

# Bloomberg MSCI Sterling Corporate Sustainable SRI 4% Capped Index

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

The Bloomberg MSCI Sterling Corporate Sustainable SRI 4% Capped Index is a fixed-rate, investment grade, GBP-denominated, corporate bond benchmark. To be included, securities must at least one year remaining until final maturity. The index includes issuers with a minimum MSCI ESG Rating of BBB while also excluding issuers per the standard Bloomberg MSCI SRI and ESG Controversy screens and excluding issuers not covered by MSCI ESG Controversy research. The index ensures that the aggregate exposure of bonds in the index that qualify as having Sustainable Exposure is set to a minimum threshold of 20%. The exposure of issuers is limited to a market value weighted cap of 4%. The index was created in December 2019, with index history backfilled to January 1, 2013.

The features specific to this Index are set out below.

**Description of Index Constituents** GBP Investment Grade Bonds

**Index Ticker** I35353GB Index: Total Return GBP Unhedged

## Eligibility Requirements:

**Currency** Principal and interest must be denominated in GBP

**Credit Rating** Investment Grade

**Sector** Corporate

**Minimum Amount Outstanding** GBP 200mn minimum par amount outstanding

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

**Minimum Liquidity Requirements** Minimum amount outstanding as specified above.

**Rebalance Date** Monthly

**Issuer Capping Methodology** Issuers that exceed 4% of the market value of the uncapped Sterling Corporate Sustainable SRI Index are limited to 4%. The excess market value over the 4% cap is redistributed on a pro rata basis to all other issuers' bonds in the index that are under the 4% cap. The process is repeated until no issuers exceed the 4% 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 ESG annexes:

- Standard Bloomberg MSCI SRI screen, and
- Standard Bloomberg MSCI ESG Controversies score threshold.

Additionally, the index applies the following MSCI ESG screens:

<b>MSCI ESG Ratings</b>	Issuers must have a MSCI ESG Rating of BBB or higher to be included. Unrated issuers are excluded.
<b>Additional MSCI Business Involvement Screens</b>	<p>The index excludes corporate issuers deriving revenue from, or being involved in, business activities related to:</p> <ul style="list-style-type: none"> <li>• Weapons Systems/Components/Support Systems/Services revenue <math>\geq 10\%</math></li> </ul>
<b>Additional MSCI ESG Controversies</b>	In addition to applying the standard Bloomberg MSCI ESG Controversy screen, the index also excludes corporate issuers not covered by MSCI ESG Controversy research.

*The following rebalancing information is applied to the overall index:*

<b>MSCI Sustainable Exposure</b>	Additionally, the index is required to ensure that a minimum of 20% of its market value weight is attributed to securities classified as having Sustainable Exposure. A description of the Sustainable Exposure methodology can be found <a href="#">here</a> .
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## 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 [Bloomberg MSCI ESG Fixed Income Indices Methodology](#) Appendix A: Bloomberg MSCI SRI Indices disclosures annexes. These annexes and the information below collectively constitute the ESG factors taken into account in this Index and associated disclosures.

ESG Factors	
MSCI ESG Rating	<p>The index incorporates ESG ratings in the inclusion of researched index constituents based on a minimum rating threshold.</p> <p>MSCI ESG Ratings provide research, data, analysis and ratings of how well companies manage environmental, social and governance risks and opportunities. MSCI ESG Ratings provides an overall company ESG rating – a seven-point scale from ‘AAA’ to ‘CCC’. In addition, the product provides scores and percentiles indicating how well a company manages each key issue relative to industry peers, as well as underlying data and metrics used to compile the scores and ratings.</p> <p>The index includes issuers with a MSCI ESG Rating of BBB or higher, Unrated issuers are excluded.</p> <p>Please refer to the MSCI ESG Ratings Methodology that can be accessed <a href="#">here</a> and summary of what an MSCI ESG rating is can be found <a href="#">here</a></p>
MSCI ESG Controversy	<p>In addition to excluding research constituents with a “Red” MSCI ESG Controversies Score per the standard Bloomberg MSCI SRI screen, this index also excludes corporate issuers not covered by MSCI ESG Controversies research.</p> <p>MSCI ESG Controversies identifies company involvement in major ESG controversies and adherence to international norms and principles such as UNGC and ILO Core Conventions.</p> <p>The methodology measures companies' public profiles based on actual or alleged involvement in adverse impact activities across the 3 ESG pillars. Each controversy is assigned a flag depending on severity, direct vs indirect involvement of the company and whether it's ongoing, partially or fully concluded. The overall company controversy score and corresponding flag is determined by the most severe ESG controversy case:</p> <ul style="list-style-type: none"> <li>• A Red Flag indicates an ongoing Very Severe ESG controversy implicating a company directly through its actions, products, or operations.</li> <li>• An Orange Flag indicates a Severe ongoing controversy with the company's direct involvement, or a Very Severe controversy that is either partially resolved or indirectly attributed to companies' actions, products, or operations.</li> <li>• Yellow indicates noteworthy ESG controversies.</li> <li>• Green indicates either less significant ESG controversies or none at all.</li> </ul> <p>Please refer to the ESG Controversies and Global Norms Methodology that can be accessed <a href="#">here</a>.</p>
Weapons	<p>Excludes all researched companies deriving 10% or more revenue from weapons systems, components, and support systems and services.</p> <p>Note: this index applies the above additional weapons screen that has a lower threshold than the one applied in the standard Bloomberg MSCI SRI screen.</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</li> </ul> </li> </ul>

