

**S&P China Sovereign Bond 1-10
Year Spread Adjusted Index**
Methodology

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Introduction

Index Objective and Highlights

The S&P China Sovereign Bond 1-10 Year Spread Adjusted Index is designed to track the performance of Chinese sovereign bonds denominated in Chinese yuan (CNY) in the 1-to-10 year maturity range. The index accounts for the spread difference between bid/mid and mid/ask prices in order to reflect achievable prices in the market.

Supporting Documents

This methodology is meant to be read in conjunction with supporting documents providing greater detail with respect to the policies, procedures and calculations described herein. References throughout the methodology direct the reader to the relevant supporting document for further information on a specific topic. The list of the main supplemental documents for this methodology and the hyperlinks to those documents is as follows:

Supporting Document	URL
S&P Dow Jones Indices' Fixed Income Policies & Practices Methodology	Fixed Income Policies & Practices
S&P Dow Jones Indices' Fixed Income Index Mathematics Methodology	Index Mathematics Methodology

This index methodology was created by S&P Dow Jones Indices to achieve the aforementioned objective of measuring the underlying interest of the index governed by this methodology document. Any changes to or deviations from this methodology are made in the sole judgment and discretion of S&P Dow Jones Indices so that the index continues to achieve its objective.

Eligibility Criteria

Eligibility Factors

Country. Securities must be issued in China

Listing. Must be listed on all three Chinese bond markets (Shanghai Stock Exchange, Shenzhen Stock Exchange, and China Interbank Bond Market).

Currency. Securities must be denominated in Chinese yuan (CNY).

Maturity. Each bond must have a maturity greater than or equal to one year but less than or equal to 10 years from the rebalancing effective date. No bond matures in the index.

Issuer. Securities must be sovereign bonds issued by the Chinese government.

Ratings. No ratings criteria are applied.

Coupon Type. Securities must be fixed-rate non-zero coupon bonds.

Exclusions. Only bullet bonds are included. The following bond types are specifically excluded from the index:

- STRIPS¹
- Inflation-linked securities
- Floating-rate notes
- Callable bonds
- Puttable bonds
- Sinkable bonds

Size. Each security must have a minimum par amount outstanding of CNY 10 billion, as of the rebalancing reference date.

Settlement. Bonds issued prior to the rebalancing reference date (regardless of the settlement date). The index settlement convention is T+0. For month-ends that fall on a weekend, the interest accrued during the month is reflected within the calendar month, regardless of settlement convention. For rates that are not available at month-end (e.g., a rate with an unknown reset), the accrual is based on the current rate and adjusted the first business day of the next month.

Pricing. Mid pricing provided by LSEG. Bonds not priced by the designated pricing source are ineligible for index inclusion.

¹ Separate Trading of Registered Interest and Principal of Securities (STRIPS)

Index Construction

Index Calculations

Weighting. The index is constructed using a market value weighting scheme.

Calculation. The total return calculates by aggregating the interest return, which reflects the return due to paid and accrued interest, and price return, which reflects the gains or losses due to changes in the end-of-day price and principal repayments. The index value on the last business day of each month adjusts by a rebalancing cost factor in order to reflect the costs faced by funds tracking the index.

For further details regarding the rebalancing cost factor, please refer to *Appendix A*.

For other information regarding Index Calculations, please refer to S&P Dow Jones Indices' Fixed Income Mathematics Methodology.

Index Maintenance

Rebalancing

The index is reviewed and rebalanced in accordance with its stated schedule. The Index Committee reserves the right to make adjustments to the index at any time that it believes appropriate.

Additions, deletions and other changes to the index arising from the rebalancing are made provided the security's reference information and pricing are available by designated pricing and data providers on the rebalancing reference date. Changes to the index are published on the announcement date and are effective on the rebalancing date. Information related to the rebalancing is obtained and disseminated after the close of business.

Rebalancing Schedule	
Rebalance time period	Monthly
Rebalancing Date	Last business day of the rebalancing period (<i>T</i>)
Announcement Date	<i>T – three business days (T-3)</i>
Reference Date	<i>T – four business days (T-4)</i>

All days reflect after the close and count business days

Currency of Calculation and Additional Index Return Series

The index calculates in Chinese yuan, U.S. dollars, British pounds, Canadian dollars, euros, Hong Kong dollars, Japanese yen, Singapore dollars and Swiss francs.

Spot foreign exchange rates, as supplied by LSEG at 4:15 PM Sydney Time, are used in the end-of-day calculation of the foreign currency versions of the index, except as noted below.

The U.S. dollar and Hong Kong dollar index versions calculate using the USD/CNH and USD/HKD Treasury Market Association ("TMA") spot rates, respectively. LSEG calculates and publishes spot rates daily at 11:30 AM Hong Kong Time.

Additional currency and currency hedged versions of the indices, as well as maturity, sector, and rating-based sub-indices, may be available. For a list of available sub-indices and tickers, please refer to S&P Dow Jones Indices' Fixed Income Index Directory available at www.spglobal.com/spdji.

For more information on currency and currency hedged indices, please refer to S&P Dow Jones Indices' Fixed Income Index Mathematics Methodology.

For the inputs necessary to calculate certain types of indices, including decrement, dynamic hedged, fair value, and risk control indices, please refer to the Parameters documents available at www.spglobal.com/spdji.

Base Date and History Availability

Index history availability, base date, and base value are shown in the table below.

Index	Launch Date	First Value Date	Base Date	Base Value
S&P China Sovereign Bond 1-10 Year Spread Adjusted Index	06/05/2015	12/31/2009	12/31/2009	100

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 information on Quality Assurance and Internal Reviews of Methodology, please refer to S&P Dow Jones Indices' Fixed Income Policies & Practices Methodology.

