

# **iBoxx SD-KPI GBP Corporates Index Methodology**

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# Introduction

The iBoxx SD-KPI GBP Corporates Index is designed to reflect the performance of Sterling-denominated (GBP) investment grade debt. The index aims to offer a broad coverage of the Sterling-denominated (GBP) corporate bond universe with adjusted weights, by allocating higher weights to issuers with higher SD-KP Integration<sup>®</sup> Scores and reducing weights to those with lower scores. The index also aims to uphold minimum standards of investability and liquidity. The index is an integral part of the global iBoxx index families, which provides the marketplace with accurate and objective benchmarks by which to assess the performance of bond markets and investments.

The iBoxx SD-KPI GBP Corporates Index is further broken down into two sub-indices based on financial or non-financial corporate sectors. All three indices are priced based on multi-source pricing as described in the document *iBoxx Pricing Methodology* publicly available at [www.spglobal.com/spdji](http://www.spglobal.com/spdji).

# Bond selection rules

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

- Bond type
- Credit rating
- Time to maturity
- Amount outstanding

## Bond Type

Only fixed-rate bonds whose cash flows can be determined in advance are eligible for the indices. The indices are comprised solely of bonds. T-Bills and other money market instruments are not eligible. The iBoxx GBP indices include only Sterling-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
- Amortizing bonds and sinking funds with a fixed sinking schedule
- Step-up bonds and step-up callable bonds with European/American options
- Callable/puttable and extendable bonds with European/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
- Subordinated financial fixed-to-floating rate bonds with a reset date on or after the first call date

The following bond types are specifically excluded from the indices:

- Other 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
- Bonds with differences between accrual and coupon payment periods and monthly-paying bonds
- Retail bonds
- Private placements
- 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 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 placement and retail bonds. The list is published at [www.spglobal.com/spdji](http://www.spglobal.com/spdji) for future reference and to ensure consistency.

New bonds issued from distressed debt exchanges or restructurings are considered for inclusion.

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.

Prior to January 01, 2008, the lowest rating was used as the iBoxx Rating. Prior to July 01, 2009, implied issue ratings were derived from issuer ratings in the absence of issue ratings for non-collateralized, unguaranteed bonds.

*For more information on average ratings, please refer to the iBoxx Rating Methodology, available at <https://www.spglobal.com/spdji/en/>.*

### **Time to Maturity**

At each rebalancing effective date, all bonds must have a minimum time to maturity of at least 12 months, calculated from the rebalancing effective date to the expected workout date using the respective bond's day count convention.

All bonds must have an initial time to maturity of at least 18 months, calculated from the bond's first settlement date to the expected workout date.

For the specific bond types below, the indices determine the bond's expected workout date as follows:

- Plain vanilla bonds: the expected workout date is the final maturity date
- Dated and undated callable financial hybrid capital bonds: the expected workout date is the first call date
- Non-financial hybrid capital bonds with an interest rate reset: the expected workout date is the

first reset date

- Soft bullets: the expected workout date is the first call date
- Sinking funds and amortizing bonds: the expected workout date calculates using the bond's average life
  
- For senior callable bank bonds, the first call date will be considered as the workout date if the call date is more than 11 months prior to the final maturity. In case the first call date is 11 months or less prior to the maturity date, the final maturity date will be assumed as the workout date to calculate the time to maturity

### Amount outstanding

The following table shows the minimum amount outstanding for bonds in the Gilts and Non-Gilts markets:

| Classification | First Settlement date   | Insertions      | Existing bonds  |
|----------------|-------------------------|-----------------|-----------------|
| Non-Gilts      | Before or on 31-12-2010 | GBP 250 million | GBP 100 million |
|                | After 31-12-2010        | GBP 250 million | GBP 250 million |

The cut-off for Non-Gilt insertions was raised from GBP 100 million to GBP 250 million within the context of the Annual Index Review 2010 in order to reflect the increase in the average size of new issues. Legacy bonds, however, remain in the index as long as they have settled on or before 31 December 2010 and their amount outstanding is GBP 100 million or above. For all new non-Gilt insertions, amount outstanding has to be GBP 250 million or above even if the bond used to be part of the index before and dropped at some point.

