

**S&P Dow Jones
Indices**

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Markit iBoxx USD Regulated Utilities Index Guide

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1) Markit iBoxx USD Regulated Utilities Index

The Markit iBoxx USD Regulated Utilities Index is designed to reflect the performance of USD denominated investment grade corporate regulated utilities debt. The index rules aim to offer a broad coverage of the USD investment grade corporate regulated utilities bond universe and consists of a subset of the bonds from the Markit iBoxx USD Corporate index. The regulated utilities index is an integral part of the suite of Markit iBoxx indices, which provide the marketplace with accurate and objective indices by which to assess the performance of bond markets and investments. The regulated utilities index covers companies from the Utilities sector that are subject to rate regulation from a regulatory authority where the regulatory authority determines the rates that subject firms can charge. The index is market-value weighted.

The Markit iBoxx USD Regulated Utilities Index is rebalanced once a month at the month-end (the “rebalancing date”) and consists of investment grade USD denominated bonds issued by corporate issuers rated by at least one of three rating services: Fitch Ratings, Moody’s Investors Service, or Standard & Poor’s Rating Services.

The bonds in the Markit iBoxx USD Regulated Utilities Index must meet all the criteria described below as of the close of business three business days prior to the rebalancing date provided that the relevant bond data can be verified, at Markit Indices Limited’s sole discretion, as of such date (“bond selection cut-off date”). The new index composition becomes effective on the first business day of the next month.

All iBoxx indices are priced based on multiple data inputs. The Markit iBoxx USD Regulated Utilities Index uses multi-source prices as described in the document “Markit iBoxx Pricing Rules” publicly available on www.markit.com/indices.

This document covers the index rules and calculation methodology.

1.1) Publication of the Markit iBoxx USD Regulated Utilities Index

All indices are calculated at the end of each business day and re-balanced at the end of each month. The indices are calculated on the basis of end-of-day iBoxx prices on each trading day defined in the iBoxx USD Index calculation calendar. The index calculation calendar is available in the indices section on www.markit.com/indices under Calendar for data subscribers. Index data and bond price information is also available from the main information vendors.

2) Bond Selection Rules

The following selection criteria are applied to select the constituents for the Markit iBoxx USD Regulated Utilities Index:

- Bond type
- Credit Rating
- Time to Maturity
- Amount Outstanding
- Country of Risk
- Classification

2.1) Bond Type

General inclusion criteria:

- Bonds with known cash flows are eligible for the indices.

In particular, bonds with the following characteristics are included:

- Fixed coupon bonds
- Callable bonds and puttable bonds
- Step-ups and event-driven bonds such as rating-driven or registration-driven bonds
- Amortizing bonds and sinking funds with fixed sinking schedules
- Dated and undated hybrid capital, incl. fixed-to-floater hybrid bank/insurance capital bonds
- Secured bonds:
 - > Secured bonds issued by insurance companies
 - > First mortgage bonds/ first priority security interest
 - > Covered bonds
 - > Secured bonds issued by an SPV with known cash-flows

The following bond types are specially excluded:

- Sinking funds and amortizing bonds with fixed sinking schedules

The following instrument bond types are specifically excluded from the indices:

- Floating Rate Notes
- Zero coupon bonds and zero-coupon step-up bonds
- Financial non-hybrid perpetual and fixed to floater bonds
- Fixed-to-floater, non-hybrid bonds from non-financial issuers
- Convertibles
- Inflation- and other index-linked bonds
- Bonds cum or ex-warrant
- Bonds whose complete coupons are paid at maturity, as they are similar to zero-coupon bonds with only one cash flow
- New bonds entering the index that have already been called prior to rebalancing

For retail bonds and private placements, publicly available information is not always conclusive and the classification of a bond as a retail bond or a private placement will be made at IHS Markit's discretion based on the information available at the time of determination. IHS Markit may consult with the specific Index Advisory Committees to review potential retail bonds or private placements. Any bond classified as

retail or private placement is added to the list of excluded private placements and retail bonds. The list is published on www.markit.com/indices under *Indices News* for future reference and to ensure decision's consistency.

