

# Bloomberg MSCI Euro Treasury IG 1-3 Years ESG Index

This document is intended to be read in conjunction with the [Bloomberg Euro Treasury Index Methodology](#) and the [Bloomberg MSCI ESG Fixed Income Indices Methodology](#); these documents collectively constitute the index methodology for this Index.

The Bloomberg MSCI Euro Treasury IG 1-3 Years ESG Index measures the EUR-denominated, investment-grade, fixed-rate treasury securities, and applies additional ESG criteria for security eligibility. The Index excludes issuers with an MSCI ESG Rating of CCC, or those that are not covered by MSCI ESG Ratings research. Additionally, the Index excludes issuers classified as “Not Free” by Freedom House. It is also a condition for eligibility that the issuer must be a signatory to the United Nations Paris Climate Agreement (“Paris Agreement”). The Index also uses MSCI ESG Ratings to tilt issuer allocations above, or equal to, their baseline market value weights. The index was launched in August 2023, with history backfilled to January 1, 2019.

The features specific to this Index are set out below.

Index ID	38181
Index Ticker	I38181EU: Total Return EUR Unhedged

## Eligibility Requirements: Fixed Income

Sector	Treasury
Currency	Principal and interest must be denominated in EUR
Credit Rating	Investment Grade
Minimum Amount Outstanding	EUR 300mn minimum par amount outstanding
Maturity	Between 1 and up to, but not including, 3 years remaining until final maturity regardless of optionality.
Minimum Liquidity Requirements	See Minimum Amount Outstanding specified above
Rebalance Date	Monthly

## Eligibility Requirements: Environment, Social and Governance (ESG)

This section is not intended to be exhaustive and is being provided for information purposes only - detailed ESG disclosures set out in dedicated section below.

- The index excludes securities that have MSCI ESG Government Rating CCC or NR
- Debt from countries that are classified as “Not Free” by Freedom House are excluded from the index<sup>1</sup>
- Countries must be a signatory to the Paris Agreement to be included in the index. The list of signatories is obtained from the [United Nations Treaty Collection](#) on an annual basis in July of each year.
- The weight of each index eligible issuer (and security) is adjusted by a fixed multiplier (see table), which is determined by its MSCI ESG Rating (AAA, AA, A, BBB, BB, B, CCC, NR).

ESG Rating	Tilt
AAA, AA	2.0x
A, BBB, BB, B	1.0x

## Rebalancing Rules

### Bond Capping Methodology

Individual bonds are capped at 30% by market value. The excess market value over 30% is redistributed on a pro rata basis to all other bonds. The 30% cap is applied each month as the index is rebalanced.

### Country Capping and Bond Count Methodology

Countries that are at least 35% of the index by market value, must have at least 6 bonds. If a country's weight is at least 35% and it has less than 6 bonds, the country's weight is capped at 34% by market value. The excess market value over the 34% is redistributed on a pro rata basis to all other bonds in the other countries. The 35% cap and 6 bond count check is applied on each month end date, using data as of the close of the previous business day, as the index is rebalanced.

<sup>1</sup> <https://freedomhouse.org/countries/freedom-world/scores>

Publication Currency

Bloomberg may offer these indices in additional currencies for both unhedged and hedged indices:

- See Appendix 2 of the Bloomberg Fixed Income Index Methodology for Currency Hedging and Currency Returns
- See Appendix 12 of the Bloomberg Fixed Income Methodology for Index Identification and Publication Currency

Document Version History

Date	Update
August 2023	Index Launch
October 2023	Change in the name of the Index
June 2024	Updated ESG Disclosures

## Environmental, Social and Governance (ESG) Disclosures

Where an index applies MSCI screens and a security/issuer is not included in the MSCI research coverage for that screen, unless otherwise noted, this index will include such security/issuer, provided it meets the relevant index eligibility rules. This applies to Government, securitized issuers (ABS, CMBS, and MBS), and corporate issuers not covered by MSCI ESG Business Involvement Screening Data, MSCI ESG Controversy Scores, and MSCI ESG Climate Data & Metrics, and also to Corporate issuers not covered by MSCI ESG Research.

