EU Benchmarks Regulation

Benchmark Statement

In respect of the

Credit Suisse International: Actively Rebalanced Family of Benchmarks

Date of publication: 04.03.2020

Date of last update: 30.04.2020

Introduction

Credit Suisse International ("**CS**") administers a number of indices that it considers to be "benchmarks" within the scope of Regulation (EU) 2016/1011 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds (the "**EU BMR**").

CS has grouped the benchmarks that it administers into a number of "families" for the purposes of applying certain provisions of the EU BMR. This document constitutes the "Benchmark Statement" under Article 27 of the EU BMR in respect of CS's "actively rebalanced" family of benchmarks (each benchmark in such family, an "**Actively Rebalanced Benchmark**") and provides the information required by the EU BMR to be included in such statement. The methodology of each Actively Rebalanced Benchmark is set out in the relevant Index Rules applicable to such Actively Rebalanced Benchmark and such Index Rules are available to CS (acting in other capacities), its affiliates, persons who have entered into licencing agreements to use the relevant Actively Rebalanced Benchmark and any other person to whom the administrator is required to make such Index Rules available to under the EU BMR. Licenced users of an Actively Rebalanced Benchmark, their counterparties and investors should carefully read and consider the relevant Index Rules prior to making any decision to use such Actively Rebalanced Benchmark or to investing in products referencing such Actively Rebalanced Benchmark.

Any person who has entered into a licencing agreement to use a CS administered benchmark and any of its respective counterparties and investors (including prospective counterparties and investors) can contact CS in writing at its principal office at 1 Cabot Square, Canary Wharf, London E14 4QJ, United Kingdom, Attention: Benchmark Administration Manager if they are unsure whether the benchmark they are using (or wants to potentially use) is an Actively Rebalanced Benchmark (for which this document is relevant) or is a benchmark belonging to another CS family of benchmarks.

Capitalised terms used in this Benchmark Statement, which are not otherwise defined, shall have the same meaning as set out in the Appendix 1 hereto ("Definitions for key terms relating to the Actively Rebalanced Benchmarks").

1. ***ISINs***

There are currently no ISINs allocated to any of the Actively Rebalanced Benchmarks.

2. ***Contributions of Input Data***

None of the Actively Rebalanced Benchmarks are determined using Contributions of Input Data.

3. ***Economic reality measured by the Actively Rebalanced Benchmarks***

Each Actively Rebalanced Benchmark is designed to measure the performance of an investment strategy that provides exposure to a notional portfolio comprised of Instruments selected from one or more Asset Classes. The notional portfolio of Instruments may be dynamically rebalanced by a Rebalancing Entity, subject to specified guidelines set out in the relevant Index Rules. Particular Actively Rebalanced Benchmarks may also be subject to a volatility control mechanism, which is designed to systematically adjust the allocation to the notional portfolio of Instruments to target a specified level of volatility, according to predefined rules.

The types of Instruments that may comprise the portfolio from time to time and the Asset Class to which they correspond are set out in the relevant Index Rules and may mean that (i) the portfolio would be linked to specified markets or specified geographical boundaries or may be global and (ii) the instruments in the portfolio provide long only, short only or both long and short exposures. Please refer to the Index Rules for the relevant Actively Rebalanced Benchmark for a description of the geographical boundaries of the economic reality measured by such Actively Rebalanced Benchmark and whether the economic reality consists of long only, short only or long and short positions.

In addition, particular Actively Rebalanced Benchmarks may include features that use Input Data that does not directly correspond to the Instruments that make up the notional portfolio, including but not limited to, currency rates and interest rates. These features do not alter the economic reality measured by the Actively Rebalanced Benchmark but provide a variation in the manner in which such economic reality is measured. For example, measuring the performance in a currency other than the currency of the portfolio of Instruments or measuring a leveraged exposure to the portfolio of Instruments or a different type of performance.

4. ***Definitions of Key Terms***

The definitions for all key terms relating to each Actively Rebalanced Benchmark covered by this Benchmark Statement are provided in the Appendix 1 to this document.

5. ***Methodology***

The Actively Rebalanced Benchmarks are rules-based indices developed by CS that are designed to implement, and measure the performance of, a particular investment strategy across one or more Asset Class that includes the potential exercise of discretion by a Rebalancing Entity (within specified guidelines set out in the relevant Index Rules) in the selection of the Instruments comprising the relevant notional portfolio and the weights of such Instruments within the relevant notional portfolio. The exercise of discretion by CS is limited to exceptional circumstances relating to market disruption or market changes outside the control of CS. The rationale for adopting the methodology of each Actively Rebalanced Benchmark is to (i) create a measure of the performance of a specific, dynamic portfolio (comprising Instruments across one or more Asset Class) that draws upon the model and / or market views of the Rebalancing Entity in the selection of the specific Instruments and their corresponding weights (in accordance with certain guidelines) and (ii) enable investors to take a synthetic exposure to such dynamically rebalanced portfolios when investing in products linked to the Actively Rebalanced Benchmark.

The methodology of each Actively Rebalanced Benchmark and of each new benchmark to be added as an Actively Rebalanced Benchmark, is subject to the approval by CS's Governance Committee (or any successor in such role) ("**BGC**") in accordance with a formalised internal process to ensure ongoing compliance with the requirements of the EU BMR. This internal process stipulates that the BGC is provided with the details of the new benchmark, including (but not limited) to the investment strategy, operational risks and control framework for the new benchmark, its index rules and risk disclosures, an assessment of the sufficiency, reliability and verifiability of the Input Data.

The BGC members include representatives of CS's index calculation team, product structuring team, general counsel division and compliance division.

