

iBoxx SD-KPI EUR Liquid Corporates Index Methodology

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iBoxx SD-KPI EUR Liquid Corporates Index

The iBoxx SD-KPI EUR Liquid Corporates Index consists of a subset of bonds from the iBoxx EUR Corporates benchmark index. The index is designed to offer targeted coverage to the overall market with an emphasis on liquidity that is suitable for over the counter (OTC) and exchange-traded derivatives, and Exchange Traded Funds (ETFs). The index also incorporates environmental, social, and governance factors by allocating higher weights to issuers with higher Sustainable Development Key Performance Indicator (SD-KPI) scores and reducing weights to those with lower SD-KPI scores. The index is an integral part of the global suite of iBoxx Liquid Indices which provide the marketplace with liquid and investible versions of the broader iBoxx benchmark index families.

Broad benchmark indices generally consist of a large number of bonds, especially within the corporate sector. Portfolio managers tracking an index from the broad benchmark iBoxx EUR index family will therefore incur substantial costs in attempting to replicate or hedge the individual bonds in the portfolio. Furthermore, bonds with special features or smaller amounts outstanding usually suffer from illiquid trading, resulting in relatively large bid-ask spreads. The iBoxx SD-KPI EUR Liquid Corporates Index is intended to address these deficiencies by limiting the number of bonds per index and excluding special bond types, thus reducing tracking and hedging costs.

The SD-KPI scores have the support of the German Environment Ministry and Sustainability Accounting Standards Board (SASB). The methodology is designed to focus on the three most material ESG indicators per industry that are relevant to financial performance and reputational risk over the next 5 years. The SD-KPI scores range between 0 and 100, with a higher score corresponding to a stronger company. For additional details on the SD-KPI methodology refer to [SD-KPI Standard 2016-2021](#).

All iBoxx indices are priced based on multiple data inputs. The iBoxx SD-KPI EUR Liquid Corporates Index uses multi-source prices as described in the document *iBoxx Pricing Rules* publicly available under *Methodology* on <https://www.spglobal.com/spdji/en/>.

This document covers the index rules, calculation, and governance methodology.

Bond selection rules

The following selection criteria are used to determine the index constituents:

- Bond type
- Credit rating
- Time to maturity
- Amount outstanding
- Age (time since first settlement date)
- Maximum of Minimum Lot Size / Maximum of Minimum Increment

Bond Type

Only fixed-rate bonds whose cash flow can be determined in advance are eligible. The indices are comprised solely of bonds. T-Bills and other money market instruments are not eligible. The indices include only Euro and legacy currency denominated bonds. The issuer's domicile is not relevant.

In particular, bonds with the following characteristics are included:

- Fixed coupon bonds ("plain vanilla bonds")
- Zero coupon bonds
- Step-up bonds
- Callable bonds with European or American options
- Event-driven bonds with step-up and step-down coupons, such as rating- or tax-driven bonds
- Dated and undated callable subordinated corporate bonds, including fixed-to-floating rate bonds
- Soft bullet bonds. These are bonds with an initial fixed-coupon period, and a variable or step-up coupon period thereafter, that are structured so that they are expected to be redeemed at the end of the initial period
- Bonds with call options where the first and subsequent call dates are on a date when the bond is otherwise no longer eligible for the index
- Subordinated financial fixed-to-floating rate bonds with a reset date on or after the first call date
- Senior bank bonds with call options where the first call date is 25 months or less prior to final maturity

The following bond types are specifically excluded from the indices:

- Sinking funds and amortizing bonds
- Other callable and undated bonds
- Floating rate notes and other fixed-to-floater bonds
- Optionally and mandatory convertible bonds from non-financial issuers
- Subordinated financial debt with mandatory contingent conversion features that are based on an observable trigger, or with any conversion options before the first call date

- Collateralized Debt Obligations (CDOs) and bonds collateralized by CDOs
- Retail bonds
- Private placements
- Bonds with differences between accrual and coupon payment periods and monthly-paying bonds
- Extended bonds as defined under section 'Maturity extension' in this document
- AT1 or RT1 debt:
 - Without an explicit capital ratio or solvency/balance-sheet-based trigger
 - With conversion features based solely on regulatory discretion for conversion or write-down.

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 S&P DJI's discretion based on the information available at the time of determination. Partial private placements where information on the specific amounts publicly placed and privately placed can be ascertained are included in the indices with the amount publicly placed. If the amount publicly placed is below the cut-off, the bond is not included in the indices. Any bond classified as retail or private placement is added to the list of excluded private placements and retail bonds. The list is published at www.spglobal.com/spdji for future reference and to ensure consistency.

In instances where a new bond type is not specifically excluded or included according to the published index rules, S&P DJI will analyze the features of such securities in line with the principles set out in this methodology. S&P DJI may consult specific Index 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.

Credit Ratings

All bonds in the indices 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. Bonds with an RD/SD rating are excluded from the indices. If more than one of the above agencies rates a bond, then the iBoxx rating is the average of the provided ratings. The index consolidates ratings to the nearest rating grade and does not use rating notches.

If a new tranche of a bond is not rated, the rating of its parent applies. Prior to January 01, 2008, the lowest rating was used in the iBoxx rating.

