

INDEX GUIDELINE

Solactive Canadian Select Bond Index Family

Version 7.3

14 April 2021



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INTRODUCTION

This document (the "GUIDELINE") is to be used as a guideline with regard to the composition, calculation and maintenance of the Solactive Canadian Select Bond Index Family (the "INDEX"). Any amendments to the rules made to the GUIDELINE are approved by the OVERSIGHT COMMITTEE specified in Section 5.5. The INDEX is owned, calculated, administered and published by Solactive AG ("SOLACTIVE") assuming the role as administrator (the "INDEX ADMINISTRATOR") under the Regulation (EU) 2016/1011 (the "BENCHMARK REGULATION" or "BMR"). The name "Solactive" is trademarked.

The text uses defined terms which are formatted with "SMALL CAPS". Such Terms shall have the meaning assigned to them as specified in Section 6 (Definitions).

The GUIDELINE and the policies and methodology documents referenced herein contain the underlying principles and rules regarding the structure and operation of the INDEX. SOLACTIVE does not offer any explicit or tacit guarantee or assurance, neither pertaining to the results from the use of the INDEX nor the level of the INDEX at any certain point in time nor in any other respect. SOLACTIVE strives to the best of its ability to ensure the correctness of the calculation. There is no obligation for SOLACTIVE – irrespective of possible obligations to ISSUERS – to advise third parties, including investors and/or financial intermediaries, of any errors in the INDEX. The publication of the INDEX by SOLACTIVE does not constitute a recommendation for capital investment and does not contain any assurance or opinion of SOLACTIVE regarding a possible investment in a financial instrument based on this INDEX.



1. INDEX SPECIFICATIONS

1.1. SCOPE OF THE INDEX

- The Solactive Canadian Select Bond Index Family consists of three indices: the Solactive Canadian Select Corporate Bond Index, Solactive Canadian Select Universe Bond Index and the Solactive Canadian Select Short Term Bond Index.
- These indices are rules-based and designed to measure the performance of the Canadian bond market denominated in CAD.
- The Solactive Canadian Select Universe Bond Index is designed to measure the performance of the Canadian investment grade bond market (government and corporate bonds) by selecting a representative group of bonds from the available universe.
- The Solactive Canadian Select Short Term Bond Index measures only the short-term component of the universe while the Solactive Canadian Select Corporate Bond Index measures the corporate bond component.
- For each index, both a price return and total return are calculated.

1.2. IDENTIFIERS AND PUBLICATION

The INDEX is published under the following identifiers:

Name	ISIN	Currency	Type	RIC	BBG ticker
Solactive Canadian Select Universe Bond PR Index	DE000SLA4FB2	CAD	PR	.SOLHBBPR	SOLHBBPR
Solactive Canadian Select Universe Bond TR Index	DE000SLA3FB4	CAD	TR	.SOLHBB	SOLHBB
Solactive Canadian Select Corporate Bond PR Index	DE000SLA4FC0	CAD	PR	.SOLHCBPR	
Solactive Canadian Select Corporate Bond TR Index	DE000SLA3FC2	CAD	TR	.SOLHCB	SOLHCB
Solactive Canadian Select Short Term Bond PR Index	DE000SLA4FD8	CAD	PR	.SOLHSBPR	
Solactive Canadian Select Short Term Bond TR Index	DE000SLA3FD0	CAD	TR	.SOLHSB	SOLHSB

*TR means that the INDEX is calculated as Total Return index, PR means that the INDEX is calculated as Price Return index as described in the Bond Index Methodology, which is available on the SOLACTIVE website: <https://www.solactive.com/documents/bond-index-methodology/>

The INDEX is published on the website of the INDEX ADMINISTRATOR (www.solactive.com) and is, in addition, available via the price marketing services of Boerse Stuttgart GmbH and may be distributed to all of its affiliated vendors. Each vendor decides on an individual basis as to whether it will distribute or display the INDEX via its information systems.