EXPLANATION OF HOW ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) FACTORS ARE REFLECTED IN THE KEY ELEMENTS OF THE BENCHMARK METHODOLOGY			
1. Name of the benchmark administrator.		Bloomberg Index Services Limited ("BISL")	
2. Type of benchmark		Sovereign Debt	
3. Name of the benchmark or family benchmarks.		Bloomberg MSCI Euro Treasury 1-3 Year ESG Weighted Customized Index	
4. Does the benchmark methodology for the benchmark or family of benchmarks take into account ESG factors?		Yes	
5. Where the response to Item 4 is positive, please list below, for each family of benchmarks, those ESG factors that are taken into account in the benchmark methodology, taking into account the ESG factors listed in Annex II to Delegated Regulation (EU) 2020/1816. Please explain how those ESG factors are used for the selection, weighting or exclusion of underlying assets. The ESG factors shall be disclosed at an aggregated weighted average value at the level of the family of benchmarks.			
a) List of combined ESG factors considered		As below.	
b) List of environmental factors considered:		As below.	
c) List of social factors considered:		As below.	
d) List of governance factors considered:		As below.	
6. Where the response to Item 4 is positive, please list below, for each benchmark, those ESG factors that are taken into account in the benchmark methodology, taking into account the ESG factors listed in Annex II to Delegated Regulation (EU) 2020/1816, depending on the relevant underlying asset concerned. Please explain how those ESG factors are used for the selection, weighting or exclusion of underlying assets. The ESG factors shall not be disclosed for each constituent of the benchmark, but shall be disclosed at an aggregated weighted average value of the benchmark. Alternatively, all of this information may be provided in the form of a hyperlink to a website of the benchmark administrator included in this explanation. The information on the website shall be easily available and accessible. Benchmark administrators shall ensure that information published on their website remains available for five years.			
a) List of combined ESG factors considered	MSCI ESG Government Rating	Inclusion	The Overall ESG Rating represents either the Intangible Value Assessment (IVA) Rating or Government ESG Rating of the issuer. IVA Ratings indicate how well an issuer manages its most material ESG risks relative to sector peers. Government Ratings indicates overall environmental, social, and governance (ESG) performance of a region. Regions with low risk exposure and strong management of ESG risk factors score highest (AAA); regions with high risk exposure and weak management of ESG risk factors score lowest (CCC). Ratings are based on a seven-letter scale: best (AAA) to worst (CCC).

			<p>Inclusion applies to researched companies that have ESG rating between B and AAA.</p> <p>Refer to the <a href="#">MSCI ESG &amp; Climate Methodologies page</a> for further details</p>
	MSCI ESG Rating	Weighting	<p>The Index incorporate MSCI ESG ratings into the weight of each researched index eligible issuer (and security) within the index, where the weight is adjusted by a fixed multiplier, which is determined by its MSCI ESG Rating (AAA, AA, A, BBB, BB, B, CCC, NR).</p> <p>MSCI ESG Ratings provide an opinion of companies' management of financially relevant ESG risks and opportunities. MSCI ESG Research defines ESG risks and opportunities as environmental, social, or governance-related issues that may result in financial losses or benefits to the company. MSCI ESG Ratings are industry-relative measures and are determined at the company level. Each rating takes into consideration the company's exposure to potentially material ESG risks, the quality of companies' management systems and governance structures to mitigate such risks, and where applicable, positioning to meet market demand for the provision of products and services that have a positive environmental or social contribution.</p> <p>The index applies a 2x tilt to issuers with AAA and A ratings, and a 1x tilt to issuers with A, BBB, BB and B ratings.</p> <p>Refer to the <a href="#">MSCI ESG &amp; Climate Methodologies page</a> for further details</p>
b) List of environmental factors considered:	Signatory to the Paris Agreement.	Inclusion	<p>Countries must be a signatory to the Paris Agreement to be included in the index. The list of signatories is obtained from the United Nations Treaty Collection on an annual basis in July of each year.</p>
c) List of social factors considered:	Freedom House Global Freedom Status	Exclusion	<p>Excludes countries that Freedom House identifies as 'Not Free' in its Global Freedom Scores. The combination of the overall score awarded for political rights and the overall score awarded for civil liberties, after being equally weighted, determines the status of Free, Partly Free, or Not Free.</p> <p>Please see the Freedom in the World Methodology <a href="#">here</a> for further detail.</p>
d) List of governance factors considered:	N/A	This index does not take into account this factor.	
<b>7. Data and standards used.</b>			
<p>a) Data input.</p> <p>(i) Describe whether the data are reported, modelled or, sourced internally or externally.</p> <p>(ii) Where the data are reported, modelled or sourced externally, please name the third party data provider.</p>		<p>All ESG data for the benchmarks is sourced externally from:</p> <p>MSCI Research  <a href="mailto:esgclientservice@msci.com">esgclientservice@msci.com</a>  <a href="https://www.msci.com/research-and-insights">https://www.msci.com/research-and-insights</a></p> <p>MSCI ESG Research relies on a proprietary methodology informed by a range of data sources.</p>	

