

INDEX GUIDELINE

*Solactive Australian and Global Select
Sustainability Leaders Bond TR Index – AUD
Hedged*

Version 1.0

20 November 2019



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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 Australian and Global Select Sustainability Leaders Bond TR Index – AUD Hedged (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 index tracks the performance of the Underlying Index and hedges the currency exposure to Australian Dollar (AUD) on a monthly basis via FX forward contracts.

1.2. IDENTIFIERS AND PUBLICATION

The INDEX is published under the following identifiers:

Name	ISIN	Currency	Type	RIC	BBG ticker
Solactive Australian and Global Select Sustainability Leaders Bond TR Index – AUD Hedged	DE000SLA9SR0	AUD	CH	.SOLESGAH	SOLESGAH Index

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 INDEX on the 19/11/2019, the LIVE DATE, is 1000. Historical values from the LIVE DATE will be recorded in accordance with Article 8 of the BMR. Levels of the INDEX published for a period prior to the LIVE DATE have been back-tested.

1.4. PRICES AND CALCULATION FREQUENCY

The level of the INDEX is calculated on each CALCULATION DAY FROM 9:00 A.M. TO 10:55 P.M. CET based on the current values of the UNDERLYING INDEX and the current Reuters spot and forward foreign exchange rate.

In addition to the intraday calculation a closing level of the INDEX for each CALCULATION DAY is also calculated. This closing level is based on the CLOSING PRICE for the UNDERLYING index and 4pm London time WM Spot and Forward Fixings quoted by Reuters. If there is no 4pm London time WM Fixing for the relevant



CALCULATION DAY, the last available 4pm London time WM Fixing will be used for the closing level calculation.

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 each INDEX COMPONENT defined and respective weight is assigned.



3. REBALANCE

In order to reflect the new selection of the INDEX COMPONENTS determined on the SELECTION DAY (in accordance with Section 2) the INDEX is adjusted on the REBALANCE DAY after CLOSE OF BUSINESS.



4. CALCULATION OF THE INDEX

4.1. INDEX FORMULA

The Index Value on a Trading Day at the relevant time is calculated in accordance with the following formula:

$$HI_t = HI_{RT} \cdot \left(1 + \left(\frac{UI_t}{UI_{RT}} - 1 \right) + HIM_t \right)$$

with:

HI_t Hedged Index on Trading Day t

HI_{RT} Hedged Index on the Adjustment Day RT immediately preceding Trading Day t

UI_t Underlying Index on Trading Day t

UI_{RT} Underlying Index on the Adjustment Day RT immediately preceding Trading Day t

HIM_t Hedge Impact on Trading Day t, calculated according to the following formula:

$$HIM_t = AF_{RT} \cdot \sum_{i=1}^n W_{i,ST} \cdot S_{i,ST}^m \cdot \left(\frac{1}{F_{i,RT}^m} - \frac{1}{IF_{i,t}^m} \right)$$

with:

AF_{RT} Adjustment Factor on Trading Day t, calculated according to the following formula:

$$AF_{RT} = \frac{HI_{RT-1}}{HI_{RT}}$$

with:

n number of different currencies in the unhedged Index (without considering the currency in which the index is calculated)

$W_{i,ST}$ weight of currency i on selection date ST immediately preceding Trading Day t

$S_{i,ST}^m$ Mid Spot of currency i on day selection day ST immediately preceding Trading Day t



$F_{i,RT}^m$ Mid Forward of currency i on rebalancing date RT
 $IF_{i,t}^m$ interpolated Forward on day t which is calculated as follows:

$$IF_{i,t}^m = S_t^m + (F_{i,t}^m - S_{i,t}^m) \cdot \frac{D-d}{D}$$

with:

$S_{i,t}^m$ currency i mid spot rate on Trading Day t
 $F_{i,t}^m$ currency i 1 month forward mid rate on Trading Day t
 D number of calendar days between the last and the next Adjustment Day
 d number of calendar days between the last Adjustment Day and Trading Day t

4.2. ACCURACY

The level of the INDEX will be rounded to 2 decimal places.

4.3. 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/>.