# 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                | Automobiles & Parts          | Chemicals                               |                |
|                               |                                 |                          |                              | Automobiles & Parts                     |                |
|                               |                                 | Food & Beverage          | Personal & Household Goods   | Beverages                               |                |
|                               |                                 |                          |                              | Food Producers                          |                |
|                               |                                 |                          |                              | Household Goods                         |                |
|                               |                                 | Consumer Services        | Retail                       | Travel & Leisure                        | Leisure Goods  |
|                               |                                 |                          |                              |   | Personal Goods |
|                               | Tobacco                         |                          |                              |   |                |
|                               | Academic & Educational Services |                          |                              |   |                |
|                               | Energy                          | Oil & Gas                | Renewable Energy             | Media                                   |                |
|                               |                                 |                          |                              | Oil Equipment / Services & Distribution |                |
|                               | Health Care                     | Health Care              | Health Care                  | Oil & Gas Producers                     |                |
|                               |                                 |                          |                              | Renewable Energy                        |                |
|                               | Industrials                     | Construction & Materials | Industrial Goods & Services  | Health Care Equipment & Services        |                |
|                               |                                 |                          |                              | Construction & Materials                |                |
|                               |                                 |                          |                              | Pharmaceuticals & Biotechnology         |                |
|                               |                                 |                          |                              | Aerospace & Defense                     |                |
|                               |                                 |                          |                              | Electronic & Electrical Equipment       |                |
|                               |                                 |                          |                              | General Industrials                     |                |
|                               |                                 |                          |                              | Industrial Engineering                  |                |
|                               | Industrial Transportation       |                          |                              |   |                |
|                               | Technology                      | Technology               | Technology                   | Support Services                        |                |
|                               |                                 |                          |                              | Software & IT Services                  |                |
|                               | Telecommunications              | Telecommunications       | Telecommunications           | Technology Hardware & Equipment         |                |
| Integrated Telecommunications |                                 |                          |                              |   |                |
| Utilities                     | Utilities                       | Utilities                | Wireless Telecommunications  |   |                |
|                               |                                 |                          | 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**<br>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

Securitized bonds are classified into insurance-wrapped (IW) and non-insurance wrapped (NW). Bonds are considered insurance-wrapped if the timeliness of coupon and/or principal payments is guaranteed by a special mono-line insurer.

# 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 in the *Methodology* section of the webpage at [www.spglobal.com/spdji](http://www.spglobal.com/spdji).

## Rebalancing Process

The iBoxx SD-KPI GBP Corporates Index is rebalanced monthly on the last business day of the month after the close of business. Changes to outstanding amounts 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.

Three business days before the end of each month (T-3), a membership list with final amount outstanding for each bond is published.

Two business days before the end of each month (T-2), 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. However, if any bonds which are part of the broader GBP universe become eligible two business days prior to rebalancing because of rating or amount changes, they will be included in the Index.

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 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. 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, S&P DJI may consult specific Index Committees at the following rebalancing date. Decisions are made publicly available on a timely basis and S&P DJI may refer back to previous cases.

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 [www.spglobal.com/spdji](http://www.spglobal.com/spdji).

## Index Weights

1. SD-M<sup>®</sup> GmbH is a Germany based external non-financial data provider for sustainability scores. SD-M<sup>®</sup> evaluates each corporate bond issuer in the iBoxx GBP Corporates Benchmark and assigns an accumulated “Sustainable Development Key Performance Indicator” (SD-KPI) score based on industry-specific SD-KPI standards published by SD-M<sup>®</sup> in collaboration with the German Environment Ministry and the Sustainability Accounting Standards Board (SASB). The underlying non-financial database called SD-KPInform<sup>®</sup> has been created by SD-M<sup>®</sup> GmbH in collaboration with Sustainalytics<sup>™</sup> (a Morningstar company).
  - a. SD-M<sup>®</sup> GmbH will use T-4 data and deliver it no later than T-3.
  - b. SD-KPIntegration<sup>®</sup> Scores range from 0 - 100.
  - c. Bonds that are not covered by SD-M<sup>®</sup> GmbH will be given an SD-KPIntegration<sup>®</sup> Score of 50.
2. Bonds will then be classified into five intervals based on the below table.

| Interval | SD-KPIntegration <sup>®</sup> Score Range | Weight Adj Factor |
|----------|---|-------------------|
| 1        | >0 - 20                                   | 0.50              |
| 2        | >20 - 40                                  | 0.75              |
| 3        | >40 - 60                                  | 1.00              |
| 4        | >60 - 80                                  | 1.25              |
| 5        | >80 - 100                                 | 1.50              |

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

## 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.

## 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.

## Scheduled partial redemptions: sinking funds and amortizing bonds

*Amortizing bonds* are bonds whose face value is redeemed according to a schedule at more than one redemption date. Interest payments are made on the basis of the remaining outstanding amount of the bond. *Sinking funds* are bonds, where money is applied periodically to redeem part of the outstanding before maturity. At the redemption dates, the appropriate amount of bonds may either be retired randomly from the outstanding bonds, or may be purchased on the open market and thus retired. Interest payments are made on the remaining outstanding bonds.

