

Bloomberg MSCI US Corporate BBB 1-5 Year ESG Sustainability SRI Index

The Bloomberg MSCI US Corporate BBB 1-5 Year ESG Sustainability SRI Bond Index is a fixed-rate corporate bond benchmark that follows the rules of the Bloomberg US Aggregate Corporate BBB 1-5 Year Index and applies additional sector and ESG criteria for security eligibility. The index negatively screens issuers that are involved in business activities that are restricted because they are inconsistent with certain values-based business involvement criteria. To be eligible, bonds must have an index credit rating of BBB, and have between 1 and up to, but not including, 5 years remaining to maturity. In addition, issuers with a "red" MSCI ESG Controversies Score are excluded. The index includes issuers with MSCI ESG Ratings of BBB or higher. The index was created in May 2022, with history backfilled to January 1, 2017.

Rules for Inclusion

Sector	Corporate (industrial, utility and financial institutions) issuers only.
Eligible Currencies	Principal and interest must be denominated in USD.
Quality	<p>Securities must be rated between BBB- and BBB+ 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:</p> <ul style="list-style-type: none"> • 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.
Amount Outstanding	USD 300mn minimum par amount outstanding.
Coupon	<ul style="list-style-type: none"> • Fixed-rate coupon. • Original zero coupon issues are included. • Callable fixed-to-floating rate bonds are eligible during their fixed-rate term only. • Step-up coupons and those that change according to a predetermined schedule are also eligible.
Maturity	<ul style="list-style-type: none"> • Securities must have remaining time to maturity of between one and up to, but not including, 5 years, regardless of optionality. • Bonds that convert from fixed to floating rate, including fixed-to-float perpetual, will exit the index one month prior to conversion to floating-rate. Fixed-rate perpetual bonds are not included.
Market of Issue	Fully taxable, publicly issued in the global and regional markets.
Seniority of Debt	Senior and subordinated issues are included.

Security Types	Included	Excluded
	<ul style="list-style-type: none"> ● Bullet, putable, sinkable/amortizing and callable bonds ● Fixed-rate and fixed-to-floating capital securities 	<ul style="list-style-type: none"> ● Treasury, government related and securitized bonds ● Floating-rate bonds, inflation-linked bonds ● Private placements and retail bonds

Environment, Social and Governance (ESG) Rules

- MSCI ESG Rating**
- Securities must have an MSCI ESG Rating of BBB or higher.
 - Unrated issuers from sectors with ratings are excluded.
 - Prior to April 8, 2021, MSCI ESG Ratings, Controversy Scores and Business Involvement data were applied at the ticker level, where every bond within the same ticker would have the same MSCI ESG Rating, with MSCI mapping ESG data from the entity with the largest debt outstanding (by market value) to all companies with the same Bloomberg ticker.
 - From April 9, 2021, MSCI ESG data is applied at the bond level which may result in bonds with the same Bloomberg ticker having different MSCI ESG Ratings.
 - 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:

- Alcohol
- Tobacco
- Gambling
- Adult Entertainment
- Genetically Modified Organisms (GMO)
- Nuclear Power
- Civilian Firearms
- Conventional Weapons
- Nuclear Weapons
- Controversial Weapons
 - Landmine Manufacturing
 - Cluster Bomb Manufacturing
 - Depleted Uranium Weapons
 - Chemical and Biological Weapons Components
- Thermal Coal
- Fossil Fuels

Involvement is defined for each restricted activity and may be based on % of revenue, total revenue, or any tie regardless of revenue (see Figures 7-8 on pages 14-16 for standard screen threshold in [ESG Methodology](#)).

From September 2020, the index additionally excludes issuers with:

- Thermal Coal revenue >5%

- Generation of Thermal Coal revenue >5%
- Oil Sands revenue > 5%
- Arctic oil revenue > 0%
- Arctic gas revenue > 0%

In line with the new SRI screen implemented in September 2021, the index excludes issuers with Thermal Coal revenue >0% from then onwards.

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

Rebalancing Rules

Minimum ESG Exclusions From 31 May 2022, the following criteria will be applied. On the last business day before month end, using the Forward Universe of the previous day, after applying the Non-ESG criteria rules for inclusion, defined above, and additionally removing any non-ESG rated bonds, the number of issuers for the eligible universe are defined.

If, after having additionally applied the ESG selection criteria above, less than 20% of the total number of issuers in the eligible universe are excluded, then the eligible issuers are ranked in the order below, according to the following criteria:

- MSCI ESG Rating score (higher Ticker ESG Rating score preferred to remain in the index)
- MSCI ESG Controversies score (higher Ticker Controversies score preferred to remain in the index)

Then based on this ranking, issuers will be excluded from the index, until the number of excluded issuers is higher than 20% of the eligible universe total number of issuers. If, more than one issuer has the same ESG Rating and Controversy score and is required to be removed to reach the 20% threshold, then all issuers with the same ESG Rating and Controversy score are removed.

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. 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, ticker changes, etc.) are reflected daily in both the Projected and Returns Universes 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/announced, but not necessarily settled, on or before the month-end rebalancing date, qualify for inclusion in the following month's index if 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.

Pricing Quotes Bonds are quoted as a percentage of par.

Timing

- From January 14, 2021 and onwards, bonds are priced at 4pm (New York time). On early market closes, prices are taken as of 1pm (New York time), unless otherwise noted.
- Prior to January 14, 2021, bonds are priced at 3pm (New York time). On early market closes, prices are taken as of 1pm (New York time), unless otherwise noted.
- If the last business day of the month is a public holiday, prices from the previous business day are used.

Bid or Offer Side Bonds in the index are priced on the bid side. The initial price for new issues entering the index is the offer side; after the first month, the bid price is used.

Settlement Assumptions

- T+1 calendar day settlement basis.
- 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. Index users may also challenge price levels, which are then reviewed and updated as needed.

Calendar The US Corporate BBB 1-5 Year ESG Sustainability SRI Index follows the US bond market holiday schedule.

Accessing Index Data

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- 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.
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- Index data is also available via authorized redistributors

Index Ticker

I37053US: Total Return USD Unhedged

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