

**S&P Dow Jones
Indices**

A Division of **S&P Global**

iTraxx Australia Index Rules ***September 2022***

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1) Index Overview

1.1) iTraxx Australia Index

IHS Markit Credit Indices are indices that track different segments of the debt markets (corporate, municipal and sovereign debt bonds and/or loans) across different regions (Europe, Asia, North America and Emerging Markets) and are referenced in various tradable products such as credit default swaps (“CDS”), and exchange listed products.

IHS Markit Credit Indices are made up of the most liquid entities referenced in the relevant single-name CDS market. The indices roll on a semi-annual basis, and the composition of each new series (a new index) is established based on a transparent set of rules designed to ensure that the current series tracks the most liquid instruments in the relevant market.

The iTraxx Australia Index is composed of twenty five (25) liquid Australian entities with investment grade credit ratings that trade in the CDS market or have significant domestic bond issuance.

The iTraxx Australia Index is a tradable index that allows market participants to take a view on the overall credit quality and direction of the underlying basket by trading one instrument.

All iTraxx Indices are owned, managed, compiled and published by Markit Indices GmbH, a wholly owned subsidiary of IHS Markit Limited.

1.2) Administrator

Markit Indices GmbH is the administrator of the iTraxx Australia Index. The composition of this index is determined by the Administrator in accordance with the rules and methodologies set forth in this document (the “Rules”).

The Administrator has sole responsibility to interpret the Rules.

The Administrator shall make determinations and perform all actions regarding the indices pursuant to the Rules except as follows:

Upon the occurrence of an event that the Administrator determines materially impacts the integrity of one or more type of iTraxx Australia Index-related transactions, including but not limited to trading interruptions; market instability; and/or force majeure events, the Administrator, acting in a commercially reasonable manner, may at its sole discretion determine that it is appropriate to depart from the methodologies, timelines and/or procedures set forth in the Rules in order to obtain a result that preserves the economic intent of such iTraxx Australia Index. Where the best course of action is not clear IHS Markit will consult the Index Advisory Committee for guidance prior to making any such determination. The determined course of action will be documented, communicated to all stakeholders and published on the IHS Markit website www.ihsmarkit.com under the *iTraxx News* page.

In the event that any critical input required in the construction of a new series of the index is not available, IHS Markit will confer with the Index Advisory Committee and publish the outcome of any material change as well as any decisions taken at IHS Markit’s discretion that have led to a methodology change.

1.3) Roll Dates

iTraxx Australia will begin on March 20 (or the Business Day immediately thereafter in the event that March 20 is not a Business Day) and September 20 (or the Business Day immediately thereafter in the event that September 20 is not a Business Day) of each calendar year (each such date, a “Roll Date”).

1.4) Rule Revision

The rules for the index are reviewed semi-annually prior to the index roll. Decisions made following an index rule review will be communicated to stakeholders via e-mail and published on the IHS Markit website. The publication will contain an overview and timelines for implementation of such rules changes.

1.5) Business Days

Unless otherwise specified, all references to “Business Days” in this document mean days on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in Sydney, Australia. All times referred to in this document, refer to local time in Sydney unless otherwise specified.

1.6) Maturity

For iTraxx Australia the Index that has a Roll Date of March 20 shall be issued with the maturity date of June 20 occurring 5 years, following the Roll Date. Each Index that has a Roll Date of September 20 shall be issued with the maturity date of December 20 occurring 5 years following the Roll Date.

1.7) Weighting

Each entity in iTraxx Australia Index will have equal or approximately equal weightings. The weighting of each entity will be equal to (i) one divided by (ii) the number of entities in such index, expressed as a percentage with three decimal places (e.g., 4.000%). In the case where rounding is necessary to express the weightings in this manner, the entities shall be arranged in alphabetical order, with the weightings of the entities at the top of the list being rounded up to the nearest one-thousandth of a percent and the weightings of the entities at the bottom of the list being rounded down to the nearest one-thousandth of a percent until the weightings of all entities have been rounded and the aggregate of the weightings equals exactly 100%.

1.8) Exchange Rates

The exchange rates used to convert any non-AUD denominated debt amount to AUD will be the 16:00 London rate from WM Reuters for the relevant currency as of the last Business Day of the month prior to the month in which the Roll Date occurs.

1.9) Relevant Rating

Determinations of constituents for both the iTraxx Australia Index will be based, in part, on the “Relevant Rating” of each entity in consideration for inclusion or exclusion. For the purposes of these rules Relevant Rating” means the lowest of:

1. The lowest of an entity's Issuer Rating, Senior Unsecured Debt Rating, and Corporate Family Ratings for Moody's;

2. The lower of an entity's Long-term Issuer Credit Rating and Senior Unsecured Debt Rating for S&P; or
3. The lower of an entity's Issuer Default Ratings and Senior Unsecured Debt Rating for Fitch.