The methodology of each Actively Rebalanced Benchmark is subject to an annual review by the BGC to determine if any recent events would have impacted the quality or integrity of the relevant Actively Rebalanced Benchmark methodology. Reviews may also be conducted on an ad hoc basis where the BGC considers it desirable or necessary to do so, including in response to specific events or otherwise. Specific events include (without limitation) any index errors, index disruptions, changes in the applicable legal or regulatory environment; any feedback from stakeholders, challenges, complaints; and/or any material audit findings or findings or recommendations from CS's Benchmark Oversight Committee (or any successor in such role).

6. *Criteria and procedures used to determine the Actively Rebalanced Benchmark Level*

The Actively Rebalanced Benchmarks are rules-based indices and are designed not to rely on Expert Judgement or discretionary determinations of Input Data in ordinary circumstances. However, a Rebalancing Entity may exercise discretion within the guidelines set forth in the relevant Index Rules when determining the composition of the relevant notional portfolio included in the relevant Actively Rebalanced Benchmark. The Level of each Actively Rebalanced Benchmark is then determined by CS collecting the Input Data necessary for such determination and specified in the relevant methodology and applying the rules prescribed by the methodology to calculate the performance of the relevant notional portfolio. The calculated performance may be subject to further predefined and transparent adjustments, which may include (but are not limited to) deduction of fees, costs associated with currency hedges included in the portfolio, currency conversions and costs associated with notional borrowing in relation to leveraged portfolios.

The Instruments selected from one or more Asset Classes that comprise the relevant notional portfolio from time to time are determined periodically either (i) on the basis of pre-defined rules set out in the relevant Index Rules or (ii) at the discretion of a Rebalancing Entity within the guidelines set out in the relevant Index Rules. Once the Instruments selected from one or more Asset Classes that comprise the relevant notional portfolio at the relevant time are determined, their respective weightings from time to time are then determined based on either (i) pre-defined rules set out in the relevant Index Rules or (ii) at the discretion of a Rebalancing Entity within the guidelines set out in the relevant Index Rules.

7. ***Input Data***

The Input Data for the majority of Actively Rebalanced Benchmarks comprises only externally sourced Input Data. In a limited number of Actively Rebalanced Benchmarks some Input Data may be internally sourced. Externally sourced Input Data include:

(a) transaction data i.e. executed prices relating to certain Instruments selected from one or more Asset Classes traded on exchanges;

(b) committed quotes relating to certain Instruments selected from one or more Asset Classes traded on exchanges;

(c) in relation to interest rates and exchange rates, the published levels of the interest rate or currency benchmarks providing such rates;

(d) in relation to mutual funds, the net asset values published by the relevant mutual funds or their respective administrators; and

(e) in relation to any indices (whether sponsored or administered by CS, any of its affiliates, or any third party entity), the levels published by the respective administrator or sponsor of such indices.

CS sources the above Input Data from third party data vendors that it considers reputable and does not classify any of the above data as regulated data but classifies it as readily available.

In certain cases, an Actively Rebalanced Benchmark may use internally sourced Input Data. Where this is the case the relevant Index Rules will indicate when Input Data is internally sourced.

CS may change the Data Sources it uses to source the Input Data from time to time in accordance with CS's internal governance procedures provided that any new data provider or Data Source meets CS's requirements.

The Index Rules for each Actively Rebalanced Benchmark specify the single Input Data type required to be collected and observed for each relevant component for the determination of such Actively Rebalanced Benchmark. If it is impossible to collect and observe the required Input Data type for a component due to market disruption, this would result in lack of sufficient Input Data to determine the Actively Rebalanced Benchmark according to the methodology. In such cases, CS may use Expert Judgement to estimate relevant values or adjust prices and values or may (i) postpone or suspend the determination of the relevant Actively Rebalanced Benchmark or (ii) supplement, amend (in whole or in part), revise, rebalance or withdraw the relevant Actively Rebalanced Benchmark.

8. ***Insufficient Input Data, Insufficient or Inaccurate Data Sources***

Market disruption may lead to insufficient Input Data and/or insufficient or inaccurate Data Sources.

Events that may lead to market disruption include, (but are not limited to), any suspension of or limitation imposed on trading by any relevant exchange or other trading facility, the closure of any relevant exchange or other trading facility before its scheduled closing time, changes in the liquidity, trading volume, terms or listing of any Instrument selected from any Asset Class comprised in the relevant portfolio, the failure of any Data Source to publish the Input Data or the level published is significantly different to the level of such data prevailing in the market.

In addition to the cases of market disruption, other factors that may lead to lack of sufficient Input Data or to Input Data that is not consistent with the assumptions made when such Input Data was selected as the basis for the calculation of the Actively Rebalanced Benchmark, or to the Input Data being unreliable include, (but are not limited to): (a) a material change in the content, composition, constitution of, or in the formula for or method of, calculating relevant Input Data, (b) any other event that disrupts or impairs the ability of market participants in general to effect transactions in, or obtain market values for, the relevant instrument, (c) any event that, in the determination of CS, has a material adverse effect on the ability of a market participant to establish, maintain, value, rebalance or unwind a hedge position in relation to an investment product linked to the Actively Rebalanced Benchmark, including any Instrument from any Asset Class comprising the portfolio measured by the Actively Rebalanced Benchmark, and (d) any event resulting in a breakdown in any means of communication or a procedure normally used to enable the determination of the Actively Rebalanced Benchmark.

The methodology of each Actively Rebalanced Benchmark specifies the relevant market disruption or other event that would lead to lack of sufficient Input Data or where the Data Sources may be insufficient, inaccurate or unreliable.

In addition, while CS intends to use well established and reputable data providers to source its Input Data, there is a risk that this Input Data may be inaccurate, delayed or not up to date. There is also a risk that while the Input Data is accurate, the data feed to CS is impaired.

