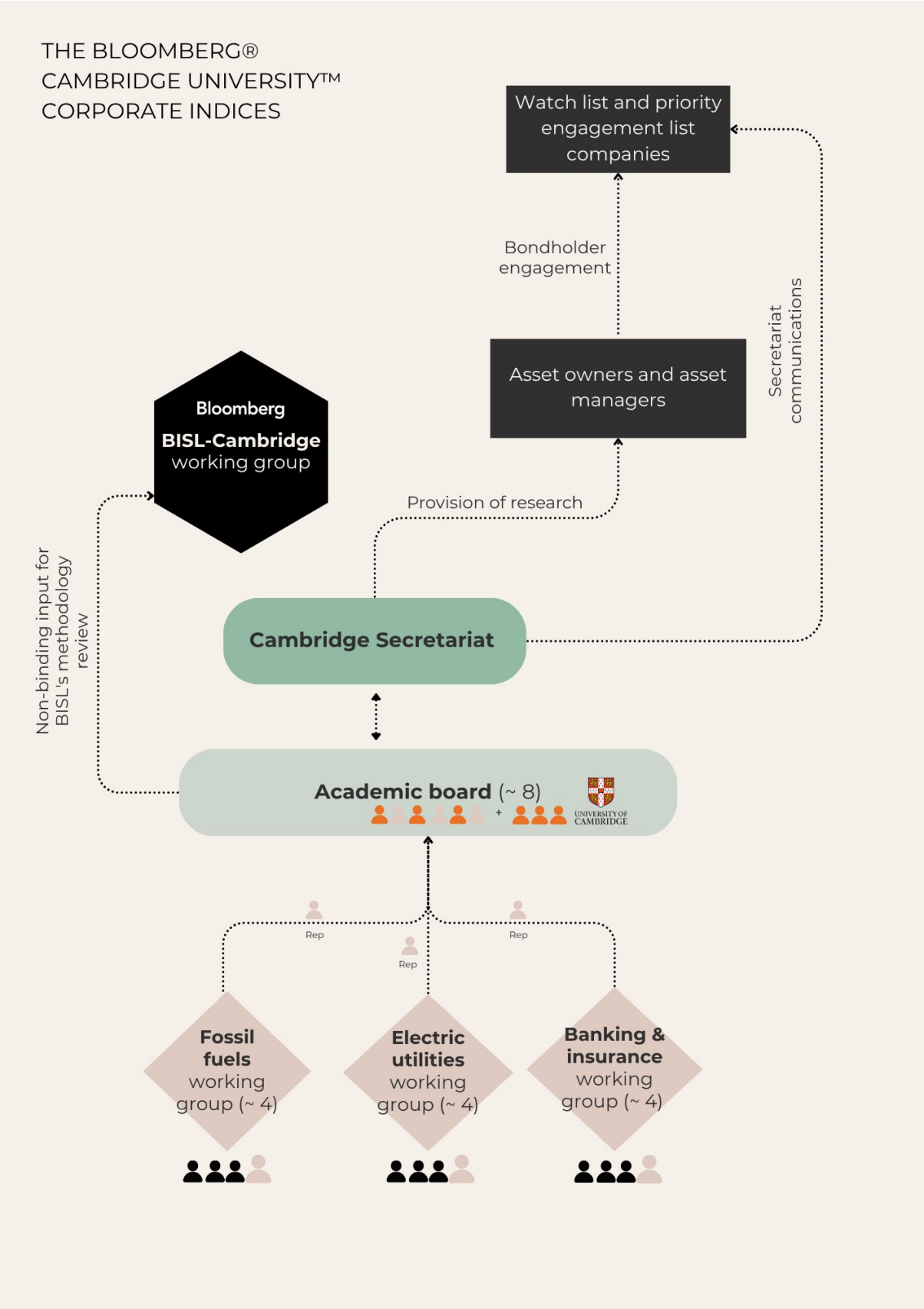
The lack of blanket exclusions for the key sectors in the BCam Indices methodology means that companies have a clear, public, and rules-based pathway to (re-)inclusion in the indices if they change their behavior.

This rules-based approach to corporate behavior in turn enables a new model of stewardship that brings capital allocation and bondholder engagement together. The Cambridge team has established an independent Academic Board, composed of globally recognized experts in fossil fuels, electric utilities, and the banking and insurance sectors. Separate from the index provided by Bloomberg, the Academic Board applies a rules-based approach to identifying an annual "Watch List" of companies that may be moving close to alignment or losing

alignment with the Framework indicators (and that may therefore be close to leaving or joining the index, or having their index weightings changed). From the Watch List, the Academic Board selects between two and six companies for a “Priority Engagement List” that is designed to be the focus of investor engagement.