Any publication in relation to the INDEX (e.g. notices, amendments to the GUIDELINE) will be available at the website of the INDEX ADMINISTRATOR: <https://www.solactive.com/news/announcements/>.

1.3. INITIAL LEVEL OF THE INDEX

The initial level of the Solactive Canadian Select Universe Bond Indices and the Solactive Canadian Select Corporate Bond Indices on February 24th, 2014 is 1000. Levels of the INDEX published for a period prior to February 24th, 2014 have been back-tested until January 3, 2012. Historical values will be recorded in accordance with Article 8 of the BMR.

The initial level of the Solactive Canadian Select Short Term Bond Indices on December 29, 2017 is 1000. Levels of the INDEX published for a period prior to December 29, 2017 have been back-tested until January 3, 2012. Historical values will be recorded in accordance with Article 8 of the BMR.

1.4. PRICES AND CALCULATION FREQUENCY

The INDEX is calculated and distributed once every BUSINESS DAY based on the LAST EVALUATED MID PRICE of the INDEX COMPONENTS.

1.5. LICENSING

Licenses to use the INDEX as the underlying value for financial instruments, investment funds and financial contracts may be issued to stock exchanges, banks, financial services providers and investment houses by Solactive.



2. INDEX SELECTION

On each SELECTION DAY, all bonds which meet the INDEX COMPONENT REQUIREMENTS are eligible for inclusion in the INDEX and will be added as INDEX COMPONENT on the REBALANCE DAY. Additionally, on each SELECTION DAY, it will be evaluated whether all current INDEX COMPONENTS still meet the INDEX COMPONENT REQUIREMENTS. Each INDEX COMPONENT that does not meet the INDEX COMPONENT REQUIREMENTS will be removed from the INDEX on the next REBALANCE DAY.

2.1. SELECTION OF THE INDEX COMPONENTS

The initial composition of each INDEX, as well as any selection for a rebalance (as specified in Section 3) is determined using the following rules:

- a) Denominated in CAD
- b) Country of issuance and country of issuing entity are Canada
- c) Amount Outstanding of at least 100m CAD for both corporate bonds and government bonds
- d) Effective time to maturity of not less than 12 months
- e) Only bonds that pay a fixed rate
- f) The securities must have a rating of at least BBB- or its equivalent from S&P, Moody's or DBRS.
- g) Floating rate notes, convertibles, mortgage backed securities, asset backed securities, inflation-linked securities, flat trading or defaulted securities are specifically excluded from the available universe.

The Solactive Canadian Select Bond Indices are calculated to reflect the relative changes in bond values. The composition and weighting of the indices are adjusted on the last business day of each month (the Rebalancing day). At the Selection day the composition of each index is reviewed as per Section 2.1.

For the avoidance of doubt, besides the Selection Pool criteria and reweighting mentioned above, the types of changes which are implemented on a monthly basis on the respective Rebalancing Day will include:

- Adjustments to amount outstanding due to re-opening, repurchases, stripping increases etc.
- Removal of Bonds that no longer meet the amount outstanding requirements due to partial or early redemptions.

A price from the PRICING PROVIDER must be available for each INDEX COMPONENT on each SELECTION DAY.

(the "INDEX COMPONENT REQUIREMENTS")]



2.1.1 Solactive Canadian Select Corporate Bond Index

All bonds that meet the criteria in the Solactive Canadian Corporate Selection Pool are selected as index components for the Corporate Universe. In the Corporate Universe, all bonds are weighted according to their respective Market Value in proportion to the aggregated Market Value of all Corporate Universe components.

As a first step the issuer weight for all issuers in the Corporate Universe will be calculated and only the issuers that make up 85% of the Corporate Universe weights are included in the index. Issuers that are already part of the index composition are included, even if they are no longer part of the issuers that make up 85% of the Corporate Universe weights. For greater certainty, only bonds that do not meet the Index Component Requirements will be removed. For each issuer included in the index, all bonds that meet the Index Component Requirements will be included in the index composition.

