

# S&P Dow Jones Indices

A Division of **S&P Global**

# **S&P Dow Jones Indices** ***Fixed Income Indices*** ***Benchmark Statement***

December 21, 2020

Date of original publication: February 25, 2019

# Table of Contents

Introduction	2
<b>Objective of Indices</b>	<b>2</b>
Methodology & Index Design Guidelines and Reviews	3
Index Governance	4
<b>Discretion</b>	<b>4</b>
<b>Internal Oversight</b>	<b>4</b>
Index Calculation	5
<b>Input Data</b>	<b>5</b>
<b>Index Varieties</b>	<b>5</b>
<b>Special Index Variations</b>	<b>5</b>
<b>Calculations and Pricing Disruptions</b>	<b>5</b>
<b>Data Hierarchy</b>	<b>5</b>
<b>Index Corrections</b>	<b>5</b>
Consultations	7
<b>Communication with Stakeholders and Consultations</b>	<b>7</b>
<b>Internal Reviews of Methodology</b>	<b>7</b>
Index Terminations	8
Index Usage	9
Additional Information	10
Appendix	11
Disclaimer	13

# Introduction

S&P Dow Jones Indices LLC (S&P DJI) is the administrator of the S&P DJI fixed income indices. This document is a 'benchmark statement', created in accordance with Article 27 of Regulation (EU) 2016/1011 and the supplementary delegated regulation (EU) 2018/1643. This benchmark statement should be read in conjunction with the methodology documents for each S&P DJI fixed income index, which can be found on our Web site at [www.spdji.com](http://www.spdji.com). This benchmark statement covers non-significant benchmarks as defined by Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016.

## **Objective of Indices**

S&P DJI develops, calculates and publishes a wide range of fixed income indices to objectively measure the performance of a variety of markets (including country specific, regional, global, sectors, or industry type) based on documented, transparent methodologies. Indices may be comprised of corporate bonds, sovereign bonds, Treasury bills, leveraged loans, municipal bonds, inflation-linked bonds, other fixed instruments or a combination thereof. Indices may be created at a composite level according to the type of security and further divided regionally. Corporate bond fixed income indices may determine composition based on existing equity indices and further divided by industry sector or credit rating. For example, the S&P 500 Bond Index is a market-value weighted index that seeks to measure the performance of corporate debt issues in the U.S. by companies in the S&P 500. Sub-indices are based on investment grade, high yield, sector, S&P rated, maturity, and ratings criteria. S&P DJI also calculates preferred stock indices, which measure the performance of various segments of the preferred stock market.

# Methodology & Index Design Guidelines and Reviews

S&P DJI's approach to index construction uses transparent and rules-based methodologies. Each index methodology is documented and available on our Web site, [www.spdji.com](http://www.spdji.com).

All indices are overseen by an Index Committee. Each Index Committee serves as the index governance body and is tasked with ensuring that:

- The index objective is clearly stated and the index is expected to achieve its objective.
- The procedures documented in the methodology are transparent and clearly described.
- The eligible universe, selection criteria and weighting method for constituents are fully detailed and described.
- All aspects of an index – data, calculation, maintenance, presentation and governance – are consistent with S&P DJI practices and any exceptions are explicitly discussed and decided upon by the relevant Index Committee.

S&P DJI indices are rebalanced on a regular schedule ranging from weekly to annually. A rebalancing may also be triggered by conditions specified in the relevant methodology.

Index methodologies are reviewed by an Index Committee as part of the regular index rebalancing process, as well as on at least an annual basis, to ensure that the methodology is being applied consistently and allows the index to achieve its stated objective. These reviews may highlight situations where changes in the methodology are necessary to reflect changes in the underlying market. Please see the section on Consultations below for more information on Index Committee reviews and the external consultation process.

# Index Governance

Indices are assigned to an index committee tasked with providing oversight to ensure that indices are maintained in accordance with S&P DJI policies and procedures. At each meeting, the Index Committee may review pending actions that may affect index constituents, statistics comparing the composition of the index to the market, securities that are being considered as candidates for addition to an index, and any significant market events. In addition, the Index Committee may revise index policy covering rules for selecting securities or other matters.

Most Index Committees are comprised of full-time professional members of S&P DJI's staff, with the exception of some indices co-branded with a third party organization, which may include Index Committee members from external third party organizations. S&P DJI's internal voting members on Index Committees are senior employees from the Index Management & Production Group and the Index Governance group. Individuals from these functions have no commercial responsibilities. External Index Committee members are appointed by the external third party organization and are subject to S&P DJI's reasonable approval. The external members have no commercial responsibilities within their organization. Please refer to individual index methodology documents for information on Index Committees with external Index Committee members.

Questions of interpretation or possible exceptions to index rules are considered by the Index Committee responsible for the indices in question.

