

Bloomberg MSCI Global High Yield Liquid Corporate ESG Weighted SRI Bond Index

This document is intended to be read in conjunction with the [Bloomberg Global High Yield Corporate 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 High Yield Liquid Corporate ESG Weighted SRI Bond Index is a multi-currency, high yield, corporate bond benchmark. The index includes issuers with a MSCI ESG Rating of BB or higher, in addition to excluding issuers per the standard Bloomberg MSCI SRI Screen, while also negatively screening issuers involved in business activities that are restricted because they are inconsistent with certain value-based business involvement criteria. Issuers with a “red” MSCI ESG Controversy Score, or issuers not covered by MSCI ESG Controversy research are also excluded. Additionally, issuer weights are tilted based on the MSCI ESG Rating, and issuers are capped at a market value weight of 5%. The index was created in April 2022, with history backfilled to January 1, 2017.

The features specific to this Index are set out below.

Description of Index Constituents Global High Yield Bonds

Index Ticker I37018US Index: Total Return USD Unhedged

Eligibility Requirements:

Currency Principal and interest must be denominated one of the following currencies: USD, EUR, and GBP

Sector Corporate

Credit Rating High Yield

Minimum Amount Outstanding

- For developed markets bonds: USD500mn, EUR400mn, GBP300mn
- For emerging markets bonds: USD500mn, EUR500mn, GBP500mn

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

Minimum Liquidity Requirements See Minimum Amount Outstanding specified above

Rebalance Date Monthly

Issuer Capping Issuers that exceed 5% of the market value of the uncapped Bloomberg MSCI Global High Yield Liquid Corporate ESG Weighted SRI Bond Index are limited at 5%. The excess market value over the 5% cap will be redistributed on a pro rata basis to all other issuers’ bonds in the index that are under the 5% cap. The process is repeated until no issuer exceeds the 5% limit.

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: Sustainability Indices](#) ESG annexes:

- Standard Bloomberg MSCI SRI Screen,
- Standard Bloomberg MSCI ESG Controversies Score threshold, and
- Standard Bloomberg MSCI ESG Ratings

Additionally, the index applies the following MSCI ESG factors:

Additional MSCI Business Involvement Screens	<div>The index excludes issuers deriving revenue from, or being involved in, business activities related to:<ul style="list-style-type: none">• Civilian Firearms• Biological or Chemical Weapons revenue >= 0.001%• Conventional Weapons Production >= 0.001%• Nuclear Weapons Production >= 0.001%</div>
Additional MSCI ESG Controversies	<div>In addition to applying the standard Bloomberg MSCI ESG Controversy screen, the index also excludes corporate issuers not covered by MSCI ESG Controversy research.</div>
MSCI ESG Rating Tilts	<div>The weight of each index eligible issuer (and security) is adjusted by a fixed multiplier (see table below), which is determined by its MSCI ESG Rating (AAA, AA, A, BBB, BB).</div>

ESG Rating	Tilt
AAA, AA, A	2.0x
BBB, BB	1.0x

Document Version History

Date	Update
September 2023	Publication in new format
April 2024	Update to format

Environmental, Social and Governance (ESG) Disclosures

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

Where an index applies MSCI screens and a security/issuer is not included in the MSCI research coverage for that screen, unless otherwise noted, this index will include such security/issuer, provided it meets the relevant index eligibility rules. This applies to Government, securitized issuers (ABS, CMBS, and MBS), and corporate issuers not covered by MSCI ESG Business Involvement Screening Data, and MSCI ESG Climate Data & Metrics, and also to Corporate issuers not covered by MSCI ESG Research. Corporate issuers not covered by MSCI ESG Controversies research are excluded from the Index.

