

Bloomberg MSCI Treasury/IG Corp/HY Equal Weighted ESG BB+ Sustainable SRI Bond Index

The Bloomberg MSCI Treasury/IG Corp/HY Equal Weighted ESG BB+ Sustainable SRI Bond Index is the union between the Global Treasury Index, the Global Aggregate Corporate Index and the Global High Yield Index and applies additional ESG criteria for security eligibility. The index includes issuers with MSCI ESG Ratings of BB or higher and negatively screens issuers that are involved in business activities that are restricted because they are inconsistent with certain values-based business involvement criteria. Additionally, the index excludes those issuers with a "red" MSCI ESG Controversy Score. The index was created in August 2021, with history backfilled to March 1, 2019.

Rules for Inclusion: Fixed Income Criteria

Sector

For the Global Treasury and Global Aggregate Corporate Indices:

- Treasury, corporate (industrial, utility, and financial institutions) issuers.

For the Global High Yield Index:

- Corporate (industrial, utility, and financial institutions) issuers.
- Sovereign, agency (government owned, government guaranteed, and government sponsored entities), and local authority bonds from EM issuers only.

Eligible Currencies

For the Global Treasury and Global Aggregate Corporate Indices:

- Principal and coupon must be denominated in one of the following eligible currencies:
 - Americas: CAD, CLP, COP, MXN, PEN, USD
 - EMEA: CHF, CZK, DKK, EUR, GBP, HUF, ILS, NOK, PLN, RON, RUB, SEK
 - Asian-Pacific: AUD, CNY, HKD, IDR, JPY, KRW, MYR, NZD, SGD, THB
- Eligible currencies will not necessarily have debt included in the index if no securities satisfy the inclusion rules. CLP-, MXN-, ILS-, RUB-denominated corporate bonds are not eligible, however treasury bonds from these markets are eligible for the Global Treasury Index provided necessary inclusion rules are met.

For the Global High Yield Index:

- Principal and coupon must be denominated in one of the following currencies: USD, EUR, GBP, CHF, DKK, NOK, and SEK.

Quality

Investment grade, high yield and unrated securities are permitted. Securities are rated using the middle rating of Moody's, S&P and Fitch; when a rating from only two agencies is available, the lower is used; when only one agency rates a bond, that rating is used. In cases where explicit bond level ratings may not be available, other sources may be used to classify securities by credit quality:

- Local currency treasury and hard currency sovereign issues are classified using the middle issuer-level local currency and hard currency debt ratings from each agency for all outstanding bonds, even if bond-level ratings are available.
- Expected ratings at issuance may be used to ensure timely index inclusion or to properly classify split-rated issuers.
- Unrated securities may use an issuer rating for index classification purposes if available. Unrated subordinated securities are included if a subordinated issuer rating is available.
- For the Canadian Dollar market, DBRS is considered in addition to Moody's, S&P, and Fitch. When all four ratings agencies are available, the highest and lowest ratings are removed and the lower of the two remaining is used.
- A limited number of unrated securities are included in the EM Hard Currency High Yield sub-component of the Global High Yield Index. The US and Pan-European High Yield Index components exclude unrated securities.

Amount Outstanding

Fixed minimum issue size are set for all local currency markets, for the Global Treasury and Global Aggregate Corporate Indices, this includes:

- 150mn: CAD
- 300mn: USD, EUR, CHF, AUD
- 200mn: GBP
- 1bn: RON, PEN
- 35bn: JPY
- 2bn: DKK, NOK, PLN, ILS, HKD, MYR
- 2.5bn: SEK
- 5bn: CNY**
- 10bn: MXN, CZK, THB
- 20bn: RUB
- 500mn: NZD, SGD
- 100bn: CLP
- 200bn: HUF
- 500bn: KRW
- 1trn: COP
- 2trn: IDR

***The minimum amount outstanding required for CNY-denominated treasury and policy bank debt is CNY 5bn. The total amount of index-eligible CNY debt will be phased into the Global Aggregate Index at 5% increments over a 20 month period starting April 1, 2019 until November 2020 when 100% of index-eligible debt will be reflected in the index.*

For the Global High Yield Index, this includes:

- US High Yield: 150mn
- Pan-European High Yield: EUR100mn, GBP50mn, CHF100mn, DKK500mn, NOK500mn, SEK1bn
- EM Hard Currency High Yield: USD500mn, EUR500mn, GBP500mn

Coupon

- Fixed-rate coupon (including zero coupon).
- Callable fixed-to-floating rate bonds are eligible during their fixed-rate term only.

- Bonds with a step-up coupon that changes according to a predetermined schedule are eligible.
- US High Yield and Pan European High Yield Indices: fixed-rate, pay-in-kind (PIK) and toggle notes are eligible.
- EM Hard Currency High Yield Index: fixed-rate and floating-rate (USD-denominated securities only) securities are eligible.