2.1.2 Solactive Canadian Select Universe Bond Index

All bonds that meet the criteria in the Solactive Canadian Aggregate Selection Pool are selected as index components for the Aggregate Universe. The Aggregate Universe is divided into the Corporate Universe (see 2.1.1) and the Government Universe.

In the Government Universe, all bonds are weighted according to their respective Market Value in proportion to the aggregated Market Value of all Government Universe components.

All government issuers that make up 99% of the Government Universe weights are considered. Government issuers that are already part of the index composition are included, even if they are no longer part of the government issuers that make up 99% of the Government Universe weights. For greater certainty, only bonds that do not meet the Index Component Requirements as specified in section 2 will be removed. For each government issuer included in the index, all bonds that meet the Index Component Requirements will be included in the Index.

Additionally, to the government bonds selected, the Solactive Canadian Select Universe Bond Index consists of all components of the Solactive Canadian Select Corporate Bond Index.

2.1.3 Solactive Canadian Select short-term Bond Index

The Solactive Canadian Select Short Term Bond Index consists of all index components of the Solactive Canadian Select Universe Bond Index which have an effective time to maturity of less than 5 years.

2.2. WEIGHTING OF THE INDEX COMPONENTS

The Index Components of each Index are weighted according to their respective Market Values in proportion to the aggregated Market Value of all Index Components in the Index.



3. REBALANCE

3.1. ORDINARY REBALANCE

In order to reflect the new selection of the INDEX COMPONENTS determined on the SELECTION DAY (in accordance with Section 2.1) the INDEX is adjusted on the REBALANCE DAY after CLOSE OF BUSINESS.

For more information on the rebalance procedure please refer to the Bond Index Methodology, which is incorporated by reference and available on the SOLACTIVE website: <https://www.solactive.com/documents/bond-index-methodology/>.

SOLACTIVE will publish any changes made to the INDEX COMPONENTS with sufficient notice before the REBALANCE DAY on the SOLACTIVE webpage under the section "[Announcement](https://www.solactive.com/news/announcements/)", which is available at <https://www.solactive.com/news/announcements/>

3.1.1 Removal of Constituents

Index Constituents that are downgraded and no longer have a rating of at least BBB- will be removed from the index on the Rebalance Day following the downgrade.

Index Constituents will only be removed from the Index if they no longer meet the Index Component Requirements as specified in Section 2. For greater certainty, Index Constituents will not be removed from the index if their respective Issuer is no longer part of the issuers that make up 85% of the Corporate Universe weights or 99% of the Government Universe, as applicable.

3.2. EXTRAORDINARY REBALANCE

[In addition to the ordinary rebalance, the INDEX is also rebalanced extraordinarily. These adjustments take place outside the rebalancing schedule and follow different rules than the ordinary rebalances. The extraordinary rebalance is triggered by the mechanism described below:

- a) For Full Tender, Early Redemption or Full Call, the bond proceeds will be reinvested into the index on the effective date. For the avoidance of doubt a tender must be mandatory, the pure offer to tender a bond will not lead to an adaption of the index.
- b) Flat Trading: A bond is flat trading if the bond issuer will not meet its coupon payment obligation which means that the buyer of a bond is not responsible for paying the interest that has accrued since the last payment. If a bond is defined to be "flat trading" between two Rebalancing Days the respective Accrued Interests and coupons will be set to 0. The bond will not be removed until the next adjustment date.
- c) Defaulted bonds: If the status of a bond changes to "In Default", the bond will remain as part of the index or portfolio at the last available evaluated price provided by the pricing source until the next regular index Rebalancing Day.
- d) Scheduled sinking fund and amortization payments are treated on their respective effective data.



e) Exchange offers:

- 1) optional exchange offers are not treated in the index;
- 2) mandatory exchanges offers: In the case that more than 90% of the amount outstanding is exchanged the exchange will be consider in the index calculation by exchanging the relevant bonds, so that the new bond will receive the weight of the old exchanged bond; and
- 3) mandatory exchanges offers: In the case that less than 90% of the amount outstanding is exchanged the exchange will not be consider in the index.