For more information on average ratings, please refer to the iBoxx Rating Methodology , available at www.spglobal.com/spdji.

Time to maturity

To qualify for the iBoxx SD-KPI EUR Liquid Corporates Index all eligible bonds must have a remaining time to maturity of at least 1.5 years measured from the respective rebalancing date to the maturity date. The time to maturity for substitutes is measured from the substitution date to the maturity date of the bond.

Bonds in a liquid index with a remaining time to maturity of less than 1.5 years will be excluded from the indices at the next rebalancing.

The expected remaining life is 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 senior callable bank bonds the first call date will be regarded as the workout date. The rule for setting the workout date will not apply to make-whole calls or calls that are less than 12 months prior to maturity.

Amount outstanding

All bonds require a specific minimum amount outstanding in order to be eligible for the indices, as shown below. The figures indicate minimum amount outstanding.

Minimum amount outstanding

Issuer type	Minimum amount outstanding
Corporates	EUR 750 million

Bonds subject to a tender offer (i.e. where the issuer has announced its intention to buy back, tender or call parts or the whole amount of a bond) will not be eligible for any corporate liquid EUR index, in case the results of the tender are not publicly known three business days before the end of the quarterly rebalancing month. If a bond under a tender offer is already in a liquid index, it will be removed at the next regular quarterly rebalancing.

Age

The age of the bond is measured from the first settlement date of the bond to the current quarterly rebalancing date. The age of substitutes is measured from the first settlement date to the substitution date of the bond.

For the iBoxx SD-KPI EUR Liquid Corporates Index bonds that are currently part of the index and that are older than four years are excluded from the liquid indices. For the bonds that are currently not part of the index membership maximum age criterion is set to three years. The minimum age difference required for exchanges of bonds from the same issuer is two years.

Maximum of minimum lot size and maximum of minimum increment

The maximum permissible minimum lot size for bonds in the iBoxx SD-KPI EUR Liquid Corporates Index is EUR 100,000. The upper limit for the minimum increment is EUR 1,000.

Minimum run

For the iBoxx SD-KPI EUR Liquid Corporates Index each bond has a minimum run of one year. The minimum run supersedes the age and ranking criteria. The amount outstanding criterion supersedes minimum run.

If a bond in the iBoxx SD-KPI EUR Liquid Corporates Index is in its minimum run but it has remaining time to maturity less than 1.25 years on the rebalancing date, the minimum run rule is disregarded and the bond is excluded from the index at the rebalancing.

Index size, issuer ordering and bond selection

To facilitate replication, the index has a maximum number of issuers. This chapter describes the selection procedure that is applied to determine the most liquid bonds for the iBoxx SD-KPI EUR Liquid Corporates Index.

Index size

The maximum number of bonds in each index is:

Index size

Index Name	Number of bonds
iBoxx SD-KPI EUR Liquid Corporates Index	40

Minimum number of bonds

An index is calculated if there are at least three bonds available that match all index criteria. If less than three bonds qualify for an index, then the index level will remain constant. Should at least three bonds qualify again, the index calculation is resumed from the last calculated level.

Ranking criteria

Should more than the maximum number of bonds be available for an index, ordering criteria are applied in order to rank the eligible bonds for the iBoxx SD-KPI EUR Liquid Corporates Index.

The following five criteria are applied:

1. Minimum lot size of EUR 50,000 or less
2. Higher amount outstanding
3. More recent first settlement date
4. Longer time to maturity
5. Higher rating
6. Lower coupon

These criteria are applied to each pair of bonds in the order stated above until a difference can be established (i.e. if two bonds have the same amount outstanding and the same first settlement date, but one has a longer time to maturity, then criteria 1 to 4 are applied, but 5 and 6 are not). With the help of the ranking criteria, a bond hierarchy can be defined, with the bond that has the highest amount outstanding and minimum size below or equal to EUR 50,000 at the top of the hierarchy.

Limit on number of bonds from any issuer in an index

The number of bonds from an issuing institution that may enter an index is limited.

iBoxx SD-KPI EUR Liquid Corporates Index will not have more than one bond from the same issuer.

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 indices at the next rebalancing if necessary.

Where the sector classification of a specific entity is not clear due to the diversified business of the entity, a decision is made at S&P DJI's discretion. S&P DJI assigns the classification according to its evaluation of the business risk presented in the security prospectus and annual reports, if available. S&P DJI also compares the classification to peers in the potential sectors. Membership lists including classification are published on the FTP server and in the *Indices* section of the webpage for registered users.