In instances where a new bond type is not specifically excluded or included according to the published index rules, IHS Markit will analyse the features of such securities in line with the principles set out in this guide. IHS Markit may consult the specific Index Advisory Committees. Any decision as to the eligibility or ineligibility of a new bond type will be published and the index rules will be updated accordingly.

2.2) Credit rating

All bonds in the Markit iBoxx USD Regulated Utilities Index must have an iBoxx Rating of investment grade. Ratings from the following three credit rating agencies are considered for the calculation of the iBoxx Rating:

- Fitch Ratings
- Moody's Investor Service
- S&P Global Ratings

Investment grade is defined as BBB- or higher from Fitch Ratings and S&P Global Ratings and Baa3 or higher from Moody's Investor Service.

If a bond is rated by more than one of the above agencies, then the iBoxx rating is the average of the provided ratings. The rating is consolidated to the nearest rating grade. Rating notches are not used. For more information on how the average rating is determined, please refer to the *iBoxx Rating Methodology* document. The methodology can be found on www.ihsmarkit.com under *Methodology*.

2.3) Time to Maturity

All bonds must have a remaining time to maturity of one year at the rebalancing date. Newly issued bonds must meet the minimum initial time to maturity rule. The minimum initial time to maturity as measured from the first settlement date to the maturity date of the bond, must be 18 months or more.

The expected remaining life expressed in years and calculated as follows:

- For plain vanilla bonds, the expected remaining life of the bond is its time to maturity, calculated as the number of days between the last calendar day of the current month and its maturity.
- For dated and undated callable financial hybrid capital bonds, the workout date is assumed to be the first call date.
- For non-financial hybrid capital bonds with an interest rate reset, the workout date is assumed to be the first reset date.
- For soft bullets, the expected remaining life of the bond is its time to the expected maturity and not to its final maturity date.
- For sinking funds and amortizing bonds, the average life is used instead of the final maturity to calculate the remaining time to maturity.

2.4) Amount Outstanding and Denomination

The outstanding face value of a bond must be greater than or equal to USD 500m as of the bond selection cut-off date ("t-3").

RegS bond tap issue amounts, regardless of fungibility status will be added to existing RegS versions to maintain consistency with the treatment of tap issues as reflected under existing 144A versions.

2.5) Country of Risk

The country of risk of a bond has to be the United States.

3) Bond classification

All bonds are classified based on the principal activities of the issuer and the main sources of the cash flows used to pay coupons and redemptions. In addition, a bond's specific collateral type or legal provisions are evaluated. Hence, it is possible that bonds issued from different subsidiaries of the same issuer carry different classifications.

The issuer classification is reviewed regularly based on updated information received by S&P DJI, and status changes are included in the index at the next rebalancing if necessary.

Where the sector classification of a specific entity is not very clear due to the diversified business of the entity, decision will be made at S&P DJI's discretion. S&P DJI will assign the classification according to its evaluation of the business risk presented in the security prospectus and annual reports, if available. S&P DJI will also compare the classification to peers in the potential sectors and may consult with the Index Advisory Committees. Membership lists including classification are published on the FTP server and in the *Indices* section of products.markit.com for registered users.

3.1) Regulated Utilities Sector Classification

Each bond in the Markit iBoxx USD Regulated Utilities Index is assigned as regulated utilities based on a review of the bond issuer's main operating business. Regulated utilities are defined as utility markets that are subject to rate regulation by a governmental authority, where the regulatory authority determines the prices firms can charge rather than the market acting as the rate setting mechanism. Utilities bonds are reviewed for material exposure to the regulated utilities market and may be classified as a regulated utility based on the profile of the issuer.