The BCam methodology takes a different approach to the non-Key Sectors (i.e., those not directly involved in fossil fuel extraction and energy generation, nor financing and underwriting such activities). Since the pace and timing of decarbonization is expected to vary by sector and by region, Bloomberg has grouped issuers into the most granular decarbonization pathway possible based on their sector and regional characteristics. Non-Key Sector constituent weightings must then meet index rules based on the alignment of Non-Key Sector issuers’ actual or projected greenhouse gas emissions with the Network for Greening the Financial Sector (NGFS) Net Zero 2050 scenario. To align with investment mandates commonly used by institutional investors, the BCam Indices also feature an exclusion for tobacco production (any revenues), controversial weapons (companies building tailor-made or essential components), and companies identified as not compliant with global standards

screening.


THE BLOOMBERG®
CAMBRIDGE UNIVERSITY™
CORPORATE INDICES
Watch list and priority engagement list companies
Bondholder engagement
Secretariat communications
Asset owners and asset managers
Bloomberg
BISL-Cambridge working group
Provision of research
Non-binding input for BISL's methodology review
Cambridge Secretariat
Academic board (~ 8)
UNIVERSITY OF CAMBRIDGE
Rep
Rep
Rep
Fossil fuels working group (~ 4)
Electric utilities working group (~ 4)
Banking & insurance working group (~ 4)

Source: Lily Tomson, 2026.

Experiences in conceiving the Framework-based solution

As was the case with a few of the other ambitious system-level investing projects profiled throughout this Handbook, the initial phase of this project involved several false starts. The first version of the Framework was overcomplicated and not implementable. Ultimately, Cambridge restarted the approach, adopting a strategy that involved engaging with around 20 stakeholders and experts to discuss a short set of key principles related to fossil fuel expansion, financing, and underwriting. They participated in an iterative series of dialogues marrying academic evidence with investor objectives that resulted in Cambridge's research Framework.

However, it quickly became clear that while this Framework might describe what Cambridge thought was necessary for an index provider to build a sector-leading corporate bond index, some of the indicators were not readily implementable in practice due to data gaps. Cambridge therefore designed the KSM based closely on the Framework for the express purpose of being used to assist in the construction of a bond index. This made it possible to shape an exciting initial RfP.

Several of the world's largest index providers were keen to build the index. However, none could do so at first. Service providers often understand their role as interpreting client requests, making them implementable, and providing incremental changes that result in the "next best" solution from their toolkit. For many months, index providers offered us solutions based on what was available – fossil fuel policy-level data, emissions data, patchy transition plan data. It took our team a while to understand that this was not due to a lack of interest or engagement, but because index providers are accustomed to fast turnarounds and tend to focus on meeting client expectations that they translate requests into existing frameworks. In these ways our project was somewhat unusual: we wanted to play a more active role than most investors have capacity for, we were interested in supporting the work of identifying and coordinating the on-boarding of new datasets, and we were willing to take as long as needed to retain our science-based standards. This is perhaps the reason that true system-level investors focus on "self-organization" – creating shared industry infrastructure to address system-level challenges – as part of their efforts.

Cambridge's approach ultimately required an index provider that could incorporate new datasets into its systems and, even more importantly, would customize its own data for this use case. It also required the cooperation of a surprising set of participants: an 817-year-old

UK charity (the University of Cambridge), a German NGO (Urgewald), a thoroughly modern US-headquartered index and data business (Bloomberg), and number of large global asset owners all with slightly different requirements. A key step was to find the right collaborators within each organization, and to work carefully over four years to align incentives, objectives, and contracts. This was at times laborious, at times tumultuous. However, what began as a challenge – pulling together a diversity of organizational cultures and approaches – proved to be a strength in the end. Each partner was able to bring questions, challenges, and solutions that ultimately strengthened the end product.

Lessons learned

Our work on this project revealed just how many barriers stand between system-level investor intent and "plug-and-play" implementation. What began as an effort to align Cambridge's investment portfolio with a divestment commitment evolved into a test case for field-building, standard-shaping, and the self-organization of market participants around a shared systemic goal. The lessons learned speak to the limits of current market infrastructure as well as to the power of persistence, collaboration, and intellectual honesty in creating new tools that investors can use to allocate capital toward real-economy change.

1. **Obvious data points are often not available or in use.** We were surprised to discover that none of the index providers we initially engaged with could tell us whether a fossil fuel company was expanding or had set a fossil fuel phase-out date. There is a tremendous amount of corporate data available in the market, but a relatively small proportion of it describes the current business activities of the actors responsible for driving the greatest systemic climate risk. We built a close working relationship with Urgewald, whose GCEL and GOGEL databases underpin the index. Bloomberg combined Urgewald's data on fossil fuel expansion with Bloomberg NEF's bank financing data for the first time.

2. **Sometimes you have to create your own data.** After two years of searching by Cambridge and Bloomberg, we determined that there was no available dataset of insurance underwriting of fossil fuel companies, let alone fossil fuel expansionists; the only data available were calculated in a top-down way based on significant assumptions, as opposed to being collected directly from companies. Bloomberg developed an entirely new dataset of insurer fossil fuel policies based on a longstanding methodology created by Reclaim Finance and supported by Cambridge. These data cover all property and casualty insurers and are available on the Bloomberg Terminal for investors to use. This is an excellent example of how the NGO sector can provide appropriate investor standards suitable for industry adoption,

with academia serving as a bridge: what system-level investors sometimes call "connectivity" or "interconnectedness".