Corporates

Corporate bonds are issued by public or private corporations. Corporate bonds are further classified into Financials and Non-Financials bonds, and then into multiple-level economic sectors according to the issuer's business scope. The category insurance-wrapped is added under Financials for corporate bonds whose timely coupon and/or principal payments are guaranteed by a special mono-line insurer such as AMBAC or MBIA. The sector overview is as follows.

iBoxx Corporates Sector Overview

	Economic Sector	Market Sector	Market Sub-Sector
Financials	Core Financials	Banks	Banks
		Insurance	Life Insurance
	Nonlife Insurance		
	Financial Services	Financial Services	Equity Investment Instruments
			General Financial
		Insurance-wrapped	*
	Real Estate	Real Estate	Real Estate Investment & Services
			Real Estate Investment Trusts

	Economic Sector	Market Sector	Market Sub-Sector			
Non-Financials	Basic Materials	Basic Resources	Forestry & Paper			
			Industrial Metals			
			Mining			
	Consumer Goods	Chemicals	Chemicals	Chemicals		
				Automobiles & Parts	Automobiles & Parts	
		Food & Beverage	Food & Beverage	Beverages		
				Food Producers		
				Household Goods		
		Consumer Services	Personal & Household Goods	Personal & Household Goods	Leisure Goods	
					Personal Goods	
	Tobacco					
	Education				Academic & Educational Services	
	Energy	Media	Media	Media		
				Retail	Food & Drug Retailers	
		Travel & Leisure	Travel & Leisure	General Retailers		
				Travel & Leisure		
	Health Care	Oil & Gas	Oil & Gas	Oil Equipment / Services & Distribution		
				Oil & Gas Producers		
				Renewable Energy	Renewable Energy	
	Industrials	Health Care	Health Care	Health Care Equipment & Services		
				Pharmaceuticals & Biotechnology		
				Construction & Materials	Construction & Materials	Construction & Materials
						Aerospace & Defense
						Electronic & Electrical Equipment
						General Industrials
						Industrial Engineering
	Industrial Transportation					
Technology	Technology	Technology	Support Services			
			Software & IT Services			
			Technology Hardware & Equipment			
Telecommunications	Telecommunications	Telecommunications	Integrated Telecommunications			
			Wireless Telecommunications			
Utilities	Utilities	Utilities	Electricity			
			Gas / Water & Multiutilities			

Additional Classification

Corporate debt is further classified into senior and subordinated debt. Bank senior debt structure additionally differentiates between Bail-in and Preferred bonds. The Bail-in classification captures all senior notes which are subject to write-down or conversion into a subordinated instrument on the occurrence of a resolution event, as well as senior bank debt issued by bank holding companies.

Hybrid capital issued by banking and insurance institutions is further detailed into the respective tiers of subordination.

The market information on the tier of subordination for insurance capital is often less standardized and clear than the equivalent issues by banks. In these cases, the classification is based on the maturity, coupon payment and deferral provisions of the bond from the offering circulars of the bonds. The table below displays the seniority classification of debt issued by both financial and non-financial sectors.

Seniority Levels Overview

Market Sector	Seniority Level 1	Seniority Level 2	Seniority Level 3	
Bank	SEN	Preferred	*	
		Bail-in	*	
	SUB	T2 (post-Jan '13 issuances)	T2 callable	T2 callable
			T2 non-callable	T2 non-callable
		T2 (pre-Jan '13 issuances)	LT2 callable	LT2 callable
			LT2 non-callable	LT2 non-callable
			UT2	UT2
T1	T1 step	T1 step		
	T1 non-step	T1 non-step		
Insurance	SEN	*	*	
	SUB	T3	*	
		T2 dated	T2 dated callable	T2 dated callable
			T2 dated non-callable	T2 dated non-callable
		T2 perpetual	*	*
T1	*	*		
Financial Services	SEN	*	*	
	SUB	T3	*	
		T2	T2 callable	T2 callable
			T2 non-callable	T2 non-callable
		T2 dated	T2 dated callable	T2 dated callable
			T2 dated non-callable	T2 dated non-callable
		T2 perpetual	*	*
		T1	*	*
			T1 step	T1 step
			T1 non-step	T1 non-step
Other	Hybrid**	Hybrid**		
	Non-hybrid	Non-hybrid		
Other sectors	SEN	*	*	
	SUB	Other	Hybrid** Non-hybrid	

** Bonds must satisfy the following criteria to be considered hybrids:

- Subordinated
- Deferrable coupons
- First non-call period \geq 5 years
- Either perpetual or 'long-dated', where 'long-dated' is defined as $>$ 25 years of the time to maturity at issuance

Index calculation

Static data

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

Bond prices

For more details, please refer to the *iBoxx Pricing Methodology* document, available at <https://www.spglobal.com/spdji/en/>.

Rebalancing process

The index is rebalanced every quarter at the end of February, May, August and November. The indices are rebalanced on the last calendar day of the month after the last index calculation. Rebalancing also takes place if the last day of the month falls on a non-business day.

Changes to amounts outstanding are only taken into account if they are publicly known three business days before the end of the month. Changes in ratings are only taken into account if they are publicly known two business days before the end of the 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 has become known at least three trading days before the end of the month.

The rebalancing procedure for the iBoxx SD-KPI EUR Liquid Corporates Index is analogous to the rebalancing of the iBoxx EUR Benchmark indices.

A preliminary membership list is published after the 6th calendar day of the month (moved to the next business day in case of holiday/weekend).

Three business days before the end of each month, another preliminary membership list is published on the FTP server.

Two business days before the end of each month, a membership list with final amount outstanding for each bond is published. This list contains the maximum number of constituents for the next month.

Two business days before the end of each month, the rating information for the constituents is updated and the list is adjusted for all rating changes which are known to have taken place two trading days before the end of the month. Bonds which are known to have been upgraded to investment grade two trading days before the end of the month are not included in the membership, but bonds which are known to have been downgraded to sub-investment grade two trading days before the end of the month do get excluded from the membership.