The regulated utilities market is a subset of both the utilities and infrastructure sectors. The Table below shows the definition of the infrastructure segment of the utilities market, which is the starting point in determining which firms to screen for regulated utilities exposure.

Infrastructure businesses offer essential services, are backed by hard assets and generally have steady cash flows that are predictable and have low volatility. They generally operate in a regulated market/ monopolistic like market or have long-term concessions/contractual agreements.

Non-publicly listed companies are eligible if the non-infrastructure business makes only an insignificant part of the business.

iBoxx Sector Level 5	iBoxx Sector Level 8	Infrastructure Definition
Utilities	Alternative Electricity	Companies generating and distributing electricity from a renewable source. Includes companies that produce solar, water, wind and geothermal electricity.
	Conventional Electricity	Companies generating and distributing electricity through the burning of fossil fuels such as coal, petroleum and natural gas, and through nuclear energy.
	Gas Distribution	Firms that operate distribution of gas to end users.
	Multiutilities	Companies that mainly generate electricity, transmit, or distribute electricity, oil and/ or gas. For firms involved with oil & gas, significant E&P activity would disqualify the firm from infrastructure consideration.
	Water	Firms that deliver water to end users or that treat water via water treatment plants.

Once a utility bond is determined to meet the definition of infrastructure, the profile of the bond issuer is further reviewed for exposure to the regulated utilities market by examining whether their main sources of revenue are regulated by a regulatory authority, and are thereby regulated rather than competitive.

Regulated utilities businesses tend to be natural monopolies. Due to rates that remain fixed regardless of market conditions, firms operating in regulated utility markets have fairly fixed earnings, cash flows and profit margins.

4) Index Calculation

4.1) Static data

Information used in the index calculation is sourced from offering circulars and checked against standard data providers.

4.2) Bond prices

For more details please refer to the *Markit iBoxx Pricing Rules* document, available in the *Methodology* section of the iBoxx Documentation page on www.ihsmarkit.com.

4.3) Rebalancing process

The index is rebalanced monthly on the last business day of the month. Any inclusion after the index cut-off day (t-3) will not be considered in the rebalancing process, but will become effective at the end of the following month. New bonds issued are taken into account if they are publicly known to settle until the last calendar day of the month, inclusive, and if their rating and amount outstanding has become known at least three trading days before the end of the month.

Preview lists of eligible bonds are published on a weekly basis starting on the first Friday that is three business days after the previous month-end rebalance, as well as on the 6th calendar day of the month (or next index publication day if the 6th calendar day falls on a non-business day). Preview lists of eligible bonds are additionally published on T-4, T-3 trading days before the end of the month. Final components are published two business days before the end of the month (T-2).

Two business days before the end of each month, the rating and amount information for the constituents is updated and the list is adjusted for all rating and amount changes which are known to have taken place three business days before the end of the month which could also result in exclusion of the bond. However, if bonds which are part of broader US Dollar indices become eligible into the Index two business days prior to rebalancing because of rating and/or amount changes, will be included in the index.

4.4) Index data

The calculation of the index is based on bid prices. New securities are included in the index at their respective ask prices when they enter the index family. In the event that no price can be established for a particular security, the index continues to be calculated based on the last available price. This might be the case in periods of market stress, or disruption as well as in illiquid or fragmented markets. If the required inputs become impossible to obtain, IHS Markit may consult market participants prior to the next rebalancing date. Decisions are made publicly available on a timely basis and IHS Markit may refer back to previous cases.

The rebalancing takes place after close of market on the last trading day of a rebalancing month.

The indices are transaction cost adjusted. For specific cost factor calculation formulae please refer to the *Markit iBoxx Bond Index Calculus* document, available in the *Methodology* section of the *Markit iBoxx Documentation* page on www.ihsmarkit.com.

4.5) Index calculus

For specific index formulas please refer to the *Markit iBoxx Bond Index Calculus* document, available in the *Methodology* section of the iBoxx Documentation page on www.ihsmarkit.com.