For the two bond types above, price and accrued interest are quoted and calculated to the actual amount outstanding (par). Scheduled redemptions within the period are taken into account immediately. Coupon payments, however, refer to the scheduled amount outstanding over the last coupon period; scheduled redemptions within the month are not taken into account.

## Funged bonds

Bonds may be issued in several tranches. The different tranches are initially legally separate and therefore trade independently for a certain period. On and after the funge date, the tranches will be combined into one bond, i.e. the parent tranche will contain the original security, as well as the additional notional(s) from the new tranche(s). After the funge date, the prices for both the securities are the same, because they constitute one uniform bond. This is reflected in the indices as follows:

### Parent and new tranche are both index constituents

- After the funge date, the price from the parent tranche is used for the funged tranche; no price for the funged bond
- Funged tranche leaves the index at the next rebalancing and parent amount outstanding increases accordingly

### Parent is an index constituent, but the new tranche is not

- No special intra-month treatment necessary
- Parent amount outstanding increases at the next rebalancing

### Parent is not an index constituent but the new tranche is

- No special intra-month treatment necessary
- Funged tranche leaves the index; parent tranche enters the index at the next rebalancing

## 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).

## Maturity extension

### Maturity Extension for Perpetual Bonds Without a Reset Date

| Maturity  | Coupon/call structure | Workout date at issuance               | Updated Workout date if not called  |
|-----------|-----------------------|--|---|
| Perpetual | Fixed/ Callable       | Assume first call date as workout date | Extend workout date until the assumed next call date - 5 years from first call date*. |

\*Assumes the terms allow for a redemption at the new assumed maturity date.

### Maturity Extension for Perpetuals & Dated Fixed-to-Fixed Bonds With a Reset Date

| Maturity  | Coupon/Call structure | Workout Date at issuance               | Updated Workout date if not called   |
|-----------|-----------------------|--|--|
| Perpetual | Reset*/Callable       | Assume first call date as workout date | Extend workout date until the end of the next reset date*                        |
| Dated     | Reset/Callable        | Assume reset date as workout date      | Extend workout date until the end of the next reset date or final maturity date* |

\*Assumes the bond terms allow for a redemption at the new assumed maturity date

## 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.

## Ex-dividend conventions

Some markets have ex-dividend conventions. Ex-dividend means that the next coupon is detached from the bond several days in advance of the coupon payment date. The date on which the next coupon is detached is the ex-dividend date and the period between the ex-dividend date and the coupon payment date is the ex-dividend period. If a bond is in the ex-dividend period, the next coupon payment will not be paid to a buyer of this bond, but will be paid to the original bond holder.

The indices and analytics calculations take ex-dividend conventions into account. During the ex-dividend period, the accrued interest of the bond is negative, while the next coupon payment is held separate in the variable coupon adjustment. If the bond enters the index during the ex-dividend period, then the next coupon payment and the coupon adjustment will not accrue to the index. However, if the bond was already in the index, the next coupon payment needs to be included in the total return calculations. This is controlled via the ex-dividend indicator which is 0 if the bond enters the index during the current exdividend period and 1 if not. The same treatment is also applied to all analytics calculation, i.e. the first cash flow is excluded from the calculations if the bond enters during the current ex-dividend period.

## 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.

Effective from 28 February 2015, iBoxx adopted a new rules-based methodology for determining benchmark gilts following the International Capital Market Association (ICMA's) recommendation for assigning benchmark gilts for pricing in the primary and secondary market. At present, benchmark gilts in the iBoxx GBP Benchmark index are determined as follows:

- All existing gilts are being considered as benchmarks unless inappropriate, due to high coupons,

lack of liquidity or the fact they have suitable alternatives close to their maturities. Gilts in the iBoxx GBP Gilts Index which do not qualify for benchmarks are assigned to other qualifying gilts from the iBoxx GBP Gilts Index, and consequently their spread levels do not equal to zero.