3. **Choose project co-developers and advisors carefully.** We were hugely fortunate to have the support of the United Nations Joint Staff Pension Fund from the beginning of the project, which added both legitimacy and the perspective of a different investment approach and geography, greatly strengthening the build process. Recruiting senior advisors with industry expertise to our project working group was another key learning.

4. **Be honest internally and pragmatic externally about the consequences of age, race, and gender dynamics.** As a core team with a range of characteristics that often led us to be underestimated by actors within the sector (i.e., we were all women and/or people of color), we ensured that we had sufficient support. The financial sector continues to be dominated by a narrow demographic, and we remain dedicated to a) changing that fact as well as b) appreciating allies who support us in doing so.

5. **Ensure the project has a strong, clear intention in relation to systematic risk from the beginning.** Cambridge continuously interrogated how to bring this intention to life at the greatest possible scale. We brought in technical experts as advisors on implementation, but remained true to that intention. Most commercial developers (including some index providers) will want to water down a complex approach; we found an index provider willing to embrace complexity. At the same time, commercial developers will know far more about the quirks of the highly technical issues with their own systems than any outsider does. Learn when to cut your losses (e.g., our project does not yet include data on the phase-out rates of electric utilities, as there is as yet neither data nor an academic consensus on approach) versus when to stick to your approach (e.g., we continue to assess the bank financing vis a vis fossil fuel expansionism specifically, in keeping with our focus on fossil fuel company behavior as opposed to business classification).

6. **Tenacity is key.** There were many points along the way at which we could have given up. Doing something completely new – across multiple dimensions – is never easy; if it were, someone would have done it already.

Takeaways for investors

For investors seeking to act on systemic risks through asset allocation, the project demonstrates that system-level influence can emerge not only through engagement or policy, but also through contributing research and practice toward the instruments used in the financial markets themselves. These takeaways distil what the Cambridge team's journey can

teach other investors: how to design for real-economy outcomes, where to innovate within existing market structures, and how to collaborate to fill the gaps that prevent systemic solutions from scaling.

1. System-level investors need to understand the leverage points in each asset class. Corporate bonds hit a unique sweet spot for innovation in the market because bond indices can influence both the cost and volume of capital of the affected companies. Also, compared to equities, an investor can more easily swap out an excluded bond for another bond with equivalent characteristics (in order to keep performance similar to the vanilla benchmark); the predominance of macro factors in security selection (and the relative lack of sectoral differences) permits substantial sector- or activity-related exclusions without significantly affecting tracking error. Finally, bond investors are likely to care more about downside than upside, and the index may potentially reduce exposure to stranded asset risk.

2. Public discourse impact is an important consideration in innovating within the financial sector. Evidence suggests that public discourse impact has been a significant outcome of the divestment movement. Throughout the development of this project, the team have aimed to transparently share their approach and interim findings with the industry and more widely.

3. The market on the whole does not develop solutions focused on the real economy. There is often a lack of resources within asset owner organizations; asset managers tend to have a short-term commercial focus; and the "tragedy of the commons" can drive market inertia. As the development of the BCam Indices indicates, however, these hurdles are not insurmountable. Purpose, creativity, and tenacity enable system-level investors to catalyze tools such as indices that can be used to create funds that lead to changes in asset allocation.

4. Cambridge has not yet developed all the solutions it needs. The market's emphasis on disclosure, public equity, and other areas of focus with limited potential real-economy impact can lead to a lack of products that affect the flows of primary market capital, influence corporate behavior, or both.

Conclusion

We have been deeply impressed by the engagement of institutional investors concerned about systemic and systematic risks and who are looking to support new "public good" innovations within the market. We have been particularly struck by: (a) first movers, such as the investors willing to be publicly named as intending to invest capital against the first iterations of the

index, with up to US$750m publicly pledged a year prior to launch, and (b) investors dedicating many hours of time to the development of the project simply because they could see the public benefit of such an intervention.

Of course, there were challenges. Two stand out: data provision and organizational/cultural gaps. Many of the data we required simply were not yet available to the index providers we initially approached. While emissions and scenario-testing indicators were often available, these were "gameable" metrics that did not capture companies' true climate impact. Bloomberg incorporated fossil fuel expansion data into their systems and created a whole new insurance dataset. We made good use of mixed-methods social sciences backgrounds in developing mutually supportive approaches to project management, collaboration, and the navigation of legal hurdles with our various partner organizations. Humor played a big role in this, as did a willingness to pick up the phone or jump on the train to meet in person.

This intervention was sorely needed – and wanted. Our engagements with investors – asset owners and managers alike – have been overwhelmingly positive with regard to both the index outcomes and the potential for real-economy impact.