

Bloomberg Barclays MSCI 1-5 year Canada Corporate Choice ESG Screened 10% Issuer Capped Index

The Bloomberg Barclays MSCI 1-5 year Canada Corporate Choice ESG Screened 10% Issuer Capped Index is an investment-grade, Canadian dollar-denominated benchmark that follows the rules of the Bloomberg Barclays 1-5 year Canada Corporate Bond Index and applies additional ESG criteria for security eligibility and caps issuer exposure at 10%. The index negatively screens issuers¹ that are involved in business activities that are restricted because they are inconsistent with certain values-based business involvement criteria and excludes issuers with an ESG Controversy Score less than 1 or an ESG Rating below BBB. The index was created in May 2021, with history backfilled to February 1, 2013.

Rules for Inclusion

Sector	Corporate (industrial, financial institutions, utility) issuers only. Issuers classified as Class 3 Energy are excluded.
Eligible Currencies	Principal and coupon must be denominated in CAD.
Quality	<p>Securities must be rated investment grade (Baa3/BBB-/BBB-or higher) using the lower of the two middle ratings of Moody's, S&P, Fitch and DBRS; when ratings from only three agencies are available, the middle is used; 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 is 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	CAD 150mn minimum par amount outstanding.
Coupon	<ul style="list-style-type: none"> Fixed-rate coupon. Original zero coupon bonds are included. 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"> At least 1 year and up to, but not including, 5 years until final maturity, regardless of optionality. Bonds that convert from fixed to floating rate, including fixed-to-float perpetual, will exit the index one year prior to conversion to floating-rate. Fixed-rate perpetual bonds are not included.
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	<ul style="list-style-type: none"> Publicly issued in the global and regional markets. Private placements and retail issues are not eligible.

¹ Prior to April 9, 2021, term issuer herein refers to bond ticker. All index exclusions due to controversial business involvement, including ties to fossil fuel, ESG Ratings, and ESG controversies are applied to the bond ticker. Starting on April 9, 2021, ESG data has been mapped at a bond level. See the section titled "ESG Ticker Mapping Methodology" and the index Announcement for [Planned Change to ESG Mapping Methodology](#) more details.

Rules for Inclusion

Seniority of Debt	Senior and Subordinated issuers are included.	
Security Types	<p>Included</p> <ul style="list-style-type: none"> Bullet, puttable, sinkable/amortizing and callable bonds Senior and subordinated issues Original issue zero coupon and underwritten MTN programs Enhanced equipment trust certificates (EETC) Certificates of deposit Fixed-rate and fixed-to-float (including fixed-to-variable) capital securities Non-Viable Contingent Capital Bonds (NVCC) Bail-in Bonds 	<p>Excluded</p> <ul style="list-style-type: none"> 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 Fixed-rate perpetuals Private placements Retail bonds Structured notes, pass-through certificates Illiquid securities with no available internal or third-party pricing source Euro MTN and Euro Non-Dollar

Environment, Social, and Governance (ESG) Rules

Business Involvement Screening	Adult Entertainment	<ul style="list-style-type: none"> All researched issuers that produce, direct, or publish adult entertainment materials that fall into the following categories: Producer of X-rated films, Pay-per-view programming or channels, sexually explicit video games, books or magazines with adult content, Live entertainment of an adult nature, adults-only material on the internet. All researched issuers deriving 5% or more aggregate revenue from the production, distribution and retail of adult entertainment materials.
	Alcohol	<ul style="list-style-type: none"> All researched issuers classified as a "Producer" that derive 5% or more in revenue from manufacturing, distributing, retailing, licensing, and supplying alcoholic products. All researched issuers classified as a "Producer" that derive USD 500 million or more in revenue from manufacturing, distributing, retailing, licensing, and supplying alcoholic products. All researched issuers deriving 15% or more aggregate revenue from the manufacture, distribution, retailing, licensing, and supply of alcoholic products.
	Gambling	<ul style="list-style-type: none"> All researched issuers classified as involved in "Operations" that derive 5% or more in revenue from ownership or operation of gambling facilities, provision of key products or services fundamental to gambling operations, and licensing of gambling products. All researched issuers classified as involved in "Operations" that derive USD 500 million or more in revenue from ownership or operation of gambling facilities, provision of key products or services fundamental to gambling operations, and licensing of gambling products. All researched issuers deriving 15% or more aggregate revenue from ownership or operation of gambling facilities, provision of key products or services fundamental to gambling operations, and licensing of gambling products.
	Tobacco	<ul style="list-style-type: none"> All researched issuers that manufacture tobacco products, such as cigars, blunts, cigarettes, e-cigarettes, inhalers, beedis, kreteks, smokeless tobacco, snuff, snus, dissolvable and chewing tobacco. It includes companies that grow or process raw tobacco leaves. All researched issuers deriving 5% or more aggregate revenue from the manufacture, distribution, retailing, licensing, and supply of tobacco products.
	Conventional Weapons	<ul style="list-style-type: none"> All researched issuers deriving 5% or more revenue from the production of conventional weapons and components. All researched issuers deriving 10% or more aggregate revenue from weapons systems, components, and support systems and services.