S&P DJI considers information about changes to its indices and related matters to be potentially market moving and material. Therefore, all Index Committee meetings are confidential.

## **Discretion**

S&P DJI has established a documented rules-based approach for the calculation and maintenance of its indices; rules are stated in the methodology and supplementary documents. This approach seeks to minimize the need for expert judgement and discretion. In certain circumstances, including complex corporate actions, market disruptions, or where the methodology does not describe, or does not adequately describe an event, the Index Committee may use discretion to make decisions that differ from what is stated in the index methodology.

## **Internal Oversight**

The S&P DJI Internal Oversight Committee ("IOC") is comprised of representatives from the Compliance, Legal, and Risk functions. The IOC's mission is to oversee S&P DJI's compliance with its benchmark governance, quality, and operational standards. Among other responsibilities, the IOC reviews S&P DJI's adherence with its policies, monitors applicable regulatory developments, and serves as an escalation body for S&P DJI's Index Governance function.

# Index Calculation

## Input Data

S&P DJI's fixed income indices are calculated using prices sourced via vendors from eligible pricing providers (see below 'Data Hierarchy' for further information). The S&P DJI fixed income indices do not use contributions of input data.

## Index Varieties

A majority of S&P DJI's fixed income indices are market value weighted, where each bond's weight in the index is proportional to its market value. Sometimes an index has capping requirements which set the target weights for the index securities. An additional weight factor (AWF) is used to make market value adjustments to the index securities in order to satisfy the capping rules.

## Special Index Variations

S&P DJI may calculate separate versions of S&P- or Dow Jones-branded indices which may be tailored in a variety of ways such as the exclusion of certain issuers, sectors, or rating buckets, different rebalancing schedules, weighting schemes, currencies of calculation, or tax rates. In such cases, the index follows the methodology of the parent index except where otherwise noted in the methodology.

## Calculations and Pricing Disruptions

If a pricing source required for index calculation is unable to provide daily pricing for one or more securities, the previous close is used for the affected securities. In the event intraday prices are available for a security, the last available trade price is used for index calculation.

In extreme circumstances, S&P DJI may decide to delay index adjustments or not publish an index.

## Data Hierarchy

Data used for the fixed income indices may include:

a) Evaluated Prices:

- Evaluated pricing providers use a variety of different data inputs, anchored in actual transactions. The weight given to transactions is subject to the type of security, level of market activity, and timing.

b) Non-Evaluated Prices:

- Transactions if appropriate to the security to be priced and the time of pricing, and
- Firm-Bid Offers if applicable to the security in question and pricing timeliness.

## Index Corrections

S&P DJI reserves the right to recalculate an index at its discretion in the event one of the following issues has occurred:

1. Incorrect or revised closing price of one or more constituent securities;
2. Late announcement;
3. Incorrect application of corporate action or index methodology;
4. Incorrect calculation or data entry error.

A general description of how these events are handled can be found in the Recalculation Policy section of the S&P Fixed Income Indices Policies and Practices document, located on our Web site, [www.spdji.com](http://www.spdji.com).

# Consultations

## Communication with Stakeholders and Consultations

S&P DJI communicates and consults with market participants through various channels such as press releases, index announcements, emails and the distribution of data files. In addition, S&P DJI has a designated client service team available to respond to inquiries.

When a material change to the index methodology is considered, S&P DJI publishes a consultation inviting comments from market participants. A material change alters the index objective or changes the methodology in a way that affects the likelihood that the index will achieve its objective. Examples of methodology changes that could impact the index objective include altering rules determining the index universe, the selection of its constituents, or the weighting of its constituents. Consultations are announced through a number of channels, including the S&P DJI Web site, and by email directly to S&P DJI clients. Feedback is accepted only during the posted timeframe. Under normal circumstances, the consultation period is open for a minimum of 30 days from publication. In instances where a material change is deemed to be time sensitive, the Index Committee may determine that a shorter consultation period is required. Time sensitive changes are those that may require consideration or implementation within a shorter timeframe, and where the full consultation time period is not possible. Prior to finalizing its decision, the Index Committee will consider the issues and may request clarifications from respondents as part of this process. All feedback from consultations is reviewed and considered before a final decision is made by the Index Committee. Any changes to an index methodology are announced on the Web site together with the effective date of the change. A summary of the consultation feedback is made available upon request after announcement of the results, with the exception of responses requesting confidentiality. Individual and company names are not provided.

## Internal Reviews of Methodology

**Annual Review Process.** In addition to its daily governance of indices and maintenance of index methodologies, the Index Committee reviews, at least once within any 12 month period, the index methodology to ensure the indices continue to achieve the stated objectives, and that the data and methodology remain effective. The annual review process includes the gathering of information on the appropriateness, representativeness, and effectiveness of the index methodology from colleagues responsible for commercializing the indices. In the case that an index methodology is reviewed off cycle from the annual review, the Index Committee reserves the right to cancel the annual review if the requested review covers all the relevant issues.



