

# Bloomberg MSCI Global Corporate High Yield SRI Sustainable Index

This document is intended to be read in conjunction with the [Bloomberg Global High Yield Index Methodology](#) and the [Bloomberg MSCI ESG Fixed Income Indices Methodology](#); these documents collectively constitute the index methodology for this Index.

The Bloomberg MSCI Global Corporate High Yield SRI Sustainable Bond Index is a fixed-rate, high-yield corporate bond benchmark that tracks the performance of USD-, EUR-, and GBP-denominated debt. The index includes issuers that meet the standard Bloomberg MSCI Sustainability thresholds, in addition to excluding issuers per the standard Bloomberg MSCI SRI screens. The index was created in November 2019, with history backfilled to June 1, 2013.

The features specific to this Index are set out below.

**Description of Index Constituents** Global High Yield Corporate Bonds

**Index Ticker** I35333US Index: Total Return USD Unhedged

## Eligibility Requirements:

**Currency** Principal and interest must be denominated in EUR, GBP, or USD.

**Sector** Corporate (industrial, utility and financial institutions) issuers only from developed markets.

**Credit Rating** High Yield

**Country** Emerging market countries are excluded, as per Bloomberg Emerging Markets definition.

**Minimum Amount Outstanding** Minimum EUR300mn, GBP300mn, or USD300mn par amount outstanding for each of the 3 markets.

**Maturity** At least one year until final maturity, regardless of optionality.

**Minimum Liquidity Requirements** See Minimum Amount Outstanding specified above.

**Rebalance Date** Monthly

## Rebalancing Rules

**Issuer Capping** Issuers that exceed 3% of the market value of the uncapped Global Corporate High Yield SRI Sustainable Index are limited at 3%. The excess market value over the 3% cap is redistributed on a pro rata basis to all other issuers' bonds in the index that are under the 3% cap. The process is repeated

until no issuer exceeds the 3% limit. For example, an issuer that represents 4% of the uncapped index will have 1% of the index's market value redistributed to each bond from all issuers under the 3% cap on a pro rata basis. The 3% issuer cap is applied each month as the index is rebalanced.

## Environmental, Social and Governance (ESG)

This section is not intended to be exhaustive and is being provided for information purposes only - detailed ESG disclosures set out in dedicated section below.

The Index applies the standard ESG factors outlined in the [Bloomberg MSCI ESG Fixed Income Indices Methodology](#) Appendix A: Bloomberg MSCI SRI Indices and Appendix B: Bloomberg MSCI Sustainability Indices ESG annexes:

- Securities must use the standard Bloomberg MSCI ESG Rating thresholds,
- Standard Bloomberg MSCI SRI screen, and
- Standard Bloomberg MSCI ESG Controversies score threshold.

The index additionally excludes issuers that MSCI define as having a percentage of revenue from, or being involved in, business activities related to:

- Any issuers that derive greater than 5% revenue from:
  - Arctic Gas
  - Arctic Oil

## Document Version History

Date	Update
September 2023	Publication in new format

## Environmental, Social and Governance (ESG) Disclosures

This document should be read in conjunction with the [Bloomberg MSCI ESG Fixed Income Indices Methodology](#) Appendix A: Bloomberg MSCI SRI Indices and Appendix B: Bloomberg MSCI Sustainability Indices ESG disclosures annexes. These annexes and the information below collectively constitute the ESG factors taken into account in this Index and associated disclosures.