- A gilt is eligible as a benchmark only if it is a member of the iBoxx GBP Gilts index. This means that gilt with an expected time to maturity of less than a year would not be considered as a benchmark bond in the iBoxx indices even though it may be designated as such under the ICMA methodology. In such cases, the shortest maturity gilt available in the iBoxx GBP Gilts index is being used as the benchmark.
- New gilts are considered as benchmarks when they approach GBP 10 billion of free float.
- The assignment process takes place as follows:
  - where there is only one gilt maturing in the same calendar year, that gilt is selected as benchmark;
  - where there is no gilt maturing in the same calendar year, the nearest shorter maturity gilt is selected as benchmark;
  - where there is more than one gilt maturing in the same calendar year,
    - gilt maturing in the same month as that bond, or failing that;
    - the nearest shorter maturity gilt in that calendar year, or failing that;
    - the nearest longer maturity gilt in that calendar year is selected as benchmark.

## **Index history**

The Index history starts on 31 January 2013. The index has a base value of 100 on that date.

## **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 [www.spglobal.com/spdji](http://www.spglobal.com/spdji) 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 iBoxx SD-KPI GBP Corporates Indices**

The iBoxx SD-KPI GBP Corporates Index, iBoxx SD-KPI GBP Financials, and iBoxx SD-KPI GBP NonFinancials indices are calculated as end-of-day indices 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 available at [www.spglobal.com/spdji](http://www.spglobal.com/spdji). Index data is also available from the main information vendors.

Closing index values and key statistics are published at the end of each business day at [www.spglobal.com/spdji](http://www.spglobal.com/spdji) for registered users.

## **Data publication and access**

The table below summarizes the publication of iBoxx SD-KPI GBP Corporates Index at [www.spglobal.com/spdji](http://www.spglobal.com/spdji) for registered users and on the FTP server.

| Frequency | File Type                    | Access   |
|-----------|------------------------------|--|
| Daily     | Underlying file – Bond level | FTP Server   |
|           | Indices files – Index level  | FTP Server / website / Bloomberg for index levels only |
| Monthly   | End of month components      | FTP Server / website                                   |

Below is a summary of the IDs for each publication channel:

| Index Name                      | Version | ISIN         | SEDOL   | BBG      | RIC       |
|---------------------------------|---------|--------------|---------|----------|-----------|
| iBoxx SD-KPI GBP Corporates     | CPI     | GB00BL098096 | BL09809 | IBXXKPI1 | .IBXXKPI1 |
| iBoxx SD-KPI GBP Corporates     | TRI     | GB00BL098104 | BL09810 | IBXXKPI2 | .IBXXKPI2 |
| iBoxx SD-KPI GBP Financials     | CPI     | GB00BL09FW07 | BL09FW0 | IBXXKGFP | .IBXXKGFP |
| iBoxx SD-KPI GBP Financials     | TRI     | GB00BL09FX14 | BL09FX1 | IBXXKGFT | .IBXXKGFT |
| iBoxx SD-KPI GBP Non-Financials | CPI     | GB00BL09FY21 | BL09FY2 | IBXXKGNP | .IBXXKGNP |
| iBoxx SD-KPI GBP Non-Financials | TRI     | GB00BL09FZ38 | BL09FZ3 | IBXXKGNT | .IBXXKGNT |

### 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.

# Summary of key ESG factors

|   |  |
|---|--|
| <p><b>Explanation of how ESG factors are reflected in the key elements of the benchmark methodology</b></p> <p><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></p> |  |
| Item 1: Name of Benchmark Administrator   | S&P Dow Jones Indices Limited  |
| Item 2: Type of benchmark or family of benchmarks<br>* 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.   | Fixed income   |
| Item 3: Name of benchmark or family of benchmarks   | iBoxx SD-KPI GBP Corporates  |
| 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 into account ESG factors, please refer to the <a href="#">S&amp;P Dow Jones Indices Limited Benchmark Register</a> .   |
| 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.<br>*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.                 |  |
| 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: <a href="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.pdf</a> . 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.<br>The S&P DJI Fixed Income EU Low Carbon Benchmark Regulation Disclosure Report can be accessed <a href="#">here</a> . |
| 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: <a href="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.pdf</a> . 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.<br>The S&P DJI Fixed Income EU Low Carbon Benchmark   |

