

Bloomberg MSCI US Corporate SRI Sustainable ex Fossil Fuel Index

The Bloomberg MSCI US Corporate SRI Sustainable ex Fossil Fuel Bond Index is a fixed-rate, investment-grade corporate bond benchmark that follows the rules of the Bloomberg US Aggregate Corporate Index and applies additional liquidity and ESG criteria for security eligibility. To be eligible for the index, bonds must have at least USD500mn outstanding. The index includes issuers with MSCI ESG Ratings of BBB 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. The index additionally excludes issuers with any Fossil Fuel ties, and issuers with a “red” MSCI ESG Controversies Score are also excluded. The index is partitioned into sub-indices based on sector and maturity, and the weights of these sub-indices are rebalanced monthly to match the sub-index market value weights in the US Aggregate Corporate Index. The index has 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 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	USD 500mn 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 at least one year, 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	<ul style="list-style-type: none"> • 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.
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Business Involvement Screens	The index excludes issuers involved in the following business lines/activities as per the standard Bloomberg MSCI SRI screen:
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- 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](#)).

In addition, the index excludes issuers involved in the following business lines/ activities:

- Tobacco - companies with any tie to Tobacco are excluded

- Genetically Modified organisms (GMO) – companies with any ties to GMO are excluded
- Nuclear Power – companies with any tie to Nuclear Power are excluded
- Civilian Firearms – companies with any ties to Civilian Firearms are excluded
- Military Weapons – companies with any ties to Military Weapons are excluded, and also any ties to:
 - o Landmine Manufacturing – all companies classified as Manufacturer of Landmines are excluded
 - o Cluster Bomb Manufacturing – all companies classified as Manufacturer of Cluster Bombs are excluded

From September 2020, the index additionally excludes issuers involved in:

- Fossil Fuels – companies with any ties to Fossil Fuels are excluded.

MSCI ESG Controversies Score 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 March 2023, 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.

Sector and Maturity Neutral Reweighting

The application of multiple screens based on liquidity, MSCI ESG Ratings, MSCI ESG Controversies, and MSCI ESG Business Involvement Screening Research (BISR), among others, will alter the sector and maturity composition of the index versus the standard US Aggregate Corporate Index. The US Aggregate Corporate Index is thus divided into 9 sub-indices, based on sector (Industrials, Utilities, Financials) and maturity buckets (1-5, 5-10, 10+ years). The US Corporate SRI Sustainable ex Fossil Fuel Index’s weights in each of these 9 sub-indices are then adjusted to match the market value weights of these 9 sub-indices in the US Aggregate Corporate Index. These sub-index weights are fixed as of month end, and may drift intra-month as prices change and bonds are called or tendered.

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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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 SRI Sustainable ex Fossil Fuel Index follows the US bond market holiday schedule.

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	I37668US: Total Return USD Unhedged

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