All entities must be rated investment grade. Entities rated below BBB-/ Baa3 are excluded. Fitch, Moody's and S&P ratings are considered. If an entity is rated by two or more agencies, the lowest rating is considered

Rating changes that could affect the index membership are taken into account if IHS Markit is notified of such change prior to 5:00 pm London time on the last Business Day of the month prior to the month in which the Roll Date occurs.

2) Index Roll Process

As part of the Index Roll process, the Administrator will create the iTraxx Australia Index (as defined below) after each publication of the 6 month Analysis Top 1,000 Single Names report published by DTCC or any successor report thereto published by DTCC, or if such report is no longer available, successor report that measures liquidity within the CDS market (as applicable, the “DTCC Report”).

2.1) iTraxx Australia Index Liquidity List

The iTraxx Australia Index is composed of twenty five (25) liquid Australian entities with investment grade credit ratings that trade in the CDS market or have significant bond issuance. To be eligible for inclusion in the iTraxx Australia index, an entity must be part of the iTraxx Australia Index Liquidity List or the Additional Entity List.

Eligibility Criteria

Using the average weekly trading activity measured in the then-current DTCC Report, the Administrator will create a list by determining all entities for which the following criteria are satisfied:

- Entities must have the DC Region of “Australia NZ” on the applicable DTCC liquidity list
- Sovereign entities are excluded from the index
- No more than 5 bank entities may be included in the index
- Entities must have a minimum of AUD 150,000,000 publicly traded Senior debt outstanding in a currency that is deliverable into an Australian CDS Contract.

All entities must be rated investment grade by Fitch, Moody’s or S&P. This translates into a minimum rating of Baa3 from Moody’s and BBB- from Fitch or S&P. If an entity is rated by two or more agencies, the lowest rating is used.

Ranking

Those entities meeting the above criteria are ranked from the most liquid to the least liquid, based on the notional market risk activity, as listed in the relevant DTCC Report. To the extent that two or more entities are determined to be equally liquid based on notional, the Administrator shall rank such entities from the most liquid to the least liquid based on (i) the number of trades specified in the relevant DTCC Report, or (ii) if an equal number of trades are specified, in alphabetical order (such overall completed rankings, the “iTraxx Australia index”, and such overall completed list, the “iTraxx Australia Liquidity List”). A maximum of 25 entities will be selected to form the iTraxx Australia Liquidity List.

2.2) iTraxx Australia Additional Entity List

This List is comprised of all eligible Australian and New Zealand corporate bond issuers included in the below indices (Additional Entity List Universe):

- iBoxx AUD Large Cap Overall
- iBoxx USD Overall
- iBoxx GBP Overall
- iBoxx EUR Overall

These issuers are ranked by the aggregated sum of issued notional included in these benchmark cash indices. The Additional Entity List is used in addition to the iTraxx Australia Liquidity List to carry out the selection process.

Eligibility Criteria

The following Australian corporate bond issuers are not eligible for inclusion on the Additional Entity List and are *excluded*:

- Entities that are guaranteed or controlled by (directly or indirectly), or guarantee or control (directly or indirectly) in either case, an "Affiliate", that has a higher ranking on the Additional list or is on the Liquidity List
- Bank entities
- Below investment grade rated as stipulated by Relevant Rating criteria
- Entities in the Additional Entity List Universe that do not have a minimum amount of Senior debt outstanding equivalent to AUD 750,000,000.

Ranking

Those entities meeting the above criteria are ranked according to the aggregated sum of issued notional included in the Additional Entity List Universe. New Zealand entities that have debt outstanding between AUD 750 million and AUD 1.25 billion will be ranked lower than all Australian entities in the Additional Entity List. To the extent that two or more entities are determined to be equally liquid based on notional, the Administrator shall rank such entities in alphabetical order.

2.3) Creating the New iTraxx Australia Index Series

Prior to the Publication Date (as set forth below) for a new series of the iTraxx Australia index, the Administrator will create the new iTraxx Australia index by applying the below process to create the iTraxx Australia index.

The highest ranking 25 entities are selected from the iTraxx Australia Liquidity List to be included in iTraxx Australia. If less than 25 names are available for iTraxx Australia from the iTraxx Australia Liquidity List, the missing number of entities will be picked from the "Additional Entity List".

Corporate Events

The Administrator may determine, at its sole discretion and based on publicly available information, that a corporate event has occurred or been announced in relation to any current constituent that renders such current constituent unsuitable for inclusion. For purposes of this paragraph,

- (i) "Corporate Events" include mergers, acquisitions or other similar events and
- (ii) "Publicly available information" includes, but is not limited to, information from public filings, financial reports, or information published in the main sources of business news in the country in which the corporate entity is organized and any other internationally recognized published or electronically displayed news services.

