

# **iBoxx Tadawul SAR Government Sukuk & Bond Index Methodology**

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# Introduction

The iBoxx Tadawul SAR Government Sukuk & Bond Index measures the performance of Saudi Arabian Riyal (SAR) denominated government bonds, including Sukuk issued by Saudi Arabia. The index rules aim to offer a broad coverage of the SAR Sukuk government bond universe, whilst upholding minimum standards of investability and liquidity. The index is an integral part of global iBoxx index families, which provides the marketplace with an accurate and objective reference index to assess the performance of Saudi Arabia's government Islamic bond markets and investments.

Constituent bonds must meet all the criteria defined below as of after the close of business three business days prior to the rebalancing date, provided that the relevant bond data can be verified, at S&P DJI's sole discretion, as of such date ("bond selection cut-off date"). The new index composition becomes effective on the first business day of the next month.

All iBoxx indices are priced based on multiple data inputs. The index uses multi-source prices as defined in the *iBoxx Pricing Methodology*, available at [www.spglobal.com/spdji](http://www.spglobal.com/spdji).

## Partnership

The index has been created in partnership between Saudi Stock Exchange Tadawul and S&P DJI.

# Bond Selection

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

- Bond type
- Issuer
- Amount outstanding
- Credit Rating

## Bond Type

The iBoxx Tadawul SAR Government Sukuk & Bond Index includes only SAR denominated fixed coupon bonds.

The following bond types are specifically excluded:

- 144A bonds
- Zero coupon bonds and zero-coupon step-up bonds
- Financial non-hybrid perpetual and fixed to floater bonds
- Fixed-to-floater, non-hybrid bonds from non-financial issuers
- Convertibles
- Inflation- and other index-linked bonds
- Bonds cum or ex-warrant
- Bonds whose complete coupons are paid at maturity, as they are similar to zero-coupon bonds with only one cash flow
- New bonds entering the index that have already been called prior to rebalancing
- Optionally and mandatory convertible bonds
- Defaulted bonds
- Retail bonds
- Private placements

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. Any bond classified as retail or private placement is added to the list of excluded private placements and retail bonds, available at [www.spglobal.com/spdji](http://www.spglobal.com/spdji).

In instances where a new bond type is not specifically excluded or included according to the published index rules, S&P DJI analyzes 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.

## Issuer Type

Only sovereign debt issued by the central government or the central bank are eligible for the index.

**Amount Outstanding**

Eligible bonds must be denominated in SAR, with an amount outstanding of at least SAR 100 million.

**Credit Rating**

Both rated and unrated bonds are eligible for the index.

# 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.

# Index Governance

## Index Committee

An 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](#).*

# 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**

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# Methodology Changes

DATE	CHANGE
Jun 2022	<ul style="list-style-type: none"><li>Monthly forward start date updated from 10th calendar day to 6th calendar day</li></ul>
Aug 2020	<ul style="list-style-type: none"><li>Introduction of Sunday calculation</li></ul>
Jun 2020	<ul style="list-style-type: none"><li>Launch of the iBoxx Tadawul SAR Government &amp; Sukuk Bond Index</li></ul>

# Disclaimer

## Performance Disclosure/Back-Tested Data

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

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

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

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

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