

IHS Markit Benchmark Administration Limited Consultation on the ESG Methodology update for five iBoxx MSCI ESG custom indices (2022- 14)

LONDON, JUNE 21, 2022: IHS Markit Benchmark Administration Limited (**IMBA UK**) is conducting a consultation with market participants on potential changes to five iBoxx MSCI ESG custom indices

Background

IMBA UK proposes several updates to the ESG methodology of five existing iBoxx custom benchmarks identified in below table. IMBA UK consulted on [10 February 2021](#) and [20 April 2021](#) regarding several changes to the methodology of the referenced indices. The proposed changes were confirmed during the consultation process and have been fully implemented by the end of September 2021 month end rebalance. The indices are applying ESG screen exclusion rules based on MSCI ESG Business Involvement Screening, MSCI Climate Change Metrics, MSCI ESG ratings, and MSCI ESG Controversies and Global Norms.

Index Name	ISIN (TRi)	Ticker (TRi)
iBoxx MSCI ESG EUR Corporates BBB TCA	GB00BZ0PLY02	IBXXELBT
iBoxx MSCI ESG EUR FRN Investment Grade Corporates TCA	GB00BLD2FH19	IBXXFRNT
iBoxx MSCI ESG EUR High Yield Corporates TCA	GB00BCDP8W33	IBXXLHYT
iBoxx MSCI ESG EUR Corporates 0-1 TCA	GB00BL097R90	IBXXEEC1
iBoxx MSCI ESG USD FRN Investment Grade Corporates TCA	GB00BVFMHX99	IBXXFRN3

The index methodology guides are published [here](#).

PROPOSAL

IMBA UK proposes to update the ESG methodology of above five iBoxx custom indices and their respective currency hedged/unhedged versions by additionally excluding companies, regardless of their industries, with evidence of owning fossil fuel reserves used most likely for energy applications. More specifically:

- For high intensity industries (Energy, Utilities, Diversified Metals & Mining), this factor flags companies with evidence of fossil fuel reserves (excluding metallurgical coal)
- For other industries, this factor flags companies with evidence of
 - fossil fuel reserves (excluding metallurgical coal)
 - deriving revenue from business segments associated with energy application of fossil fuels such as thermal coal mining, oil & gas exploration & production
 - downstream activities e.g. refining; distribution & retail; pipeline & transportation; trading And fossil fuel based power generation

IMPACT ANALYSIS

IMBA UK has analysed the impact of the proposed changes on the constituents of the five iBoxx custom indices based on the March 2022 month end rebalance. There was no impact on the constituents of the iBoxx MSCI ESG USD FRN Investment Grade Corporates TCA index. Please find a list of bonds that would have been excluded due to the proposed fossil fuel reserves screening for the 4 iBoxx EUR custom indices below.