On the last business day of each month, S&P DJI publishes the final membership with closing prices for the bonds, and various bonds analytics based on the index prices of the bonds.

Index Weighting

For the iBoxx SD-KPI EUR Liquid Corporates Index two weight augmentations are applied. First, the market weight augmentation is applied to ensure that the index has a similar financial vs non-financial exposure to the EUR Corporates benchmark index. Second, the ESG weight augmentation is applied to ensure that issuers with higher SD-KPI scores are over weighted and issuers with lower SD-KPI scores are under weighted.

Below are additional details on how the market weight and ESG weight augmentations work.

Market Weight Augmentation

Due to significant differences in the average issue size of financial and non-financial bonds, the amount outstanding of the bonds in the iBoxx SD-KPI EUR Liquid Corporates Index is adjusted by a sector specific factor:

$$AF_r = \frac{MS_r}{\sum_{i \in r} N_i} \cdot 10^{12}$$

The adjustment factor is the market share in the benchmark index (rounded to a full percentage point) divided by the total amount outstanding of all bonds from the respective sector in the liquid index. This ensures that the initial market share of a sector in the liquid index equals that for the benchmark index.

Therefore, the weighting of a bond in the iBoxx SD-KPI EUR Liquid Corporates Index is as follows:

$$W_i = AF_r \cdot N_i$$

Thus each bond retains its relative weight within each sector. The weights of bonds from the two sectors are different to account for the differences in the average issue size.

However, the weighting W_i for the iBoxx SD-KPI EUR Liquid Corporates Index needs to be adjusted by the dirty price of the bond to derive a suitable adjusted volume for the index calculation:

$$O_i = \frac{W_i}{(P_{i,t-s} + A_{i,t-s} + XD_{i,t-s} \cdot CP_{i,t-s})}$$

Hence, a bond will enter a liquid index with notional O_i .

Market share and adjustment factor are recalculated at each quarterly rebalancing.

ESG Weight Augmentation

The ESG weight augmentation ensures that the index increases weights to issuers with higher SDKPI scores and decreases weights to issuers with lower SDKPI scores. SD-M[®] GmbH is a Germany based external non-financial data provider for sustainability scores. SD-M[®] evaluates each corporate bond issuer in the Markit iBoxx EUR Corporates benchmark index and assigns an accumulated SD-KPI score based on industry-specific SD-KPI standards published by SD-M[®] in collaboration with the German Environment Ministry and the Sustainability Accounting Standards Board (SASB). The underlying non-financial database called SD-KPIInform[®] has been created by SD-M[®] GmbH in collaboration with Sustainalytics[™] (a Morningstar company). The methodology is designed to focus on the three most material ESG indicators per industry that are relevant to financial performance and reputational risk over the next 5 years. The SD-KPI scores range between 0 and 100, with a higher score corresponding to a stronger company. For additional details on the SD-KPI methodology refer to [SDKPI Standard 2016-2021](#).

Below are the steps for the ESG weight augmentation process:

1. SD-M[®] GmbH will use T-4 data and deliver SD-KPI scores at bond constituent level no later than T-3 to S&P DJI.
2. Bonds that are not covered by SD-M[®] GmbH will be given an SD-KPI score of 50.
3. Bonds will then be classified into five intervals based on the below table

Interval	SD-KPI Score Range	Weight Adjustment Factor
1	>0 - 20	0.50
2	>20 - 40	0.75
3	>40 - 60	1.00
4	>60 - 80	1.25

Interval	SD-KPI Score Range	Weight Adjustment Factor
5	>80 -100	1.50

- Multiply the market augmented bond weight by the adjustment factor based on the interval the bond falls in.
- After all adjustments are made, bond weights are normalized so the sum equals 100%. Notionals are then derived from the new weights.

Rebalancing Procedure

In a first step the selection criteria are applied to determine an eligible universe for the iBoxx SD-KPI EUR Liquid Corporates Index:

- Bond ratings and amounts outstanding are applied as of three business days before the rebalancing date
- A bond remains in its respective maturity bucket until the next rebalancing
- Only bonds with a first settlement date on or before the rebalancing date are included in the selection process

Once the eligible bond universe has been defined, the ranking criteria are employed to determine a distinct hierarchy of bonds in the universe.

Bond selection for the iBoxx SD-KPI EUR Liquid Corporates Index distinguishes between Financials and

Non-Financials. The basis for bond selection is the market share of the two sectors in the iBoxx EUR Corporates benchmark index. The market share is defined as the percentage share of the total market capitalization of all bonds from a sector in the iBoxx EUR Corporates Benchmark Index:

$$MS_r = \frac{\sum_{i \in r} (P_{i,t-s} + A_{i,t-s} + CP_{i,t-s}) \cdot O_{i,t-s}}{\sum_{i \in F+N} (P_{i,t-s} + A_{i,t-s} + CP_{i,t-s}) \cdot O_{i,t-s}}$$

where:

$A_{i,t-s}$	Accrued interest of bond i on the last calendar day of the previous month
$CP_{i,t-s}$	Value adjustment of next coupon payment of a bond i because of its ex-dividend period; if none: the value is 0
MS_r	Market share of sector r
$O_{i,t-s}$	Adjusted weight of a bond i in the index
$P_{i,t-s}$	Closing price of a bond i on the last trading day of the previous month
n	Number of bonds comprised in the index
r	F (Financials); N(Non-Financials)

The market share is determined after the benchmark index rebalancing one month prior to the iBoxx SDKPI EUR Liquid Corporates Index rebalancing. For example, for the August 31 rebalancing the market share is determined on July 31. The data used are:

- Closing prices from the benchmark indices at the rebalancing date
- New constituents list

The market share is used to determine the number of bonds from each of the two sectors. The calculated market share is rounded to the nearest full 2.5%. The result is multiplied by 40. The resulting figure is the number of bonds to be selected from the Financials and the Non-Financials sector.

