
PROCEDURE FOR REVIEW AND CHANGE OF METHODS FOR CAPITAL MARKET BENCHMARKS*

*Excerpt from the Procedure for Review and Change of Methods for Capital Market Benchmarks, adopted by means of Management Board Resolution No. 21/2019 of 24.07.2019, as amended (version in force since 5.04.2024)

1. INTRODUCTION

- 1.1 This Procedure applies to the benchmarks of GPW Benchmark from the Stock Exchange Index Family and the Treasury Bond Index Family collectively referred to as the "Index Family" and the GPWB-CENTR Index. Whenever reference is made to an "Index" or "Indices", it shall mean the individual Indices comprising the Index Family and the GPWB-CENTR Index.
- 1.2 The Procedure sets out:
- a) the process for the cyclical and extraordinary review of the definitions, the Methods for determining the Indices (hereinafter: "Methods"), the Key Elements of the Methods (hereinafter: "KEM") and the significance thresholds for changes to the Methods,
 - b) the definition of a significant change to a Method and the process for assessing the significance of a Method change,
 - c) the adoption of an insignificant and a significant Method change,
 - d) the public consultation process when a proposed Method change is significant,
 - e) the process for discontinuing the elaboration of the Indices or Index Family.
- 1.2 For the Indices referred to in item 1.1, the Management Board shall adopt and amend, in accordance with the procedure provided for in item 3, Procedures setting out:
- 1.2.1 the definition of a "significant change to the Method", with wording consistent with item 1 of Exhibit 1,
 - 1.2.2 the KEM list for the Index or Index Families respectively, with contents in accordance with item 2 and item 3 of Exhibit 1, and
 - 1.2.3 significance thresholds verifying the scale and scope of the consequences of changes, with contents in accordance with item 5 of Exhibit 1.
- 1.3 The Oversight Committee oversees and evaluates the decisions of the Management Board, makes recommendations on procedures, including, in particular, a decision on whether to accept the outcome of the Methods review and declare it completed.
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2. PROCESS FOR CYCLICAL REVIEW OF DEFINITIONS AND METHODS, KEM LISTS AND SIGNIFICANCE THRESHOLDS

- 2.1 The Supervisory Committee shall review, at least once a year, the definitions and Methods, KEM lists and significance thresholds for the Indices or Index Families ("cyclical review").
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- 2.5 The Management Board is responsible for conducting the reviews as planned and presenting the results to the Oversight Committee in a timely manner in the form of a review report.
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- 2.7 After reviewing the report of the Management Board referred to in item 2.5, the Oversight Committee may accept or reject the conclusions of the respective report of the Management Board. If the conclusions of the Management Board as presented in the report are accepted, the cyclical review of the definitions and Methods shall be deemed to be completed and the Oversight Committee shall pass a resolution to approve its outcome.
- 2.10 After reviewing the completed report of the Management Board, the Oversight Committee shall adopt a resolution on approving the results of the cyclical review. At the same time, the Supervisory Committee may adopt a recommendation:

- 2.10.1 to change the definition or Method of a particular Index Family or Index,
- 2.10.2 to amend the KEM list or significance thresholds for a given Index Family.