Note: Debt issuances of an existing bond will not be considered by an index until the next Rebalancing Day



4. CALCULATION OF THE INDEX

4.1. INDEX FORMULA

The INDEX is calculated as a Price Return and Total Return index.

The calculation is performed according to the Bond Index Methodology, which is available on the SOLACTIVE website: <https://www.solactive.com/documents/bond-index-methodology/>.

A price return index reflects price movements of the INDEX COMPONENTS disregarding accrued interest and coupon payments and only accounting for bond redemption proceeds resulting from corporate actions taking place between two RE BALANCE DAYS. Accordingly, a price return index aims to reflect the price performance of the overall market, or of its particular segment.

A gross total return index seeks to replicate the overall return from holding an index portfolio, thus considering both coupon payments and Corporate Action proceeds in addition to the price changes adjusted for any accrued interest.

The direct reinvestment formula implies a daily reinvestment in the INDEX of proceeds resulting from corporate actions and coupon payments in respect of the INDEX COMPONENTS on the effective date of such events. The reinvestment will be undertaken proportionately to the weights of the INDEX COMPONENTS. The direct reinvestment index formula stipulates further that the level of the INDEX changes based on the change of the prices of its INDEX COMPONENTS taking into account their weight in the INDEX.

A more detailed description of the mechanics of the Direct Reinvestment formula can be found in the Bond index Methodology under Section 1.2.1, which is available on the SOLACTIVE website: <https://www.solactive.com/documents/bond-index-methodology/>.

4.2. ACCURACY

The level of the INDEX will be rounded to four decimal places.

4.3. ADJUSTMENTS

Under certain circumstances, an adjustment of the INDEX may be necessary between two regular REBALANCE DAYS. Basically, such adjustment is need to be made if a corporate action (as specified in Section 4.4 below) in relation to an INDEX COMPONENT occurs. Such adjustment may need to be done in relation to an INDEX COMPONENT and/or may also affect the number of INDEX COMPONENTS and/or the weighting of certain INDEX COMPONENTS and will be made in compliance with the Bond Index Methodology, which is available which is available on the SOLACTIVE website: <https://www.solactive.com/documents/bond-index-methodology/>.

4.4. CORPORATE ACTIONS

As part of the INDEX maintenance SOLACTIVE will consider various events – also referred to as corporate actions – which result in an adjustment to the INDEX between two regular REBALANCE DAYS. Such events have a material impact on the price, weighting or overall integrity of INDEX COMPONENTS. Therefore, they need to



be accounted for in the calculation of the INDEX. Corporate actions will be implemented from the cum-day to the ex-day of the corporate action, so that the adjustment to the INDEX coincides with the occurrence of the price effect of the respective corporate action.

Adjustments to the INDEX to account for corporate actions will be made in compliance with the Bond Index Methodology, which is available which is available on the SOLACTIVE website: <https://www.solactive.com/documents/bond-index-methodology/>. This document contains for each corporate action a brief definition and specifies the relevant adjustment to the INDEX variables.

While SOLACTIVE aims at creating and maintaining its methodology for treatment of corporate actions as generic and transparent as possible and in line with regulatory requirements, it retains the right in accordance with the Bond Index Methodology to deviate from these standard procedures in case of any unusual or complex corporate action or if such a deviation is made to preserve the comparability and representativeness of the INDEX over time.

Solactive considers following, but not conclusive, list of corporate actions as relevant for INDEX maintenance:

- > Early Redemption (an event that leads to a redemption of a bond before the regular maturity date)
- > Flat Trading (e.g. a bond ISSUER fails to meet its coupon payment obligation)
- > Bond Default (e.g. when the ISSUER fails to meet its coupon payment obligation or repay the principal at maturity)
- > Tender Offers (a holder of a bond is invited to tender the bond for a specific price at a specific time before the regular maturity date)
- > Exchange Offers (type of a tender offer where the ISSUER offers its bondholders to exchange their existing bonds for an asset other than cash)
- > Distressed Debt Exchange (form of debt exchange when bondholders agree to reduce the principal amount of debt securities in order to obtain higher payment priority in the form of secured debt)
- > Bond Funge (bond issue that is attached to an existing one (parent bond). On a defined date the parent bond absorbs the funged bond)
- > Payment-in-Kind Bonds (a situation where a bond pay interest in additional bonds rather than in cash)
- > Conversion of [CoCo] Bonds
- > Debt Issuance
- > Bond Maturity