Within each sector, the necessary number of bonds is selected according to their rank in the hierarchy, beginning with the bond with the highest rank. If fewer eligible bonds than required are available for one of the sectors, then all eligible bonds from that sector will enter the index. The number of bonds from the other sector will remain unchanged. As a result, the number of issuers from each sector is split according to the market share in the benchmark index.

Weekly preview

In addition to the regular rebalancing, a preview list (including sector classification for new bonds) is published each Friday of the rebalancing month with predicted changes to the index constituents at the next rebalancing. The preview list includes the next month's index constituents and shows bonds joining or leaving the indices at the next rebalancing, based on information available on such Fridays.

The first weekly preview will be published on the Friday of the rebalancing month that is at least ten calendar days after the preceding month-end.

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. If 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, S&P DJI may consult market participants prior to the next rebalancing date. Decisions are made publicly available on a timely basis and S&P DJI may refer back to previous cases.

The iBoxx SD-KPI EUR Liquid Corporates Index is calculated as end-of-day index and distributed once daily. The index is calculated every Monday to Friday. In addition, the index is calculated with the previous trading day's closing prices on the last calendar day of each month if that day is not a trading day as well as on common bank holidays as published in the iBoxx index calculation calendar. This index calculation calendar is available on <https://www.spglobal.com/spdji/en/> under iBoxx Calendars. Index data is also available from the main information vendors. Bond and index analytical values are calculated every day using that day's closing prices, or the previous trading day's closing prices on the last calendar day of each month if that day falls on a weekend or a common bank holiday as published in the iBoxx index calculation calendar. Closing index values and key statistics are published at the end of each calculation day in the Indices section on <https://www.spglobal.com/spdji/en/> for registered users.

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

Index Calculus

For specific index formulas please refer to the *iBoxx Bond Index Calculus Methodology* available at <https://www.spglobal.com/spdji/en/>.

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.

Index adjustments between scheduled rebalancings

Coupon changes

While most index adjustments are made during the quarterly rebalancing procedure, coupon changes will be effective immediately and the indices are adjusted in the same way.

Bonds no longer in benchmark index

Bonds may drop out of the Liquid index at the end of a month, because they have left the benchmark indices. In this case they are replaced by suitable substitutes, or the proceeds are invested in existing bonds.

Cash investment

Cash from coupon payments and proceeds from bonds that could not be used to buy other suitable bonds is invested in the money market at the end of each month.

Monthly bond substitution between scheduled rebalancings

Bonds can leave the iBoxx SD-KPI EUR Liquid Corporates Index universe due to:

- Default of the issue or issuer
- Rating downgrade to sub-investment grade of the issue or issuer
- Reduction in the amount outstanding due to repurchases below threshold level
- Other reasons

Bonds dropping out of the benchmark index will also leave the liquid index at month-end. The procedures described below are applied only if a bond has left a liquid index between rebalancing dates.

Substitution list

At the end of the month, the eligible bond universe for the coming month is compiled and published for all liquid indices in accordance with the selection and ranking criteria. These are applied to establish a hierarchy within the eligible bond universe. For each index, all bonds already in the index are eliminated from the hierarchy, resulting in a substitution list for each index.

In case of multiple substitutions, all substitutes and deleted bonds are ranked in order to assign one specific substitute to each deleted bond. Ranking criteria from section 2 are applied. The assignment is essential for the determination of the fictitious amount outstanding.

Bond substitution

If the bonds are no longer in the Markit iBoxx EUR Corporates benchmark index, they will also leave the liquid indices. For each bond that has left, another bond will become a substitute and enter the index. The proceeds from the sale of a dropped bond are invested in its substitute. The substitute will have a fictitious amount outstanding:

$$O_{\text{substitute}} = \frac{(P_{\text{dropped}}^b + A_{\text{dropped}}) \cdot O_{\text{dropped}}}{P_{\text{substitute}}^a + A_{\text{substitute}}}$$

where:

A_{dropped}	Accrued interest of a dropped bond
$A_{\text{substitute}}$	Accrued interest of a substitute bond
O_{dropped}	Amount outstanding of a dropped bond
$O_{\text{substitute}}$	Fictitious amount outstanding of a substitute bond
$P_{\text{substitute}}^a$	Ask price of a substitute bond
P_{dropped}^b	Bid price of a dropped bond

The substitute will have a notional amount outstanding based on formula above.

In the iBoxx EUR Liquid indices a substitute bond enters the index at the ask price.

In the event that no substitute is available, the proceeds from the sale of the dropped bond are invested as cash.

