

EXPLANATION OF HOW KEY ELEMENTS OF THE BENCHMARK METHODOLOGY REFLECT ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG) FACTORS

Solactive GBP IG Corporate SD-KPIIndex



This document provides an explanation of how the key elements of the benchmark methodology reflect ESG factors. It is compiled in accordance with the requirements of point (d) of Article 13 (1) of Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 (the "Benchmarks Regulation") and of the Commission Delegated Regulation (EU) 2020/1817.

General Information

Name of the benchmark administrator	Solactive AG
Type of benchmark or family of benchmarks	Fixed Income – Corporate
Name of the benchmark or family of benchmarks	Solactive GBP IG Corporate SD-KPIIndex
Does the benchmark methodology for the benchmark or family of benchmarks take into account ESG factors?	Yes

ESG Factors Applied in the Benchmark Methodology

List of environmental factors considered	<p>> The ESG score of an issuer is considered in the weighting of the final index components. The final index components are first ranked by their overall ESG score and then assigned to quintiles with the best bonds in terms of ESG score being placed in the first quintile. The market capitalization weights of the single bonds are then adjusted based on which quintile they are placed in. All bonds in the first quintile receive a cap factor of 1.5, that is their market capitalization weight is multiplied by 1.5. Bonds in the second quintile receive a cap factor of 1.25, bonds in the third quintile receive a cap factor of 1, bonds in the fourth quintile receive a cap factor of 0.75 and bonds in the fifth quintile receive a cap factor 0.5</p>
List of social factors considered	<p>> The ESG score of an issuer is considered in the weighting of the final index components. The final index components are first ranked by their overall ESG score and then assigned to quintiles with the best bonds in terms of ESG score being placed in the first quintile. The market capitalization weights of the single bonds are then adjusted based in on which quintile they are placed in. All bonds in the 1st quintile receive a cap factor of 1.5, that is their market capitalization weight is multiplied by 1.5. Bonds in the 2nd quintile receive a cap factor of 1.25, bonds in the 3rd quintile receive a cap factor of 1, bonds in the 4th quintile receive a cap factor of 0.75 and bonds in the 5th quintile receive a cap factor 0.5</p>
List of governance factors considered	<p>> The ESG score of an issuer is considered in the weighting of the final index components. The final index components are first ranked by their overall ESG score and then assigned to quintiles with the best bonds in terms of ESG score being placed in the first quintile. The market capitalization weights of the single bonds are then adjusted based in on which quintile they are placed in. All bonds in the 1st quintile receive a cap factor of 1.5, that is their market capitalization weight is multiplied by 1.5. Bonds in the 2nd quintile receive a cap factor of 1.25, bonds in the 3rd quintile receive a cap factor of 1, bonds in the 4th quintile receive a cap factor of 0.75 and bonds in the 5th quintile receive a cap factor 0.5</p>



Data and Standards used

Data Input	The data used to construct the index is sourced externally from SD-M GmbH
Verification and quality of data	The provider of ESG-related data input is selected by the Administrator based on an assessment of its existing processes in order to ensure the reliability and representativeness of the ESG-related data. The data provider has established processes in accordance with accepted and established market standards that ensure the permanent quality and reliability of the ESG-data provided.
Reference standards	International standards referenced by the index methodology are listed in the respective section above.
Information updated on	24/09/2021
Reason for update:	Initial document creation

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