

Handelsbanken

Principles & Code of Conduct for Indices and Benchmarks

Version 1.2
19 October 2016

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1 Introduction

This document (the "**Index Principles**") constitute the principles and code of conduct under which all indices where Svenska Handelsbanken AB (publ) ("**Handelsbanken**") acts as administrator (the "**Index Administrator**") are governed and maintained. The Index Principles supplemented and completed by the specific Index Supplement and corresponding Base Methodology sets out the rules (the "**Index Rules**") applicable to the index specified in such Index Supplement (the "**Index**").

These Index Principles also apply to situations where Handelsbanken is appointed Index Contributor, Index Calculator or Index Validator respectively for an Index where it is not necessarily the Index Administrator.

The aim of the Index Principles is to secure investor confidence and reliability by limiting discretionary mandates and avoid conflicts of interest or at least manage them adequately through a clear and robust framework for the index production process within Handelsbanken.

The development of these Index Principles, has been made with regards to the *ESMA-EBA Principles for Benchmark Setting Processes in the EU* (the "ESMA-EBA Final Report") of 6 June 2013, the *Principles for financial benchmarks* issued by the International Organization of Securities Commissions (the "IOSCO Principles") of 17 July 2013 and the *Proposal for a Regulation of the European Parliament and of the Council on indices used as benchmarks in financial instruments and financial contracts* (the "Proposal for Regulation") put forward by the European Commission on 18 September 2013.

The process of maintaining and governing an Index involves a number of functions and responsibilities. These functions and responsibilities constitute the value chain of index production and maintenance and will be described further in Section 2 (*Functions and Responsibilities*) and if such function is appointed by the Index Administrator to Handelsbanken, its organizational position and structure disclosed. In situations where the process of maintaining and governing an Index, involves discretionary decisions and interpretations, describing the different functions and its responsibilities will help clarifying potential grounds for conflicts of interest so that these can be managed and controlled in order to maintain investor reliability and confidence. The Index Administrator is consistently working together with its compliance department ("**Compliance**") in order to reduce discretion and enhance integrity and reliability by identifying situations where conflict of interest can arise and how to handle the consequences of any such situation which is further described in Section 3 (*Compliance and Conflicts of Interest*).

2 Functions and Responsibilities

2.1 Index Contributor

An Index Contributor is any legal person or entity contributing to data submissions which are used exclusively for the purpose of calculating and determining an Index. An Index Submitter is any natural person employed by the Index Contributor for the purpose of contributing input data.

In a situation where transaction based input data such as closing prices etc are gathered from an official trading venue or market place and used without any modification or discretionary selection process such trading venue or market place shall not be regarded an Index Contributor if such input data is not produced or submitted for the exclusive purpose of calculating and determining that Index. If however data submitted by a trading venue or market place is selected or refined by any party and subsequently passed on to an Index Administrator or Index Calculator for the purpose of calculating and determining an Index, such party would constitute an Index Contributor. If the input data itself is an Index governed by an Index Administrator such Index Administrator would not be regarded an

Index Contributor if such Index was not calculated and determined for the purpose of being used as input data for another Index.

There shall be a clear preference for use of transaction based data as input as it involves little or no processing or interpretation. For situations where transactions based data is not available and the calculation and determination of an Index is, partially or fully, based on data such as, but not limited to, bid/offer prices, estimated prices, values, submissions, reports or surveys the appointment of an Index Contributor by the Index Administrator can be necessary to ensure that data input is sufficient and accurate and do represent the actual market or economic reality that the Index is intended to measure. This appointed Index Contributor shall make sure that the data obtained and submitted to the Index Calculator, and/or Index Administrator where applicable, to calculate and determine the Index comes from a reliable and representative panel or sample of contributors.

For an Index where Handelsbanken is the appointed Index Contributor and Index Administrator this function and responsibility is governed by the department for Quantitative Analysis (“HCXM-K”) if not otherwise specified within the respective Index Supplement. The accountable individual of appropriate seniority responsible for Index Contribution is Gabriella Hultström.

For an Index where Handelsbanken is the appointed Index Contributor but not the Index Administrator this function and responsibility is governed by the department as specified in a Service Level Agreement between Handelsbanken and the index administrator of such index as applicable.

2.2 Index Administrator

The Index Administrator is the legal person that controls the creation and operation of the Index process and has the responsibility for the calculation of the Index and the determination of the methodology and supplementing documentation (the “Index Rules”) regardless of whether it delegates or outsources any of these activities to a third person such as for example an Index Contributor, Index Calculator, Index Publisher etc.