Monthly cash reinvestment between scheduled rebalancing dates

Cash from received coupons and non-substituted bonds is reinvested at the end of each month in the money market until the end of the following month. Cash from earlier months is also re-invested at the end of each month at the 1-month EURIBOR minus 12.5 basis points. At the next scheduled rebalancing cash is invested back in the index.

Determination of benchmarks

Benchmark spreads are calculated for every constituent bond as the difference between the annual or semi-annual yield of the bond and the annual or semi-annual yield of its benchmark. The benchmark assignment for the bonds is reviewed monthly. Benchmarks for the bonds in the iBoxx SD-KPI EUR Liquid Corporates Index are equivalent to the benchmarks for the respective bonds in the iBoxx EUR Benchmark universe.

A benchmark bond of the iBoxx EUR Benchmark universe is defined as the most liquid and low risk bond in each of the maturity bands listed below.

The procedure starts at first running a regression algorithm on all bonds in the iBoxx Eurozone index in order to determine the benchmark curve, and bonds with a positive spread to the curve are eliminated. The procedure is then repeated until one of the following is met:

1. R-square above 0.99
2. Standard deviation of yield-spread to curve is less than 3.5 bps
3. Number of bonds left is between 15 and 40.

The bonds remaining after running the procedure above are assigned to Sets A or B depending on their age. An eligible bond is assigned to Set A within a maturity band if it is not older than two years. Otherwise, it is assigned to Set B. The age of a bond is calculated from the first settlement date to the current rebalancing date. The largest bond (by amount outstanding) of all bonds in Set A is selected as the respective benchmark for each defined maturity band. If Set A is empty, then the most recently issued bond of Set B is chosen as the respective benchmark of the band.

Maturity bands are defined as follows:

Benchmark Maturity Bands	Bond Maturity
1 year	< 1.5 years
2 years	1.5 to < 2.5 years
3 years	2.5 to < 3.5 years
4 years	3.5 to < 4.5 years
5 years	4.5 to < 5.5 years
6 years	5.5 to < 6.5 years
7 years	6.5 to < 7.5 years
8 years	7.5 to < 8.5 years
9 years	8.5 to < 9.5 years
10 years	9.5 to < 12.5 years
15 years	12.5 to < 17.5 years
20 years	17.5 to < 25 years
Long	≥ 25 years

For every bond in the iBoxx EUR indices, the benchmark bond with the closest maturity is selected as a benchmark. Therefore, the chosen benchmark is not necessarily the same as the benchmark for the maturity band of the bond. If the time to maturity distance of a bond to its two neighboring benchmarks is exactly the same, then the benchmark bond with the closer coupon is chosen. If the coupon distance of the two neighboring bonds is also exactly the same, then the younger of the two benchmark bonds is chosen.

Index History

The iBoxx SD-KPI EUR Liquid Corporates Index commenced on February 28, 2022. Prior to February 28, 2022, the history reflects the iBoxx EUR Corporates Liquid Index methodology which did not incorporate SD-KPI adjustments.

Settlement conventions

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

Calendar

S&P DJI publishes an index calculation calendar available on <https://www.spglobal.com/spdji/en/> under *iBoxx Indices Calendars*. This calendar provides an overview of the index calculation holidays of the iBoxx bond index families each year.

Publication of the Index

The iBoxx SD-KPI EUR Liquid Corporates Index is calculated as end-of-day index and distributed once daily after market close.

Bond and index analytical values are calculated end of day Monday to Friday using that day's closing prices. In addition, bond and index analytical values are calculated using the previous trading day's closing prices on the last calendar day of each month if that day is not a regular trading day as well as on common bank holidays as published in the iBoxx index calculation calendar. This index calculation calendar is available at <https://www.spglobal.com/spdji/en/> under *iBoxx Indices Calendars*. Index data is also available from the main information vendors.

Closing index values and key statistics are published at the end of each calculation day in the *Indices* section of the website for registered users.

Data publication and access

The table below summarizes the publication of iBoxx SD-KPI EUR Liquid Corporates Index in the Indices section of the S&P DJI website <https://www.spglobal.com/spdji/en/> for registered users and on the FTP server.

Data publication and access

Frequency	File Type	Access
Daily	Underlying file – Bond level	FTP Server
	Indices files – Index level	FTP Server / website/ Bloomberg for index levels only
Friday's after 6th calendar day, T-3, and T-2	Preview components	FTP Server / website
Monthly	End of month components	FTP Server / website
	XREF files	FTP Server

The index identifiers for the publication channels are:

Index Name	ISIN	SEDOL	BBG	RIC
iBoxx SD-KPI EUR Liquid Corporates Index CPI	GB00BNP85F92	BNP85F9	IBXXELCP	.IBXXELCP
iBoxx SD-KPI EUR Liquid Corporates Index TRI	GB00BNP85G00	BNP85G0	IBXXELTR	.IBXXELTR

Annual index review

In addition to the daily governance of indices and maintenance of index methodologies, at least once within any 12-month period, the Index Committee reviews the methodology to ensure the indices continue to achieve the stated objectives, and that the data and methodology remain effective. In certain instances, S&P Dow Jones Indices may publish a consultation inviting comments from external parties.