Environment, Social, and Governance (ESG) Rules

Business Involvement Screening	2020.
Cannabis	- All researched issuers that have an industry tie to cannabis products - in particular, production, retailing, pharmaceutical research, and ownership. - Prior to May 1, 2021, issuers were excluded based on Cannabis data from April 30, 2021.
Fossil Fuel	- All researched issuers that have an industry tie to fossil fuels (thermal coal, oil and gas) - in particular, reserve ownership, related revenues and power generation. This list does not include companies providing evidence of owning metallurgical coal reserves. - Prior to September 1, 2020, issuers were excluded based on Fossil Fuel data from August 31, 2020.
Genetically Modified Organisms	- All researched issuers deriving more than 0% revenue from genetically modifying plants, such as seeds and crops, and other organisms intended for agricultural use or human consumption
ESG Controversy	Excludes all issuers with an ESG Controversies Score less than 1. Corporate bonds with missing ESG Controversy Scores are excluded.
ESG Rating	Only issuers with ESG Ratings greater than or equal to BBB are included. Corporate bonds with missing ESG Ratings are excluded.

ESG Mapping Methodology

Ticker Mapping	Prior to April 9, 2021, assignment of MSCI ESG Ratings, Controversy Scores, and Business Involvement data to issuers in the Bloomberg Barclays MSCI ESG family of fixed income indices was made at the Bloomberg Barclays ticker level. However, many companies have multiple issuing entities that share a common ticker. In the cases where MSCI has ESG data for more than one of these sub-entities, the entity with the largest debt outstanding (by market value) in the Bloomberg Barclays index family was mapped to the Bloomberg Barclays ticker. Every bond with the same ticker will have the same underlying ESG data.
Bond-level Mapping	Starting on April 9, 2021, ESG data has been applied at the bond level. See the index Announcement for Planned Change to ESG Mapping Methodology more details.
Non-covered Issuers	Issuers not covered by MSCI Business Involvement Screening Research (BISR) and Fossil Fuel Research are eligible, provided the bonds satisfy all of the index inclusion rules. Issuers with missing ESG Controversy Scores or ESG Ratings are not eligible.

Rebalancing Rules

Issuer Capping Methodology	Issuers that exceed 10% of the market value of the uncapped 1-5 year Canada Corporate Choice ESG Screened 10% Issuer Capped Index are limited to 10%. The excess market value over the 10% cap is redistributed on a pro rata basis to all other issuers' bonds in the index that are under the 10% cap. The process is repeated until no issuer exceeds the 10% limit.
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.

Rebalancing Rules

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	Index eligible bonds are priced on a daily basis by Bloomberg's evaluated pricing service, BVAL.
Pricing Quotes	Bonds can be quoted in a variety of ways, including nominal spreads over benchmark securities/treasuries, spreads over swap curves, or direct price quotes as a percentage of par. For securities quoted on a spread basis, daily security price changes will result from movements in the underlying curve (swap or treasury) and/or changes in the quoted spread.
Timing	4pm (Toronto time)
Bid or Offer Side	Bonds in the index are priced on the bid side.
Settlement Assumptions	T+1 calendar day settlement basis for all bonds except MBS, which use same-day settlement. 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 using input from various sources.
Currency Hedging	Returns hedged to various currencies are published for the Canada Corporate Sustainability SRI Index. 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 1-5 year Canada Corporate Choice ESG Screened 10% Issuer Capped Index follows the US bond market calendar.

Accessing Index Data

Bloomberg Terminal®	<p>Bloomberg benchmarks are the global standard for capital markets investors.</p> <ul style="list-style-type: none"> • INDEX<Go> - The Bloomberg Indices landing page is a dashboard for index-related information on the terminal. Find daily and monthly index returns for key indices from each index family as well as index publications including methodologies, factsheets, monthly reports, updates and alerts. • 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. • 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. • DES<Go> - The index description page provides transparency into an individual index including membership information, aggregated characteristics and returns, and historical performance.
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Bloomberg Total Return Index Value Tickers: 1-5 year Canada Corporate Choice ESG Screened 10% Issuer Capped Index and Related Indices

Ticker (CAD Unhedged)	Index	Ticker (CAD Unhedged)	Index
I36345CA	1-5 year Canada Corporate Choice ESG Screened 10% Issuer Capped Index	I34223CA	Canada Corporate SRI Index
I34227CA	1-5 year Canada Corporate Index	I31857CA	1-5 year Canada Aggregate

Total Return Index Values are available in other currencies and on a hedged basis. Attributes such as yield and duration, are also available. Please refer to Accessing Bloomberg Barclays Index Data Using Bloomberg Tickers for a full list of tickers and attributes that are available.

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Bloomberg Barclays Indices

New York

+1-212-318-1000

London

+44-20-7330-7500

Singapore

+65-6212-1000

Hong Kong

+852-2277-6000

Tokyo

+81-3-3201-8900

Sydney

+61-2-9777-8600

indexhelp@bloomberg.net

MSCI ESG Client Service

Asia Pacific

+612 9033 9339

Americas

+1 212 804 5299

Europe, Middle East and Africa

+44 207 618 2510

For further information on MSCI ESG Research:

esgclientservice@msci.com

www.msci.com/esg

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