9. *Extrapolation*

CS may use extrapolation to determine the value of over-the-counter derivatives linked to underlyings in any Asset Class which have a different tenor to the maturities for which a value is available using externally sourced data. The extrapolation method applies pre-defined formulae to externally sourced Input Data to generate an extrapolated value.

10. *Procedures for determining the Actively Rebalanced Benchmark in periods of stress*

In the limited circumstances mentioned above, the BGC will either make the decision or approve the decision on whether to (i) suspend or delay the calculation and publication of the Actively Rebalanced Benchmark or (ii) determine the Actively Rebalanced Benchmark on the basis of estimated or adjusted data and publish the respective Levels or (iii) supplement, amend (in whole or in part), revise, rebalance or withdraw the Actively Rebalanced Benchmark. Such decision and approval would be made in accordance with the criteria relating to the exercise of discretion described under “Exercise of discretion” below.

11. *Limitations of the Actively Rebalanced Benchmarks*

The market disruption and other events that may lead to the Input Data or Data Sources being insufficient, inaccurate or unreliable or to the Input Data being not consistent with the assumptions made when such Input Data was selected as the basis for the calculation of the Actively Rebalanced Benchmark may compromise the reliability of the Actively Rebalanced Benchmark.

12. *External and other factors may necessitate changes or cessation of the Actively Rebalanced Benchmark*

CS provides notice that factors, including external factors beyond the control of the administrator, may necessitate changes to, or the cessation of, any Actively Rebalanced Benchmark.

13. ***Exercise of discretion***

CS may exercise discretion to:

(a) determine whether a market disruption or another event has occurred that may lead to the Input Data being insufficient or to such data being not consistent with the assumptions made when such Input Data was selected as the basis for the calculation of the Actively Rebalanced Benchmark;

(b) estimate or adjust the level of Input Data when CS has determined that one or more of the above events have occurred;

(c) address other unscheduled events which may make it impossible to calculate the Actively Rebalanced Benchmark;

(d) decide whether to (i) estimate or adjust the level of Input Data in the above circumstances or (ii) suspend or delay the calculation and publication of the Actively Rebalanced Benchmark or (iii) supplement, amend (in whole or in part), revise, rebalance the Actively Rebalanced Benchmark;

(e) decide how to address errors in Input Data or in the determination of the Actively Rebalanced Benchmark, including whether to restate the Level of the Actively Rebalanced Benchmark in such circumstances;

(f) decide how to address any omissions or ambiguities in the relevant Index Rules; and

(g) decide whether to terminate the Benchmark.

If the need to exercise discretion arises, CS will do so in a way that minimises potential or actual conflicts of interests and will act in good faith and in a commercially reasonable manner consistently with (a) the objective of the Actively Rebalanced Benchmark; (b) any previous exercise of discretion in the same or similar instances; and (c) where possible, across Actively Rebalanced Benchmarks in relation to the affected asset class or instrument. Where there is a corresponding regulatory obligation, CS shall also take into account whether fair treatment is achieved by the exercise of discretion in accordance with applicable regulatory obligations.

Where CS is entitled to exercise discretion, any such exercise will be either made by the BGC or be subject to the approval of the BGC.

14. ***Changes to, or cessation of, an Actively Rebalanced Benchmark may impact financial contracts, financial instruments or investment funds that reference that Actively Rebalanced Benchmark***

CS may decide to make modifications to the Actively Rebalanced Benchmark, or permanently cancel and discontinue calculating and publishing an Actively Rebalanced Benchmark (in compliance with applicable law and regulation) at any time.

Changes to, or the cessation of, an Actively Rebalanced Benchmark may have an impact on the financial contracts and financial instruments that reference the Actively Rebalanced Benchmark or the measurement of the performance of investment funds.

Users should check that the contractual terms of such financial contracts and financial instruments contain appropriate fallback provisions.

15. *Error procedures*

CS has a number of procedures and processes in place which are designed to ensure the accuracy and reliability of its published Actively Rebalanced Benchmark Levels. Notwithstanding these procedures and processes, errors in Input Data or in the determination of a Benchmark may sometimes occur. When an error due to the correction by a third party Data Source of Input Data is identified and the impact is below a certain pre-defined threshold, the Level of the Actively Rebalanced Benchmark is restated. In all other cases, the restatement of the Level of the Actively Rebalanced Benchmark is subject to the approval of the BGC or the chairperson of the BGC. The approval of the BGC is also required in relation to any decision not to restate the Level of the Actively Rebalanced Benchmark upon the discovery of any issue or error that would normally give rise to a restatement. All restatements of Actively Rebalanced Benchmarks are reported to the BGC as and when they occur and are then recorded and (if necessary) discussed at the next periodic BGC meeting (usually held monthly).

When determining whether to approve a restatement, the BGC and its members will take into account, among other factors, any applicable FCA conduct rules, CS's conduct and ethics standards, proportionality and the impact on users.

16. *Classification of benchmarks*

CS has determined that each Actively Rebalanced Benchmark is a non-significant benchmark in accordance with Article 3(1)(27) EU BMR.

17. *ESG factors*

For the purposes of Article 27(2)(a) of the EU BMR, as amended by Regulation (EU) 2019/2089 of the European Parliament and of the Council of 27 November 2019 (the "**Low Carbon Benchmark Regulation**") no Actively Rebalanced Benchmark pursues environmental, social and governance ("**ESG**") objectives except those Actively Rebalanced Benchmarks expressly identified in Appendix 2 to this Benchmark Statement (and, in respect of any Actively Rebalanced Benchmark expressly identified in Appendix 2, only to the extent set out therein).