Index Governance

Index Committee

An S&P Dow Jones Indices Index Committee maintains the indices. All committee members are full-time professionals at S&P Dow Jones Indices. Meetings are held regularly. The Index Committee oversees the management of the indices, including determinations of intra-rebalancing changes, maintenance and inclusion policies, and other matters affecting the maintenance and calculation of the indices.

In fulfilling its responsibilities, the Index Committee has full and complete discretion to (i) amend, apply, or exempt the application of index rules and policies as circumstances may require and (ii) add, remove, or by-pass any bond in determining the composition of an index.

The Index Committee may rely on any information or documentation submitted to it or gathered by it that the Index Committee believes to be accurate. The Index Committee reserves the right to reinterpret publicly available information and to make changes to the indices based on a new interpretation of that information at its sole discretion. All Index Committee discussions are confidential.

The Index Committee is separate from and independent of other analytical groups at S&P Global. In particular, the Index Committee has no access to or influence on decisions by S&P Global Ratings analysts.

S&P Dow Jones Indices' Index Committees reserve the right to make exceptions when applying the methodology if the need arises. In any scenario where the treatment differs from the general rules stated in this document or supplemental documents, clients will receive sufficient notice, whenever possible.

In addition to the daily governance of indices and maintenance of index methodologies, at least once within any 12-month period, the Index Committee reviews the methodology to ensure the indices continue to achieve the stated objectives, and that the data and methodology remain effective. In certain instances, S&P Dow Jones Indices may publish a consultation inviting comments from external parties.

For more information on index governance policies, please refer [here](#).

Summary of key ESG factors

Explanation of how ESG factors are reflected in the key elements of the benchmark methodology <i>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].</i>	
Item 1: Name of Benchmark Administrator	S&P Dow Jones Indices Limited
Item 2: Type of benchmark or family of benchmarks <i>* The "type of benchmark" refers to the type of 'underlying asset', as selected from the list provided in Annex II to 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.</i>	Fixed Income
Item 3: Name of benchmark or family of benchmarks	iBoxx SD-KPI EUR Liquid Corporates Index
Item 4: Does the benchmark methodology for the benchmark or family of benchmarks take into account ESG factors?	Yes
Item 5. If the response to (4) is "Yes," the indices stated here take into account ESG factors.	For a list of the benchmarks within this family that take in account ESG factors, please refer to the S&P Dow Jones Indices Limited Benchmark Register .
Item 6: Where the response to (4) is 'Yes', the section below lists those ESG Factors* that are taken into account by the ESG indices governed by the methodology, including those ESG factors listed in Annex II to Delegated Regulation (EU) 2020/1816. <i>*ESG factors' are defined in Annex II of 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.</i>	
Item 6a: List of Environmental factors considered	SD-KPI scores are driven by 3 industry specific key performance indicators (KPIs). The full list of material ESG KPIs for the 68 different industries is outlined here: https://www.sd-kpi.com/images/files/SD-KPI_Standard_2016-2021.pdf . The SDKPI Standard includes the weighting of SD-KPI 1, 2 and 3 in the accumulated SD-KPIIntegration® Score in %. The index components of the iBoxx Standard index are over-/underweighted according the quintile (0-20-40-60-80-100%) of SD-KPIIntegration Score to form the iBoxx SD-KPI index. The S&P DJI Fixed Income EU Low Carbon Benchmark Regulation Disclosure Report can be accessed here .
Item 6b: List of Social factors considered	SD-KPI scores are driven by 3 industry specific key performance indicators (KPIs). The full list of material ESG KPIs for the 68 different industries is outlined here: https://www.sd-kpi.com/images/files/SD-KPI_Standard_2016-2021.pdf . The SDKPI Standard includes the weighting of SD-KPI 1, 2 and 3 in the accumulated SD-KPIIntegration® Score in %. The index components of the iBoxx Standard index are over-/underweighted according the quintile (0-20-40-60-80-100%) of SD-KPIIntegration Score to form the iBoxx SD-KPI index.