	<ul style="list-style-type: none"> <li>• Reported data <ul style="list-style-type: none"> <li>○ Corporate documents: annual reports, proxy filings, environmental and social reports, securities filings, websites and Carbon Disclosure Project responses. Externally sourced data</li> <li>○ Government data: central bank data, U.S. Toxic Release Inventory, Comprehensive Environmental Response and Liability Information System (CERCLIS), RCRA Hazardous Waste Data Management System, etc. We continue to assess the value of other, similar information sources, particularly for European companies.</li> <li>○ Popular, trade, and academic journals: accessed through websites, subscriptions and searches of online databases.</li> <li>○ News media: major news publications globally, including local-language sources across a range of markets.</li> <li>○ Relevant organizations and professionals: reports from and interviews with trade groups, industry experts and nongovernmental organizations familiar with the companies' operations and any related controversies</li> </ul> </li> <li>• Modelled data <ul style="list-style-type: none"> <li>○ For climate-related metrics, when data is not disclosed by companies, MSCI ESG Research uses a proprietary GHG emission estimation model.</li> <li>○ When companies do not report exact revenue figures for a covered business activity, MSCI ESG Research provides an estimate of the extent of companies' involvement in the subject activity.</li> </ul> </li> </ul> <p>For top level scores (ESG Ratings, Environmental, Social and Governance pillars), MSCI ESG Research estimates macro-level risk exposure for companies' based on the type and location of operations, distribution of products. Data sources used in the exposure calculations include, but not limited to:</p> <ul style="list-style-type: none"> <li>• Comprehensive Environmental Data Archive (CEDA)</li> <li>• US Department of Energy; International Council on Clean Transportation</li> <li>• Lamont-Doherty Earth Observatory, Columbia University</li> <li>• Organization of Economic Co-Operation and Development (OECD)</li> <li>• Canadian Industrial Water Survey</li> <li>• Hoekstra, A.Y. and Mekonnen, M.M. (2011)</li> <li>• Ecorisk</li> <li>• World Development Indicators (WDI)</li> <li>• Annual Change of Forest Resources _ Food and Agriculture Organization (FAO)</li> <li>• World Wildlife Fund (WWF)</li> <li>• US EPA's Toxics Release Inventory (TRI)</li> <li>• Risk-Screening Environmental Indicators (RSEI)</li> <li>• US Bureau of Labor Statistics (BLS)</li> <li>• International Labour Organization (ILO)</li> </ul>
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	<ul style="list-style-type: none"> <li>• US Occupational Health &amp; Safety Administration (OSHA)</li> <li>• UK Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR)</li> <li>• International Chemical Secretariat (ChemSec) Substitute It Now (SIN) List</li> <li>• International Monetary Fund (IMF)</li> <li>• World Health Organization (WHO)</li> <li>• UN Principles for Responsible Investments (UN PRI)</li> <li>• World Resource Institute (WRI)</li> <li>• Consultative Group to Assist the Poor (CGAP)</li> <li>• US Census Bureau Current Population Survey Supplement</li> <li>• World Bank Governance Indicators (WGI)</li> <li>• Transparency International (TI)</li> <li>• World Bank (WB)</li> <li>• SNL Financial</li> <li>• Thomson Financial</li> </ul> <p>Refer to the <a href="#">MSCI ESG &amp; Climate Methodologies page</a> for further details on the data sources for the relevant ESG factors.</p> <p>Freedom House Global Freedom Status ESG data for the benchmark is sourced externally from:</p> <p>Freedom House  <a href="mailto:info@freedomhouse.org">info@freedomhouse.org</a>  <a href="https://freedomhouse.org/countries/freedom-world/scores">https://freedomhouse.org/countries/freedom-world/scores</a></p> <p>Freedom House relies on a broad range of sources, including news articles, academic analyses, reports from nongovernmental organizations, individual professional contacts, and on-the-ground research. Please see the Freedom in the World Methodology <a href="#">here</a> for further detail.</p> <p>Paris Agreement Signatory data is sourced externally from the United Nations Treasury Collection <a href="#">website</a>.</p>
<p>b) Verification of data and guaranteeing the quality of those data.  <i>Describe how data are verified and how the quality of those data is ensured.</i></p>	<p><b>MSCI ESG Score</b></p> <p>The ESG Ratings process includes multiple steps to review the quality of the analysis and consistent application of the methodology.</p> <p>The following quality assurance and oversight processes are observed:</p> <ul style="list-style-type: none"> <li>• Quality review process: Data quality checks are conducted on all companies prior to the publication of their ESG Rating.</li> <li>• Analytical review: All ESG Ratings are subject to review by an analyst and a reviewer. In cases where the analyst review results in a proposal for a change to an ESG Rating, and for defined other circumstances, the Rating is subject to a review by a second senior analyst.</li> <li>• Ratings Methodology Committee: This committee addresses the following specific cases, as well as other escalations related to methodology application:</li> </ul>