CS is authorised by the Prudential Regulation Authority ("**PRA**") and regulated by the Financial Conduct Authority ("**FCA**") and the PRA. Notwithstanding that CS is so regulated, the rules of neither the FCA nor the PRA are incorporated into this document.

Nothing in this document constitutes legal, financial or investment advice. Neither CS nor any of its affiliates (including their respective officers, employees and delegates) accepts any duty of care or responsibility to the recipient or any other party into whose hands this document may come.

No person may reproduce or disseminate this document without the prior written consent of CS.

Appendix 1 – Definitions for key terms relating to the Actively Rebalanced Benchmarks

This Appendix 1 sets out the definitions in relation to the terms which CS considers to be "key terms" for the Actively Rebalanced Benchmarks covered by this Benchmark Statement.

The terms defined herein will not necessarily apply to each Actively Rebalanced Benchmark within the Actively Rebalanced Benchmarks family; nor are these terms intended to be exhaustive in respect of any of the Actively Rebalanced Benchmarks, as there may be additional terms relating to (amongst other things) the determination, calculation, disruption, governance, summary description and/or risk factors of any given Actively Rebalanced Benchmark which are not included below. In addition, some of these terms may be defined differently within the individual Index Rules, in which case the meaning used in the Index Rules shall prevail. Further reference should therefore also be had to the Index Rules of the relevant Actively Rebalanced Benchmark, as may be amended and/or updated by CS from time to time.

<u>**Definitions:**</u>

"**Asset Class**" means any of the following classes: (i) Commodities Asset Class, (ii) Equities Asset Class, (i) Fixed Income Asset Class or (iv) FX Asset Class.

"**Benchmark**" means any index administered by CS which CS has determined that it may be used as a "benchmark" as defined in the EU BMR.

"**Benchmark Statement**" means the statement referred to under Article 27 of EU BMR.

"**Contributions of Input Data**" means providing any Input Data no readily available to CS, or to another person for the purposes of passing to CS, that is required in connection with the determination of a Benchmark, and is provided for that purpose.

"**Data Source**" means the publication, page (or any other origin of reference, including an exchange) containing (or reporting) the prices, levels, rates or other data utilised by CS as Input Data, and to any successor publication, page or source on which the relevant prices, levels, rates or other data may be disseminated.

"**Expert Judgment**" refers to the exercise of discretion by an administrator with respect to the use of data in determining an Actively Rebalanced Benchmark. Expert Judgment includes extrapolating values from prior or related transactions, adjusting values for factors that might influence the quality of data, such as market events or impairment of a buyer or seller's credit quality, or weighting firm bids or offers greater than a particular concluded transaction.

"**Index Rules**" means, in respect of any Actively Rebalanced Benchmark, the methodology or rule book for such Actively Rebalanced Benchmark.

"**Input Data**" means the data in respect of the value of one or more underlying assets, or prices, used by CS to determine an Actively Rebalanced Benchmark.

"**Instruments**" means:

(i) in respect of the Commodity Asset Class, commodity indices (whether sponsored or administered by CS, any of its affiliates, or any third party entity), listed futures linked to one or more commodity underlyings and listed options linked to one or more commodity underlyings;

(ii) in respect of the Equities Asset Class, shares, stocks, equity indices (whether sponsored or administered by CS, any of its affiliates, or any third party entity), mutual funds, exchange traded funds (ETFs), listed futures linked to one or more equity underlyings, listed options linked to one or more equity underlyings, or OTC derivatives linked to one or more equity underlyings;

(iii) in respect of the Fixed Income Asset Class, bonds, money market instruments, interest rate fixings, bond, money market or interest rate indices (whether sponsored or administered by CS, any of its affiliates, or any third party entity), listed futures linked to one or more bond, money market or interest rate underlyings, listed options linked to one or more bond, money market or interest rate underlyings, or OTC derivatives linked to one or more bond, money market, or interest rate underlyings (such as interest rates swaps or swaptions); and

(iv) in respect of the FX Asset Class, foreign currency exchange rate fixings ("**FX**"), FX indices (whether sponsored or administered by CS, any of its affiliates, or any third party entity), listed futures linked to one or more FX underlyings, listed options linked to one or more FX underlyings, or OTC derivatives linked to one or more FX underlyings.

"**Level**" means, in relation to an Actively Rebalanced Benchmark, the calculated and announced value of such Actively Rebalanced Benchmark.

"**Rebalancing Entity**" means an entity (which can be any affiliate of CS or a third party) appointed by CS who can select and determine the weights of the Instruments from one or more Asset Classes to be included in the notional portfolio measured by the relevant Actively Rebalanced Benchmark within the guidelines set out in the relevant Index Rules.

Appendix 2 – ESG factors

1. **Credit Suisse Ethius ESG World Stability Index**

The Credit Suisse Ethius ESG World Stability Index (the "**Index**") is designed to pursue ESG objectives. For the purposes of Article 27(2a) of the EU BMR, as amended by the Low Carbon Benchmark Regulation, ESG factors for each of the requirements set out in Article 27(2) of the EU BMR are reflected in the Index as set out below. As at the date of publication of this Version of the Benchmark Statement (being 30 April 2020), the delegated acts supplementing Article 27(2a) of the EU BMR had not been finalised and, accordingly, the following disclosure is designed to address the disclosure requirements specified in Article 27(2a) only.

1.1. *Definitions for all key terms relating to the benchmark*: There are no specific ESG definitions in respect of the definitions of the key terms relating to the Index.