3. PROCESS TO AMEND DEFINITIONS, METHODS, KEM LISTS OR SIGNIFICANCE THRESHOLDS

- 3.1 An amendment to the definitions, Methods, KEM list or significance thresholds is initiated, in particular taking into account the results of the cyclical review, on the basis of:
 - 3.1.1 a recommendation from the Oversight Committee to the Management Board or
 - 3.1.2 a proposal from the Management Board to the Oversight Committee.
- 3.2 The determination of whether a change is a significant or an insignificant change shall be made by the Management Board and subject to the approval of the Oversight Committee. The determination shall be made in accordance with the definition of a "significant change in the Method", by:
 - 3.2.1 determining whether the change proposal relates to KEM; if not – the change is considered insignificant and subject to the procedure set out in item 3.4, if yes – the change is subject to item 3.2.2;
 - 3.2.2 performing a counterfactual test comparing the modelled indicator in the adopted reference period with the historical evolution of the indicator in order to verify if the adopted significance thresholds for the change being made are exceeded; if the results of the counterfactual test performed indicate that the change does not result in any of the adopted significance thresholds being exceeded, or one of the significance thresholds is exceeded, the change is considered insignificant and is subject to the procedure set out in item 3.4; if the change causes at least two of the significance thresholds to be exceeded - it is considered to be a significant change and therefore subject to the procedure in items 3.7-3.11.
- 3.3 If the counterfactual test referred to in item 3.2.2 cannot be performed due to the nature of the change or the lack of historical values for the elements of the Method subject to change, the change is not a change considered to be significant.
- 3.4 If the Oversight Committee accepts the assessment of the proposed change as insignificant in accordance with items 3.2 and 3.3, the Management Board:
 - 3.4.1 shall obtain the approval of the Supervisory Committee as to the content of the proposed changes to the Regulations of the Stock Exchange Index Family or the Regulations of the Treasury Bond Index Family and other documentation, and then
 - 3.4.2 shall implement the change by adopting the amendments to the relevant Regulations and other documentation in accordance with the modalities for their entry into force.
- 3.5 The Oversight Committee has the right to recommend to the Management Board to conduct public consultations regarding proposals to change the Method considered to be insignificant, if there are grounds for applying such a procedure for the sake of clarity, transparency of the Administrator's actions, and the stability and safety of trading in financial instruments. In such a case, item 3.11 shall apply to the implementation of such a change.
- 3.6 An update to the Method consisting in a clarification or refinement of existing rules, an amendment to the text without changing the meaning of an element of the Method, including the definition of the Index, does not constitute a significant change to the Method.
- 3.7 Based on its assessment of the proposed change as a significant one, the Management Board shall prepare a report including a draft timetable for the introduction of a significant change

and an assessment of the impact of the proposed significant change to the Method, which shall take into account the following factors:

- a) the rationale for the need to change the Method, including the impact of the change on the process of determining the Indices and the ability of Users to use the Indices,
- b) the extent of consultation and potential stakeholders,
- c) the possible new obligations of the Administrator, the entities from which the input data used by the Administrator and the Users of the Indices is derived,
- d) the possible implications for IT systems,
- e) the impact of the change on the content of the documentation setting out the rules for the construction of the Indices and the public disclosure of the values of the Indices
- f) the possible impact of the change on the risks, budget and operating costs of the Administrator.

3.8 The Management Board may take into account the results of the activities referred to in item 3.2, taking into account item 3.3, and the report referred to in item 3.7 in its proposal to the Oversight Committee referred to in item 3.1.2.

3.9 On the basis of the Management Board's proposal and the impact assessment presented, the Oversight Committee may recommend:

- 3.9.1 to launch a public consultation on the significant change,
- 3.9.2 to modify the proposal for a significant change,
- 3.9.3 to abandon the proposed significant change.

3.10 Subsequently, the Management Board:

- 3.10.1 on receipt of a recommendation from item 3.9.1, shall immediately commence the consultation procedure for the proposed change to the Method,
- 3.10.2 on receipt of a recommendation from item 3.9.2 or 3.9.3, shall establish a proposed significant change with the Oversight Committee to obtain its approval, or decide not to proceed with the proposed change to the Method.

3.11 Consultation procedure for a significant change to the Method:

- 3.11.1 After obtaining the Oversight Committee's approval of the proposed change, the Management Board shall prepare a consultation document describing the proposed significant change to the Method and an assessment of the impact of the proposed change on the Indices.
- 3.11.2 The Management Board shall send the consultation document to stakeholders and publish it on the Administrator's website, setting a deadline and form in which comments are to be submitted. The identified stakeholders should be in particular the Users of the Indices.
- 3.11.3 After the expiry of the deadline indicated for comments, the Management Board shall prepare a public summary of the comments received. The summary of comments received shall maintain confidentiality and the information shall be presented in an aggregated form with a list of stakeholders who participated in the consultation. The Management Board communicates the results of the consultation to all identified stakeholders.
- 3.11.4 Based on the results of the consultation, the Management Board may decide to:
 - a) implement the method change, based on the adopted timetable,
 - b) modify the Method change proposal and reassess its impact in full or in part,

- c) abandon the Method change,
 - d) discontinue the elaboration of the Index or Index Family.
- 3.11.5 In the case referred to in item 3.11.4 b), the Management Board shall carry out a consultation procedure with the Oversight Committee regarding the modification of the change proposal in accordance with items 3.4 – 3.7.
- 3.11.6 In the case referred to in item 3.11.4 c), the Management Board shall inform the Oversight Committee of its decision.
- 3.11.7 In the case referred to in item 3.11.4 d), item 4 of the Procedures shall apply.
- 3.12 The Management Board shall publish a notice of all changes to be made and the dates on which they become effective on the Administrator's website, in accordance with the rules adopted in item 15.3 ("Amendments to the Regulations") of the Stock Exchange Index Family Regulations or item 4.2 ("Amendments to the Regulations") of the Treasury Bond Index Family Regulations.