ESG Factors	
MSCI ESG Rating Tilts	<p>In addition to excluding issuers that do not meet the above described MSCI ESG Rating threshold, the index adjusts the weight of each issuer by a fixed multiplier which is determined by its MSCI ESG Rating (AAA, AA, A, BBB, BB). Please refer to the MSCI ESG Rating Tilts description in the Environment, Social, and Governance (ESG) section of this document.</p> <p>Please refer to the MSCI ESG Ratings Methodology that can be accessed here and summary of what an MSCI ESG rating is can be found here.</p>
Civilian Firearms	<ul style="list-style-type: none"> Excludes researched companies either classified as “Producer” of firearms and small arms ammunitions for civilian markets (which does not include companies that cater to the military, government, and law enforcement markets), or companies deriving 5% or more aggregate revenue from the production and distribution (wholesale or retail) of firearms or small arms ammunition intended for civilian use. Excludes researched companies that have an industry tie to the manufacture or retail of civilian firearms
Controversial Weapons	<ul style="list-style-type: none"> Excludes researched companies with any tie to Controversial Weapons (cluster munitions, landmines, depleted uranium weapons, biological/chemical weapons, blinding lasers, non-detectable fragments, and incendiary weapons) Excludes researched companies deriving any revenue from biological or chemical weapons
Conventional Weapons	<ul style="list-style-type: none"> Excludes researched companies either deriving 5% or more revenue from the production of conventional weapons and components, or deriving 15% or more aggregate revenue from weapons systems, components, and support systems and services. Excludes researched companies that derive any revenue from the production of conventional weapons
Nuclear Weapons	<ul style="list-style-type: none"> Excludes researched companies that: <ul style="list-style-type: none"> Manufacture nuclear warheads and/or whole nuclear missiles. Manufacture components that were developed or are significantly modified for exclusive use in nuclear weapons (warheads and missiles). Manufacture or assemble delivery platforms that were developed or significantly modified for the exclusive delivery of nuclear weapons. Provide auxiliary services related to nuclear weapons. Manufacture components that were not developed or not significantly modified for exclusive use in nuclear weapons (warheads and missiles) but can be used in nuclear weapons. Manufacture or assemble delivery platforms that were not developed or not significantly modified for the exclusive delivery of nuclear weapons but have the capability to deliver nuclear weapons. Manufacture components for nuclear-exclusive delivery platforms. Derive any revenue from the production of nuclear weapons.
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 esgclientservice@msci.com https://www.msci.com/research-and-insights</p> <p>MSCI ESG Research relies on a proprietary methodology informed by a range of data sources.</p> <ul style="list-style-type: none"> • Reported data <ul style="list-style-type: none"> ○ Corporate documents: annual reports, proxy filings, environmental and social reports, securities filings, websites and Carbon Disclosure Project responses. Externally sourced data ○ 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. ○ Popular, trade, and academic journals: accessed through websites, subscriptions and searches of online databases. ○ News media: major news publications globally, including local-language sources across a range of markets. ○ 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 • Modelled data <ul style="list-style-type: none"> ○ For climate-related metrics, when data is not disclosed by companies, MSCI ESG Research uses a proprietary GHG emission estimation model. ○ 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. <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"> • Comprehensive Environmental Data Archive (CEDA) • US Department of Energy; International Council on Clean Transportation • Lamont-Doherty Earth Observatory, Columbia University • Organization of Economic Co-Operation and Development (OECD) • Canadian Industrial Water Survey • Hoekstra, A.Y. and Mekonnen, M.M. (2011) • Ecorisk • World Development Indicators (WDI) • Annual Change of Forest Resources _ Food and Agriculture Organization (FAO) • World Wildlife Fund (WWF) • US EPA's Toxics Release Inventory (TRI) • Risk-Screening Environmental Indicators (RSEI) • US Bureau of Labor Statistics (BLS) • International Labour Organization (ILO) • US Occupational Health & Safety Administration (OSHA) • UK Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) • International Chemical Secretariat (ChemSec) Substitute It Now (SIN) List • International Monetary Fund (IMF) • World Health Organization (WHO)
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	<ul style="list-style-type: none"> • UN Principles for Responsible Investments (UN PRI) • World Resource Institute (WRI) • Consultative Group to Assist the Poor (CGAP) • US Census Bureau Current Population Survey Supplement • World Bank Governance Indicators (WGI) • Transparency International (TI) • World Bank (WB) • SNL Financial • Thomson Financial <p>Refer to the MSCI ESG & Climate Methodologies page 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>MSCI ESG Score</p> <p>The ESG Ratings process includes multiple steps to review the quality of the analysis and consistent application of the methodology.</p> <p>The following quality assurance and oversight processes are observed:</p> <ul style="list-style-type: none"> • Quality review process: Data quality checks are conducted on all companies prior to the publication of their ESG Rating. • Analytical review: All ESG Ratings are subject to review by an analyst and a reviewer. In cases where the analyst review results in a proposal for a change to an ESG Rating, and for defined other circumstances, the Rating is subject to a review by a second senior analyst. • Ratings Methodology Committee: This committee addresses the following specific cases, as well as other escalations related to methodology application: <ul style="list-style-type: none"> ◦ Proposal to add a company-specific Key Issue in a company's assessment. ◦ Ratings change of two letters or more. ◦ New AAA- or CCC-rated company. ◦ Requests for deviations from the weights for industry Key Issues due to significant differences in business model from the industry peer set. ◦ Requests to deviate from standard methodology for including or excluding controversies cases in a company's ratings analysis. • ESG Methodology Committee: This committee addresses escalations from the Ratings Methodology Committee and reviews changes to the ESG Ratings methodology, including: <ul style="list-style-type: none"> ◦ Updates to the ESG Industry Materiality Map, which determines the relevance of ESG Key Issues to sub-industries. ◦ Changes to data sources or calculations used in ESG Ratings. ◦ Methodology proposals for consultation. <p>Please see the MSCI ESG Ratings Methodology and Process via the MSCI ESG Methodologies website for further detail.</p> <p>MSCI ESG Controversies and Global Norms</p> <p>The consistency of ESG controversies assessments and scoring based on MSCI ESG Controversies and Global Norms Methodology is ensured through ongoing peer review and MSCI ESG Controversies Methodology Committee (CMC) reviews. The CMC has direct oversight of the content of the company ESG Controversies reports and of the consistent application of the methodology.</p> <p>The following situations require CMC review and approval:</p> <ul style="list-style-type: none"> • Proposed downgrades of controversy cases to Red Flag status must first be approved by the CMC before being escalated to the MSCI ESG Methodology Committee (EMC). • Proposed upgrades of controversy cases from Red Flag status.