The responsibilities of the Index Administrator involves all stages and processes involved in the production and dissemination of an Index from the gathering of input data and the calculation of the Index based on the input data to the dissemination of the Index to Users including any review, adjustment and modifications to this process.

The Index Administrator shall in its governance, whether delegated or not have robust arrangements, which includes a clear organizational structure with well defined, transparent and consistent roles and responsibilities for all participants involved in the process. It shall further take necessary steps to ensure that situations where conflicts of interest can arise are kept to a minimum and honestly exercised. It shall together with Compliance continuously oversee the process of calculating and determining the Index and ensure that it is maintained in accordance with these Principles. Its obligations cover record keeping, validation and providing a functional complaints process.

The Index Administrator shall make sure that the Index Base Methodology and specific Index Supplement are robust, rigorous, systematic and precise so that the intention and purpose of the Index is clear and that subjective interpretation of key concepts can be avoided by all participants involved in the process, including but not limited to the Index Calculator, Index Validator, Index Publisher and Index Users. The Index Administrator shall strive to keep transparency as high as possible so that any methodology, decision to change or modify any methodology and the background for any such decision, is made available and disclosed to the extent necessary and possible. This is further described in Section 4 (Transparency and Publication).

Potential updates, changes and modifications to any Index Base Methodology or its supplementing documentation that constitute the Index Rules is part of a continuous process where the Index Administrator oversees the appropriateness and representation of the Index and the performance it intends to replicate. This process shall be handled in close cooperation with the Index Contributor, Index Calculator and Compliance.

For all indices governed by these Index Principles, Handelsbanken is the Index Administrator. Its' responsibilities are handled by the department for Product Ownership and Development ("HCDU"). The accountable individual of appropriate seniority responsible for Index Administration is Joakim Alpius.

2.3 Index Calculator

An Index Calculator can be defined as the legal person appointed by the Index Administrator to perform the actual calculation of the Index, based on the input data and judgements performed by the Index Contributor where applicable.

The Index Calculator shall ensure that the process of calculating the Index is robust and that mechanisms are in place to make sure that input data provided by the Index Contributor where applicable is correctly implemented and that calculations are approved and confirmed before passed on to the Index Publisher.

Models used to perform the calculations should be pre approved by the Index Validator.

The Index Calculator shall on behalf of the Index Administrator keep records of previous calculations made and the input data used to perform the calculations in order to enable future recalculation of the index and/or for the data to be used as supporting information in the event of a future review of any decision made in relation to changes or modifications to the index methodologies or correction to previous miss calculations or manifest error made in any part of the process.

For an Index where Handelsbanken is the appointed Index Calculator this function and responsibility is governed by the department for Quantitative Analysis ("HCXM-K") if not otherwise specified within the respective Index Supplement. The accountable individual of appropriate seniority responsible for Index Calculation is Gabriella Hultström.

2.4 Index Validator

An Index Validator can be defined as the legal person appointed by the Index Administrator to perform the validation and testing of all models and scripts used by the Index Calculator in order to perform the calculations necessary to produce the index level.

The Index Validator shall approve of all models used by the Index Calculator in order to ensure that the Index Base Rules is properly executed and that the correct interpretation of the Index Rules has been implemented when conducting the calculations necessary to produce the Index level.

The Index Validator is only responsible for governing the implementation of the models when performing the calculations and not for the data input or the actual execution of the models used in the calculation process which is the responsibilities of the Index Contributor and Index Calculator respectively.

For an Index where Handelsbanken is the appointed Index Validator this function and responsibility is governed by the department for Risk Control, Model Validation & Quantitative Analysis ("HCRM")

if not otherwise specified within the respective Index Supplement. The accountable individual of appropriate seniority responsible for Index Validation is Anna Engqvist.

2.5 Index Publisher

An Index Publisher can be defined as the legal person appointed by the Index Administrator to perform the publication and distribution of an Index level and/or making other Index related information available to the Index Users through defined channels such as but not limited to the Internet.

The Index Publisher should implement and maintain systems that are adequate to ensure consistent and timely publication of the Index and any appropriate related data. The Index Publisher shall seek confirmation from the Index Calculator to ensure that the index contribution-, index validation- and index calculation procedures have been followed.

For an Index where Handelsbanken is the appointed Index Calculator this function and responsibility is governed by the department for Quantitative Analysis & System Development (“HCXM-K”) if not otherwise specified within the respective Index Supplement. The accountable individual of appropriate seniority responsible for Index Calculation is Gabriella Hultström.

