

IHS Markit Benchmark Administration Limited Consultation on the ESG Methodology update for three iBoxx MSCI ESG custom indices (2022-12)

LONDON, JUNE 1, 2022: IHS Markit Benchmark Administration Limited (**IMBA UK**) is conducting a consultation with market participants on potential changes to three iBoxx MSCI ESG custom indices.

BACKGROUND

The below iBoxx indices currently apply MSCI ESG data as part of their methodology at 2 stages, during the exclusion/filtering and during the tilting/optimization. While the ESG screens for the exclusion/filtering have an explicit T-2 cutoff, the ESG ratings tilt for the iBoxx MSCI ESG USD Asia ex-Japan High Yield Capped Index and the ESG ratings and Carbon Emissions Scope 1, 2, and 3 tilting/optimization for the iBoxx MSCI EUR High Yield Paris Aligned Capped and iBoxx MSCI USD High Yield Paris Aligned Capped indices do not apply such cutoff prior to the rebalance date. For a summary of the current rules, please refer to the table below. The full index methodology and ESG filter criteria can be found in the index guides that are published here.

Index Name	Return Type	ISIN	Ticker	MSCI ESG Exclusions	MSCI ESG Tilting	MSCI ESG Optimization
iBoxx MSCI USD High Yield Paris Aligned Capped Index	TRi	GB00BL0BJ792	IBXXUPAT	T-2 cutoff	No explicit cutoff	No explicit cutoff
iBoxx MSCI EUR High Yield Paris Aligned Capped Index	TRi	GB00BL0BJ354	IBXXEPAT	T-2 cutoff	No explicit cutoff	No explicit cutoff
iBoxx MSCI ESG USD Asia ex-Japan High Yield Capped Index	TRi	GB00BL0B0R64	IBXXUXJT	T-2 cutoff	No explicit cutoff	Not applicable

PROPOSAL AND IMPACT

IMBA UK proposes to apply a T-2 cutoff for the tilting/optimization stage of the index methodology for the three above mentioned indices. This change will make the ESG methodology cutoff for the above indices consistent, provide additional clarity on the treatment of all ESG screening criteria and remove ambiguity on the application of the cutoff dates prior to each rebalance. Additionally, it will align the applied ESG data cutoff with other iBoxx ESG indices that use MSCI ESG data.

IMBA UK has analyzed the proposed ESG methodology update for the January 2022 until April 2022 month-end rebalances and did not find any material impact to the three iBoxx custom indices.

CONSULTATION TIMETABLE

The timetable IMBA UK is suggesting is as follows:

- 1 June 2022 Consultation opens
- 17 June 2022 Consultation closes
- 20 June 2022 IMBA UK reviews stakeholder feedback and a final decision is communicated
- 30 June 2022 Implementation

CONSULTATION PROCESS

The participation of stakeholders in this consultation is important as IMBA UK seeks to gather views on the proposals herein and the suggested timetable for implementation of those proposals. IMBA UK may publish summaries of stakeholders' comments along with IMBA UK's responses to those comments unless the stakeholder in question expressly requests confidentiality.

To participate in this consultation please respond to IMBA UK Administration Services at MK-IndexAdminConsultation@ihsmarkit.com.

Please be advised that all comments will be reviewed and considered before a final decision is made; however, IMBA UK makes no guarantee and is under no obligation to comply with any of the responses. The consultation may result in no changes or outcome of any kind. An announcement will be posted on our website accordingly. IMBA UK reserves the right to make a final decision on the proposal.

KEY QUESTION

Do you have any concerns regarding IMBA UK's proposal to update the methodology of the described custom indices and/or the implementation timeline?

FOR MORE INFORMATION:

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