4.4. MARKET DISRUPTION

In periods of market stress SOLACTIVE calculates its indices following predefined and exhaustive arrangements as described in the Solactive Disruption Policy, which is incorporated by reference and available on the SOLACTIVE website: <https://www.solactive.com/documents/disruption-policy/>. Such 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 UNIVERSE (if applicable), the selection of the INDEX COMPONENTS (if applicable) 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.

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 Solactive Methodology Policy, which is incorporated by reference and available on the SOLACTIVE website: <https://www.solactive.com/documents/methodology-policy/>.

Such change in the methodology will be announced on the SOLACTIVE website under the Section "[Announcement](https://www.solactive.com/news/announcements/)", 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 and 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 an 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 an 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

"ADJUSTMENT DAY" is the REBALANCE DAY

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

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

"BUSINESS DAY" means any day other than a Saturday or Sunday and other than holidays of the Australian Securities Exchange (ASX). The holidays of the ASX are New Year's Day, Australia Day, Good Friday, Easter Monday, Anzac Day, Queen's Birthday, Christmas Day and Boxing Day

"CALCULATION DAY" is a Business day

"CLOSE OF BUSINESS" is the calculation time of the closing level of the INDEX as outlined in Section 1.4.

"CLOSING PRICE" is the time when the prices for the UNDERLYING 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/>.

"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 COMPONENT" is each currency reflected in the UNDERLYING INDEX.

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

"LIVE DATE" shall have the meaning as defined in Section 1.3.

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

"REBALANCE DAY" is the last BUSINESS DAY of each Month

"SELECTION DAY" is the day when the currency weights for the hedge are determined

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

"START DATE" shall have the meaning as defined in Section 1.3.

"TRADING DAY" is with respect to an INDEX COMPONENT included in the INDEX at the REBALANCE DAY and every INDEX COMPONENT included in the INDEX at the CALCULATION DAY immediately following the REBALANCE DAY (for clarification: this provision is intended to capture the TRADING DAYS for the securities to be included in the INDEX as new INDEX COMPONENTS with close of trading on the REBALANCE DAY) a day on which the relevant EXCHANGE is open for trading (or a day that would have been such a day if a market disruption had not occurred), excluding days on which trading may be ceased prior to the scheduled EXCHANGE closing time and days on which the EXCHANGE is open for a scheduled shortened period. The INDEX ADMINISTRATOR is ultimately responsible as to whether a certain day is a TRADING DAY.



The "TRADING PRICE" in respect of an INDEX COMPONENT and a TRADING DAY is the most recent published price at which the INDEX COMPONENT was traded on the respective EXCHANGE.

The "UNDERLYING INDEX" is the Solactive Australian and Global Select Sustainability Leaders Bond TR Index.

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1. INDEX SPECIFICATIONS

1.1. SCOPE OF THE INDEX

The Solactive Australian and Global Select Sustainability Leaders Bond TR Index (SOLESGAU) aims to track the performance of a portfolio of ESG-screened global and Australian bonds, with a significant allocation to green bonds. 50% of the index weight on each REBALANCE DAY will be allocated to AUD denominated bonds and 50% to EUR/USD denominated bonds. The index is rebalanced monthly and selected 5 days prior to REBALANCE DAY.

Given the multi-currency nature of the index's underlying instruments, an AUD hedged version of the SOLESGAU index is also available: Solactive Australian and Global Select Sustainability Leaders Bond TR Index – AUD Hedged (SOLESGAH).

1.2. IDENTIFIERS AND PUBLICATION

The INDEX is published under the following identifiers:

Name	ISIN	Currency	Type	RIC	BBG ticker
Solactive Australian and Global Select Sustainability Leaders Bond TR Index	DE000SLA9SQ2	AUD	TR	.SOLESGAU	SOLESGAU Index

*TR means that the INDEX is calculated as a Total 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 INDEX on the START DATE is 1000. Historical values from the LIVE DATE will be recorded in accordance with Article 8 of the BMR. The index levels prior to the START DATE have been back-tested, while using the most recent ESG screening information.