ESG Factors		
Arctic Oil	Exclusion	<ul style="list-style-type: none"> <li>This factor identifies the maximum percentage of revenue (either reported or estimated) greater than 0% that a company derives from Arctic Oil production. The definition of Arctic is geographical and includes production activities north of the 66.5 latitude. This factor includes offshore or onshore oil production.</li> </ul> <p>Exclusion applies to researched companies that have <math>\geq 5\%</math> of revenue from this factor.</p>
Arctic Gas	Exclusion	<ul style="list-style-type: none"> <li>This factor identifies the maximum percentage of revenue (either reported or estimated) greater than 0% that a company derives from Arctic Gas production. The definition of Arctic is geographical and includes production activities north of the 66.5 latitude. This factor includes offshore or onshore gas production.</li> </ul> <p>Exclusion applies to researched companies that have <math>\geq 5\%</math> of revenue from this factor.</p>
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:</p> <p>MSCI Research  <a href="mailto:esgclientservice@msci.com">esgclientservice@msci.com</a>  <a href="https://www.msci.com/research-and-insights">https://www.msci.com/research-and-insights</a></p> <p>MSCI ESG Research relies on a proprietary methodology informed by a range of data sources.</p> <ul style="list-style-type: none"> <li>Reported data <ul style="list-style-type: none"> <li>Corporate documents: annual reports, proxy filings, environmental and social reports, securities filings, websites and Carbon Disclosure Project responses. Externally sourced data</li> <li>Government data: central bank data, U.S. Toxic Release Inventory, Comprehensive Environmental Response and Liability Information System (CERCLIS), RCRA Hazardous Waste Data Management System, etc. We continue to assess the value of other, similar information sources, particularly for European companies.</li> <li>Popular, trade, and academic journals: accessed through websites, subscriptions and searches of online databases.</li> <li>News media: major news publications globally, including local-language sources across a range of markets.</li> <li>Relevant organizations and professionals: reports from and interviews with trade groups, industry experts and nongovernmental organizations familiar with the companies' operations and any related controversies</li> </ul> </li> <li>Modelled data <ul style="list-style-type: none"> <li>For climate-related metrics, when data is not disclosed by companies, MSCI ESG Research uses a proprietary GHG emission estimation model.</li> <li>When companies do not report exact revenue figures for a covered business activity, MSCI ESG Research provides an estimate of the extent of companies' involvement in the subject activity.</li> </ul> </li> </ul> <p>For top level scores (ESG Ratings, Environmental, Social and Governance pillars), MSCI ESG Research estimates macro-level risk exposure for companies' based on the type and location of operations, distribution of products. Data sources used in the exposure calculations include, but not limited to:</p>	

	<ul style="list-style-type: none"> <li>● Comprehensive Environmental Data Archive (CEDA)</li> <li>● US Department of Energy; International Council on Clean Transportation</li> <li>● Lamont-Doherty Earth Observatory, Columbia University</li> <li>● Organization of Economic Co-Operation and Development (OECD)</li> <li>● Canadian Industrial Water Survey</li> <li>● Hoekstra, A.Y. and Mekonnen, M.M. (2011)</li> <li>● Ecorisk</li> <li>● World Development Indicators (WDI)</li> <li>● Annual Change of Forest Resources _ Food and Agriculture Organization (FAO)</li> <li>● World Wildlife Fund (WWF)</li> <li>● US EPA’s Toxics Release Inventory (TRI)</li> <li>● Risk-Screening Environmental Indicators (RSEI)</li> <li>● US Bureau of Labor Statistics (BLS)</li> <li>● International Labour Organization (ILO)</li> <li>● US Occupational Health &amp; Safety Administration (OSHA)</li> <li>● UK Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR)</li> <li>● International Monetary Fund (IMF)</li> <li>● World Health Organization (WHO)</li> <li>● UN Principles for Responsible Investments (UN PRI)</li> <li>● World Resource Institute (WRI)</li> <li>● Consultative Group to Assist the Poor (CGAP)</li> <li>● US Census Bureau Current Population Survey Supplement</li> <li>● World Bank Governance Indicators (WGI)</li> <li>● Transparency International (TI)</li> <li>● World Bank (WB)</li> <li>● SNL Financial</li> <li>● Thomson Financial</li> </ul> <p>Refer to the <a href="#">MSCI ESG &amp; Climate Methodologies page</a> for further details on the data sources for the relevant ESG factors.</p>
<p>b) Verification of data and guaranteeing the quality of those data. <i>Describe how data are verified and how the quality of those data is ensured.</i></p>	<p><b>MSCI Business Involvement Screens</b></p> <p>Initial company research and analysis is followed by a rigorous quality review process. Data accuracy and company profiles are peer-reviewed, then sent to content leads for final approval. In specific cases in which a company’s business activity is not clearly defined by MSCI ESG Research’s methodology and there is no precedent, the case is escalated to the Head of Screening Research. Cases that require further interpretation or an update to the methodology are brought to the MSCI ESG Impact and Screening Methodology Committee for resolution.</p> <p>Please see the <a href="#">MSCI Business Involvement Methodology Overview</a> for further detail.</p>
<p>c) Reference standards</p>	<p><b>MSCI Business Involvement Screens</b></p>

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<i>Describe the international standards used in the benchmark methodology.</i>	The MSCI ESG Research team utilised a combination of industry classifications, business descriptions and keyword searches in company filings to identify potential involvement in each of the screening topics.
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