Credit Events

The Administrator may determine at its sole discretion that a current constituent is no longer suitable for inclusion in the Index if one of the following occurs on or after the previous Index Roll Date with respect to any current constituent:

- (i) a notice is published on the ISDA Credit Derivatives Determinations Committee web page (<http://dc.isda.org/>, or any successor webpage thereto) announcing that a request relating to a potential Credit Event (as defined in the Credit Definitions) in respect of such current constituent has been accepted by the relevant Credit Derivatives Determinations Committee (as defined in the Credit Definitions, the "DC"); provided that as of 5:00 p.m. Hong Kong time on the first business day following the day on which the relevant DC is required to convene to consider such request under the DC rules (such timeline to be

determined without regard to any ability of the DC to amend the published timetables set forth in the DC rules immediately prior to such request), a DC No Credit Event Announcement (as defined in the Credit Definitions) has not occurred and no announcement to the effect that such request has been dismissed, withdrawn, or rejected by the relevant DC has been published on such web page; or

(ii) a DC Credit Event Announcement (as defined in the Credit Definitions) occurs with respect to such current entity. As set forth in these Rules, the Administrator may consider any information and make any determinations necessary under this Roll Exclusion to obtain a result that preserves the integrity of the Index.

External Events

The Administrator may determine at its sole discretion that an entity that would qualify for inclusion based on the selection criteria would not be appropriate to include in the forthcoming series. This might be based on an external event impacting the entity which can include sanctions, legal restrictions, or other similar stipulations. The Administrator will make such decision based on publicly available information and, where possible, after consulting with market participants.

2.4) Publication of Provisional iTraxx Australia Index

The list of entities resulting after the steps above (the "Provisional iTraxx Australia Index") will be published on IHS Markit's public website for comment no later than seven (7) Business Days prior to the Roll Date. The Administrator will review comments received and determine whether amendments are necessary. The Administrator welcomes public comment, but is not required to follow or otherwise address any comment received. The Administrator will publish the expected name changes (if any) on its public website as it determines such changes may be required. The comment period will end four (4) Business Days prior to the Roll Date. The draft and final annexes for the iTraxx Australia Index will be published as set forth in the 'Publication of Annex' section below.

2.5) Final Review of Constituent List

On any day prior to the date of publication of a final index annex, the Administrator may determine that any entity that is intended to be included in the relevant index fails any of the iTraxx Australia index Criteria then such entity shall be excluded from the iTraxx Australia index.

If the Administrator determines that any entity shall be excluded from the iTraxx Australia Index in accordance with the preceding paragraph, then the highest ranked entity in the iTraxx Australia Liquidity List as applicable that has not already been included in the iTraxx Australia Index, as applicable, shall be added to the new iTraxx Australia Index as a replacement entity

Where a determination with regard to constituent selection is made by the Administrator which involves discretion and/or expert judgment, IHS Markit will consult the Index Advisory Committee for guidance. Such determinations will be documented, communicated to stakeholders via e-mail and published on the IHS Markit website www.ihsmarkit.com under the iTraxx News page. Where similar determinations are made, precedents set by previous decisions will be considered across all CDS indices.

In the unlikely instance an inaccuracy is not caught and resolved prior to the publication of the final list, or if input data used in the constituent selection process is revised retrospectively, IHS Markit will review the impact on the affected indices. In order to determine whether to restate the final list or any index parameters, IHS Markit will consult with the Index Advisory Committee to determine the impact of such action.

If it is decided to update the Final List or any related parameters, the reason for such revision together with revised material will be published. In addition, IHS Markit will compile an incident report to summarize

the incident, the root cause, and set forth remedial actions to avoid such an error in the future, where such remedial actions are applicable.

2.6) Publication of Annex

No later than three (3) Business Days prior to the Roll Date of a iTraxx Australia Index, the Administrator will publish a draft of the annex for such iTraxx Australia Index, along with the weighting and final reference obligations (if applicable) for each entity. The final annex for iTraxx Australia index will be published after 5:00 p.m. Sydney time at least one Business Day immediately preceding the Roll Date of the Indices.

2.7) Reference Obligation

The reference obligations for the reference entities are obtained from IHS Markit Group's Reference Entity Database (RED) in conjunction with input from iTraxx Australia market participants. For bank entities senior reference obligations are used.

2.8) Coupon Levels and Recovery Rates

At least two business days preceding the roll date, a telephone poll is initiated by IHS Markit to determine the coupons and recovery rates for each index. Coupon levels are rounded to the nearest 5 basis points and recovery levels to the nearest 5%.

2.9) Changes to Reference Entity Names

If a reference entity changes its legal name, the relevant index annexes containing this reference entity will be updated to the new name (without publishing a new version of the annex). The effective date of the name change (i.e. the date upon which the reference entity changed its name) is specified in the updated annex.

3) Further information

Contractual and content issues

For contractual or content issues please contact:

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Formal complaints

Formal complaints can be sent electronically to our dedicated email address spdji_compliance@spglobal.com.

For any general index inquiries, please contact the Indices support group at indices@ihsmarkit.com.

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