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. Bonds added in a rebalancing (see Section 3) are included the INDEX at the LAST EVALUATED MID PRICE on the relevant REBALANCE DAY (as specified in Section 3.3). Bonds which are excluded from the INDEX in a rebalance are reflected in the calculation of the level of the INDEX for the REBALANCE DAY at the LAST EVALUATED MID PRICE on the relevant REBALANCE DAY. INDEX analytical values are calculated each BUSINESS DAY using the LAST EVALUATED MID PRICE based on FIXING TIME. Prices of INDEX COMPONENTS not listed in the INDEX CURRENCY are converted using the 4 p.m. GMT WM Fixing quoted by Reuters.

Should there be no current 4 p.m. GMT WM Fixing available on Reuters the most recent WM Fixing on Reuters for the preceding BUSINESS DAY is used in the calculation.

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 AG.

1.6. CONFLICTS OF INTEREST

There are no conflicts of interest identified for this index.



2. INDEX SELECTION

On each SELECTION DAY 1, 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, provided that their issuers satisfy the selection criteria on SELECTION DAY 2. Additionally, on each SELECTION DAY 1, 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:

General Rules:

- > Only fixed coupon bonds are eligible. FLOATING RATE NOTES, INFLATION LINKED BONDS, CONVERTIBLE BONDS, US MUNICIPAL BONDS, ABS/MBS and other structured securities are excluded from the index
- > Time to maturity on REBALANCE DAY must be of at least 1 year. PERPETUAL BONDS are excluded.
- > Only senior debt is included, no subordination permitted
- > Bonds must be rated investment grade. The minimum bond rating from Standard & Poor's and Moody's should be at least BBB- or Baa3. If only one rating is available, and it is at least BBB- or Baa3, the bond will be eligible for inclusion. The issuer rating will be used if the bond rating is unavailable
- > An up-to-date price must be available on SELECTION DAY 1 by the PRICING PROVIDER
- > Assessed by the SELECTION PARTY on an annual basis as having passed the eligibility screens defined below which were designed to exclude issuers that have material exposure to the fossil fuel industry or that are engaged in other activities deemed inconsistent with responsible investment considerations (as further described in this guideline)

Bonds that satisfy the above criteria must then qualify as either Green Bonds or other ESG-screened bonds, as set out below.

Green Bonds:

- > Instruments are defined as GREEN BONDS by the Climate Bond Initiative (CBI)
- > Bonds are denominated in USD, EUR or AUD
- > Securities must have an amount outstanding of at least of 300 million of their currency of denomination (EUR, USD or AUD)
- > Private Placements are excluded. If a RegS version of the 144A Private Placement bond is or becomes available, the RegS version will be included



Other ESG-screened bonds:

- > Bonds are denominated in AUD
- > Bonds issued in the Australian local market, as identified by the "AU" prefix in the ISIN
- > Bond issuers must be Corporates, Agencies, Supranationals or any non-sovereign issuer
- > The bond amount outstanding on SELECTION DAY 1 must be at least AUD 500 million

(the "INDEX COMPONENT REQUIREMENTS")

The INDEX ADMINISTRATOR has outsourced part of the selection of the INDEX COMPONENTS to the SELECTION PARTY. The SELECTION PARTY is in charge of performing the issuer ESG eligibility screens. Such outsourcing has been made in accordance with the requirements of the BMR (Article 10 BMR). Any discretionary decision of the SELECTION PARTY will be made in accordance with the specifications regarding the exercise of discretion or expert judgement established by the INDEX ADMINISTRATOR.

2.1.1 ESG Screening

To define compliance with the index strategy, the SELECTION PARTY analyzes bond issuers according to the following ESG eligibility screens. The LIST OF ELIGIBLE ISSUERS is updated once a year in August and is effective on the August SELECTION DAY 2 after CLOSE OF BUSINESS.

