

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

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# Introduction

The iBoxx SD-KPI USD Corporates Index is designed to reflect the performance of US Dollar (USD) denominated investment grade corporate debt. The index aims to offer a broad coverage of the USD corporate bond universe with adjusted weights, by allocating higher weights to issuers with higher SD-

KP Integration® 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 family, which provides the marketplace with accurate and objective benchmarks by which to assess the performance of bond markets and investments.

The iBoxx SD-KPI USD 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 under Methodology on [www.spglobal.com/spdji](http://www.spglobal.com/spdji).

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

# Bond selection rules

The following selection criteria are used to determine the index constituents from the USD denominated bond universe:

- Market issue
- Bond type
- Rating
- Time to maturity
- Amount outstanding

## Market issue

The domicile of the issuer is not relevant for bond selection. However, for liquidity reasons, the following market types are excluded from the bond universe:

- Municipal bonds
- 144As
- Private placements
- Brady bonds
- Restructured sovereign and sub-sovereign debt

If the technical committee has reasonable cause to believe that a bond is retail bond or private placement, and S&P DJI is unable to determine otherwise from the issuer or lead manager(s), the bond will be excluded from the index.

## Bond type

General inclusion criteria:

- Bonds with known cash-flows are eligible for the indices In particular, the following bond types are eligible:
- Fixed coupon bonds
- Callable and puttable bonds
- Step-ups and event-driven bonds such as rating-driven or registration-driven bonds
- Amortizing bonds and sinking funds with fixed sinking schedules
- Fixed-to-floaters
  - Hybrid bank/insurance capital bonds
  - Senior bonds issued by banks with a call option up to 2 years prior to maturity > Undated fixed – to floaters
- Perpetual bonds of all types.
- Secured bonds
  - Secured bonds issued by insurance companies

- First mortgaged bonds/ first priority security interest
- Covered bonds
- Secured bonds issued by an SPV with known cash-flows

The following bond types are specifically excluded:

- Floating rate notes
- Zero coupon bonds and zero-coupon step-up bonds
- Dated fixed to floater bonds issued by non-financial issuers
- Dated fixed to floater senior bonds issued by non-banking financial issuers
- Convertibles
- Inflation and other index-linked bonds
- Bonds cum or ex-warrant
- Bonds whose complete coupons are paid at maturity, as they are similar to zero-coupon bonds with only one cash flow
- New bonds entering the index that have already been called prior to rebalancing
- Optional and mandatory convertible bonds
- Subordinated bank or insurance debt with mandatory contingent conversion features that are based on an observable trigger
- AT1 or RT1 debt that does not have an explicit capital ratio or solvency/balance-sheet-based trigger, or 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. S&P DJI may consult with the specific Index Advisory Committees to review potential retail bonds or private placements. Any bond classified as retail or private placement is added to the list of excluded private placements and retail bonds. The list is published on [www.spglobal.com/spdji](http://www.spglobal.com/spdji) under *Indices News* for future reference and to ensure decision's consistency.

In instances where a new bond type is not specifically excluded or included according to the published index rules, S&P DJI will analyze the features of such securities in line with the principles set out in 2.1 of this guide. S&P DJI may consult the specific Index Advisory Committees. Any decision as to the eligibility or ineligibility of a new bond type will be published and the index rules will be updated accordingly.

### **Credit Rating**

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.

*For more information on average ratings, please refer to the iBoxx Rating Methodology, available at [www.spglobal.com/spdji](http://www.spglobal.com/spdji).*

### **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 final maturity 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 maturity 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**

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

- Corporates: USD 500 million

In the case of 144A/RegS securities that are registered as global securities, the remaining amount of the 144A/RegS version and the registered version are recombined if the bond is not exchanged in full.

# 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

Bonds issued by public or private corporations. Bonds secured by a ‘floating charge’ over some or all assets of the issuer are considered corporate bonds. Corporate bonds are further classified into Financials and Non-Financials bonds and then into their multiple-level economic sectors, according to the issuer’s business scope. The category Guaranteed & Wrapped is added under Financials for corporate bonds whose timely coupon and/or principal payments are guaranteed by a non-affiliated insurer or through a letter of credit from a non-affiliated bank. Each bond in the index is assigned to one of the following sectors.

### 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	General Financial
			Equity Investment Instruments
			Nonequity Investment Instruments
		Guaranteed & Wrapped	*
	Real Estate	Real Estate	Real Estate Investment & Services
			Real Estate Investment Trusts

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

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

## Rebalancing process

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

Two business days before the end of each month (T-2), the rating and amount information for the constituents is updated and the list is adjusted for all rating and amount changes which are known to have taken place three business days before the end of the month which could also result in exclusion of the bond. However, if bonds which are part of broader US Dollar indices become eligible into the Index two business days prior to rebalancing because of rating and/or amount changes, will be included in the index.

## 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 the specific Index Advisory 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.