4. DISCONTINUATION OF THE PROVISION OF THE INDEX OR THE INDEX FAMILY

- 4.1 The Administrator may decide to discontinue the elaboration of an Index Family or Index in particular in the event of:
 - 4.1.1 lack of market interest,
 - 4.1.2 change in the market or market realities that the Index or Index Family was designed to measure,
 - 4.1.3 inability to obtain input data or data for the parameterisation of the Index portfolios,
 - 4.1.4 if, for reasons beyond the Administrator's control, it is not possible to elaborate the Index or Index Family in a manner consistent with the Benchmark Regulation,
 - 4.1.5 if the FSA has withdrawn the permission granted to the Administrator or the Administrator's registration.
- 4.2 A decision by the Administrator to discontinue the elaboration of an Index or Index Family for the reasons set out in items 4.1.1 to 4.1.4 shall be subject to consultation with the Oversight Committee.
- 4.3 The Management Board shall be obligated to take into account the opinion of the Oversight Committee before deciding to discontinue an Index or Index Family.
- 4.4 Information about the discontinuation of an Index or an Index Family, together with an indication of the date of the last publication of the Index or Index Family, shall be published on the Administrator's website.
- 4.5 Upon the expiration of the deadline set out in item 4.4, any Usage Agreements shall terminate in accordance with the extent to which elaboration has ceased, and the Administrator shall inform the parties to the Agreements in accordance with their provisions.

5. REVIEWS AND UPDATE OF THE PROCEDURE

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- 5.2 Changes to the Procedure shall be adopted by the Management Board and approved by the Oversight Committee.
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Exhibit 1 Definition of a "significant change" in the Method

1. A significant change to the Method is a change to the Key Element of the Method ("KEM") which, if implemented, would result in a change in the Index value trajectory that exceeds 2 of the 3 significance thresholds determined in accordance with item 4.
2. For the purposes of determining the definition of a substantial change to the Method of determination of the Indices of the Stock Exchange Index Family and the GPWB-CENTR Index, the Administrator has determined the following KEM:
 - 1) a change in the market or economic reality that the Index measures - otherwise its definition (e.g. blue-chip companies index from a specific market, mid-cap companies index from a specific market, dividend companies index, bond market index, achievement of sustainability or decarbonisation targets),
 - 2) a change in the number of Index participants (for indices with a fixed number of participants),
 - 3) a change of the rules of qualifying companies to the Index, including the so-called underlying criteria and other additional elements (e.g. MTR, fast track, taking into account ESG and decarbonisation factors in the Method) conditioning the qualification of a company to a given Index,
 - 4) a change of the rules for determining the weighting of companies in the index, e.g. limiting the share of the largest companies to 10% or 15%,
 - 5) a change of the rules of dealing with corporate events, including operations on securities, e.g. dividends, pre-emptive rights,
 - 6) a change in the method of elaborating the parameterisation data that form part of the Method for the composition of the Index portfolio,
 - 7) a change of the algorithms included in the Index Method,
 - 8) a change of the publication rules of the Index, e.g. its frequency (timetable), except for a change of the form of publication on the Administrator's website.
3. For the purposes of defining a substantial change to the Method of determination of the Indices in the Treasury Bond Index Family, the Administrator has determined the following KEM:
 - 1) a change in the definition of the Index,
 - 2) a change in the underlying market being measured,
 - 3) a change in the criteria for selecting Treasury Bonds for the Portfolio (underlying criteria) and the rules for determining the weights of the Bonds included in the Portfolio,
 - 4) a change of the input data for determining the Index,
 - 5) a change of the principles and algorithm for determining the Index value,
 - 6) a change of the publication rules, inter alia frequency (timetable), except for the change of the form of publication on the Administrator's website.
4. As part of the process of testing the significance of a change to the Method, the Administrator has introduced significance thresholds verifying the scale and scope of consequences of a change to the KEM, which define the boundaries beyond which a change to the way the market is measured will be treated as a significant change. The verification occurs on the basis of a counterfactual test of the model run of the indicator taking into account the planned change in Method and the historical run of the indicator during the reference period.
5. Significance thresholds relate to the following parameters:
 - the average daily change in the value of the Indices,
 - the average daily variability of the Indices,

- the average daily value of the Indices.
6. The significance threshold levels are proposed by the Management Board and require the approval of the Oversight Committee.

Exhibit 2. Significance threshold levels

(document not subject to publication)