

Bloomberg MSCI Global Aggregate 500MM ex Securitized 1-5 Year Sustainable SRI Sector Neutral 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. To be included, securities must have at least one, and up to but not including, five years until final maturity. This index is based on the Global Aggregate 500MM ex Securitized 1-5 Year index and applies additional criteria to include issuers with MSCI ESG Ratings of BBB or higher and negatively screens issuers that are involved in business activities that are restricted because they are inconsistent with certain values-based business involvement criteria and those issuers with a "red" MSCI ESG Controversy Score. Additionally, the market of the three sectors (Treasury, Government-Related and Corporate) are reweighted to match the weights of these three sectors in the Global Aggregate 500MM ex Securitized 1-5 Year Index. The index was created in June 2021, with history backfilled to May 1, 2016.

Rules for Inclusion: Fixed Income Criteria

Sector	Treasury, Government-Related, and Corporate issuers are included.
Eligible Currencies	<ul style="list-style-type: none"> Principal and coupon must be denominated in one of the following eligible currencies: <ul style="list-style-type: none"> Americas: CAD, CLP, COP, MXN, PEN, USD EMEA: CHF, CZK, DKK, EUR, GBP, HUF, ILS, NOK, PLN, RON, RUB, SEK Asian-Pacific: AUD, CNY, HKD, IDR, JPY, KRW, MYR, NZD, SGD, THB Eligible currencies will not necessarily have debt included in the index if no securities satisfy the inclusion rules New currency inclusion is reviewed annually through the index governance process. To be considered for inclusion, new currency candidates must be rated investment grade and sufficiently tradable, convertible and hedgeable for international investors.
Quality	<p>Securities 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 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"> Local currency treasury and hard currency sovereign issues are classified using the middle issuer-level local currency and hard currency debt ratings from each agency for all outstanding bonds, even if bond-level ratings are available. 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. For the Canadian Dollar market, DBRS is considered in addition to Moody's, S&P and Fitch. When all four ratings agencies are available, the highest and lowest ratings are removed and the lower of the two remaining is used.

Amount Outstanding	Fixed minimum issue sizes are set for all local currency minimums:	
	<ul style="list-style-type: none"> • 250mn: CAD • 333.3mn: GBP • 500mn: USD, EUR, CHF, AUD • 833.3mn: NZD, SGD • 1.6bn: RON, PEN • 3.3bn: DKK, NOK, PLN, ILS, HKD, MYR • 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 	
Coupon	<ul style="list-style-type: none"> • Fixed-rate coupon • Callable fixed-to-floating rate bonds are eligible during their fixed-rate term only. • Bonds with a step-up coupon that changes according to a predetermined schedule are eligible. 	
Maturity	<ul style="list-style-type: none"> • Securities must have at least 1 and up to, but not including, 5 years remaining until final maturity, regardless of optionality. • Bonds that convert from fixed to floating rate, including fixed-to-float perpetuals, will exit the index one year prior to conversion to floating-rate. Fixed-rate perpetual bonds are not included. 	
Country	From March 1, 2022, Treasury and Government-Related debt of issuers from countries classified as "Not Free" by Freedom House are excluded from the index. ¹	
Taxability	<ul style="list-style-type: none"> • Only fully taxable issues are eligible. • Dividend Received Deduction (DRD) and Qualified Dividend Income (QDI) eligible securities are excluded. 	
Market of Issue	Publicly issued in the global and regional markets.	
Seniority of Debt	Senior and subordinated issues are included.	
Security Types	Included	Excluded <ul style="list-style-type: none"> • Securitized bonds

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

- Bullet, putable, sinkable/amortizing and callable bonds
- Original issue zero coupon bonds
- Underwritten MTN
- Fixed-rate and fixed-to-float (including fixed-to-variable) capital securities
- Enhanced equipment trust certificates (EETC)
- Certificates of deposit
- Loan participation notes (as of April 1, 2013)
- Malaysia government Sukuk (as of April 1, 2015)
- Contingent capital securities, including traditional CoCos and contingent write-down securities, with explicit capital ratio or solvency/balance sheet-based triggers
- Bonds with equity type features (e.g., warrants, convertibles, preferreds, DRD/QDI-eligible issues)
- Inflation-linked bonds, floating-rate issues
- Private placements, retail bonds
- Fixed-rate perpetuals
- Sinkable Russian OFZ bonds issued prior to 2009
- USD 25/USD 50 par bonds
- Structured notes, pass-through certificates
- Illiquid securities with no available pricing
- Formosa bonds

Environment, Social and Governance (ESG) Rules

MSCI ESG Rating

The following criteria apply:

- Securities must have an MSCI ESG Rating of BBB or higher.
- Unrated issuers from sectors with are excluded.
- Prior to April 2021, ratings were applied at the ticker level. Every bond within the same ticker had the same MSCI ESG Rating.
- MSCI ESG Ratings are generally updated annually, but may be reviewed more frequently as needed.