# Index Terminations

S&P DJI may determine that an index should be discontinued. Reasons for an index termination could include:

- Fewer than the required number of securities are available for inclusion in an index, such as with size or GICS market segment based indices
- An index duplicates other S&P DJI indices
- Data required for an index is no longer available or no longer reliable
- Market conditions, regulations or potential index constituents have changed, making it unlikely that the index can achieve its objective
- Declining investor use or interest

All proposals to discontinue an index are assessed to determine any potential impact on the market. S&P DJI may, at its option, consult with market participants regarding the index termination.

If the data on a discontinued index is provided to clients at the time of termination, S&P DJI may suggest possible appropriate alternative S&P DJI indices. Index terminations will be announced in advance, and vendors will be notified. Index levels and related data on a discontinued index are retained by S&P DJI.

If financial product issuers or investment managers choose to use an S&P DJI index, regardless of index family, as the basis of an index-linked financial product or an investment fund, they should consider the potential need to terminate or modify the terms of a financial product resulting from the termination of the calculation of the index.

Indices discontinued due to size or GICS segment may resume calculation if enough securities become eligible in the future.

# Index Usage

S&P DJI is a provider of market indices used worldwide by asset managers, investment consultants, exchanges, investment banks and various other financial institutions. S&P DJI licenses indices and data for use as:

- The basis of an index-linked financial product or investment fund
- Portfolio construction and asset allocation decisions
- Research and analysis, such as performance attribution
- Benchmarking the performance of actively managed funds and institutional portfolios for reporting to regulators, clients and pension plan participants

S&P DJI is not an investment advisor. Not all uses of an index are appropriate for all users. Market participants should make their own assessment and judgment when selecting an index for their purpose.

An S&P DJI index and its methodology can be affected by a number of factors, some of which are beyond S&P DJI's control. These may include, but are not limited to, structural changes to the underlying market including decreases in the size and liquidity of the relevant market segment, infrastructure changes, geo-political events, and regulatory changes. These circumstances may result in a material change to the methodology, or in exceptional circumstances, the termination of an index.

S&P DJI assumes no responsibility for potential use of its indices, regardless of index family, for particular purpose by users, whether that use is for research, benchmarking, the basis for an index-linked financial product or investment fund, or some other use. The effective representation of a market or strategy is the primary aim for S&P DJI.

S&P DJI also licenses real-time values of indices to the media for display on television, websites, and mobile apps.

# Additional Information

Individual index methodologies with information regarding rebalancing and other relevant details are available on [www.spdji.com](http://www.spdji.com). Index methodologies should be read in conjunction with supporting documents, which detail policies and procedures, index calculations, and other pertinent information. These documents can be found on the Governance page of [www.spdji.com](http://www.spdji.com).

Index ISINs, if available, can be found [here](#).

# Appendix

<b>EXPLANATION OF HOW ENVIRONMENTAL, SOCIAL &amp; GOVERNANCE (ESG) FACTORS ARE REFLECTED IN THE BENCHMARK STATEMENT<sup>1</sup></b>		
1.	<b>Name of the benchmark administrator</b>	S&P Dow Jones Indices LLC
2.	<b>Underlying asset class of the ESG benchmark<sup>2</sup></b>	N/A
3.	<b>List of the S&amp;P Dow Jones Indices benchmark or family of benchmarks covered by this Benchmark Statement:</b>	<a href="#">S&amp;P DJI Methodology &amp; Regulatory Database</a>
4.	<b>Are there in the portfolio of the benchmark administrator any EU Climate Transition Benchmarks, EU Paris-aligned benchmarks, benchmarks that pursue ESG objectives or benchmarks that take into account ESG factors?</b>	Yes  For a list of the benchmarks that take in account ESG factors, please refer to the <a href="#">S&amp;P DJI Methodology &amp; Regulatory Database</a> .
5.	<b>Does the benchmark or family of benchmarks pursue ESG objective?</b>	No
<b>Appendix latest update:</b>		December 2020
<b>Appendix first publication:</b>		December 2020

<sup>1</sup> The information contained in this Appendix is intended to meet the requirements of the European Union Commission Delegated Regulation (EU) 2020/1817 supplementing Regulation (EU) 2016/1011 of the European Parliament and of the Council as regards the explanation in the benchmark statement of how environmental, social and governance factors are reflected in each benchmark provided and published.