2.6 Index User

An Index User is a client deemed professional being either a legal or physical person that uses an Index in one of the following manners:

- i) as reference for a financial transaction or contract that the legal person or entity sells or places, or for a financial instrument it structures; or
- ii) as a reference for a financial transaction or contract to be entered into by the legal person’s or entity’s clients, or by itself on behalf of its clients, in the context of its individual or collective portfolio management activities.

3 Compliance and Conflict of Interest

The process of maintaining and governing an Index involves a number of functions and responsibilities as described previously. It is important that these responsibilities are well defined so no uncertainties arise with regards to where such responsibility lies and how it is monitored. The way in which the different functions operate should be organized in a way that limits conflicts of interest to the extent possible.

In situations when conflicts of interest is considered to exist they shall be identified and disclosed in order to create grounds for credibility in the perception of the Index Users and other participants involved in the process. Certain judgements and decisions that need to be made under conditions with market disruptions are typical situations where an Index Calculator or Index Administrator has given itself a certain degree of freedom and act with some discretion.

It is important that the existence of discretionary mandates are kept at an absolute minimum but when needed, its original intention or purpose stated in the specific Index Rules to the extent possible in order to flag beforehand when and how these degrees of freedom can and most likely will be used.

This should be done to increase the predictability of future actions taken by the different parties appointed to maintain and govern an Index.

Conflicts of interest that are not related to situations where degrees of freedom is implemented to handle unpredictable situations with market disruptions or other irregularities that need room for modifications, changes or corrections can be more serious. If discretion is allowed by an Index Contributor when interpreting or deciding the use of inputs to provide for index calculation and the same unit have positions and/or exposure towards its clients with reference to the specific index in question, this would give rise to a clear conflict of interest which would be needed to address and disclose.

The use of non transaction based data such as surveys, bids and offers etc increases the risk of manipulation and misconduct if it coincides with discretionary mandates. Therefore the Index Administrator shall strive to construct Index Rules where transaction based data are used since little or no room for interpretation is present even when discretionary mandates are given.

In order to have a continuous process where the existence of conflicts of interest is monitored and limited the Index Administrator meet regularly in a committee (the “**Index Committee**”) with Compliance and representatives of potentially appointed Index Contributors and Index Calculators. This Index Committee is governed by a representative from Compliance (the “**Oversight Officer**”) who is appointed to oversee the structural setup by the Index Administrator to maintain and govern the production of a specific Index.

All new indices in scope of these Index Principles have passed an approval process in the committee.

4 Transparency and Publication

An Index should be developed, operated and administered in a transparent and accessible way. A high degree of transparency on the process of determining the Index and on any change or modification thereof will help market confidence and integrity. However transparency will need to be balanced with protecting confidentiality as well as potential intellectual property rights as the release of certain information could have offsetting effects. Where possible the full methodology should be released and made available as specified in the respective Index Supplement. The input data used to determine the Index including weightings etc should be published as soon after publication of the Index as practicable except where publication would adversely affect the integrity and reliability of the Index in which cases such publication would be delayed until these adverse effects can be significantly diminished.

The Base Methodology and respective Index Supplement shall include an index description that clearly states the intention and purpose of the Index and the rationale for adopting the methodology. The criteria’s for calculating and determining the Index as well as under which circumstances it shall be calculated and produced, must be included. Further it shall state the circumstances under which the Index may cease to be fit for its original purpose and under what conditions it may be changed, altered, modified or discontinued. It shall also include information that informs about likely consequences for transactions and/or securities referencing the Index should it be discontinued and the responsibilities of the Index Administrator in such situation. The parts of the process and under which criteria discretion can be exercised shall be identified and disclosed.

5 Principles for the continuity of Indices

It is important that all participants involved in the process of determining, calculating, maintaining and using an Index strive for the continuity of such Index by putting into place robust and credible contingency provisions for cases that would otherwise threaten the existence of the Index.

From an Index Administrators perspective such measures could be solutions for alternative data sources, including derivatives, algorithms or expert judgements to complement market transactions etc. It is however important that changes in any such provision is disclosed to the public and the reason for such a change.

Index Contributors, Index Calculators and Index Publishers should all have contingency plans to take into consideration the effects of technical failure and situations where systems used to fulfil its obligations would suddenly be unavailable.

THESE INDEX PRINCIPLES AND CODE OF CONDUCT CONSTITUTE THE FRAMEWORK UNDER WHICH HANDELSBANKEN AND INVOLVED PARTNERS HAVE JOINTLY AGREED TO OPERATE WHEN PERFORMING ITS DUTIES WITHIN INDEX PRODUCTION AND MAINTENANCE AND IS CONTINUOUSLY REVIEWED AND UPDATED TO REFLECT THE CURRENT LEGISLATION AND CORPORATE POLICY.