4.6) Treatment of the special intra-month events

Data for the application of corporate actions in the index may not be fully or timely available at all times, e.g. the final call prices for make-whole calls or the actual pay-in-kind percentage for PIK-payment options. In such cases, S&P DJI will estimate the approximate value based on the available data at the time of calculation.

4.6.1) Full redemptions: exercised calls, puts and buybacks

If a bond is fully redeemed intra-month, the bond effectively ceases to exist. In all calculations, the redeemed bond is treated as cash based on the last price, the call price or repurchase price, as applicable. The redemption factor, redemption and the redemption price are used to treat these events in the index and analytics calculation. In addition, the clean price of the bond is set to the redemption price, and the interest accrued until the redemption date is treated as an irregular coupon payment.

4.6.2) Bonds trading flat of accrued

If a bond is identified as trading flat of accrued, the accrued interest of the bond is set to 0 in the total return index calculation and is excluded from the calculation of all bond and index analytical values.

Bonds will be considered trading flat of accrued in any of the following situations:

- a bond has been assigned a default rating and/or
- issuer has announced a failure to pay a coupon and/or
- issuer has announced an intention not to make a payment on an upcoming coupon (grace period).

4.6.3) Multi-coupon bonds

Some bonds have pre-defined coupon changes that lead to a change in the annual coupon over the life of the bond. In all instances, the coupon change must be a fixed amount on top of a fixed coupon, i.e. floating coupon bonds are not eligible for the indices. The two main categories of bonds are step-up bonds and event-driven bonds.

- **Step-up bonds:** These are bonds with a pre-defined coupon schedule that cannot change during the life of the bond. The coupon schedule is used in all bond calculations.
- **Event-driven bonds:** These are bonds whose coupon may change upon occurrence (or non-occurrence) of pre-specified events, such as rating changes, e.g. rating-driven bonds, failure to register (register-driven bonds), or failure to complete a merger (merger-driven bonds). In the calculation of the indices and the analytics, the coupon schedule as of the calculation date is used. That is to say, any events occurring after the calculation date are ignored in the determination of the applicable coupon schedule. *Example of an event-driven bond:* A bond's rating changes on 31 December 2003 from A- to BBB+ and the coupon steps up from 6% to 6.25% from 1 March 2004 onward. The coupon dates are 1 October and 1 April each year. The correct coupon schedule for the bond and index calculations is date dependent. The index calculation on 20 December 2003 uses the 6% coupon for the whole life of the bond, while the calculation on 31 January 2004 uses a 6% coupon for the current coupon period to 29 February 2004, and a 6.25% coupon for all later interest payments. The index calculation on 20 March uses a 6% coupon until 29 February, a 6.25% coupon

for the remainder of the current coupon period and a 6.25% coupon for all future coupon payments. The index calculation after 1 April uses a 6.25% coupon.

4.7) Index history

The Index history starts on 31 December 2005. The index has a base value of 100 on that date.

4.8) Settlement conventions

All iBoxx indices are calculated using the assumption of T+0 settlement days.

4.9) Calendar

IHS Markit publishes an index calculation calendar in the *iBoxx Calendars* section of the iBoxx Documentation page on www.ihsmarkit.com. This calendar provides an overview of the index calculation holidays of the iBoxx bond index families in a given year.

4.10) Data publication and access

The table below summarizes the publication of Markit iBoxx USD Regulated Utilities Index in the *Indices* section of the IHS Markit website www.ihsmarkit.com for registered users and on the FTP server.