Business Involvement Screens

The index excludes issuers involved in the following business lines/activities as per the standard Bloomberg MSCI SRI screen:

- Adult Entertainment
- Alcohol
- Gambling
- Tobacco
- Conventional Weapons
- Civilian Firearms
- Nuclear Weapons
- Controversial Weapons
 - Cluster Munitions
 - Landmines
 - Depleted Uranium

- o Biological/Chemical
- o Blinding Lasers
- o Non-Detectable Fragments
- o Incendiary
- Nuclear Power
- Thermal Coal
- Fossil Fuels
- Genetically Modified Organisms (GMO)

Involvement is defined for each restricted activity and may be based on % of revenue, total revenue, or any tie regardless of revenue (see Figures 7-5 on pages 14-16 for standard screen threshold in ESG Methodology on the [Bloomberg Terminal](#) or on the [website](#))

From index inception to September 2021, the index additionally excludes issuers with greater than 10% revenue from business activities related to:

- Tobacco Distribution
- Tobacco Retailing
- Tobacco Supply

From September 2020 to September 2021, the index additionally excludes issuers with greater than 5% revenue from business activities related to:

- Thermal Coal
- Generation of Thermal Coal
- Oil Sands

From March 1, 2022, the index additionally excludes issuers that derive revenue from the following categories:

- Weapons > 10%, defined as:
 - o Deriving 5% or more aggregate revenue from weapons systems, components, and support systems and services, or
 - o Deriving 5% or more aggregate revenue from the production and distribution (wholesale or retail) of firearms or small arms ammunition intended for civilian use
- Arctic oil > 0%
- Arctic gas > 0%

MSCI ESG Controversies Excludes any issuer with a “Red” MSCI ESG Controversies score (equal to 0), 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 November 30, 2021, 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 ESG rating score preferred to remain in the index)
- MSCI ESG Controversies score (higher 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.

Sector Neutral Reweighting

The application of screens based on MSCI ESG Ratings, MSCI ESG Controversies, and MSCI ESG Business Involvement Screening Research (BISR) will alter the sector composition of the index versus the standard Global Aggregate 500MM ex Securitized Index. The index's sector weights are therefore adjusted to match the market value weights of Treasury, Government-Related, and Corporate sectors of the standard Global Aggregate 500MM 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.

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, 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, except CHF-denominated bonds (which are priced by SIX) and JPY-denominated corporates (which are priced by JSDA).

Timing

Prices are snapped at the following times:

- North America currency bonds: 4 p.m. (New York time) starting from January 14, 2021 and onwards, and 3 p.m. (New York time) prior to January 14, 2021; 4 p.m. (Toronto time) for CAD-denominated securities.

- Pan-European currency bonds: 4:15 p.m. (London time); 4 p.m (London time) for CHF-denominated securities.
- Asian currency bonds: 5 p.m. (Sydney time) for AUD-denominated and NZD-denominated securities; 3 p.m. (Tokyo time) for JPY-denominated securities; 5 p.m. (Shanghai time) for CNY-denominated securities; 5 p.m. (Tokyo time) for all other securities.
- If the last business day of the month is a public holiday in a major regional market, prices from the previous business day are used to price bonds in the particular market.

Bid or Offer Side

Bonds in the index are priced on the bid side. The initial price for new corporate and EM local currency issues entering the index is the offer side; after the first month, the bid price is used. Japanese, Euro and Sterling treasury bonds use mid prices.

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 to identify outliers. Index users may also challenge price levels, which are then reviewed and updated as needed.

Currency Hedging

Returns hedged to various currencies are published for multi-currency indices. The indices' FX hedging methodology takes rolling one-month forward contracts that are reset at the end of each month and hedges each non-reporting currency-denominated bond in the index into the reporting currency terms. No adjustment is made to the hedge during the month to account for price movements of constituent securities in the Returns Universe of the index.

Calendar

The Bloomberg MSCI Global Aggregate 500MM ex Securitized Sustainable SRI Sector Neutral Index is a global multi-currency index that is generated every business day of the year except for January 1, the only holiday common to all regional calendars. During holidays observed by local markets, the index will still be generated using prices from the previous business day. FX rates are updated daily using WM Reuters 4pm (London) rates. FX forwards are also sourced from WM Company.

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/indices)	<p>The index website makes available limited index information including:</p> <ul style="list-style-type: none"> • Index methodology and factsheets • Current performance numbers for select indices
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	I36756US: Total Return USD Unhedged

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