<sup>2</sup> The 'underlying assets' are defined in European Union Commission Delegated Regulation (EU) 2020/1816 supplementing Regulation (EU) 2016/1011 of the European Parliament and of the Council as regards the explanation in the benchmark statement of how environmental, social and governance factors are reflected in each benchmark provided and published.



# Disclaimer

Copyright © 2020 S&P Dow Jones Indices LLC. All rights reserved. STANDARD & POOR'S, S&P, S&P 500, S&P 500 LOW VOLATILITY INDEX, S&P 100, S&P COMPOSITE 1500, S&P MIDCAP 400, S&P SMALLCAP 600, S&P GIVI, GLOBAL TITANS, DIVIDEND ARISTOCRATS, S&P TARGET DATE INDICES, GICS, SPIVA, SPDR and INDEXOLOGY are registered trademarks of Standard & Poor's Financial Services LLC ("S&P"). DOW JONES, DJ, DJIA and DOW JONES INDUSTRIAL AVERAGE are registered trademarks of Dow Jones Trademark Holdings LLC ("Dow Jones"). These trademarks together with others have been licensed to S&P Dow Jones Indices LLC. Redistribution or reproduction in whole or in part are prohibited without written permission of S&P Dow Jones Indices LLC. This document does not constitute an offer of services in jurisdictions where S&P Dow Jones Indices LLC, S&P, Dow Jones or their respective affiliates (collectively "S&P Dow Jones Indices") do not have the necessary licenses. Except for certain custom index calculation services, all information provided by S&P Dow Jones Indices is impersonal and not tailored to the needs of any person, entity or group of persons. S&P Dow Jones Indices receives compensation in connection with licensing its indices to third parties and providing custom calculation services. Past performance of an index is not an indication or guarantee of future results.

It is not possible to invest directly in an index. Exposure to an asset class represented by an index may be available through investable instruments based on that index. S&P Dow Jones Indices does not sponsor, endorse, sell, promote or manage any investment fund or other investment vehicle that is offered by third parties and that seeks to provide an investment return based on the performance of any index. S&P Dow Jones Indices makes no assurance that investment products based on the index will accurately track index performance or provide positive investment returns. S&P Dow Jones Indices LLC is not an investment advisor, and S&P Dow Jones Indices makes no representation regarding the advisability of investing in any such investment fund or other investment vehicle. A decision to invest in any such investment fund or other investment vehicle should not be made in reliance on any of the statements set forth in this document. Prospective investors are advised to make an investment in any such fund or other vehicle only after carefully considering the risks associated with investing in such funds, as detailed in an offering memorandum or similar document that is prepared by or on behalf of the issuer of the investment fund or other investment product or vehicle. S&P Dow Jones Indices LLC is not a tax advisor. A tax advisor should be consulted to evaluate the impact of any tax-exempt securities on portfolios and the tax consequences of making any particular investment decision. Inclusion of a security within an index is not a recommendation by S&P Dow Jones Indices to buy, sell, or hold such security, nor is it considered to be investment advice. Closing prices for S&P Dow Jones Indices' US benchmark indices are calculated by S&P Dow Jones Indices based on the closing price of the individual constituents of the index as set by their primary exchange. Closing prices are received by S&P Dow Jones Indices from one of its third party vendors and verified by comparing them with prices from an alternative vendor. The vendors receive the closing price from the primary exchanges. Real-time intraday prices are calculated similarly without a second verification.

These materials have been prepared solely for informational purposes based upon information generally available to the public and from sources believed to be reliable. No content contained in these materials (including index data, ratings, credit-related analyses and data, research, valuations, model, software or other application or output therefrom) or any part thereof ("Content") may be modified, reverse-engineered, reproduced or distributed in any form or by any means, or stored in a database or retrieval system, without the prior written permission of S&P Dow Jones Indices. The Content shall not be used for any unlawful or unauthorized purposes. S&P Dow Jones Indices and its third-party data providers and licensors (collectively "S&P Dow Jones Indices Parties") do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Dow Jones Indices Parties are not responsible for any errors or omissions, regardless of the cause, for the results obtained from the use of the Content. THE CONTENT IS PROVIDED ON AN "AS IS" BASIS. S&P DOW JONES INDICES PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Dow Jones Indices Parties be liable to any party for any direct, indirect, incidental, exemplary,

compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of the Content even if advised of the possibility of such damages.

S&P Global keeps certain activities of its various divisions and business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain divisions and business units of S&P Global may have information that is not available to other business units. S&P Global has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

In addition, S&P Dow Jones Indices provides a wide range of services to, or relating to, many organizations, including issuers of securities, investment advisers, broker-dealers, investment banks, other financial institutions and financial intermediaries, and accordingly may receive fees or other economic benefits from those organizations, including organizations whose securities or services they may recommend, rate, include in model portfolios, evaluate or otherwise address.