Index Policy

Announcements

Announcements of any relevant information pertaining to the index are made after market close. Index announcements are distributed to index subscribers by email.

Holiday Schedule

The index calculates daily throughout the calendar year, except January 1st (New Year's Day).

Rebalancing

The Index Committee may change the date of a given rebalancing for reasons including market holidays occurring on or around the scheduled rebalancing date. Any such change is announced with proper advance notice where possible.

End-of-Day Calculation

Index levels calculate at the end of each business day via S&P Dow Jones Indices' Web site. This may be subject to change.

Index Releases

Releases are issued by S&P Dow Jones Indices at the end of the business day.

Recalculation Policy

For information on the recalculation policy please refer to S&P Dow Jones Indices' Fixed Income Policies & Practices Methodology.

For information on Calculations and Pricing Disruptions, Expert Judgment and Data Hierarchy, please refer to S&P Dow Jones Indices' Fixed Income Policies & Practices Methodology.

Contact Information

For questions regarding an index, please contact: index_services@spglobal.com.

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Index Dissemination

Index levels are available through S&P Dow Jones Indices' Web site at www.spglobal.com/spdji, major quote vendors (see codes below), numerous investment-oriented Web sites, and various print and electronic media.

Tickers

The table below lists headline indices covered by this document. All versions of the below indices that may exist are also covered by this document. Please refer to [S&P DJI Methodology & Regulatory Status Database](#) for a complete list of indices covered by this document.

Index (Total Return Index)	Ticker
S&P China Sovereign Bond 1-10 Year Spread Adjusted Index	SPBCNS2T
S&P China Sovereign Bond 1-10 Year Spread Adjusted Index (USD)	SPBCNS2U
S&P China Sovereign Bond 1-10 Year Spread Adjusted Index (GBP)	SPBCNS2G
S&P China Sovereign Bond 1-10 Year Spread Adjusted Index (CAD)	SPBCNS2A
S&P China Sovereign Bond 1-10 Year Spread Adjusted Index (EUR)	SPBCNS2E
S&P China Sovereign Bond 1-10 Year Spread Adjusted Index (HKD)	SPBCNS2K
S&P China Sovereign Bond 1-10 Year Spread Adjusted Index (JPY)	SPBCNS2J
S&P China Sovereign Bond 1-10 Year Spread Adjusted Index (SGD)	SPBCNS2S
S&P China Sovereign Bond 1-10 Year Spread Adjusted Index (CHF)	SPBCNS2H

Index Data

Daily index levels and index data are available via subscription.

For product information, please contact S&P Dow Jones Indices, www.spglobal.com/spdji/en/contact-us.

Web site

For further information, please refer to S&P Dow Jones Indices' Web site at www.spglobal.com/spdji.

Appendix A

Calculation of Rebalancing Cost Factor

The index rebalances after the close on the last business day of each month. To reflect the costs faced by funds tracking the index, the index value on the last business day of each month adjusts by a Rebalancing Cost Factor as follows:

$$RB_TRIV_t = TRIV_t * (1 - RB_CF_t)$$

where:

$TRIV_t$ = Total Return Index Value on day t before adjusting.

RB_TRIV_t = Rebalancing Total Return Index Value on day t .

RB_CF_t = Rebalancing Cost Factor, as determined by the following formula:

$$RB_CF_t = \sum_i \frac{Sp_{i,t}}{DP_{i,t}} * Abs(W_i^{After} - W_i^{Before})$$

where:

$DP_{i,t}$ = Dirty price of bond i on day t using the mid-price.

W_i = Weight of bond i in the index.

After = After rebalancing, namely the new portfolio.

Before = Before rebalancing, namely the current portfolio.

t = The rebalancing date (i.e., last business day of the month).

$Sp_{i,t}$ = Price spread of bond i on day t , as determined by the following formulae:

$$Sp_{i,t} = CP_{i,t}^{Ask} - CP_{i,t}^{Mid} \quad \text{where } W_i^{After} > W_i^{Before}$$

$$Sp_{i,t} = CP_{i,t}^{Mid} - CP_{i,t}^{Bid} \quad \text{where } W_i^{After} < W_i^{Before}$$

where:

$CP_{i,t}$ = Clean price of bond i on day t .

Appendix B

Methodology Changes

Methodology changes since January 1, 2015, are as follows:

Change	Effective Date (After Close)	Methodology	
		Previous	Updated
Proforma/ Announcement date	01/26/2021	The announcement date is T-2.	The announcement date is T-3.
Exclusion of Government Holdings from Par Amount Outstanding for Index Eligibility Purposes	12/31/2019	Government holdings are included in determining par amount outstanding for sovereign bonds.	Government holdings are excluded in determining par amount outstanding for sovereign bonds.
Exchange Rates	09/18/15	The U.S. dollar and Hong Kong dollar versions of the index used spot foreign exchange rates, as supplied by Reuters, for end-of-day index calculation.	The U.S. dollar and Hong Kong dollar versions of the index are calculated using the USD/CNH and USD/HKD Treasury Market Association (“TMA”) spot rates, respectively. ²

² The U.S. dollar and Hong Kong dollar versions of the index were recalculated from July 1, 2015, to October 1, 2015, to reflect the foreign exchange rate change.

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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S&P DJI ESG indices use ESG metrics and scores in the selection and/or weighting of index constituents. ESG scores or ratings seek to measure or evaluate a company's, or an asset's, performance with respect to environmental, social and corporate governance issues.

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