

Euro Treasury Green Bond Tilted Index

The Bloomberg Euro Treasury Green Bond Tilted Index is based on the Euro Treasury 50bn Bond Index, and measures the performance of investment grade, EUR-denominated, fixed-rate government debt. Eligible countries currently include: Austria, Belgium, Finland, France, Germany, Ireland, Italy, Netherlands, Portugal, and Spain. The index uplifts the Green Bonds issued by these countries such that Green Bonds overall make up at least 30% of the index. At the monthly rebalancing, the index has the same country market value weights as the Bloomberg Euro Treasury 50bn Bond Index, and also aims to be duration-neutral on the country-level to this index as long as the minimum 30% Green Bond uplift is met. The index has history going back to December 1, 2020.

Rules for Inclusion

Eligible Currencies	Principal and interest must be denominated in EUR.
Quality	<ul style="list-style-type: none"> Countries 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 country, that rating is used. Local currency treasury issues are rated using the long term local currency sovereign rating from Moody's, S&P and Fitch. Expected ratings at issuance may be used when other index-eligible bonds from the same issuer hold the same actual rating as the expected rating.
Amount Outstanding	EUR300mn minimum par amount outstanding.
Maturity	At least one year until final maturity, regardless of optionality.
Sector	Treasury bonds only.
Coupon	<ul style="list-style-type: none"> Fixed-rate coupon. Step-up coupons and those that change according to a predetermined schedule are also included.
Country	<p>The following countries are currently eligible for the index: Austria, Belgium, Finland, France, Germany, Ireland, Italy, Netherlands, Portugal, and Spain. To be eligible for inclusion in the index, a country must have at least EUR50bn in issuance. If a country's issuance drops below EUR40bn, it will exit the index. The list of countries eligible for the index is reviewed on an annual basis.</p> <p>Additionally, debt of issuers from countries classified as "Not Free" by Freedom House are excluded from the index.¹</p>
Market of Issue	Fully taxable, publicly issued in the index member domestic markets.

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

Security Types	Included	Excluded
	<ul style="list-style-type: none"> • Fixed-rate bullet, putable and callable bonds • Soft bullets • Original issue zero coupon and underwritten MTN 	<ul style="list-style-type: none"> • Inflation-linked bonds • Strips • Floating-rate issues

Green Bonds Eligibility and Classification

Overview

Green bonds are fixed income securities for which the proceeds will be applied entirely towards eligible green projects.

The index includes securities that are reviewed by Bloomberg SFS to ensure they meet the minimum Green Bond criteria to be classified appropriately. The criteria are reflective of the Green Bond Principles, which include:

- Use of proceeds
- Project selection process
- Management of proceeds
- Reporting

Securities are evaluated on the above criteria. All four criteria are required to be met to be eligible for inclusion into the index. Second-party opinions (SPO) are recommended but not required for eligibility.

Use of proceeds

The issuer clearly outlines that the net bond proceeds will be entirely designated for market-accepted green activities (for eligible project categories see list below).

Project selection process

The issuer outlines the decision-making process it follows to determine the eligibility of projects in the bond documentation (prospectus, framework, investor presentation, offering circular etc.).

Management of proceeds

The net proceeds of the green bond should be tracked by the issuer and attested to by a formal internal process.

Reporting

Issuers should commit to report on the projects financed, project performance and preferably the environmental and social impact at least once a year. For reporting to be considered eligible, the issuer must report on the impact of the projects financed (greenhouse gas emissions reductions etc.) or the allocation of funds to the individual projects or aggregated project categories. This reporting obligation will continue until the proceeds have been fully allocated or until maturity.

Additionally, at a minimum, all securities are reviewed on an annual basis to confirm the above reporting criteria. Bonds with proceeds that are not confirmed to be used for green purposes within 18 months of its last review will be removed from the index. Bonds with proceeds confirmed not to be used for green purposes will also be removed from the index.

Bloomberg reserves an additional three months beyond the above mentioned 12 month period to locate and review the reports. If no report is available 15 months after issuance or the previous report, the security will be flagged as "Watchlist". If no report is available after 18 months, the security will be permanently removed from the index.

Securities included in the index prior to September 2022 have been reviewed based on the above methodology to ensure eligibility for the launch of the index, however, securities that left the index prior to September 2022 are not subject to the ongoing reporting criteria.

For additional information regarding the broader Bloomberg Global Aggregate Green Social Sustainability Bond Index, please refer to [Bloomberg Global Aggregate Green Social Sustainability Bond Index Methodology](#).

Please refer to the [Green Bonds on the Terminal Guide](#) for additional information on how Bloomberg classifies bonds as Green Bonds, or reach out to newissues@bloomberg.net

Rebalancing Rules

Monthly Reweighting Mechanism

At the monthly rebalancing, the index uplifts bonds classified as Green Bonds (as per the definition above) such that overall Green Bonds make up at least 30% of the index by market value while maintaining the country weights in the index identical to the country weights in the Euro Treasury 50bn Bond Index (the "Parent Index"). In order to reduce the duration differences versus the Parent Index induced by this uplift, the index's bond weights are adjusted such that the index's country durations are intended to match the durations of respective countries in the Euro Treasury 50bn Bond Index. This is done by first bucketing bonds in the index by countries, then by Green vs non-Green Bonds, and finally the non-Green Bonds into 2 maturity buckets (1-5 Year, and 5+ Year). The weights of the non-Green Bonds in the 2 maturity buckets are adjusted such that the Green Bonds overall make up at least 30% of the index by market value, and the country weights and country-level durations are matched compared to the Parent index.

In a given month, the index will uplift Green Bonds as much as possible (above the minimum 30% market value), in 1% increments, as long as country weights and country-level duration neutrality are preserved, and non-Green Bond weights are kept between 0 and 100% in both maturity buckets. In case of infeasibility, the minimum 30% Green Bond uplift and country weight neutrality are preserved, but the country-level duration neutrality may deviate from the duration of countries in the Parent Index in order to keep non-Green Bond weights between 0 and 100% in both maturity buckets.

The Green Bond uplift, country weights, and country-level duration neutrality are fixed as of the monthly rebalancing date, and may drift intra-month as prices change and bonds are called or tendered. Prior to February 2023, the index rebalancing was done at every month end. From March 29th 2023 onwards, the index rebalancing is done on T-2 business days every month (T being month end), using T-3 data.

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 is updated on T-2 business days 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.

Timing

- 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 a UK holiday and European markets remain open, European securities will use month-end prices.

Bid or Offer Side The index uses mid-market prices.

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 Euro Treasury Green Bond Tilted 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.
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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	I37637EU: Total Return EUR Unhedged

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