4.5. RECALCULATION

SOLACTIVE makes the greatest possible efforts to accurately calculate and maintain its indices. However, errors in the determination process may occur from time to time for variety reasons (internal or external) and therefore, cannot be completely ruled out. SOLACTIVE endeavors to correct all errors that have been identified within a reasonable period of time. The understanding of "a reasonable period of time" as well as the general measures to be taken are generally depending on the underlying and is specified in the Solactive Correction Policy, which is incorporated by reference and available on the SOLACTIVE website: <https://www.solactive.com/documents/correction-policy/>.

4.6. MARKET DISRUPTION

Market stress can arise due to a variety of reasons, but generally results in inaccurate or delayed prices for one or more INDEX COMPONENTS. The determination of the INDEX may be limited or impaired at times of illiquid or fragmented markets and market stress.



5. MISCELLANEOUS

5.1. DISCRETION

Any discretion which may need to be exercised in relation to the determination of the INDEX (for example the determination of the INDEX COMPONENTS or any other relevant decisions in relation to the INDEX) shall be made in accordance with strict rules regarding the exercise of discretion or expert judgement established by the INDEX ADMINISTRATOR.

5.2. METHODOLOGY REVIEW

The methodology of the INDEX is subject to regular review, at least annually. In case a need of a change of the methodology has been identified within such review (e.g. if the underlying market or economic reality has changed since the launch of the INDEX, i.e. if the present methodology is based on obsolete assumptions and factors and no longer reflects the reality as accurately, reliably and appropriately as before), such change will be made in accordance with the Methodology Policy, which is incorporated by reference available on the SOLACTIVE website: <https://www.solactive.com/documents/methodology-policy/>.

Such change in the methodology will be announced on the SOLACTIVE webpage under the Section "Announcement", which is available at <https://www.solactive.com/news/announcements/>. The date of the last amendment of this INDEX is contained in this GUIDELINE.

5.3. CHANGES IN CALCULATION METHOD

The application by the INDEX ADMINISTRATOR of the method described in this document is final and binding. The INDEX ADMINISTRATOR shall apply the method described above for the composition and calculation of the INDEX. However, it cannot be excluded that the market environment, supervisory, legal, financial or tax reasons may require changes to be made to this method. The INDEX ADMINISTRATOR may also make changes to the terms and conditions of the INDEX and the method applied to calculate the INDEX that it deems to be necessary and desirable in order to prevent obvious or demonstrable error or to remedy, correct or supplement incorrect terms and conditions. The INDEX ADMINISTRATOR is not obliged to provide information on any such modifications or changes. Despite the modifications and changes, the INDEX ADMINISTRATOR will take the appropriate steps to ensure a calculation method is applied that is consistent with the method described above.

5.4. TERMINATION

SOLACTIVE makes the greatest possible efforts to ensure the resilience and continued integrity of its indices over time. Where necessary, SOLACTIVE follows a clearly defined and transparent procedure to adapt index methodologies to changing underlying markets (see Section 5.2 "Methodology Review") in order to maintain continued reliability and comparability of the indices. Nevertheless, if no other options are available the orderly cessation of the INDEX may be indicated. This is usually the case when the underlying market or economic reality, which the INDEX is set to measure or to reflect, changes substantially and in a way not foreseeable at the time of inception of the INDEX, the INDEX rules, and particularly the selection criteria, can



no longer be applied coherently or the INDEX is no longer used as the underlying value for financial instruments, investment funds and financial contracts.