For all bond issuers other than sovereign issuers:

Industry / Activity	Issuer Maximum Exposure Limit Guidelines (e.g. % of total Revenue)	Explanatory Notes
Fossil Fuels	<ul style="list-style-type: none"> • 0% • In the case of Green Bonds, an issuer exposure of up to 5% is permitted 	Companies which have fossil fuel reserves, fossil fuels infrastructure, or are involved in the mining, extraction, burning of fossil fuels; or top corporate funders of fossil fuels.
Gambling	<ul style="list-style-type: none"> • 0% for casinos, manufacture of gaming products, and poker machine operations • 5% for distribution of gambling products 	
Tobacco	<ul style="list-style-type: none"> • 0% for production or manufacture • 5% for sale of tobacco products 	
Uranium and Nuclear Energy	<ul style="list-style-type: none"> • 0% for uranium, mining and nuclear energy 	



	<ul style="list-style-type: none"> • In the case of Green Bonds, an issuer exposure of up to 5% is permitted • 5% for products and services related to nuclear energy 	
Armaments and Militarism	<ul style="list-style-type: none"> • 0% for manufacture of armaments and weapons • 5% for specific and significant services to military and armaments manufacture 	
Destruction of Valuable Environments	<ul style="list-style-type: none"> • 0% 	Activities which have direct negative impact on recognised World Heritage and High Conservation areas.
Animal Cruelty	<ul style="list-style-type: none"> • 0% 	Exposure to live animal export, animal testing for cosmetic purposes, factory farming, or controversial animal products (ivory, foie gras etc.).
Chemicals of Concern	<ul style="list-style-type: none"> • 0% 	Production or use of chemicals of concern recognised by UN Environmental Program, Producers of contentious agricultural chemicals.
Alcohol	<ul style="list-style-type: none"> • 20% 	Production or sale of alcohol.
Junk Foods	<ul style="list-style-type: none"> • 33% 	Production or sale of junk foods.
Pornography	<ul style="list-style-type: none"> • 0% for production of pornography • 5% of distribution of pornography 	
Human and Labour Rights	N/A	Evidence of human rights violations including child labour, forced labour, sweatshops, bribery and corruption.
Board Diversity	N/A	No women on board of directors.

For sovereign issuers: Sovereign issuers that are subject to current sanctions as a result of human rights concerns through international bodies such as the United Nations and EU shall be excluded.

The SELECTION PARTY may also recommend the exclusion of an issuer that is exposed to significant ESG-related reputational risk or controversy where the SELECTION PARTY considers that its inclusion would be inconsistent with the values of the index.

To avoid the inclusion of controversial companies and ensure that the index fulfills its objective, the LIST OF ELIGIBLE ISSUERS may be extraordinarily updated, upon approval by the OVERSIGHT COMMITTEE. An extraordinary update will only account for the exclusion of issuers that have been subject to significant ESG-related reputational risk or controversy or material failure to meet the ESG screens as defined by the



SELECTION PARTY. In the event that an issuer is identified as no longer compliant with the ESG screens, the SELECTION PARTY shall bring this situation to the attention of the OVERSIGHT COMMITTEE, which will analyze the need for an extraordinary update. In the event when an extraordinary update is required, it will take place on the first SELECTION DAY 2 following the decision made by the OVERSIGHT COMMITTEE.

2.2. WEIGHTING OF THE INDEX COMPONENTS

On each SELECTION DAY 2, each INDEX COMPONENT is initially weighted using the market value based on the LAST EVALUATED MID PRICE and accrued interest as on the SELECTION DAY 1 in order to achieve the aim of the INDEX. The final weighting of the INDEX COMPONENTS will be determined subject to the following rules where all weights are calculated based on AUD denominated market values:

- > Issuer caps:
 - Sovereign issuers and Australian state government issuers will not have a weight greater than 10%
 - All other issuers will not have a weight greater than 5%
- > Currency scaling:
 - AUD bonds will have a scaling factor applied such that they have a total weight of 50% of the index
 - EUR and USD bonds will have a total weight of 50% of the index



3. REBALANCE

3.1. ORDINARY REBALANCE

In order to reflect the new selection of the INDEX COMPONENTS, the procedure uses two different selection days. On SELECTION DAY 1 a preliminary composition is determined in accordance with Section 2.1. The selected issuers are reviewed for consistency against the current LIST OF ELIGIBLE ISSUERS with the SELECTION PARTY, and a confirmation of eligible issuers is performed. On SELECTION DAY 2 the final INDEX COMPONENTS are determined. 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" which is available at:

<https://www.solactive.com/news/announcements/>

3.2. EXTRAORDINARY REBALANCE

The INDEX is not rebalanced extraordinarily.