	<ul style="list-style-type: none"> <li>- Proposal to add a company-specific Key Issue in a company's assessment.</li> <li>- Ratings change of two letters or more.</li> <li>- New AAA- or CCC-rated company.</li> <li>- Requests for deviations from the weights for industry Key Issues due to significant differences in business model from the industry peer set.</li> <li>- Requests to deviate from standard methodology for including or excluding controversies cases in a company's ratings analysis.</li> </ul> <ul style="list-style-type: none"> <li>• ESG Methodology Committee: This committee addresses escalations from the Ratings Methodology Committee and reviews changes to the ESG Ratings methodology, including: <ul style="list-style-type: none"> <li>- Updates to the ESG Industry Materiality Map, which determines the relevance of ESG Key Issues to sub-industries.</li> <li>- Changes to data sources or calculations used in ESG Ratings.</li> <li>- Methodology proposals for consultation.</li> </ul> </li> </ul> <p>Please see the MSCI ESG Ratings Methodology and Process via the MSCI <a href="#">ESG Methodologies website</a> for further detail.</p> <p><b>Freedom House Global Freedom Status</b></p> <p>Freedom in the World is produced each year by a team of inhouse and external analysts and expert advisers from the academic, think tank, and human rights communities. The 2023 edition involved 128 analysts, and around 40 advisers. The analysts, who prepare the draft reports and scores, use a broad range of sources, including news articles, academic analyses, reports from nongovernmental organizations, individual professional contacts, and on-the-ground research. The analysts score countries and territories based on the conditions and events within their borders during the coverage period. The analysts' proposed scores are discussed and defended at a series of review meetings, organized by region and attended by Freedom House staff and a panel of expert advisers. The end product represents the consensus of the analysts, outside advisers, and Freedom House staff, who are responsible for any final decisions. Although an element of subjectivity is unavoidable in such an enterprise, the ratings process emphasizes methodological consistency, intellectual rigor, and balanced and unbiased judgments.</p> <p>Please see the Freedom in the World Methodology <a href="#">here</a> for further detail.</p>
<p>c) Reference standards</p> <p><i>Describe the international standards used in the benchmark methodology.</i></p>	<p><b>MSCI ESG Score</b></p> <p>MSCI ESG Research relies on a proprietary methodology informed by a range of data sources. MSCI ESG Research does not explicitly mandate reporting along specific disclosure standards. Commonly utilized disclosure frameworks for data collected and used by MSCI ESG Research include GRI, SASB, UN Global Compact; and, for specific performance indicators, GHG Protocol, and applicable ISO standards.</p> <p><b>Freedom House Global Freedom Status</b></p> <p>The Global Freedom Status methodology is derived from reference standards from the Universal Declaration of Human Rights, adopted by the UN General Assembly in 1948. It is based on the notion that that these standards apply to all countries and territories, irrespective of geographical location, ethnic or religious composition, or level of economic development.</p>



<b>Date on which information has been last updated and reason for the update:</b>	June 2024, initial launch

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