

# Bloomberg MSCI Euro Corporate SRI Carbon ESG-Weighted Index

The Bloomberg MSCI Euro Corporate SRI Carbon ESG-Weighted Bond Index is a EUR-denominated benchmark that is based on the Bloomberg Euro Corporate Index, tracking the fixed-rate, investment-grade corporate debt, and includes issuers with MSCI ESG Ratings of BB or higher. The index also negatively screens issuers that are involved in business activities that are restricted because they are inconsistent with certain values-based business involvement criteria, including activities with high carbon intensity or related to controversial weapons, and those issuers with a “red” MSCI ESG Controversy Score. Additionally, the index is partitioned into sub-indices based on sector, and the weights of these sub-indices are rebalanced monthly to match the sub-index market value weights in the Euro Aggregate Corporate Index. Bond weights are also tilted based on ESG Ratings, and issuers are capped at 2% by market value. The index was created in January 2021, with history backfilled to January 1, 2015.

## Rules for Inclusion: Fixed Income Criteria

<b>Sector</b>	Corporate (industrial, utility and financial institutions) issuers only.
<b>Eligible Currencies</b>	Principal and interest must be denominated in EUR.
<b>Quality</b>	<p>Securities must be rated investment grade (Baa3/BBB-/BBB- or higher) using the middle rating of Moody's, S&amp;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"> <li>Expected ratings at issuance may be used to ensure timely index inclusion or to properly classify split-rated issuers.</li> <li>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.</li> </ul>
<b>Amount Outstanding</b>	EUR300mn minimum par amount outstanding.
<b>Coupon</b>	<ul style="list-style-type: none"> <li>Fixed-rate coupon.</li> <li>Callable fixed-to-floating rate bonds are eligible during their fixed-rate term only.</li> <li>Bonds with a step-up coupon that changes according to a predetermined schedule are eligible.</li> </ul>
<b>Maturity</b>	<ul style="list-style-type: none"> <li>At least one year until final maturity, regardless of optionality.</li> <li>Bonds that convert from fixed to floating rate, including fixed-to-float perpetual, will exit the index 1 year prior to conversion to floating-rate. Fixed-rate perpetual bonds are not included.</li> </ul>
<b>Seniority of Debt</b>	Senior and subordinated issues are included.
<b>Market of Issue</b>	Publicly issued in global and regional markets.
<b>Taxability</b>	Only fully taxable issues are eligible.

Security Types	Included	Excluded
	<ul style="list-style-type: none"> <li>• Bullet, putable, sinkable/amortizing and callable bonds</li> <li>• Original issue zero coupon bonds</li> <li>• Underwritten MTN</li> <li>• Fixed-rate and fixed-to-float (including fixed-to-variable) capital securities</li> </ul>	<ul style="list-style-type: none"> <li>• Contingent capital securities, including traditional CoCos and contingent write-down securities, with explicit capital ratio or solvency/balance sheet-based triggers</li> <li>• Bonds with equity type features (eg, warrants, convertibles, preferreds)</li> <li>• Inflation-linked bonds, floating-rate issues</li> <li>• Private placements, retail bonds</li> <li>• Structured notes, pass-through certificates</li> <li>• Illiquid securities with no available internal or third-party pricing source</li> </ul>

## Environment, Social and Governance (ESG) Rules

<b>Timing and Coverage</b>	<ul style="list-style-type: none"> <li>• Securities must have an MSCI ESG Rating of BB or higher.</li> <li>• 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.</li> <li>• 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.</li> <li>• ESG Pillar Score for each component (Environment, Social, and Governance) must be at least 2.</li> <li>• Unrated issuers from sectors with ratings are excluded.</li> <li>• MSCI ESG Ratings are generally updated annually, but may be reviewed more frequently as needed.</li> </ul>
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<b>Business Involvement Screens</b>	<p>The index excludes issuers involved in the following business lines/activities as per the standard Bloomberg MSCI SRI screen:</p> <ul style="list-style-type: none"> <li>• Alcohol</li> <li>• Tobacco</li> <li>• Gambling</li> <li>• Adult Entertainment</li> <li>• Genetically Modified Organisms (GMO)</li> <li>• Nuclear Power</li> <li>• Nuclear Weapons</li> <li>• Civilian Firearms</li> <li>• Controversial Weapons               <ul style="list-style-type: none"> <li>◦ Cluster Munitions</li> <li>◦ Landmines</li> <li>◦ Depleted Uranium</li> <li>◦ Biological/Chemical Weapons</li> </ul> </li> </ul>
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- 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](#)).

The index also has additional Bloomberg MSCI screens, besides the standard ones outlined above:

- Exclude issuers with any ties to the following categories: Biochemical Systems, Biochemical System Components, Depleted Uranium, Cluster Bombs, Land Mines, Nuclear Systems, Nuclear System Components
- Exclude issuers that generate any revenue from Weapons
- Exclude issuers that generate more than 25% of revenue from Nuclear Power
- Exclude Tobacco Producers that generate more than 10% of revenue from Tobacco
- Exclude issuers that generate more than 10% of revenue from Tobacco
- Exclude issuers that generate more than 5% of revenue from Gambling Operations or Gambling Support
- Exclude issuers that generate more than 10% of revenue from Adult Revenue

From September 2020, the index also excludes issuers from the following business lines/activities:

- Carbon Emission Intensity more than 750
- Revenue from Thermal Coal greater than 10%
- Revenue from Generation of Thermal Coal greater than 10%

From February 1, 2023, the index also excludes issuers that derive at least 2.5% revenue from:

- Thermal Coal
- Generation of Thermal Coal

#### MSCI ESG Controversy Score

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.

#### Factor Tilts

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).

ESG Rating	Tilt
AAA, AA, A	2.0x
BBB	1.0x
BB	0.5x

## Rebalancing Rules

### Currency and Sector Neutral Reweighting

The application of multiple screens based on MSCI ESG Ratings, MSCI ESG Controversies, and MSCI ESG Business Involvement Screening Research (BISR), among others, will alter the sector composition of the index versus the standard Euro Aggregate Corporate Index. The Euro Aggregate Corporate Index is thus divided into 3 sub-indices based on BCLASS 2 sector. The Euro Corporate SRI Carbon ESG-Weighted Index's weights in each of these 3 sub-indices are then adjusted to match the market value weights of these 3 sub-indices in the Euro 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.

### Issuer Capping Methodology

Issuers that exceed 2% of the market value of the uncapped Bloomberg MSCI Euro Corporate SRI Carbon ESG-Weighted Index are limited at 2%. The excess market value over the 2% cap will be redistributed on a pro rata basis to all other issuers' bonds in the index that are under the 2% cap. The process is repeated until no issuer exceeds the 2% limit. For example, an issuer that represents 3% of the uncapped index will have 1% of the index's market value redistributed to each bond from all issuers under the 2% cap on a pro rata basis. The 2% issuer 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 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/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

- 4:15pm (London time).
- On early market closes, prices are taken as of 12:15pm (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 corporate 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 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. Index users may also challenge price levels, which are then reviewed and updated as needed.

**Calendar**

The Bloomberg MSCI Euro Corporate SRI Carbon ESG-Weighted 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.

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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.
- 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.

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**Index Ticker**

I36073EU: Total Return EUR Unhedged

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