Table 1: Data publication frequency, file types and access

Frequency	File Type	Access
Daily	Underlying file – Bond level	FTP Server
	Indices files – Index level	FTP Server / IHS Markit website / Bloomberg (index levels only)
6th calendar day of the month (moved to next business day in case of weekends)	Preview components	FTP Server / IHS Markit website
Weekly (On Friday)**	Preview components	FTP Server / IHS Markit website
T - 4	Preview components	FTP Server / IHS Markit website
T - 3	Preview components	FTP Server / IHS Markit website
Monthly	End of month components	FTP Server / IHS Markit website
	XREF files	FTP Server

**Previews will be published on the first Friday that is three business days after the previous month-end rebalance.

Below are the access codes for the different vendors and IDs of the Index: **Table 1: Index Vendor Codes and IDs**

Name	Version	ISIN	Bloomberg Code	RIC
Markit iBoxx USD Regulated Utilities	Total Return Index	GB00BZCNMF01	IBXXIURT	.IBXXIURT
Markit iBoxx USD Regulated Utilities	Clean Price Index	GB00BZCNMH25	IBXXIURP	.IBXXIURP

4.11) Index review

The rules for the Index are reviewed on a periodic basis during the public review and consultation process to ensure that the index provides a balanced representation of the USD denominated debt market. Decisions made following feedback from market participants, the index review and External Advisory Committees (EAC) will be published on www.ihsmarkit.com shortly after the EACs have been held. The publication will contain a detailed overview and timelines for implementation of any rules changes.

5) Governance and regulatory compliance

IHS Markit Benchmark Administration Limited (IMBA UK) is the Index Administrator of iBoxx indices. Information on IMBA UK's governance and compliance approach can be found [here](#). This document covers:

- Governance arrangements, including external committees
- Input data integrity
- Conflicts of interest management
- Market disruption and Force Majeure
- Methodology changes and cessations
- Complaints
- Errors and restatements
- Reporting of infringements and misconduct
- Methodology reviews
- Business continuity

More details about IMBA UK can be found on the [Administrator's website](#).

6) Changes to the Markit iBoxx USD Regulated Utilities Index

31 July 2022	<ul style="list-style-type: none"> Monthly forward start date updated from 10th calendar day to 6th calendar day
01 Sep 2021	<ul style="list-style-type: none"> Monthly forward start date updated from 12th calendar day to 10th calendar day
28 Feb 2021	Implementation of Annual Index Review 2020 <ul style="list-style-type: none"> RegS and 144A tap issuance update
31 Jan 2021	Governance and Regulatory Compliance section added
31 Jul 2020	<ul style="list-style-type: none"> Updated Rebalancing process Updated Time to maturity definition
31 Oct 2016	Launch of Markit iBoxx USD Regulated Utilities Index

7) Further information

Glossary of key terms

The Markit iBoxx Glossary document of key terms is available in the *Methodology* section of the iBoxx *Documentation* page on www.ihsmarkit.com.

Contractual and content issues

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A) ESG Disclosures

EXPLANATION OF HOW ENVIRONMENTAL, SOCIAL & GOVERNANCE (ESG) FACTORS ARE REFLECTED IN THE KEY ELEMENTS OF THE BENCHMARK METHODOLOGY [1]		
1	Name of the benchmark administrator.	IHS Markit Benchmark Administration Limited (IMBA)
2	Underlying asset class of the ESG benchmark. [2]	N/A
3	Name of the S&P Dow Jones Indices benchmark or family of benchmarks.	iBoxx Benchmark Statement
4	Do any of the indices maintained by this methodology take into account ESG factors?	No
Appendix latest update:		May 2023
Appendix first publication		May 2023

[1] 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 minimum content of the explanation of how environmental, social and governance factors are reflected in the benchmark methodology and the retained EU law in the UK (The Benchmarks (amendment and Transitional Provision) (EU Exit) Regulations 2019).