Maturity

- At least one year until final maturity, regardless of optionality.
- Bonds that convert from fixed to floating rate, including fixed-to-float perpetuals, will exit the index before converting to floating-rate. Fixed-rate perpetual bonds are not included.

Taxability

- Only fully taxable issues are eligible.
- Dividend Received Deduction (DRD) and Qualified Dividend Income (QDI) eligible securities are excluded.

Market of Issue

- Global Treasury and Global Aggregate Corporate Indices: fully taxable, publicly issued in the global and regional markets.
- US High Yield: securities must be SEC-registered, SEC Rule 144A with or without registration rights.
- Pan-European High Yield and EM Hard Currency High Yield Indices: securities must be publicly issued in the global and regional markets.

Seniority of Debt

Senior and subordinated issues are included.

Security Types**Included**

- Bullet, puttable, sinkable/amortizing and callable bonds
- Original issue zero coupon bonds
- Bonds issued through underwritten MTN programs
- Enhanced equipment trust certificates (EETC)
- Certificates of deposit
- Fixed-rate and fixed-to-float (including fixed-to-variable) capital securities
- Loan participation notes
- Malaysian government Sukuk (as of April 1, 2015)
- CNY treasury and policy bank debt (as of April 1, 2019)

Excluded

- Contingent capital securities, including traditional CoCos and contingent write-down securities, with explicit capital ratio or solvency/balance sheet-based triggers
- Bonds with equity type features (e.g., warrants, convertibles, preferreds, DRD/QDI-eligible issues)
- Inflation-linked bond
- Floating-rate issues (exception EM Hard Currency High Yield Index)
- Fixed-rate perpetuals
- Private placements, retail bonds
- Sinkable Russian OFZ bonds issued prior to 2009
- USD25/USD50 par bonds
- Structured notes, pass-through certificates
- Formosa bonds (as of April 1, 2017)
- Illiquid securities where reliable pricing is unavailable
- Partial pay-in-kind (PIK) bonds are excluded from the US High Yield and Pan-European High Yield Indices

- Defaulted corporate issues

Environment, Social and Governance (ESG) Rules

MSCI ESG Rating

The following criteria apply:

- Securities must have an MSCI ESG Rating of BB or higher.
- Unrated issuers from sectors with ratings are excluded.
- Prior to April 2021, ratings were applied at the ticker level. Every bond within the same ticker had the same MSCI ESG Rating.
- MSCI ESG Ratings are generally updated annually, but may be reviewed more frequently as needed.

Business Involvement Screens

The index excludes issuers involved in the following business lines/activities as per the standard Bloomberg MSCI SRI screen:

- Adult Entertainment
- Alcohol
- Gambling
- Tobacco
- Conventional Weapons
- Civilian Firearms
- Nuclear Weapons
- Controversial Weapons
 - Cluster Munitions
 - Landmines
 - Depleted Uranium
 - Biological/Chemical
 - Blinding Lasers
 - Non-Detectable Fragments
 - Incendiary
- Nuclear Power
- Thermal Coal
- Fossil Fuels
- Genetically Modified Organisms (GMO)

From September 2020, the index additionally excludes issuers that MSCI define as having a percentage of revenue from business activities related to:

- Thermal Coal greater than 0%
- Unconventional Oil and Gas greater than 0%
- Generation of Thermal Coal greater than 5%
- Any tie to Fossil Fuel

Involvement is defined for each restricted activity and may be based on % of revenue, total revenue, or any tie regardless of revenue (see page 15 for standard screen threshold in [ESG Methodology](#)).

MSCI ESG Controversy Score

Excludes any issuer with a “Red” MSCI ESG Controversies score (equal to 0), which measures an Issuer’s involvement in major ESG controversies and how well they adhere to international norms and principles.

Rebalancing Rules

Reweightings Methodology

This index is comprised of three separate components: The Global Treasury Index, the Global Aggregate Corporate Index and the Global High Yield Index. Each component is reweighted by market value such that they are each one third of the final index. This is done on a monthly basis when the indices are rebalanced at month end.

Frequency

For each index, Bloomberg maintains two universes of securities: the Returns (Backward) and the Projected (Forward) Universes. The composition of the Returns Universe is rebalanced at each month-end and represents the fixed set of bonds on which index returns are calculated for the next month. The Projected Universe is a forward-looking projection that changes daily to reflect issues dropping out of and entering the index but is not used for return calculations. On the last business day of the month (the rebalancing date), the composition of the latest Projected Universe becomes the Returns Universe for the following month.