1.2. *Rationale for adopting the benchmark methodology and procedures for the review and approval of the methodology*: The rationale for adopting the relevant Index Rules is to pursue ESG objectives by enabling investors in products referencing the Index to participate in the performance of a dynamically rebalanced notional portfolio of stocks of up to 15 companies (each, an "**Index Component**") selected from time to time by Ethius Invest GmbH (the "**Rebalancing Entity**"). The Index Components on any Index Calculation Day (as defined in the relevant Index Rules) comprise each stock which is part of the Stock Universe (as described below) in respect of that Index Calculation Day. The Index Components to which the Index is exposed (by the Index Rebalancing Entity allocating a weight of greater than zero to the relevant stock) (the "**Weighted Index Components**") on any Index Calculation Day are those comprised in the Stock Universe with the highest ranking according to the Rebalancing Entity's proprietary ranking methodology. The Stock Universe comprises any stock: (a) which is specified in Section 13 of the relevant Index Specific Rules (the "**Original Stock Universe**"), as supplemented from time to time with additional stocks, in accordance with the Stock Universe addition methodology provisions of the relevant Index Rules (the "**Stock Universe Addition Methodology**"); and (b) which is freely tradable as determined by Credit Suisse International (as the "**Index Calculation Agent**") in its discretion (a stock may not be freely tradable, for example, because the equity and/or foreign exchange market is restricted, or it may be on the restricted list of Credit Suisse International (as the "**Index Sponsor**")). The Original Stock Universe was selected by the Rebalancing Entity on the Index start date. The Index Sponsor understands (based on publicly available information on the Rebalancing Entity's website in relation its internal methodology as at the date of publication of this Version of the Benchmark Statement) that the Rebalancing Entity would have drawn on one or more ESG factors (whether applied by the Rebalancing Entity or a third party unaffiliated to the Index Sponsor) when selecting the constituents of the Original Stock Universe.

The procedures for review and approval of the relevant Index Rules do not reflect ESG factors.

1.3. *Criteria and procedures used to determine the benchmark, including a description of the input data, the priority given to different types of input data, the minimum data needed to determine a benchmark, the use of any models or methods of extrapolation and any procedure for rebalancing the constituents of a benchmark's index*:

ESG factors were reflected in the design of the Index and the key elements of the Index methodology through the discretion and criteria which the Index Sponsor understands (based on publicly available information on the Rebalancing Entity's website in relation to its methodology as at the date of publication of this Version of the Benchmark Statement) was applied by the Rebalancing Entity when creating the Original Stock Universe.

(a) Consideration of ESG factors when constituting and amending the Stock Universe

On the Index start date, the Stock Universe was based on Section 13 of the relevant Index Specific Rules which comprises 1,507 stocks of different companies. The Index Sponsor understands (based on publicly available information on the Rebalancing Entity's website in relation to its methodology as at the date of publication of this Version of the Benchmark Statement) that the Rebalancing Entity applied ESG factors when selecting the constituents of the Original Stock Universe.

The Rebalancing Entity may request the Index Sponsor to add stocks to the Stock Universe in each quarter (i.e. March, June, September and December of each year). Although the addition of new stocks is subject to confirmation by the Index Sponsor, in giving such approval the Index Sponsor is not required to reflect ESG factors. ESG factors may be reflected in the selection of the new stocks by the Rebalancing Entity in accordance with its internal methodology.

(b) Consideration of ESG factors when allocating weights to the Index Components

The Rebalancing Entity will select from the Stock Universe up to the 15 highest ranked stocks according to its proprietary ranking methodology to comprise the Weighted Index Components for the coming period. Although ESG factors are not required to be considered by the Rebalancing Entity when allocating weights and selecting the Index Weighted Components, exposure will not be given to a stock unless it is part of the Stock Universe. Accordingly, in respect of the Index Components and the Weighted Index Components as at the Index start date, based on publicly available information on the Rebalancing Entity's website as at the date of publication of this Version of the Benchmark Statement, ESG factors are understood to be reflected in the selection of the Original Stock Universe (as described above) and may be reflected in the selection of any new stocks by the Rebalancing Entity in accordance with its internal methodology.

At inception, the Weighted Index Components are equally weighted and the relevant Index Rules provide for periodic rebalancing and reweighting of the Index by the Rebalancing Entity at its discretion. Once companies have been selected for inclusion in the Stock Universe (which, in the case of the Original Stock Universe, is understood to be constituted by applying ESG factors and, in the case of any new stocks added to the Stock Universe pursuant to the Stock Universe Addition Methodology may reflect any ESG factors applied by the Rebalancing Entity in accordance with its internal methodology), ESG factors may not necessarily have any impact on the weighting of the Weighted Index Components.

(c) Consideration of ESG factors when calculating the performance of the Index

The performance of the Index is calculated by reference to factors including the performance of each Weighted Index Component. While the calculation does not directly reflect ESG factors, it factors in the return of each Weighted Index Component by reference to its official closing price which is indicative of its performance. Each Weighted Index Component selected from the Original Stock Universe is understood to have ESG characteristics (and, in the case of any new stocks added to the Stock Universe pursuant to the Stock Universe Addition Methodology may reflect any ESG factors applied by the Rebalancing Entity in accordance with its internal methodology) and, accordingly, the official closing price of such Weighted Index Component is influenced by its ESG characteristics (and, therefore, reflects ESG factors).

The Weighted Index Components comprise stocks selected by a third party (i.e. the Rebalancing Entity) in accordance with its proprietary ranking methodology from the Stock Universe and rebalanced from time to time in its discretion. ESG-related data and standards are not embedded in the relevant Index Rules but the Index indirectly reflects, through the Stock Universe, the ESG data and standards understood (based on publicly available information on the Rebalancing Entity's website on its methodology) to be used by the Rebalancing Entity when creating or adding to the Stock Universe. The Index Sponsor is not required to verify the constituents of the Original Stock Universe against the Rebalancing Entity's internal methodology. The Rebalancing Entity may change its internal methodology, including any ESG factors or filters used, from time to time.