|  |   |
|--|---|
| 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: <a href="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.pdf</a> . The SDKPI Standard includes the weighting of SD-KPI 1, 2 and 3 in the accumulated SD-KPIntegration® Score in %. The index components of the iBoxx Standard index are over-/underweighted according the quintile (0-20-40-60-80-100%) of SD-KPIntegration Score to form the iBoxx SD-KPI index.<br>The S&P DJI Fixed Income EU Low Carbon Benchmark Regulation Disclosure Report can be accessed <a href="#">here</a> .  |
| 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-KPIntegration® 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-KPInform® 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-KPInform® database are assured by Sustainalytics' total quality management. The quality of the calculated SD-KPInform® 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. <a href="https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32003L0051&amp;from=en">https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32003L0051&amp;from=en</a> <a href="https://www.sdkpi.com/de/sd-kpi-standards">https://www.sdkpi.com/de/sd-kpi-standards</a> 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: <a href="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.pdf</a> <a href="https://www.sd-kpi.com/images/files/SD-KPI_Standard_2016-2021_JP.pdf">https://www.sd-kpi.com/images/files/SD-KPI_Standard_2016-2021_JP.pdf</a> <a href="https://www.sdkpi.com/images/files/SD-KPI_Standard_2016-2021_CN.pdf">https://www.sdkpi.com/images/files/SD-KPI_Standard_2016-2021_CN.pdf</a> <a href="https://www.sd-kpi.com/images/files/SDKPI_Standard_2016-2021_Arabic.pdf">https://www.sd-kpi.com/images/files/SDKPI_Standard_2016-2021_Arabic.pdf</a></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. <a href="https://www.sd-kpi.com/images/files/BaFin_Merkblatt_Nachhaltigkeitsrisiken_SDKPI_Standard_auf_Seiten_19-20.pdf">https://www.sd-kpi.com/images/files/BaFin_Merkblatt_Nachhaltigkeitsrisiken_SDKPI_Standard_auf_Seiten_19-20.pdf</a> (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&amp;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. <a href="https://www.sdkpi.com/images/files/BaFin_Merkblatt_Nachhaltigkeitsrisiken_SDKPI_Standard_auf_Seite_n_19-20.pdf">https://www.sdkpi.com/images/files/BaFin_Merkblatt_Nachhaltigkeitsrisiken_SDKPI_Standard_auf_Seite_n_19-20.pdf</a> (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)"" <a href="https://www.sd-kpi.com/images/files/SD-M_wesentlich_fuer_geschaefststaetigkeit.pdf">https://www.sd-kpi.com/images/files/SD-M_wesentlich_fuer_geschaefststaetigkeit.pdf</a></p> <p>The SD-KPI Standards represent a mainstream-capable alternative to the restrictive EU taxonomy."</p>   |
| Item 8a: Information                           | 21 December 2020  |

|                            |  |
|----------------------------|--|
| updated on                 |  |
| Item 8b: Reason for update |  |

# 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](#).*

# Methodology Changes

|                           |  |
|---------------------------|--|
| <p><b>31 Mar 2026</b></p> | <p><b>Annual Index Review 2025</b></p> <ul style="list-style-type: none"> <li>• Introduction of 18-month minimum initial time to maturity</li> <li>• Introduction of subordinated debt classification tiers for Financial Services</li> <li>• Removing AT1 and RT1 bonds with PONV triggers from eligible bond types (TOPIC D)</li> <li>• Inclusion of bonds from distressed debt exchanges or restructurings</li> </ul> |
| <p><b>01 Apr 2025</b></p> | <p><b>Annual Index Review 2024</b></p> <ul style="list-style-type: none"> <li>• Update to eligibility of bonds with American call options</li> </ul>   |
| <p><b>31 Mar 2022</b></p> | <p><b>Annual Index Review 2021</b></p> <ul style="list-style-type: none"> <li>• Introduction of new market sector classification “Education” with market sub-sector classification “Academic &amp; Educational Services”</li> </ul>  |
| <p><b>31 Mar 2021</b></p> | <ul style="list-style-type: none"> <li>• Governance and Regulatory Compliance section added</li> </ul>   |
| <p><b>01 Oct 2020</b></p> | <ul style="list-style-type: none"> <li>• Launch of the iBoxx SD-KPI GBP Corporates Index</li> </ul>  |

# Further Information

## **Client Support**

For client support please contact [index\\_services@spglobal.com](mailto:index_services@spglobal.com).

## **Formal Complaints**

Formal complaints should be emailed to [spdji\\_compliance@spglobal.com](mailto:spdji_compliance@spglobal.com).

Please note: [spdji\\_compliance@spglobal.com](mailto: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](mailto: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

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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