4. CALCULATION OF THE INDEX

4.1. INDEX FORMULA

The INDEX is calculated as a 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 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. Coupon and other cash payments will be reinvested on a daily basis following the direct reinvestment formula.

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 2 decimal places. The amount outstanding per bond instrument will be rounded to 0 decimal places. Foreign exchange rates will be rounded to six 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 needed 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 on the SOLACTIVE website: <https://www.solactive.com/documents/bond-index-methodology/>.

SOLACTIVE will announce the INDEX adjustment giving a notice period of at least two BUSINESS DAYS (with respect to the affected INDEX COMPONENT) on the SOLACTIVE website under the Section “Announcements”,



which is available at <https://www.solactive.com/news/announcements/>. The INDEX adjustments will be implemented on the effective day specified in the respective notice.

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 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)



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

In periods of market stress SOLACTIVE calculates its indices following predefined and exhaustive arrangements as described in the Solactive Disruption Policy, which is incorporated by reference and available on the SOLACTIVE website: <https://www.solactive.com/documents/disruption-policy/>. Such 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

"ABS" are the bonds or financial instruments backed by collateral

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

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

"BUSINESS DAY" means any day other than a Saturday or Sunday and other than holidays of the Australian Securities Exchange (ASX). The holidays of the ASX are New Year's Day, Australia Day, Good Friday, Easter Monday, Anzac Day, Queen's Birthday, Christmas Day and Boxing Day

"CONVERTIBLE BONDS" are bonds that can be converted into a predetermined amount of the company's equity at certain times during its life

"CLOSE OF BUSINESS" is a time stamp when an INDEX is calculated. This occurs at 22:30 CET every BUSINESS DAY

"COVERED BONDS" are bonds backed by a ring-fenced pool of assets such as mortgages or public-sector loans. The ISSUER retains the responsibility to maintain the quality of the underlying asset pool

"FIXED COUPON BONDS" are bonds with a coupon rate that is fixed throughout their life, as opposed to bonds with floating, or variable coupons

"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/>

"FLOATING RATE BONDS" are bonds with a variable or floating interest rate, i.e. coupons fluctuate in line with the underlying level of interest rates, as opposed to fixed-rate coupons

"GREEN BOND" is a security defined as a Green Bond by the Climate Bonds Initiative (CBI)

"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



"INFLATION-LINKED BONDS" are bonds whose principal is indexed to inflation

"INVESTMENT GRADE" are all ratings of at least BBB- by Standard & Poor's or Baa3 by Moody's Investors Service

"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

"LIST OF ELIGIBLE ISSUERS" is a list provided by the SELECTION PARTY that includes all bond issuers that have passed the ESG screens described in section 2.1.1. The list is updated once a year and becomes effective every August on CLOSE OF BUSINESS of the REBALANCE DAY

"LIVE DATE" is 20.11.2019

"MBS" is a bond with cash flows produced by the interest and principal payments of a pool of mortgage-backed claims

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

"PERPETUAL BONDS" are bonds without a defined time to maturity

"PRICE CONVENTION" is LAST EVALUATED MID PRICE

"PRICING PROVIDER" is Intercontinental Exchange (ICE)

"REBALANCE DAY" is the last BUSINESS DAY of the month

"SELECTION DAY 1" is 5 BUSINESS DAYS before the scheduled REBALANCE DAY, disregarding any potential change of the REBALANCE DAY

"SELECTION DAY 2" is 3 BUSINESS DAYS before the scheduled REBALANCE DAY, disregarding any potential change of the REBALANCE DAY

"SELECTION PARTY" is the Responsible Investment Committee established by BetaShares Capital Limited for determining the list of securities as outlined in section 2.1.1

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

"START DATE" is 31.03.2014

"US MUNICIPAL BONDS" is a debt security issued by a state, municipality or county of the U.S.A. to finance its capital expenditures, including the construction of highways, bridges or schools

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