Credit Suisse International (as the "**Index Administrator**") may supplement, amend, revise or terminate the relevant Index Rules at any time and, in doing so, is not required to account for ESG factors. The strategy underlying the Index (the "**Index Strategy**") is a proprietary strategy of the Index Administrator and may be changed at any time by the Index Administrator (subject to consultation with the relevant Index Committee (as defined in the relevant Index Specific Rules)). It is possible that a revised strategy will not pursue ESG objectives.

The Index Sponsor may, in consultation with the Index Committee, supplement, amend, revise, rebalance or withdraw the Index to address an error, ambiguity or omission or pursuant to the occurrence of an Extraordinary Event or an Index Component Disruption Event (each, as defined in the relevant Index Rules). This may lead to a change in the way the Index is calculated or constructed, including substitution of an Index Component or changes to the Index Strategy, which may not necessarily reflect ESG factors. Also, the Index Sponsor may, following the occurrence of an Index Rebalancing Event (as defined in the relevant Index Rules), remove or substitute the Rebalancing Entity or withdraw the Index. In case of a new Rebalancing Entity, it is likely that such third party will follow its own internal methodology which may not necessarily reflect ESG factors.

The Index Sponsor may reconstitute the Index or take any other action following a General Disruption Event (as defined in the relevant Index Rules) or an Index Component Disruption Event. If the Index is reconstituted, it is possible that there may be new Index Components that do not reflect ESG factors.

The principal Input Data for the Index will be the official closing price of each Weighted Index Component (and is, therefore, externally sourced). The primary Input Data in respect of each Weighted Index Component is its official closing price, which will reflect any ESG characteristics of the Index Component. There is no method of extrapolation which reflects ESG factors.

1.4. *<u>Controls and rules that govern any exercise of judgement or discretion by the administrator or any contributors, to ensure consistency in the use of such judgement or discretion</u>*: The determination of the Index is rules-based and ESG factors are not reflected in the controls and rules that govern any exercise of judgment or discretion by the administrator or any contributors. S&P Opco LLC (in its capacity as "Stock Calculation Agent") may also exercise its discretion in relation to adjustment of Index Components following certain corporate events in accordance with its Corporate Action Policy, but this does not reflect ESG factors.

However, it should be noted that because the Stock Universe is constituted by a third party (i.e. the Rebalancing Entity) who is understood to apply ESG factors (as described above) and the selection of the Weighted Index Components by the Rebalancing Entity is solely based on the ranking of the relevant stocks within the Stock Universe, ESG factors are reflected in any discretion exercised by the Rebalancing Entity in applying the criteria to determine the Stock Universe from which the Index is created (but may not necessarily have any impact in the selection of the Weighted Index Components).

1.5. *<u>Procedures which govern the determination of the benchmark in periods of stress or periods where transaction data sources may be insufficient, inaccurate or unreliable and the potential limitations of the benchmark in such periods</u>*: As the eligibility criteria for the Stock Universe (which, as described above, is understood to reflect ESG factors) employs the Rebalancing Entity's internal methodology, any events that may lead to the parameters for its methodology being insufficient, inaccurate or unreliable as a basis for identifying companies pursuing ESG objectives, or not being consistent with the assumptions made when the Stock Universe was created as the basis for selecting the Weighted Index Components, may compromise the reliability of the Index. There are no procedures which govern the determination of the Index in periods of stress which reflect ESG factors.

1.6. *<u>Procedures for dealing with errors in input data or in the determination of the benchmark, including when a re-determination of the benchmark is required</u>*: There are no procedures for dealing with errors in input data or in the determination of the Index, including when a re-determination of the Index is required, that reflect ESG factors.

1.7. *<u>Identification of potential limitations of the benchmark, including its operation in illiquid or fragmented markets and the possible concentration of inputs</u>*: There are no potential limitations of the Index, including its operation in illiquid or fragmented markets and the possible concentration of inputs which reflect ESG factors.

Users and potential users of the Index should be aware that the Original Stock Universe was created by the Rebalancing Entity and that the Rebalancing Entity may request additions to the Stock Universe in accordance with its own internal methodology. Accordingly, the Index Sponsor has relied upon publicly available data on the Rebalancing Entity's website in relation to its methodology. The ability of the Index to pursue ESG objectives, and reflect ESG factors, is dependent on the methodology applied by the Rebalancing Entity when creating the Original Stock Universe, requesting additions to the Stock Universe or selecting the Weighted Index Components from time to time.

2. Credit Suisse US Equity Good Governance Index

The Credit Suisse US Equity Good Governance Index (the “**Index**”) is designed to pursue ESG objectives. For the purposes of Article 27(2a) of the EU BMR, as amended by the Low Carbon Benchmark Regulation, ESG factors for each of the requirements set out in Article 27(2) of the EU BMR are reflected in the Index as set out below. As at the date of publication of this Version of the Benchmark Statement (being 30 April 2020), the delegated acts supplementing Article 27(2a) of the EU BMR had not been finalised and, accordingly, the following disclosure is designed to address the disclosure requirements specified in Article 27(2a) only.

2.1. *<u>Definitions for all key terms relating to the benchmark</u>*: There are no specific ESG definitions in respect of the definitions of the key terms relating to the Index.

