

# Bloomberg MSCI Global Aggregate 500MM ex Securitized 1-5 Year Sustainable SRI Sector Neutral Index

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

The Bloomberg MSCI Global Aggregate 500MM ex Securitized 1-5 Year Sustainable SRI Sector Neutral Index tracks fixed-rate, investment-grade debt with at least USD500mn par amount outstanding. The index includes securities with at least one, and up to but not including five years until final maturity. The index includes issuers that meet the standard Bloomberg MSCI Sustainability thresholds while excluding issuers per the standard Bloomberg MSCI SRI and ESG Controversy Screens. Additionally, the index applies screens for issuers involved in weapons, or that are deriving revenue from arctic oil or gas. The index also excludes treasury and government-related issuers classified as Not Free by Freedom House. The index was created in June 2021, with history backfilled to May 1, 2016.

The features specific to this Index are set out below.

<b>Description of Index Constituents</b>	Global Investment Grade Bonds
<b>Index Ticker</b>	I36756US Index: Total Return USD Unhedged

## Eligibility Requirements:

<b>Currency</b>	Principal and coupon must be denominated in one of the following eligible currencies: <ul style="list-style-type: none"> <li>Americas: CAD, CLP, COP, MXN, PEN, USD</li> <li>EMEA: CHF, CZK, DKK, EUR, GBP, HUF, ILS, NOK, PLN, RON, RUB, SEK</li> <li>Asian-Pacific: AUD, CNY, HKD, IDR, JPY, KRW, MYR, NZD, SGD, THB</li> </ul>
<b>Sector</b>	Treasury, Government-Related, and Corporate
<b>Credit Rating</b>	Investment Grade
<b>Minimum Amount Outstanding</b>	Fixed minimum issue sizes are set for all local currency minimums: <ul style="list-style-type: none"> <li>250mn CAD</li> <li>333.3mn GBP</li> <li>500mn USD, EUR, CHF, AUD</li> <li>833.3mn NZD, SGD</li> <li>1.6bn RON, PEN</li> <li>3.3bn DKK, NOK, PLN, ILS, HKD, MYR</li> </ul>

- 4.16bn SEK
- 8.3bn CNY
- 16.6bn MXN, CZK, THB
- 33.3bn RUB
- 58.3bn JPY
- 166.6bn CLP
- 333.3bn HUF
- 833.3bn KRW
- 1.6trn COP
- 3.3trn IDR

**Maturity**

At least one year, and up to, but not including, 5 years remaining until final maturity, regardless of optionality

**Minimum Liquidity Requirements**

See Minimum Amount Outstanding specified above.

**Rebalance Date**

Monthly

**Sector Neutral Reweighting**

The application of screens will alter the sector composition of the index versus the standard Global Aggregate 500mn 1-5 Year ex Securitized Index. The index's BCLASS 1 sector weights are therefore adjusted to match the market value weights of the BCLASS 1 sectors of the standard Global Aggregate 500mn 1-5 Year ex Securitized Index. These sector weights are fixed as of month end and may drift intra-month as prices change and bonds are called or tendered.

## Environmental, 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 applies the standard ESG factors outlined in the [Bloomberg MSCI ESG Fixed Income Indices Methodology](#) Appendix A: Bloomberg MSCI SRI Indices and Appendix B: Bloomberg MSCI Sustainability Indices ESG annexes:

- Securities must use the standard Bloomberg MSCI ESG Rating thresholds,
- Standard Bloomberg MSCI SRI screen, and
- Standard Bloomberg MSCI ESG Controversies score threshold.

Additionally, the index excludes issuers involved in, or deriving revenue from the following:

- Weapons Systems/Components/Support Systems/Services revenue  $\geq 5\%$
- Arctic Oil or Arctic Gas revenue  $\geq 0.001\%$

Additional Freedom House screen:

- Treasury and Government-Related issuers classified as “Not Free” are excluded<sup>1</sup>

### Minimum ESG Exclusions

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.

### Document Version History

Date	Update
September 2023	Publication in new format

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

## Environmental, Social and Governance (ESG) Disclosures

This document should be read in conjunction with [Bloomberg MSCI ESG Fixed Income Indices Methodology](#) Appendix A: Bloomberg MSCI SRI Indices and Appendix B: Bloomberg MSCI Sustainability Indices ESG disclosures annexes. These annexes and the information below collectively constitute the ESG factors taken into account in this Index and associated disclosures.

<b>ESG Factors</b>	
Weapons	Excludes researched companies deriving 5% or more revenue from weapons systems, components, and support systems and services.
Arctic Oil and Arctic Gas	Excludes researched companies deriving 0.001% or more revenue (either reported or estimated) from offshore or onshore Arctic Oil or Arctic Gas production. The definition of Arctic is geographical and includes production activities north of the 66.5 latitude.
Freedom House Global Freedom Status	Excludes researched companies operating in 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.
<b>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>Weapons and arctic oil and gas ESG data for the benchmark 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> </ul>

	<ul style="list-style-type: none"> <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> <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 style="padding-left: 40px;">Freedom House  info@freedomhouse.org  <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>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 Business Involvement Screens - relevant to ESG factors for weapons, arctic oil and arctic gas</b></p> <p>Initial company research and analysis is followed by a rigorous quality review process. Data accuracy and company profiles are peer-reviewed, then sent to content leads for final approval. In specific cases in which a company’s business activity is not clearly defined by MSCI ESG Research’s methodology and there is no precedent, the case is escalated to the Head of Screening Research. Cases that require further interpretation or an update to the methodology are brought to the MSCI ESG Impact and Screening Methodology Committee for resolution.</p>

	<p>Please see the <a href="#">MSCI Business Involvement Methodology Overview</a> for further detail.</p> <p><b>Freedom House Global Freedom Status</b></p> <p>As per the 2023 Freedom House Methodology, the quality of data is verified through the research and review process detailed below:</p> <p><i>“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.”</i></p> <p>Please see the Freedom in the World Methodology <a href="#">here</a> for further detail.</p>
<p>c) Reference standards <i>Describe the international standards used in the benchmark methodology.</i></p>	<p><b>MSCI Business Involvement Screens - relevant to ESG factors for weapons, arctic oil and arctic gas</b></p> <p>The MSCI ESG Research team utilised a combination of industry classifications, business descriptions and keyword searches in company filings to identify potential involvement in each of the screening topics.</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>
<p>Date on which information has been last updated and reason for the update:</p>	<p>September 2023 (first publication)</p>

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