	<ul style="list-style-type: none"> Proposed significant score changes to existing controversy cases. Proposed designation of a case as of Historical Concern (whereby the case no longer has a score or a corresponding flag, but is retained in the company's ESG Controversies report for context and reference). <p>In addition to ESG controversy case reviews and approvals, the CMC reviews and approves clarifications and updates to the MSCI ESG Controversies and Global Norms methodology.</p> <p>The CMC escalates selected individual ESG controversy cases, including upgrades from and downgrades to Red Flag status, to the EMC, which governs all MSCI ESG solutions and presides over the development, review and interpretation of all ESG Research methodologies, including the MSCI ESG Controversies and Global Norms methodology. The EMC is also responsible for the review and approval of revisions to the MSCI ESG Controversies and Global Norms methodology</p> <p>Please see the MSCI ESG Controversies and Global Norms Process via their ESG Methodologies website for further detail.</p> <p>MSCI Business Involvement Screens</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 MSCI Business Involvement Methodology Overview for further detail.</p>
c) Reference standards <i>Describe the international standards used in the benchmark methodology.</i>	<p>MSCI ESG Score</p> <p>MSCI ESG Research relies on a proprietary methodology informed by a range of data sources. MSCI ESG Research does not explicitly mandate reporting along specific disclosure standards. Commonly utilized disclosure frameworks for data collected and used by MSCI ESG Research include GRI, SASB, UN Global Compact; and, for specific performance indicators, GHG Protocol, and applicable ISO standards.</p> <p>MSCI ESG Controversies and Global Norms</p> <p>The evaluation framework used in MSCI ESG Controversies is designed to be consistent with international norms represented by the UN Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, and the UN Global Compact principles.</p> <p>MSCI Business Involvement Screens</p> <p>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.</p>
Date on which information has been last updated and reason for the update:	April 2024 (update to format)

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