2.2. *<u>Rationale for adopting the benchmark methodology and procedures for the review and approval of the methodology</u>*: The rationale for adopting the relevant Index Rules is to pursue ESG objectives by enabling investors in products referencing the Index to participate in the performance of a systematically rebalanced notional portfolio of stocks comprising US equities listed on a US stock market (each, an “**Index Component**”) selected from time to time by Credit Suisse AG, IWM IS&P Investment Management (the “**Rebalancing Entity**”) for their high quality of governance and sustainability according to the Rebalancing Entity’s proprietary model. The Index Components on any Index Calculation Day (as defined in the relevant Index Rules) comprise each stock which is part of the Stock Universe (as described in paragraph 2.3(a)(i)) in respect of that Index Calculation Day. However, the Additional Investment Restrictions (as defined in the relevant Index Rules) specify that the number of Index Components whose weight is greater than zero shall be between 10 and 100. The Index Components that are allocated a weight greater than zero (the “**Weighted Index Components**”) are selected by the Rebalancing Entity by (a) first identifying those stocks in the Stock Universe with the best ranking in terms of governance according to the Rebalancing Entity’s proprietary ‘good governance’ model (described in paragraph 2.3(a)(i) below) and (b) then screening such stocks against the Rebalancing Entity’s proprietary sustainability framework (described in paragraph 2.3(a)(ii) below). The Index aims to outperform the S&P500 Total Return Index as the view is that better governed companies tend to out-perform their peers on average.

The procedures for review and approval of the relevant Index Rules do not reflect ESG factors.

2.3. *<u>Criteria and procedures used to determine the benchmark, including a description of the input data, the priority given to different types of input data, the minimum data needed to determine a benchmark, the use of any models or methods of extrapolation and any procedure for rebalancing the constituents of a benchmark’s index</u>*:

ESG factors are reflected in the design of the Index and the key elements of the Index methodology through the discretion and criteria applied by the Rebalancing Entity when selecting the Weighted Index Components.

(a) Consideration of ESG factors when constituting and amending the Stock Universe

On the Index start date, the Stock Universe comprised the 499 stocks listed in Section 13 of the relevant Index Specific Rules. The Stock Universe comprises any stock: (i) which is specified in Section 13 of the relevant Index Specific Rules, as supplemented from time to time with additional stocks in accordance with the Stock Universe addition methodology provisions of the relevant Index Rules; and (ii) which is freely tradable as determined by Credit Suisse International (as the "**Index Calculation Agent**") in its discretion (a stock may not be freely tradable, for example, because the equity and/or foreign exchange market is restricted, or it may be on the restricted list of Credit Suisse International (as the "**Index Sponsor**")). No ESG factors were considered when compiling the Stock Universe listed in Section 13 of the relevant Index Specific Rules.

The Rebalancing Entity may request the Index Sponsor to add stocks to the Stock Universe in each quarter (i.e. March, June, September and December of each year) or on an IPO Notice Day. Although the addition of new stocks is subject to confirmation by the Index Sponsor, in giving such approval the Index Sponsor is not required to reflect ESG factors. The selection of new stocks will be in accordance with the Rebalancing Entity's internal methodology, which may not require it to reflect ESG factors.

(b) Consideration of ESG factors when allocating weights to the Index Components

ESG factors are reflected in the two-step process used by the Rebalancing Entity when allocating weights to the Index Components and selecting the Weighted Index Components.

(i) <u>Eligible Stock Universe</u>

The Rebalancing Entity will systematically select, by no later than 30 April of each year, up to 100 companies from the Stock Universe with the highest ranking in terms of quality of governance in accordance with its proprietary 'good governance' model to constitute a universe of eligible stocks (the "**Eligible Stock Universe**"). The quality of governance of each potential company is measured by reference to the 'stewardship model' by systematically analysing the language used by such potential company in its 10-K annual reports. Accordingly, ESG factors are reflected in the discretionary selection of the Eligible Stock Universe from time to time by the Rebalancing Entity in accordance with its proprietary 'good governance' model.

(ii) <u>Screening the Eligible Stock Universe</u>

The Rebalancing Entity will then screen the stocks in the Eligible Stock Universe in accordance with its proprietary sustainability framework to select the Weighted Index Components. Such proprietary sustainability framework primarily applies three criteria ("Business Conduct Risks/Controversies", "Exclusion" and "Best-in-Class") against the ratings and data sourced for each potential company from entities not affiliated with the Index Sponsor to determine whether selected companies satisfy the sustainability framework. Accordingly, exposure will not be given to a stock selected from the Eligible Stock Universe (i.e. it will not become a Weighted Index Component) unless it has been favourably screened against the Rebalancing Entity's proprietary sustainability framework. The Rebalancing Entity will also review the Index Components at least quarterly against its proprietary sustainability framework. Accordingly, ESG factors are not only reflected in the discretionary selection of the Eligible Stock Universe from time to time by the Rebalancing Entity when applying its 'good governance' model, but also in its discretionary selection of the Weighted Index Components from time to time in accordance with its proprietary sustainability framework.

The Rebalancing Entity reviews its proprietary sustainability framework on a quarterly basis and it is possible that any revisions to such framework will not reflect ESG factors.

At inception, there are 89 Weighted Index Components (as listed in Section 5 of the relevant Index Specific Rules). Once a stock has been identified for inclusion as a Weighted Index Component, the actual weighting allocated to it is determined based on market capitalization and, therefore, does not account for ESG factors. Although the relevant Index Rules provide for periodic systematic rebalancing and reweighting of the Index by the Rebalancing Entity at its discretion, once a stock has been selected as a Weighted Index Component (which selection involves the application of ESG factors), ESG factors will not have any impact on the actual weight allocated to such Weighted Index Component.

(c) Consideration of ESG factors when calculating the performance of the Index

The performance of the Index is calculated by reference to factors including the performance of each Weighted Index Component. While the calculation does not directly reflect ESG factors, it factors in the return of each Weighted Index Component by reference to its official closing price which is indicative of its performance, which reflects ESG characteristics and, accordingly, the official closing price of such Weighted Index Component is influenced by its ESG characteristics (and, therefore, reflects ESG factors).

