

Bloomberg MSCI Euro Corporate High Yield Sustainable BB+ SRI Bond Index

The Bloomberg MSCI Euro Corporate High Yield Sustainable BB+ SRI Bond Index is a subset of the Bloomberg Euro High Yield index. It is a high yield, fixed-rate corporate bond benchmark and applies additional ESG criteria for security eligibility. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on the indices' EM country definition, are excluded. 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, issuers with a "red" MSCI ESG Controversy Score, or that are not covered by MSCI ESG Controversies, are also excluded. From February 2023, the aggregate exposure of bonds in the index that do not qualify as having Sustainable Exposure is capped at 80% to ensure the minimum weight applicable to the portion of the index comprised of securities qualifying as having Sustainable Exposure is set to a minimum threshold of 20%. The index was created in, and has history backfilled to, June 2019.

Rules for Inclusion

Sector	Corporate (industrial, utility, and financial institutions) issuers only.
Eligible Currencies	Principal and interest must be denominated in EUR.
Quality	Securities must be rated high yield (Ba1/BB+/BB+ or lower) 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: - Expected ratings at issuance may be used to promote 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	EUR250mn minimum par amount outstanding.
Coupon	- Fixed-rate coupon. - Callable fixed-to-floating rate bonds are eligible during their fixed-rate term only. - Bonds with step-up coupons and those that change according to a predetermined schedule are also 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 prior to conversion to floating-rate. Fixed-rate perpetual bonds are not included.
Market of Issue	Publicly issued in the global or regional markets.
Taxability	Only fully taxable issues are eligible.

Seniority of Debt	Senior and subordinated issues are included.	
Security Types	Included • Bullet, puttable, sinkable/amortizing and callable bonds • Original issue zero coupon • Underwritten MTN • Fixed-rate and fixed-to-floating (including fixed-to-variable) capital securities	Excluded • Treasuries, government-related, and securitized • Debt issued by emerging markets corporate issuers • Defaulted bonds • Contingent capital securities, including traditional CoCos and contingent write-down securities • Bonds with equity type features (e.g. warrants, convertibles, preferreds) • Inflation-linked bonds, floating-rate issues • Fixed-rate perpetuials • Private placements, retail bonds • Structured notes, pass-through certificates • Illiquid securities with no available pricing

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.
MSCI 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 • Nuclear Weapons • Civilian Firearms • Controversial Weapons ◦ Cluster Munitions

- Landmines
- Depleted Uranium
- Biological/Chemical Weapons
- Blinding Lasers
- Non-Detectable Fragments
- Incendiary
- Thermal Coal
- Unconventional Oil & Gas
- Generation of Thermal Coal
- Fossil Fuel Reserves

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 on the [Bloomberg Terminal](#) or on the [website](#)).

From index inception to September 2021, the index additionally excludes issuers that derive greater than or equal to 5% of revenue from the business activities related to:

- Thermal Coal
- Oil Sands
- Generation of Thermal Coal

From June 2022, the index additionally excludes issuers that derive greater than or equal to 10% of revenue from business activities related to:

- Weapons systems/components/support systems/services

MSCI ESG Controversies Screens

Excludes any issuer with a "Red" MSCI ESG Controversy Score (equal to zero), which measures an issuer's involvement in major ESG controversies and how well they adhere to international norms and principles. From December 2022, the index additionally excludes issuers that are not covered by MSCI ESG Controversies. (See pages 9-11 of the [Bloomberg MSCI ESG Fixed Income Methodology](#)).

MSCI Sustainable Exposure

An issuer qualifies as having Sustainable Exposure if it meets all the following conditions:

- MSCI ESG Rating of BB or higher. The condition is not met if the issuer is not covered by MSCI ESG Ratings; and
- MSCI ESG Controversies Score of 2 or higher. The condition is not met if the issuer is not covered by MSCI ESG Controversy research; and

At least one of the following conditions is met:

- Derives 20% or more aggregate revenue from any of the thirteen social and environmental impact categories of Sustainable Impact Metrics (including nutrition, sanitation, major diseases treatment, SME finance, education, connectivity, affordable real estate, alternative energy, energy efficiency, green building, pollution prevention, sustainable agriculture, and sustainable water); or
- Has one or more active carbon emissions reduction target(s) approved by the Science Based Targets Initiative (SBTi); and-

The issuer is not flagged by the following business involvement criteria:

- Has any tie to Controversial Weapons (cluster munitions, landmines, depleted uranium, biological/chemical weapons, blinding lasers, non-detectable fragments, and incendiary weapons); or

- Derives 1% or more revenue (either reported or estimated) from the mining of thermal coal (including lignite, bituminous, anthracite and steam coal) and its sale to external parties; or
- Manufactures tobacco products, such as cigars, blunts, cigarettes, e-cigarettes, inhalers, beedis, kreteks, smokeless tobacco, snuff, snus, dissolvable and chewing tobacco; or
- Derives 5% or more aggregate revenue from the production, distribution, retail, supply and licensing of tobacco-related products.

If an issuer does not meet the above conditions, but has on issue a Green Bond, the Green Bond qualifies as having Sustainable Exposure only if it meets the following condition:

- Bond is assessed as a Green Bond as per the MSCI ESG Research's Green Bond assessment framework; and
- Issuer is classified as Corporate by the Bloomberg Fixed Income Classification System (BCLASS 1) and has an MSCI ESG Controversies Score of 1 or higher; or
- Issuer is non-Corporate

Rebalancing Rules

Minimum ESG Exclusions

From February 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 (higher Ticker ESG Rating score preferred to remain in the index)
- MSCI ESG Controversy Score (higher Ticker Controversy 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 or 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.

Issuer Capping Methodology

Issuers that exceed 3% of the market value of the uncapped Bloomberg MSCI Euro High Yield Sustainable BB+ SRI Bond 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.

Sustainable Exposure Methodology

The market value of bonds in the index that do not qualify as having Sustainable Exposure in the uncapped index is limited to 80%. The excess market value over the 80% cap will be redistributed on a pro rata basis to bonds in the index qualifying as having Sustainable Exposure. For example, if bonds in the index that do not qualify as having Sustainable Exposure represents 81% of the uncapped index, then 1% of the index's market value will be redistributed to each bond qualifying as having Sustainable Exposure on a pro rata basis. The Sustainable Exposure cap is applied each month as the index is rebalanced.

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 an 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 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, however, 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

- 4:15 pm (London time).
- On early market closes, prices are taken as of 12:15 pm (London time), unless otherwise noted.
- If the last business day of the month is a UK 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.
- For issues entering the Euro High Yield index from the Euro Investment Grade index, the securities enter the index on the bid side.

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 Bloomberg MSCI Euro Corporate High Yield Sustainable BB+ SRI Bond Index follows the UK bond market holiday schedule. For month-end updates, 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®

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:

- 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

I35046EU: Total Return EUR Unhedged

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