

AKROS

# Akros Index Engineering Policy for Benchmark Methodology Changes

Akros Index Engineering Inc.

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## 1. Overview

### 1.1. Policy for Benchmark Methodology Changes

Akros Index Engineering (“AIE” or the “Company”) is the benchmark administrator for benchmark that are operated under the Akros Indices brand.

This document illustrates the procedure which is followed when AIE considers making changes to an index methodology for one of the Akros Indices.

## **2. Standard Indices**

### **2.1. Regular Review**

AIE index methodologies undergo regular reviews to ensure they continue to align with the current and future needs of investors and other index users, and maintain global standards in indexing. Modifications to an index methodology may arise from recommendations by internal governance bodies, input from external advisory committees and clients, or in response to shifts in the underlying market structure or relevant legislation.

### **2.2. Consultation Policy**

AIE actively seeks input from its external advisory committees and, in certain cases, the broader market through public consultations when proposing updates to standard indices.

For these indices, it is a general rule to consult advisory committees on changes to the rules governing index management. For fundamental changes that might alter the composition of indices, AIE may initiate a public market consultation to gather feedback from all relevant index stakeholders. All feedback received is carefully reviewed to gauge the impact of the proposed changes on the broader investment management ecosystem.

Feedback from advisory committees may also influence the scheduling for implementing updated methodologies and eligibility criteria. Occasionally, the Company's Board of Directors (the "Board of Directors") may allow current constituents a temporary grandfathering period – up to five years – to comply with updated eligibility criteria, provided they meet all other requirements.

In the case of standard indices with limited users, which may not have support from external advisory committees, AIE may choose to consult these users for their opinions on potential changes to the index methodology. However, these discussions should not be taken as confirmation of impending rule changes. The final decision on any change to index methodology is made by the Board of Directors.

### **2.3. Public Consultation Process**

The Board of Directors will assess the appropriateness of initiating a public consultation based on the guidelines outlined in the previous sections. If it decides to proceed, the board will approve the content of the consultation and identify the users and other stakeholders to be included. The consultation will then be announced and distributed to those targeted for feedback. It will also be available through relevant media channels and published on the AIE website. Typically, consultations are open for a minimum of four weeks, although AIE may adjust the duration as deemed necessary based on factors like the complexity of the issue and the desired timeline for implementing any proposed changes.

After the consultation period concludes, the results may be reviewed by an external advisory committee (if applicable) to gain an external perspective on the index series. The feedback from the consultation, along with any input from advisory committees, is analyzed. Recommendations based on this analysis are then presented at subsequent meetings of the external advisory committees, where relevant, and to the Board of Directors for consideration.

The final decision to approve any change to index methodology rests with the Board of Directors. Following their approval, index users and other stakeholders are informed through a notice published under Index Announcements on the AIE website.

#### **2.4. Ongoing Methodology Oversight**

Any feedback received after implementing a methodology change is reviewed by the Board of Directors and external advisory committees. This is part of their continuous assessment and development of index methodologies.

### 3. Custom Indices

- 3.1. Custom indices are defined as those that are derived from a standard index through customization including, but not limited to:
  - Additional inclusion or exclusion rules for a list of constituents, either named individually or selected by virtue of their membership of a particular sub-categorization, such as by industry classification, maturity or credit rating;
  - The application of a custom set of withholding tax rates to calculate a net-of-tax total return index;
  - The application of a custom capping methodology;
  - The application of a custom hedging methodology;
  - Application of a specific weight to sectors or other index sub-components within an overall index;
  - Calculation using prices or FX rates other than the official end-of-day closing prices or WMR FX benchmark rates.
- 3.2. For such indices, methodology changes made to the underlying index will generally flow through to the custom index.
- 3.3. For custom indices with few users, AIE reserves the right to consult those users for feedback on potential changes to index methodology. These discussions should not be viewed as confirmation that will ultimately result in a rule change. The final approval of an index methodology change is made by the Board of Directors.

## 4. Bespoke Indices

Bespoke indices are defined as indices constructed according to a methodology that is distinct from those applied to standard Akros Indices. There may not be a standard index underlying a bespoke index, and changes to the methodology of standard indices do not automatically apply to bespoke indices.

Bespoke indices may be administered by AIE or the client, depending on the agreement. When the client administers the index, AIE serves as the calculation agent. The guidelines in this section apply only to those bespoke indices where AIE is the appointed administrator.

### 4.1. Proposals for Methodology Changes

Any proposals to amend the methodology of a bespoke index administered by AIE, such as adjustments to eligibility criteria, rebalancing frequency, and construction rules, must be presented to the Board of Directors for review. If the Board of Directors approves a proposed change, licensees of the indices are notified through a client notice.

Proposals for methodology changes to a bespoke index can originate from either the client or AIE.

### 4.2. Ongoing Methodology Oversight

Feedback received after the implementation of a methodology change to a bespoke index is considered by the Board of Directors. This feedback is part of the continual process of managing and developing index methodologies.

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