All top-level indices are computed and disseminated Monday to Friday (except during common US trading holidays). They are based on US end of day prices. The indices are also calculated on the last calendar day of each month irrespective of holidays and weekends. If the indices are calculated on a day that is a non-business day, then the prices from the previous trading day will be carried forward and the index will be calculated using those prices and the current accrued interest and coupon payment data.

On the last trading day of a rebalancing month, the rebalancing takes place after close of market.

## 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 USD 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-KPIInform<sup>®</sup> has been created by SD-M<sup>®</sup> GmbH in collaboration with Sustainalytics™ (a Morningstar company).

- a. SD-M<sup>®</sup> GmbH will use T-4 data and deliver it no later than T-3.
  - b. SD-KPIIntegration<sup>®</sup> Scores range from 0 - 100.
  - c. Bonds that are not covered by SD-M<sup>®</sup> GmbH will be given an SD-KPIIntegration<sup>®</sup> Score of 50.
2. Bonds will then be classified into five intervals based on the below table

Interval	SD-KPIIntegration <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.

### Index and analytics weights

The iBoxx SD-KPI USD Corporates Index is market-value-weighted, with the bond’s amount outstanding as the weighting factor. The amount outstanding of a bond is only adjusted at the monthly rebalancing process at the end of each month. However, scheduled redemption payments for amortizing bonds and sinking funds are taken into account from the date they occur, as they have a significant influence on index return and analytical values. In addition, bonds that are fully redeemed intra-month are also taken into account immediately. Therefore, the indices are based on adjusted amount outstanding, derived from the amount issued and closely related to the amount outstanding of a bond. The concept is summarized below.

Definitions:

- *Amortizing bonds*: 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 value of the bond.
- *Sinking funds*: Bonds, for which 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 purchased on the open market and thus retired. Interest payments are made on the remaining outstanding bonds.
- *Fully redeemed bonds*: Bonds that are fully called or completely repurchased prior to or at the calculation date.

The amount issued of a bond does not change when coupons are paid and bonds are redeemed. However, additional tranches and unscheduled repurchases have to be taken into account to arrive at a suitable basis for index and analytics calculations. Therefore the adjusted amount outstanding is the common basis on which all calculations are based.

In addition, incoming bond prices are linked to the amount outstanding, rather than to the amount issued. This ensures a common basis (to the nominal value of 100), on which all bonds are priced and the indices are calculated.

### **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 **4.7.3 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.

### **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).

## 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 nonoccurrence) 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 ex-dividend 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.

## 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 USD Corporates Indices

The iBoxx SD-KPI USD Corporates Index, iBoxx SD-KPI USD Financials, and iBoxx SD-KPI USD Non-Financials are calculated at the end of each business day and rebalanced at the end of each month. The indices are calculated on the basis of end-of-day prices on each calculation day defined in the iBoxx USD index calculation calendar. In addition, the index is calculated with the previous trading day's closing price on the last calendar day of each month if that day is not a trading day as well as on common USD holidays. S&P DJI publishes an index calculation calendar, which is available on [www.spglobal.com/spdji](http://www.spglobal.com/spdji) under *iBoxx Calendars*.

## Data publication and access

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

*In addition to the indices detailed in this methodology, other indices covered by this document may be available. For a list of available indices, please refer [here](#).*

Table 3: Data publication frequency, file types and access

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

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

Index Name	Version	ISIN	SEDOL	BBG	RIC
iBoxx SD-KPI USD Corporates	CPI	GB00BL098435	BL09843	IBXXKPI5	.IBXXKPI5
iBoxx SD-KPI USD Corporates	TRI	GB00BL098542	BL09854	IBXXKPI6	.IBXXKPI6
iBoxx SD-KPI USD Financials	CPI	GB00BL09G490	BL09G49	IBXXKUFP	.IBXXKUFP
iBoxx SD-KPI USD Financials	TRI	GB00BL09G508	BL09G50	IBXXKUFT	.IBXXKUFT
iBoxx SD-KPI USD Non-Financials	CPI	GB00BL09G615	BL09G61	IBXXKUNP	.IBXXKUNP
iBoxx SD-KPI USD Non-Financials	TRI	GB00BL09G722	BL09G72	IBXXKUNT	.IBXXKUNT

## 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

<b>Explanation of how ESG factors are reflected in the key elements of the benchmark methodology</b> <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 USD 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. <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: <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. 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. 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. 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	

# Methodology Changes

<b>31-Mar-2026</b>	<b>Annual Index Review</b> <ul style="list-style-type: none"> <li>• Introduction of subordinated debt classification tiers for Financial Services</li> <li>• Removing AT1 and RT1 bonds with PONV triggers from eligible bond types</li> </ul>
<b>31-Mar-2022</b>	<b>Annual Index Review 2021</b> <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>
<b>31-Mar-2021</b>	<ul style="list-style-type: none"> <li>• Governance and Regulatory Compliance section added</li> </ul>
<b>October 2020</b>	<ul style="list-style-type: none"> <li>• Launch of the iBoxx SD-KPI USD Corporates Index</li> </ul>

# Further Information

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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.

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