

IHS Markit Benchmark Administration Limited Consultation on the iBoxx MSCI ESG EUR Corporates Green Bond Select Index

LONDON, JANUARY 12, 2024: IHS Markit Benchmark Administration Limited ("IMBA UK") is conducting a consultation with market participants on potential changes to the iBoxx MSCI ESG EUR Corporates Green Bond Select Index.

BACKGROUND

The iBoxx MSCI ESG EUR Corporates Green Bond Select Index consists of a subset of the bonds of the EUR denominated Green bond universe.

The index leverages external, independent data sources for determining 'Green' bond classification. Only those bonds classified by Climate Bond Initiative ("CBI") as 'Green bonds' are eligible. The criteria goes beyond self-labelling conventions and evaluates the credibility of an asset and its environmental impact, as based on CBI proprietary Green Bonds Taxonomy as well as transparency requirements and the 'Use of Proceeds' to aligned projects and assets.

Broad benchmark indices generally consist of a large number of bonds, especially within the corporate sector. Tracking a broad benchmark might therefore incur substantial costs in attempting to replicate or hedge the individual bonds in the portfolio. Furthermore, bonds with special features or smaller amounts outstanding usually suffer from illiquid trading, resulting in relatively large bid-ask spreads. The iBoxx MSCI ESG EUR Corporates Green Bond Select Index is intended to address these deficiencies by limiting the number of bonds (90) and excluding special bond types, thus reducing tracking and hedging costs.

Index Name	ISIN (CPI)	ISIN (TRI)
iBoxx MSCI ESG EUR Corporates Green Bond Select Index	GB00BQNB2507	GB00BQNB2614

PROPOSAL

IMBA UK proposes to exclude any issuers that have an active fossil fuel exposure. This will be determined based on the MSCI ESG data set and the relevant source field is "ACTIVE_FF_SECTOR_EXPOSURE".

In a second rule update, IMBA UK proposes to limit the eligible bonds from issuers classified as 'Financials' to 60. This is meant to achieve a more balanced sector representation of financials and non-financial issuers in the index and prevent a distinct underweight of non-financial issuers.

In addition, IMBA UK proposes to also update the revenue threshold that issuers are deriving from thermal coal-based power generation from above 10% to 5% and above. The driver for this update is an increased focus and awareness of stakeholders around the phasing out of thermal coal.

The table on the following page details the proposed changes.

Proposed Change	Current	Methodology Proposed
MSCI Climate Change Metrics Exclusions: Fossil Fuels	--	All companies with any active fossil fuel sector exposure
Index Size and Capping Procedure	--	The maximum number of bonds from issuers in the 'Financials' sector is limited to 60.
MSCI Climate Change Metrics Exclusions: Thermal Coal	All companies deriving more than 10% of revenue (either reported or estimated) from the thermal coal based power generation	All companies deriving 5% or more of revenue (either reported or estimated) from the thermal coal based power generation

IMPACT

A theoretical impact of the proposed methodology update on the current membership can be found [here](#). The proposed index methodology updates would have led to the exchange of 20 issuances (20 exclusion and 20 inclusion).

You may find additional data and analysis in our Client Resource Center www.spglobal.com/spdji/en/client-services/ which may be updated from time to time throughout the consultation. Additional data and analysis may also be made available upon request.

IMPLEMENTATION TIMING

IMBA UK is proposing to implement the previously described methodology changes, if adopted, in conjunction with the January 2024 month-end rebalancing, which takes effect prior to the market open on **February 1, 2024**.

QUESTIONS

Please answer the following questions and provide IMBA UK with the reasoning behind your answers:

1. Do you agree with the proposal to exclude any issuers that have an active fossil fuel exposure from the iBoxx MSCI ESG EUR Corporates Green Bond Select Index?
2. Do you agree with the proposal to limit the eligible bonds from issuers classified as 'Financials' to 60 for the iBoxx MSCI ESG EUR Corporates Green Bond Select Index?
3. Do you agree with the proposal to update the thermal coal-based power generation revenue threshold from above 10% to 5% and above?
4. Should these proposed methodology changes be adopted, do you agree with the proposed implementation date?
5. Do you have any other comments or feedback regarding the proposed changes outlined above?

Your participation in this consultation is important as we gather information from various market participants in order to properly evaluate your views and preferences on the proposal herein and the suggested timetable for its implementation. Please respond to this survey by **January 23, 2024**. After this date, IMBA UK will no longer accept survey responses. Prior to the Index Committee's final review, IMBA UK may request clarifications from respondents as part of that review.

CONSULTATION

To participate in this consultation, please visit the online survey available [here](#).

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

Thank you for taking the time to complete this survey.

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