The Eligible Stock Universe comprises stocks selected from the Stock Universe by an affiliate of the Index Sponsor (i.e. the Rebalancing Entity) in accordance with the Rebalancing Entity's proprietary 'good governance' model. Such Eligible Stock Universe forms the basis for the Rebalancing Entity's further screening and selection of the Weighted Index Components in accordance with its proprietary sustainability framework. ESG-related data and standards are reflected, through the Eligible Stock Universe and the Weighted Index Components, in the ESG data and standards to be used by the Rebalancing Entity when constituting or adding to the Eligible Stock Universe and screening and selecting the Weighted Index Components, in each case, from time to time. The Index Sponsor is not required to verify the constituents of the Eligible Stock Universe or the Weighted Index Components against the Rebalancing Entity's internal 'good governance' model or its proprietary sustainability framework. The Rebalancing Entity may change its internal methodology, including any ESG factors, from time to time.

Credit Suisse International (as the "**Index Administrator**") may supplement, amend, revise or terminate the relevant Index Rules at any time and, in doing so, is not required to account for ESG factors. The strategy underlying the Index (the "**Index Strategy**") is a proprietary strategy of the Index Administrator and may be changed at any time by the Index Administrator (subject to consultation with the Index Committee). It is possible that a revised strategy will not pursue ESG objectives.

The Index Sponsor may, in consultation with the Index Committee, supplement, amend, revise, rebalance or withdraw the Index to address an error, ambiguity or omission or pursuant to the occurrence of an Extraordinary Event or an Index Component Disruption Event (each, as defined in the relevant Index Rules). This may lead to a change in the way the Index is calculated or constructed, including substitution of an Index Component or changes to the Index Strategy, which may not necessarily reflect ESG factors. Also, the Index Sponsor may, following the occurrence of an Index Rebalancing Event (as defined in the relevant Index Rules), remove or substitute the Rebalancing Entity or withdraw the Index. In case of a new Rebalancing Entity, it is likely that such third party will follow its own internal methodology which may not necessarily reflect ESG factors.

The Index Sponsor may reconstitute the Index or take any other action following a General Disruption Event (as defined in the relevant Index Rules) or an Index Component Disruption Event. If the Index is reconstituted, it is possible that there may be new Index Components that do not reflect ESG factors.

The principal Input Data for the Index will be the official closing price of each Weighted Index Component (and is, therefore, externally sourced). The primary Input Data in respect of each Weighted Index Component is its official closing price, which will reflect its ESG characteristics. There is no method of extrapolation which reflects ESG factors.

2.4. *Controls and rules that govern any exercise of judgement or discretion by the administrator or any contributors, to ensure consistency in the use of such judgement or discretion*: The determination of the Index is rules-based and ESG factors are not reflected in the controls and rules that govern any exercise of judgment or discretion by the administrator or any contributors. S&P Opco LLC (in its capacity as "Stock Calculation Agent") may also exercise its discretion in relation to adjustment of Index Components following certain corporate events in accordance with its Corporate Action Policy, but this does not reflect ESG factors.

However, it should be noted that because the constitution of the Eligible Stock Universe and the screening and selection of the Weighted Index Components, in each case, from time to time by an affiliate of the Index Sponsor (i.e. the Rebalancing Entity) is carried out by applying ESG factors (as described above), ESG factors are reflected in any discretion exercised by the Rebalancing Entity in applying the criteria to determine the Eligible Stock Universe and the Weighted Index Components.

2.5. *Procedures which govern the determination of the benchmark in periods of stress or periods where transaction data sources may be insufficient, inaccurate or unreliable and the potential limitations of the benchmark in such periods*: As the eligibility criteria for the Eligible Stock Universe and the screening and selection criteria for the Weighted Index Components (which, in each case, as described above, reflects ESG factors) employs the Rebalancing Entity's internal methodology, any events that may lead to the parameters for its methodology being insufficient, inaccurate or unreliable as a basis for identifying companies pursuing ESG objectives, or not being consistent with the assumptions made when the Eligible Stock Universe was constituted or the Weighted Index Components were selected, may compromise the reliability of the Index. There are no procedures which govern the determination of the Index in periods of stress which reflect ESG factors.

2.6. *Procedures for dealing with errors in input data or in the determination of the benchmark, including when a re-determination of the benchmark is required*: There are no procedures for dealing with errors in input data or in the determination of the Index, including when a re-determination of the Index is required, that reflect ESG factors.

2.7. *Identification of potential limitations of the benchmark, including its operation in illiquid or fragmented markets and the possible concentration of inputs*: There are no potential limitations of the Index, including its operation in illiquid or fragmented markets and the possible concentration of inputs which reflect ESG factors.

Users and potential users of the Index should be aware that the Eligible Stock Universe is created, and the screening and selection of the Weighted Index Components (including, in each case, any data used and any eligibility criteria applied by the Rebalancing Entity as part of those processes) is effected, by the Rebalancing Entity and that the Rebalancing Entity may request additions to the Stock Universe, amend the Eligible Stock Universe and/or select the Weighted Index Components, in each case, in accordance with its own methodology. Accordingly, the Index Sponsor has relied upon the data provided by the Rebalancing Entity. The ability of the Index to pursue ESG objectives, and reflect ESG factors, is dependent on the methodology applied by the Rebalancing Entity when creating or amending the Eligible Stock Universe, requesting additions to the Stock Universe and selecting or revising the Weighted Index Components (including, in each case, any data used and any eligibility criteria applied by the Rebalancing Entity as part of those processes) from time to time and the data provided by the Rebalancing Entity to the Index Sponsor.