SOLACTIVE has established and maintains clear guidelines on how to identify situations in which the cessation of the INDEX is unavoidable, how stakeholders are to be informed and consulted and the procedures to be followed for a termination or the transition to an alternative index. Details are specified in the Solactive Termination Policy, which is incorporated by reference and available on the SOLACTIVE website: <https://www.solactive.com/documents/termination-policy/>.

5.5. OVERSIGHT

An oversight committee composed of staff from SOLACTIVE and its subsidiaries (the "OVERSIGHT COMMITTEE") is responsible for decisions regarding any amendments to the rules of the INDEX. Any such amendment, which may result in an amendment of the GUIDELINE, must be submitted to the OVERSIGHT COMMITTEE for prior approval and will be made in compliance with the Methodology Policy, which is available on the SOLACTIVE website: <https://www.solactive.com/documents/methodology-policy/>.



6. DEFINITIONS

"BENCHMARK REGULATION" shall have the meaning as defined in Section "Introduction".

"BMR" shall have the meaning as defined in Section "Introduction".

A "BUSINESS DAY" in relation to the index is any day other than a Saturday or Sunday or a day on which the Investment Industry Association of Canada recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in domestic bond and money markets.

"CLOSE OF BUSINESS" is a time stamp when an INDEX is calculated.

"CORPORATE UNIVERSE" includes all bonds that fulfil the Selection Pool criteria of the Solactive Canadian Select Corporate Bond Index

A "CREDIT EVENT" is the suspension of debt service, insolvency or failure to pay.

"EFFECTIVE TIME TO MATURITY" means the time in years until maturity or for callable or puttable bonds the time in years until the next call or put date

In particular an "EXTRAORDINARY EVENT" is:

- an early redemption of the bond;
- an exchange of a bond into another one; or
- a credit event

"FIXING TIME" is the time when the prices for the INDEX COMPONENTS are fixed for index calculation. This is specified in the Bond Index Methodology, which is available on the SOLACTIVE website: <https://www.solactive.com/documents/bond-index-methodology/>.

"GOVERNMENT UNIVERSE" includes all government bonds that fulfil the Selection Pool criteria of the Solactive Canadian Select Universe Bond Index

"GUIDELINE" shall have the meaning as defined in Section "Introduction".

"INDEX" shall have the meaning as defined in Section "Introduction".

"INDEX ADMINISTRATOR" shall have the meaning as defined in Section "Introduction".

"INDEX CALCULATOR" is SOLACTIVE or any other appropriately appointed successor in this function.

"INDEX COMPONENT" is each bond reflected in the INDEX.

"INDEX COMPONENT REQUIREMENTS" shall have the meaning as defined in Section 2.1.

"INDEX CURRENCY" is the currency specified in the column "Currency" in the table in Section 1.2.

"ISSUER" is the issuing entity of the respective bond.

"LAST EVALUATED ASK PRICE" the last available evaluated ask price by the designated PRICING PROVIDER.

"LAST EVALUATED BID PRICE" the last available evaluated bid price by the designated PRICING PROVIDER.



"LAST EVALUATED MID PRICE" is the average between LAST EVALUATED ASK PRICE and LAST EVALUATED BID PRICE.

"LIVE DATE" is 24th February 2014 (for Solactive Canadian Select Universe Bond Indices and the Solactive Canadian Select Corporate Bond Indices), 2nd January 2018 (for Solactive Canadian Select Short Term Bond Indices).

"MARKET VALUE" of a bond is defined as the sum of the Last Evaluated Price and Accrued Interest multiplied by the Amount Outstanding.

"OVERSIGHT COMMITTEE" shall have the meaning as defined in Section 5.5.

"PRICING PROVIDER" is, in respect of an Index Component, specified in the List of Bond Pricing Provider which is incorporated by reference and available on the SOLACTIVE website (<https://www.solactive.com/documents/bond-pricing-provider/>).

"REBALANCING DAY" is the last Business Day of the month.

"SELECTION DAY" is 7 BUSINESS DAYS before the scheduled REBALANCE DAY.

"SOLACTIVE" shall have the meaning as defined in Section "Introduction".

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