

Bloomberg MSCI EUR FRN Corporate 3% Issuer Cap Sustainable SRI Index

The Bloomberg MSCI EUR FRN Corporate 3% Issuer Cap Sustainable SRI Index, prior to December 1, 2021, was named “Bloomberg MSCI EUR FRN Corporate 2% Issuer Cap Bond Index”. The index measures the investment grade EUR-denominated floating-rate coupon market. The index includes corporate debt with at least EUR300mn amount outstanding. Securitized products and EUR-denominated debt from issuers classified as agencies, sovereigns, supranationals, and treasuries are excluded. Prior to December 1, 2021, issuer exposure was capped at 2% and since this date, is capped at 3%. Additionally, from December 1, 2021, the index includes issuers with MSCI ESG Ratings of BBB or higher, and negatively screens issuers involved in business activities that are restricted because they are inconsistent with certain values-based business involvement criteria, including controversial weapons and those issuers with a “red” MSCI ESG Controversy Score. The index was created in September 2017, with history backfilled to January 1, 2006.

Rules for Inclusion: Fixed Income Criteria

Sector	Corporate (industrial, utility, and financial institutions) are included.	
Eligible Currencies	Principal and coupon must be denominated in EUR.	
Quality	<p>Securities must be rated investment grade (Baa3/BBB-/BBB- or higher) 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	EUR300mn minimum par amount outstanding.	
Coupon	Step-up coupons and 3-month Euribor-based fixed spread securities.	
Maturity	<p>Securities with at least one month remaining to maturity are included.</p> <ul style="list-style-type: none"> Callable bonds are included from issue date only when there is greater than one year remaining from the issue date until the first call date. 	
Seniority of Debt	Senior and subordinated issues are included.	
Security Types	<p>Included</p> <ul style="list-style-type: none"> Bullet, puttable, and callable bonds FRNs with coupon step-ups 3-month Euribor-based spread securities 	<p>Excluded</p> <ul style="list-style-type: none"> Preferreds and perpetuals Private placements

- Treasuries, agency issues, sovereign, supranationals, securitized
- Government-guaranteed bank debt for which both the coupon and principal are guaranteed
- Callable bonds are included from the issue date only when the first call date is less than or equal to one year from the issue date

Environment, Social and Governance (ESG) Rules

MSCI ESG Rating

Starting from December 1, 2021:

- Securities must have an MSCI ESG Rating of BBB or higher.
- Unrated issuers from sectors with are excluded.
- 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

Starting from December 1, 2021, 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 Weapons
 - Blinding Lasers
 - Non-detectable Fragments
 - Incendiary
- Nuclear Power
- Thermal Coal
- Generation of Thermal Coal
- Fossil Fuels
- Genetically Modified Organisms (GMO)

Involvement is defined for each restricted activity and may be based on percentage of revenue, total revenue, or any tie regardless of revenue (see Figure 7 on pages 14-15 for the standard SRI screen thresholds in [ESG Methodology](#)).

From December 1, 2021, the index additionally excludes issuers that MSCI define as having a percentage of revenue from business activities related to:

- Biological/Chemical weapons greater than 0%

MSCI ESG Controversies Excludes any issuer with a “Red” MSCI ESG Controversies flag (equal to score 0), which measures an Issuer’s involvement in major ESG controversies and how well they adhere to international norms and principles (see pages 11-12 for further information in [ESG Methodology](#)).

Rebalancing Rules

Issuer Capping Methodology

Issuers that exceed 3% of the market value of the uncapped Bloomberg MSCI EUR FRN Corporate 3% Issuer Cap Sustainable SRI Index are limited to 3%. The excess market value over the 3% cap is redistributed on a pro-rata basis to all other issuers’ bonds in the index that are under the 3% cap. The process is repeated until no issuer exceeds the 3% limit. For example, an issuer that represents 4% of the uncapped index will have 1% of the index’s market value redistributed to each bond from all issuers under the 3% cap on a pro-rata basis. The 3% issuer cap is applied each month as the index is rebalanced.

Prior to December 1, 2021, the issuer cap was 2%.

Minimum ESG Exclusions

From December 1, 2021, 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
- MSCI ESG Controversies score

Then based on this ranking, the lowest 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 ESG Controversy score and is required to be removed to reach the 20% threshold, then all issuers with the same ESG Rating and ESG 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 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.
Pricing Quotes	Bonds are quoted as a percentage of par.
Timing	<ul style="list-style-type: none"> • 4:15 p.m. (London time) each day. • On early market closes, prices are taken as of 12:15 p.m. (London time) unless otherwise noted. • If the last business day of the month is public holiday in the European markets, prices from the previous business day are used.
Bid or Offer Side	Bonds in the index are priced on the bid side.
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.
Calendar	The Bloomberg MSCI EUR FRN Corporate 3% Issuer Cap Sustainable SRI Index follows the UK bond market holiday schedule. For month-end dates, the European calendar may also be employed in the event a UK holiday falls on a month-end date but European markets remain open.

Accessing Index Data

Bloomberg Terminal®	<p>Bloomberg benchmarks are the global standard for capital markets investors.</p> <ul style="list-style-type: none"> • 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)	<p>The index website makes available limited index information including:</p> <ul style="list-style-type: none"> • Index methodology and factsheets • Current performance numbers for select indices
Data Distribution	<p>Index subscribers may choose to receive index data in files. Files may include:</p> <ul style="list-style-type: none"> • Index level and/or constituent level returns and characteristics for any indices • Automatic delivery of files via email or SFTP following the completion of the index production process after market close • Clients may receive standard files or may customize file contents • Index data is also available via authorized redistributors
Index Ticker	I33454EU: Total Return EUR Unhedged

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