[2] 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

Performance Disclosure/Back-Tested Data

Where applicable, S&P Dow Jones Indices and its index-related affiliates (“S&P DJI”) defines various dates to assist our clients in providing transparency. The First Value Date is the first day for which there is a calculated value (either live or back-tested) for a given index. The Base Date is the date at which the index is set to a fixed value for calculation purposes. The Launch Date designates the date when the values of an index are first considered live: index values provided for any date or time period prior to the index’s Launch Date are considered back-tested. S&P DJI defines the Launch Date as the date by which the values of an index are known to have been released to the public, for example via the company’s public website or its data feed to external parties. For Dow Jones-branded indices introduced prior to May 31, 2013, the Launch Date (which prior to May 31, 2013, was termed “Date of introduction”) is set at a date upon which no further changes were permitted to be made to the index methodology, but that may have been prior to the Index’s public release date.

Please refer to the methodology for the Index for more details about the index, including the manner in which it is rebalanced, the timing of such rebalancing, criteria for additions and deletions, as well as all index calculations.

Information presented prior to an index’s launch date is hypothetical back-tested performance, not actual performance, and is based on the index methodology in effect on the launch date. However, when creating back-tested history for periods of market anomalies or other periods that do not reflect the general current market environment, index methodology rules may be relaxed to capture a large enough universe of securities to simulate the target market the index is designed to measure or strategy the index is designed to capture. For example, market capitalization and liquidity thresholds may be reduced. In addition, forks have not been factored into the back-test data with respect to the S&P Cryptocurrency Indices. For the S&P Cryptocurrency Top 5 & 10 Equal Weight Indices, the custody element of the methodology was not considered; the back-test history is based on the index constituents that meet the custody element as of the Launch Date. Back-tested performance reflects application of an index methodology and selection of index constituents with the benefit of hindsight and knowledge of factors that may have positively affected its performance, cannot account for all financial risk that may affect results and may be considered to reflect survivor/look ahead bias. Actual returns may differ significantly from, and be lower than, back-tested returns. Past performance is not an indication or guarantee of future results.

Typically, when S&P DJI creates back-tested index data, S&P DJI uses actual historical constituent-level data (e.g., historical price, market capitalization, and corporate action data) in its calculations. As ESG investing is still in early stages of development, certain datapoints used to calculate certain ESG indices may not be available for the entire desired period of back-tested history. The same data availability issue could be true for other indices as well. In cases when actual data is not available for all relevant historical periods, S&P DJI may employ a process of using “Backward Data Assumption” (or pulling back) of ESG data for the calculation of back-tested historical performance. “Backward Data Assumption” is a process that applies the earliest actual live data point available for an index constituent company to all prior historical instances in the index performance. For example, Backward Data Assumption inherently assumes that companies currently not involved in a specific business activity (also known as “product involvement”) were never involved historically and similarly also assumes that companies currently involved in a specific business activity were involved historically too. The Backward Data Assumption allows the hypothetical back-test to be extended over more historical years than would be feasible using only actual data. For more information on “Backward Data Assumption” please refer to the FAQ. The methodology and factsheets of any index that employs backward assumption in the back-tested history will explicitly state so. The methodology will include an Appendix with a table setting forth the specific data points and relevant time period for which backward projected data was used. Index returns shown do not represent the results of actual trading of investable assets/securities. S&P DJI maintains the index and calculates the index levels and performance shown or discussed but does not manage any assets.

Index returns do not reflect payment of any sales charges or fees an investor may pay to purchase the securities underlying the Index or investment funds that are intended to track the performance of the Index. The imposition of these fees and charges would cause actual and back-tested performance of the securities/fund to be lower than the Index performance shown. As a simple example, if an index returned 10% on a US \$100,000 investment for a 12-month period (or US \$10,000) and an actual asset-based fee of 1.5% was imposed at the end of the period on the investment plus accrued interest (or US \$1,650), the net return would be 8.35% (or US \$8,350) for the year. Over a three-year period, an annual 1.5% fee taken at year end with an assumed 10% return per year would result in a cumulative gross return of 33.10%, a total fee of US \$5,375, and a cumulative net return of 27.2% (or US \$27,200).

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