Indexname	Ticker	Issuer	Bond ISIN	Bond Weight
iBoxx MSCI ESG EUR FRN Investment Grade Corporates TCA	REPSM	Repsol International Finance BV	XS2343835315	0.7340%
iBoxx MSCI ESG EUR High Yield Corporates TCA	FOSUNI	Fortune Star BVI Ltd	XS2066225124	0.1984%
iBoxx MSCI ESG EUR High Yield Corporates TCA	FOSUNI	Fortune Star BVI Ltd	XS2357132849	0.2591%
iBoxx MSCI ESG EUR High Yield Corporates TCA	PPCGA	Public Power Corp SA	XS2314265237	0.4333%
iBoxx MSCI ESG EUR High Yield Corporates TCA	PPCGA	Public Power Corp SA	XS2359929812	0.2682%
iBoxx MSCI ESG EUR High Yield Corporates TCA	REPSM	Repsol International Finance BV	XS1207058733	0.6090%
iBoxx MSCI ESG EUR Corporates 0-1 TCA	OMVAV	OMV AG	XS1613140489	0.3463%
iBoxx MSCI ESG EUR Corporates 0-1 TCA	REPSM	Repsol International Finance BV	XS0834367863	0.5304%
iBoxx MSCI ESG EUR Corporates BBB TCA	AKERBP	Aker BP ASA	XS2341269970	0.0716%
iBoxx MSCI ESG EUR Corporates BBB TCA	BRLS	Borealis AG	AT0000A24UY3	0.0314%
iBoxx MSCI ESG EUR Corporates BBB TCA	CTEFRA	Coentreprise de Transport d'Electricite SA	FR0013264405	0.0516%
iBoxx MSCI ESG EUR Corporates BBB TCA	CTEFRA	Coentreprise de Transport d'Electricite SA	FR0013264421	0.1238%
iBoxx MSCI ESG EUR Corporates BBB TCA	CTEFRA	Coentreprise de Transport d'Electricite SA	FR0013264439	0.1285%
iBoxx MSCI ESG EUR Corporates BBB TCA	ENEASA	Energa Finance AB	XS1575640054	0.0309%
iBoxx MSCI ESG EUR Corporates BBB TCA	FIDELI	Fidelidade - Companhia de Seguros SA	PTFIDBOM0009	0.0537%
iBoxx MSCI ESG EUR Corporates BBB TCA	MOLHB	MOL Hungarian Oil & Gas Plc	XS1401114811	0.0798%
iBoxx MSCI ESG EUR Corporates BBB TCA	MOLHB	MOL Hungarian Oil & Gas Plc	XS2232045463	0.0628%
iBoxx MSCI ESG EUR Corporates BBB TCA	PKNPW	Orlen Capital AB	XS1429673327	0.0791%
iBoxx MSCI ESG EUR Corporates BBB TCA	PKNPW	Polski Koncern Naftowy ORLEN SA	XS2346125573	0.0475%
iBoxx MSCI ESG EUR Corporates BBB TCA	REPSM	Repsol International Finance BV	XS1148073205	0.0545%
iBoxx MSCI ESG EUR Corporates BBB TCA	REPSM	Repsol International Finance BV	XS2035620710	0.0730%
iBoxx MSCI ESG EUR Corporates BBB TCA	REPSM	Repsol International Finance BV	XS2156581394	0.0800%
iBoxx MSCI ESG EUR Corporates BBB TCA	REPSM	Repsol International Finance BV	XS2156583259	0.0856%
iBoxx MSCI ESG EUR Corporates BBB TCA	REPSM	Repsol International Finance BV	XS2241090088	0.0860%
iBoxx MSCI ESG EUR Corporates BBB TCA	REPSM	Repsol Europe Finance Sarl	XS2361358299	0.0613%
iBoxx MSCI ESG EUR Corporates BBB TCA	REPSM	Repsol Europe Finance Sarl	XS2361358539	0.0549%

CONSULTATION

Indexname	Ticker	Issuer	Bond ISIN	Bond Weight
iBoxx MSCI ESG EUR Corporates BBB TCA	SIGMA	Sigma Alimentos SA de CV	XS1562623584	0.0631%
iBoxx MSCI ESG EUR Corporates BBB TCA	SSELN	SSE Plc	XS1287779208	0.0740%
iBoxx MSCI ESG EUR Corporates BBB TCA	SSELN	SSE Plc	XS1676952481	0.0613%
iBoxx MSCI ESG EUR Corporates BBB TCA	SSELN	SSE Plc	XS1875284702	0.0672%
iBoxx MSCI ESG EUR Corporates BBB TCA	SSELN	SSE Plc	XS2156787090	0.0626%
iBoxx MSCI ESG EUR Corporates BBB TCA	SSELN	SSE Plc	XS2156787173	0.0519%

CONSULTATION TIMETABLE

The timetable IMBA UK is suggesting is as follows:

- 21 Jun 2022 Consultation opens
- 18 Jul 2022 Consultation closes
- 20 Jul 2022 IMBA UK reviews stakeholder feedback and a final decision is communicated
- 31 Jul 2022 Implementation of the rule change in the indices

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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CONSULTATION