Index Changes

During the month, indicative changes to securities (credit rating change, sector reclassification, amount outstanding changes, corporate actions, and ticker changes) are reflected daily in the Projected and Returns Universe of the index. These changes may cause bonds to enter or fall out of the Projected Universe of the index on a daily basis, but will affect the composition of the Returns Universe at month-end only, when the index is next rebalanced.

Reinvestment of Cash Flows

Intra-month cash flows from interest and principal payments contribute to monthly index returns but are not reinvested at a short-term reinvestment rate between rebalance dates. At each rebalancing, cash is effectively reinvested into the Returns Universe for the following month so that index results over two or more months reflect monthly compounding.

New Issues

Qualifying securities issued, but not necessarily settled on or before the month-end rebalancing date, qualify for inclusion in the following month’s index if the required security reference information and pricing are readily available.

Pricing and Related Issues

Sources & Frequency	All index-eligible bonds are priced on a daily basis by Bloomberg's evaluated pricing service, BVAL, except CHF-denominated bonds (which are priced by SIX) and JPY-denominated corporates (which are priced by JSDA).
Timing	<p>Prices are snapped at the following times:</p> <ul style="list-style-type: none"> • North American currency bonds: 4pm (New York time); 4pm (New York time) for taxable municipal bonds; 4pm (Toronto time) for CAD-denominated securities. USD-denominated bonds prior to January 14, 2021 used 3pm New York time pricing snap. • Pan-European currency bonds: 4:15pm (London time); 4pm (London time) for CHF-denominated securities. • Asian currency bonds: 5pm (Sydney time) for AUD-denominated and NZD-denominated securities; 3pm (Tokyo time) for JPY-denominated; 5pm (Shanghai time) for CNY-denominated securities; 5pm (Tokyo time) for all other securities. <p>If the last business day of the month is a public holiday in a major regional market, prices from the previous business day are used to price bonds in that particular market.</p>
Bid or Offer Side	Bonds in the index are priced on the bid side. The initial price for new corporate issues entering the index is the offer side; after the first month, the bid price is used. Japanese, Euro, and Sterling treasury bonds use mid prices.
Settlement Assumptions	T+1 calendar day settlement basis for all bonds. At month-end, settlement is assumed to be the first calendar day of the following month, even if the last business day is not the last day of the month, to allow for one full month of accrued interest to be calculated.
Verification	Daily price moves for each security are analyzed by the index pricing team to identify outliers. Index users may also challenge price levels, which are then reviewed and updated as needed.
Currency Hedging	Returns hedged to various currencies are published for multi-currency indices. The indices' FX hedging methodology takes rolling one-month forward contracts that are reset at the end of each month and hedges each non-reporting currency-denominated bond in the index into the reporting currency terms. No adjustment is made to the hedge during the month to account for price movements of constituent securities in the Returns Universe of the index.
Calendar	The Treasury/IG Corp/HY Equal Weighted ESG BB+ Sustainable SRI Bond Index is a global, multi-currency index that is generated every business day of the year except for January 1, the only holiday common to all regional calendars. During holidays observed by local markets, the index will still be generated using prices from the previous business day. FX rates are updated daily using WM Reuters 4pm (London) rates. FX forwards are also sourced from WM Company.

Accessing Index Data

- Bloomberg Terminal®** Bloomberg benchmarks are the global standard for capital markets investors.
- INDE<GO> - The Bloomberg Indices dashboard page, which contains daily, monthly, and year-to-date index returns for key indices from each index family as well as a link to index publications.
 - IN<GO> - The Bloomberg Index Browser displays the latest performance results and statistics for the indices as well as history. IN presents the indices that make up Bloomberg's global, multi-asset class index families into a hierarchical view, facilitating navigation and comparisons. The "My Indices" tab allows a user to focus on a set of favorite indices.
 - DES<GO> - The index description page provides transparency into an individual index including membership information, aggregated characteristics and returns, and historical performance.
 - INP<GO> - The Bloomberg Indices Publications page, which includes methodologies, factsheets, monthly reports, announcements and technical notes. A user may also subscribe to index publications via the "Actions" button.
 - PORT<GO> - Bloomberg's Portfolio & Risk Analytics solution includes tools to analyze the risk, return, and current structure of indices. Analyze the performance of a portfolio versus a benchmark or use models for performance attribution, tracking error analysis, value-at-risk, scenario analysis, and optimization.

- Bloomberg Indices Website**
(www.bloomberg.com/indices)
- The index website makes available limited index information including:
- Index methodology and factsheets
 - Current performance numbers for select indices

- Data Distribution** Index subscribers may choose to receive index data in files. Files may include:
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 - Clients may receive standard files or may customize file contents
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Index Ticker I36573US: Total Return USD Unhedged

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- Bond Pricing Service
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- Mutual Funds
- Separately Managed Accounts (SMAs)

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