

Bloomberg MSCI US High Yield Sustainable and SRI Index

The Bloomberg MSCI US High Yield Sustainable and SRI Bond Index is a fixed-rate, high-yield corporate bond benchmark that follows the rules of the Bloomberg US Corporate High Yield Index. To be eligible for the index, bonds must have a minimum outstanding of USD500mn. The index excludes issuers that are involved in business activities that are restricted according to pre-defined Business Involvement Screens and Issuers with a "Red" MSCI ESG Controversy Score. The index also weights issuers with MSCI ESG Ratings of BBB or higher at 100% weight by market value, weights issuers with MSCI ESG Ratings of BB at 50% weight by market value, and excludes issuers with MSCI ESG Ratings of below BB. The index was created in June 2021, with history backfilled to May 1, 2019.

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 high yield (Ba1/BB+/BB+ or below) 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	USD500mn minimum par amount outstanding.
Coupon	<ul style="list-style-type: none"> Fixed-rate coupon. Pay-in-kind (PIK) and Partial PIK bonds are excluded. Callable fixed-to-floating rate and fixed-to-variable bonds are eligible during their fixed-rate term only. Step-up coupons and those that change according to a predetermined schedule are eligible.
Maturity	<ul style="list-style-type: none"> At least one year until final maturity, regardless of optionality. 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.
Market of Issue	Fully taxable, publicly issued in the global and regional markets. 144A securities that do not also have a Reg-S tranche are excluded.
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 • Emerging Market issuers • PIK and Partial PIK bonds

Environment, Social and Governance (ESG) Rules

MSCI ESG Rating	<p>The following criteria apply:</p> <ul style="list-style-type: none"> • Securities must have an MSCI ESG Rating of BB or higher. Securities with MSCI ESG Rating of BBB or higher are weighted at 100% of their market value; securities with MSCI ESG Rating of BB are weighted at 50% of their market value. • 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	<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"> • Alcohol • Tobacco • Gambling • Adult Entertainment • Genetically Modified Organisms (GMO) • Nuclear Power • Civilian Firearms • Conventional Weapons • Nuclear Weapons • Controversial Weapons <ul style="list-style-type: none"> ◦ Landmine Manufacturing ◦ Cluster Bomb Manufacturing ◦ Depleted Uranium Weapons ◦ Chemical and Biological Weapons Components • Thermal Coal • Fossil Fuels
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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 December 2020 until September 2021:

In addition to the standard SRI screen, the index excluded issuers that MSCI define as having a percentage of revenue from the business activities related to:

- Generation of 10% or more electricity from thermal coal or 10% or more installed capacity attributed to thermal coal or 5% or more revenue from thermal coal-based power generation
- Generation of 30% or more electricity from nuclear power or 30% or more installed capacity attributed to nuclear sources or 30% or more revenue (either reported or estimated) from ownership or operation of nuclear power plants
- Generation of 30% or more electricity from liquid fuel and natural gas or 30% or more installed capacity attributed to liquid fuel and natural gas or 30% or more revenue (either reported or estimated) from liquid fuel- and natural gas-based power generation
- Thermal Coal greater than 0%
- Unconventional Oil and Gas greater than 0%
- Conventional Oil and Gas greater than 0% of total revenue with less than 40% of the total revenue being derived from alternative energy
- Tobacco revenue greater than 10%
- Any tie to controversial weapons
- Manufacturing of nuclear weapons or provision of auxiliary services related to nuclear weapons
- Any Fossil Fuel Reserves

From September 2021:

In addition to the standard SRI screen, the index excludes issuers that MSCI define as having a percentage of revenue from the business activities related to:

- Generation of 10% or more electricity from thermal coal or 10% or more installed capacity attributed to thermal coal
- 30% or more revenue (either reported or estimated) from ownership or operation of nuclear power plants
- Generation of 30% or more electricity from liquid fuel and natural gas or 30% or more installed capacity attributed to liquid fuel and natural gas or 30% or more revenue (either reported or estimated) from liquid fuel- and natural gas-based power generation
- Conventional Oil and Gas greater than 0% of total revenue with less than 40% of the total revenue being derived from alternative energy
- Any Fossil Fuel Reserves
- 10% or more aggregate revenue from weapons systems, components, and support systems and services

From 28 February 2022:

The index will additionally exclude issuers with 5% or more aggregate revenue from weapons systems, components, and support systems and services.

MSCI ESG Controversy 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 28 February 2022, 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.

Issuer Capping Methodology

Issuers that exceed 3% of the market value of the uncapped Bloomberg MSCI US High Yield Sustainable and SRI Index are limited at 3%. The excess market value over the 3% cap will be 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.

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, 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, 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 the 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"> • 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. • 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. • If the last business day of the month is a US 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	<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 Bloomberg MSCI US High Yield Sustainable and SRI Index follows the US 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/)	<p>The index website makes available limited index information including:</p> <ul style="list-style-type: none"> • Index methodology and factsheets

indices)

- Current performance numbers for select indices

Data Distribution

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Index Ticker

I36427US: Total Return USD Unhedged

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