

ELSTON INDEX GOVERNANCE: COMPLIANCE STATEMENT
Under Article 26(3) of Regulation (EU) 2016/11

| | |
|--|---|
| A. GENERAL INFORMATION | |
| 1. Date of creation of the compliance statement and the latest updated | Created: 1/12/17 (dd/mm/yy) Last updated: 1/12/17 (dd/mm/yy) |
| 2. Identity of the administrator (as it appears in the register of administrators and benchmarks published by ESMA) | Elston Consulting Limited |
| <p>This section should identify:</p> <ul style="list-style-type: none"> the non-significant benchmark in respect of which provisions do not apply, the provisions that the administrator has chosen not to apply, and an explanation as to why it is appropriate not to apply each provision. <p>Each section should be completed for any identified group of non-significant benchmarks provided by the administrator in respect of which:</p> <ul style="list-style-type: none"> the same provisions are not complied with, and the same explanations for non-compliance apply. | |
| B. ELSTON CONSULTING LIMITED chooses not to apply the following provisions of Regulation (EU) 2016/1011 with respect to its non-significant benchmarks listed below | |
| 3. Identification of benchmarks for which this section is relevant | <p><i>[List of names of all the single benchmarks including, where available their ISINs]</i></p> <p>ELSTON STRATEGIC BETA® GLOBAL MINIMUM VOLATILITY INDEX Bloomberg Ticker: ESBGMV Index ISIN:DE000SLA5TT2</p> |
| 4. i) clear identification of each single provision; ii) for each provision listed under point (i), a dedicated, detailed and clear explanation of the reasons why the administrator considers it appropriate not to comply with that specific provision | <p><i>4(i) [Number of the Article and paragraph of Regulation (EU) 2016/1011 and full text of each single provision]</i></p> <p>Articles 4(2), points (c), (d) and (e) of Article 4(7), Articles 4(8), points (b) and (c) of Article 11(2), and Articles 11(3), 13(2), 14(2), 15(2), 16(2) and (3)</p> <p>Article 4(2): The provision of a benchmark shall be operationally separated from any part of an administrator's business that may create an actual or potential conflict of interest.</p> <p>Article 4(7) points (c), (d), and (e): Administrators shall ensure that their employees and any other</p> |

| | |
|--|---|
| | <p>natural persons whose services are placed at their disposal or under their control and who are directly involved in the provision of a benchmark: (c) do not have any interests or business connections that compromise the activities of the administrator concerned; (d) are prohibited from contributing to a benchmark determination by way of engaging in bids, offers and trades on a personal basis or on behalf of market participants, except where such way of contribution is explicitly required as part of the benchmark methodology and is subject to specific rules therein; and (e) are subject to effective procedures to control the exchange of information with other employees involved in activities that may create a risk of conflicts of interest or with third parties, where that information may affect the benchmark.</p> <p>Article 4(8): An administrator shall establish specific internal control procedures to ensure the integrity and reliability of the employee or person determining the benchmark, including at least internal sign-off by management before the dissemination of the benchmark.</p> <p>Article 11(2) (b) a process for evaluating a contributor's input data and for stopping the contributor from providing further input data, or applying other penalties for non-compliance against the contributor, where appropriate;</p> <p>Article 11(2) (c) a process for validating input data, including against other indicators or data, to ensure its integrity and accuracy.</p> <p>Article 11(3) Where the input data of a benchmark is contributed from a front office function, meaning any department, division, group, or personnel of contributors or any of its affiliates that performs any pricing, trading, sales, marketing, advertising, solicitation, structuring, or brokerage activities, the administrator shall: (a) obtain data from other sources that corroborate that input data; and (b) ensure that contributors have in place adequate</p> |
|--|---|

| | |
|--|---|
| | <p>internal oversight and verification procedures.</p> <p>Article 13(2) The procedures required under point (c) of paragraph 1 shall provide for: (a) advance notice, with a clear time frame, that gives the opportunity to analyse and comment upon the impact of such proposed material changes; and (b) the comments referred to in point (a) of this paragraph, and the administrator's response to those comments, to be made accessible after any consultation, except where confidentiality has been requested by the originator of the comments.</p> <p>4(ii) [Explanation on the appropriateness of the non-compliance for each specific provision]</p> <p>Article 4(2): This is not appropriate for a non-significant benchmark, as there is no scope to create any such conflicts of interest.</p> <p>Article 4(7) points (c), (d), and (e): are not appropriate as the Administrator does not have any such interests, and is not able to engage in bids, offers or trades either as a corporate or on a personal basis, or on behalf of market participants. As the administrator does not undertake trading activities (research index only), there is no scope for conflicts of interests with third parties, furthermore input information into any research indices (non-significant benchmarks) is systematic and defined by the Index Rules.</p> <p>Article 4(8) is not appropriate as 1) the Administrator only provides indices that are non-significant and 2) employees or persons do not determine the benchmark, the benchmark weightings are determined by a quantitative model following a process set out in the published Index Rules</p> <p>Article 11(2) (b) is not appropriate as 1) the Administrator only provides indices that are non-significant and; 2) weightings data are determined by a quantitative model as defined in the published Index Rules (there is no</p> |
|--|---|

| | |
|--|---|
| | <p>subjective index data); and 3) the underlying securities used to derive the weightings data are liquid Exchange Traded Funds (ETFs) with automated price feeds from the relevant exchange via Bloomberg and other data feed providers. As data subscribers we rely on the quality of the price feeds from the respective exchange for those ETFs as the underlying securities used to derive the index price.</p> <p>Article 11(2) (c) is not appropriate as it's not practicably possible to cross verify intraday price feeds supplied by Bloomberg and other data suppliers for a number of underlying securities (Exchange Traded Funds). These feeds are publicly available information supplied by the relevant exchanges. There are no subjective input data.</p> <p>Article 11(3) is not appropriate as the Index Administrator does not perform any such function.</p> <p>Article 13(2) is not appropriate as the Index Administrator only manages non-significant research benchmarks run using quantitative models using no subjective inputs. Nonetheless in the rare event of a methodology change, such change will be notified as per Article 13(1).</p> <p>Article 14(2) is not appropriate as input data is weightings of publicly traded securities (ETFs) derived from a quantitative (non-subjective) model that runs to the published Index Rules and prices for underlying securities (ETFs) are publicly available and fed from Bloomberg and other data feeds.</p> <p>Article 15(2) is not appropriate as the input data is a combination of weightings of underlying securities ETFs determined by a (non-subjective) quantitative model based on their historical risk/return characteristics. Index values are created by applying these weightings to the publicly available exchange prices of those ETFs via a Bloomberg and other and other data feeds.</p> |
|--|---|

FOR INTERNAL USE ONLY**INDEX GOVERNANCE**

| | |
|--|--|
| | <p>Article 16(2) is not appropriate as input data is weightings of underlying securities (ETFs) derived from a quantitative (non-subjective) model. Index values are created by applying these weightings to the publicly available exchange prices of those ETFs via a Bloomberg and other and other data feeds.</p> <p>Article 16(3) is not appropriate as input data does not rely on expert judgement.</p> |
|--|--|