	<p>Hazardous Waste Data Management System, etc. We continue to assess the value of other, similar information sources, particularly for European companies.</p> <ul style="list-style-type: none"> <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> <ul style="list-style-type: none"> <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 Chemical Secretariat (ChemSec) Substitute It Now (SIN) List</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> </ul>
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	<ul style="list-style-type: none"> <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 ESG Score</b></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"> <li>Quality review process: Data quality checks are conducted on all companies prior to the publication of their ESG Rating.</li> <li>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.</li> <li>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"> <li>Proposal to add a company-specific Key Issue in a company's assessment.</li> <li>Ratings change of two letters or more.</li> <li>New AAA- or CCC-rated company.</li> <li>Requests for deviations from the weights for industry Key Issues due to significant differences in business model from the industry peer set.</li> <li>Requests to deviate from standard methodology for including or excluding controversies cases in a company's ratings analysis.</li> </ul> </li> <li>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"> <li>Updates to the ESG Industry Materiality Map, which determines the relevance of ESG Key Issues to sub-industries.</li> <li>Changes to data sources or calculations used in ESG Ratings.</li> <li>Methodology proposals for consultation.</li> </ul> </li> </ul> <p>Please see the MSCI ESG Ratings Methodology and Process via the <a href="#">MSCI ESG Methodologies website</a> for further detail.</p> <p><b>MSCI ESG Controversies and Global Norms</b></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"> <li>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).</li> <li>Proposed upgrades of controversy cases from Red Flag status.</li> <li>Proposed significant score changes to existing controversy cases.</li> <li>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).</li> </ul> <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</p>

	<p>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 <a href="#">ESG Methodologies website</a> for further detail.</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 <i>Describe the international standards used in the benchmark methodology.</i></p>	<p><b>MSCI ESG Score</b></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><b>MSCI ESG Controversies and Global Norms</b></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><b>MSCI Business Involvement Screens</b></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>
<p>Date on which information has been last updated and reason for the update:</p>	<p>September 2023 (first publication)</p>

## ESG Factors pertaining to the MSCI Sustainable Investment Exposure Methodology

Note: the application of the below methodology is used to weight the portion of the index that is classified as having Sustainable Investment Exposure ("SI%"). The index is designed to ensure that the SI% remains greater than or equal to a market weight of 20%.

An issuer qualifies as having sustainable exposure if it meets all of the following conditions:	
ESG Company Ratings	<p>A company's final ESG Rating. To arrive at a final letter rating, the weighted average of the key issue scores are aggregated and companies are ranked from best (AAA) to worst (CCC).</p> <p>Issuer must have a rating of BB or higher. The condition is not met if the issuer is not covered by MSCI ESG Ratings.</p>
ESG Controversies	<p>The overall company assessment signals whether a company has a notable controversy related to a company's operations and/or products, and the severity of the social or environmental impact of the controversy.</p> <p>Issuer must have controversies score of 2 or higher. The condition is not met if the issuer is not covered by MSCI ESG Controversy research.</p>
At least one of the following conditions must met:	
Sustainable Impact Revenue	<p>This field represents the total of all revenues derived from any of the thirteen social and environmental impact themes including nutrition, sanitation, major diseases treatment, SME finance, education or affordable real estate, alternative energy, energy efficiency, green building, pollution prevention and sustainable water. Overlapping scores may occur in certain themes.</p> <p>Issuer must derive revenue greater than or equal to 20%.</p>
Science Based Targets (SBTi)	Flagged as "T" if the company has one or more active carbon emissions reduction target/s approved by the Science Based Targets initiative (SBTi).
The issuer is not flagged by the following business involvement criteria:	
Controversial Weapons	Companies that have any ties to cluster munitions, landmines, biological / chemical weapons, depleted uranium weapons, blinding laser weapons, incendiary weapons, and/or non-detectable fragments.
Thermal Coal Revenue	<p>This factor identifies the maximum percentage of revenue (either reported or estimated) greater than 0% that a company derives from the mining of thermal coal (including lignite, bituminous, anthracite and steam coal) and its sale to external parties. It excludes: revenue from metallurgical coal; coal mined for internal power generation (e.g. in the case of vertically integrated power producers); intra-company sales of mined thermal coal; and revenue from coal trading.</p> <p>Issuer must not derive revenue greater than or equal to 1%.</p>
Tobacco Production	Companies that manufacture tobacco products, such as cigars, blunts, cigarettes, e-cigarettes, inhalers, beedis, kreteks, smokeless tobacco, snuff, snus, dissolvable and chewing tobacco. This also includes companies that grow or process raw tobacco leaves.
Tobacco Revenue	<p>The recent-year percent of revenue, or maximum estimated percent, a company has derived from tobacco-related business activities.</p> <p>Issuer must not derive revenue greater than or equal to 5%.</p>
If an issuer does not meet the above conditions, but has on issue a Green Bond, the Green Bond qualifies as having Sustainable Exposure only if it meets all of the following condition:	
Bond is assessed as a Green Bond per the MSCI ESG Research's Green Bond assessment framework	Refer to the <a href="#">Bloomberg MSCI Green Bond Methodology Appendix 1 ESG Disclosures</a>
ESG Controversies	<p>The overall company assessment signals whether a company has a notable controversy related to a company's operations and/or products, and the severity of the social or environmental impact of the controversy.</p> <p>Issuers classified as corporate by the Bloomberg Fixed Income Classification System (BCLASS 1) must have controversies score of 1 or higher.</p> <p>This condition does not apply to non-corporate issuers of Green Bonds.</p>

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