Item 6c: List of Governance factors considered	SD-KPI scores are driven by 3 industry specific key performance indicators (KPIs). The full list of material ESG KPIs for the 68 different industries is outlined here: https://www.sd-kpi.com/images/files/SD-KPI_Standard_2016-2021.pdf . The SDKPI Standard includes the weighting of SD-KPI 1, 2 and 3 in the accumulated SD-KPIIntegration® Score in %. The index components of the iBoxx Standard index are over-/underweighted according the quintile (0-20-40-60-80-100%) of SD-KPIIntegration Score to form the iBoxx SD-KPI index. The S&P DJI Fixed Income EU Low Carbon Benchmark Regulation Disclosure Report can be accessed here .
Item 6d: List of any other overall ESG factors	None
Item 7: Data and standards used	
Item 7a(i): Source of input	The SD-KPI scores are sourced externally from SD-M® GmbH and its SD-KPIIntegration® Database, which builds the main source. It has modeled the SD-KPI Standards since 2009 in collaboration with Sustainalytics, which has provided the ESG raw scores.
Item 7a(ii): Data input	The input data is sourced from the SD-KPIInform® database, which covers more than 12,500 companies worldwide (as of 2022).
Item 7b: Verification and quality of data	The ESG raw scores for the SD-KPIInform® database are assured by Sustainalytics' total quality management. The quality of the calculated SD-KPIInform® Scores is assured by SD-M's monthly plausibility checks.
Item 7c: International reference standards	<p>"The SD-KPI Standards have been developed on behalf of the German Government and Big Four Accounting Firms since 2004. This scientific work has been done by SD-M according to the EU Modernisation Directive 2003/51/EC of the European Parliament and of the Council of 18 June 2003 amending the EC Accounting Directives 78/660/EEC, 83/349/EEC, 86/635/EEC and 91/674/EEC on the annual and consolidated accounts of certain types of companies, banks and other financial institutions and insurance undertakings. The Accounting Directives demand disclosure of „non-financial key performance indicators relevant to the particular business, including information relating to environmental and employee matters" since 2003. https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32003L0051&from=en https://www.sdkpi.com/de/sd-kpi-standards First published in January 2010, the SD-KPI Standard 2010-2015 was the first global standard for material sector-specific ESG indicators. SD-M® surveyed global investors and analysts, who represented EUR 2 trillion in assets, on behalf of the German Government. The SD-KPI Standard 2016-2021 is currently available in English, Japanese, Chinese and Arabic versions: https://www.sd-kpi.com/images/files/SD-KPI_Standard_2016-2021.pdf https://www.sd-kpi.com/images/files/SD-KPI_Standard_2016-2021_JP.pdf https://www.sdkpi.com/images/files/SD-KPI_Standard_2016-2021_CN.pdf https://www.sd-kpi.com/images/files/SDKPI_Standard_2016-2021_Arabic.pdf</p> <p>According to the BaFin Guidance Notice on Dealing with Sustainability Risks, ESG risks should be strategically considered, e.g. by means of SD-KPI Standard 2016-2021, which defines three material ESG KPIs in 68 industries. https://www.sd-kpi.com/images/files/BaFin_Merkblatt_Nachhaltigkeitsrisiken_SDKPI_Standard_auf_Seiten_19-20.pdf (German).</p> <p>The SD-KPI Standard 2016-2021 has been further supported by the Sustainability Accounting Standards Board (SASB), see page 3 of the introduction: The SD-KPI Standard 2016-2021 was revised by SASB's Technical Director Andrew Collins. SASB found a high degree of overlap in SD-KPI analysis and the SASB standards and appreciates the SD-KPI approach as well as how SD-M® ranked and prioritized topics for each industry.</p> <p>The SD-KPI Standard 2016-2021 was further revised during a workshop at the German Environment and Building Ministry with the following participants: Joachim Ganse (KPMG), Dr. Hendrik Garz (Sustainalytics), Tommy Piemonte (imug), Dr. Eckhard Plinke (Vescore), Marcus Pratsch (DZ Bank), Andrea Weber (Bank J. Safra Sarasin) and Patrick Wirth (GES Switzerland).</p> <p>S&P Dow Jones Indices gave the allowance to further use the Global Industry Classification Standard (GICS) as a part of the structure of the SD-KPI Standards.</p> <p>The Guidelines to The Sustainability Code recommends the SD-KPI Standards for materiality analysis. https://www.sdkpi.com/images/files/BaFin_Merkblatt_Nachhaltigkeitsrisiken_SDKPI_Standard_auf_Seite_n_19-20.pdf (German). Together with the German Environment Ministry, SD-M® has also published the brochure ""Material for business and financial performance – non-financial key performance indicators relevant to the particular business in the non-financial statement according to NFRD Directive 2014/95/EU (German)"" https://www.sd-kpi.com/images/files/SD-M_wesentlich_fuer_geschaefstaetigkeit.pdf</p> <p>The SD-KPI Standards represent a mainstream-capable alternative to the restrictive EU taxonomy."</p>
Item 8a: Information updated on	February 28, 2022
Item 8b: Reason	

for update	
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Methodology Changes

	Annual Index Review 2025
March 31, 2026	<ul style="list-style-type: none"> • Introduction of subordinated debt classification tiers for Financial Services • Removing AT1 and RT1 bonds with PONV triggers from eligible bond types • Inclusion of Bonds with European call options
June 30, 2022	<ul style="list-style-type: none"> • Monthly forward start date updated from 10th calendar day to 6th calendar day
February 28, 2022	<ul style="list-style-type: none"> • Launch of the iBoxx SD-KPI EUR Liquid Corporates Index. Prior history reflects the iBoxx EUR Corporates Liquid Index which did not incorporate SD-KPI adjustments.

Further information

Client support

For client support please contact index_services@spglobal.com.

Formal complaints

Formal complaints should be emailed to spdji_compliance@spglobal.com.

Please note: spdji_compliance@spglobal.com should only be used to log formal complaints.

General index inquiries

For general index inquiries, please contact index_services@spglobal.com.

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 by 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. Also, the treatment of corporate actions in back-tested performance may differ from treatment for live indices due to limitations in replicating index management decisions. 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

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Some indices use the Global Industry Classification Standard (GICS®), which was developed by, and is the exclusive property and a trademark of, S&P Global and MSCI. Neither MSCI, S&P DJI nor any other party involved in making or compiling any GICS classifications makes any express or implied warranties or representations with respect to such standard or classification (or the results to be obtained by the use

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