

Statements of Ljubljana Stock Exchange Inc. – benchmark administrator



LJUBLJANSKA BORZA
LJUBLJANA Stock Exchange

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Ljubljana Stock Exchange Inc. (hereinafter: LJSE) is a benchmark administrator and an index provider in accordance with Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014 (hereinafter: BMR). LJSE therefore, as an administrator, presents and publishes this document consisting of two statements:

- Benchmark Statement for a family of benchmarks in accordance with article 27/I of BMR, and
- Compliance Statement in accordance with article 26/III of BMR.

Benchmark Statement

Contents of Benchmark Statement for a family of benchmarks

This Benchmark Statement for a family of benchmarks is prepared in accordance with BMR and consists of the following information prescribed in:

- articles 27/I and 27/II of BMR;
- Commission delegated regulation (EU) 2018/1643 of 13 July 2018,
- article 28 of BMR.

Benchmark

LJSE is an administrator of the following benchmarks:

- SBITOP index (hereinafter: SBITOP),
- SBITOP TR index (hereinafter: SBITOP TR).

Abovementioned benchmarks fulfil criteria from BMR to be classified as a family of benchmarks, so LJSE is only publishing one benchmark statement for both benchmarks. When reading this document its user shall assume that properties and characteristics of SBITOP TR are the same as for SBITOP, unless expressly written otherwise.

SBITOP is classified as a "regulated-data benchmark" from article 17 of BMR and a "non-significant benchmark" from article 26 of BMR. SBITOP is not a "critical benchmark", "significant benchmark", "interest rate benchmark" or "commodity benchmark" from Title III of BMR. For these reasons this statement and general administration of SBITOP lawfully omits some requirements and conditions of BMR. More information about this is available in the Compliance Statement.

Benchmark SBITOP is a stock exchange index, calculated from 31 March 2006. SBITOP has an ISIN code of SI0026109882. SBITOP consists of shares listed on a regulated market operated by LJSE, with SBITOP weighted composition being mostly dependent on market capitalization the free float and liquidity of each share, with some other components also being taken into account, as explained in more detail below.

SBITOP is a price index and consists exclusively of shares with prices denominated in EUR. Number of shares in SBITOP shall not be smaller than 5 or greater than 15. On the day of this document there are 11 shares in SBITOP. SBITOP is being calculated and changes in real-time based on publicly disclosed methodology, as better explained afterwards. SBITOP composition changes periodically or ad-hoc in case of extraordinary developments. The weight of a single share in SBITOP is limited and shall not exceed 30%.



Index SBITOP TR is a total return index and only differentiates from SBITOP by also incorporating paid dividends into its value. SBITOP TR will be first calculated on 3 May 2021 and will have an ISIN code SI0028409892.

Crucial information about the benchmark

- Administrator: Ljubljana Stock Exchange;
- Free float: All shares except those pertaining to shareholdings above 5% of the issue or above 25% in case of mutual and pension funds;
- Free float factor: proportion of shares in free float, rounded to one decimal point;
- Weight: Weighted share, indicating the influence of that share on the benchmark;
- Weight limit: Maximum allowed weight a single share may have in the benchmark, currently set at 30%;
- Review: Process during which the benchmark composition and weights are set or modified.

Input data

Regulated-data is used for calculating SBITOP. Input data for the benchmark is being provided directly from the trading venue, as set out in article 3(1)(24)(a)(i) of BMR. Input data for calculating the benchmark represents the data on last executed trades and prices of shares included in SBITOP. Trading system of LJSE is being managed through outsourcing by service provider Wiener Börse AG, Wallnerstraße 8, 1010 Wien, Austria (hereinafter: WBAG), who has no authority, discretion or any other rights and/or influence over the input data for SBITOP. Input data is being imported in real time.

In addition to the abovementioned input data, the methodology or composition of SBITOP also uses other factors, which in accordance with BMR do not represent input data. These factors, imported from other reliable sources, include:

- Number of outstanding shares;
- Free float;
- Number of trades and average number of trades;
- Daily turnover and average daily turnover;
- From these and from input data derived factors, such as "free float factor", "market capitalization of free float" and "share of an individual share";
- Index SBITOP TR also includes paid dividends.

Market or economic reality measured by the benchmark

Benchmark SBITOP is a price index, which based on weighted criteria show the development of trading on the regulated market of LJSE with a mic code XLJU. Included shares and their individual weights depend on their liquidity, free float and market capitalization. Therefore the measurement of market reality is limited to the shares of companies listed on the LJSE regulated market. Additionally, not all shares on the regulated market are included in the SBITOP composition, and those included are represented by their weights which limits the impact they have on the overall benchmark. For these reasons it is important to note that SBITOP is a generalization or a simplified presentation of market reality on LJSE's market, and not as a complete measure, as SBITOP may not show some market developments or they may be significantly muted.

SBITOP is not intended as a measure of general economic reality. SBITOP might be used as an indicator of economic reality or difference economic facts for a geographic area on which included companies or their investors operate, when combined with other measurements, factors or indicators. But LJSE as an



administrator does not guarantee or warrant that SBITOP may, individually or combined with other benchmarks or values, correctly represent economic reality or that changes in the value of SBITOP factually show or may be connected to changes in economic reality or any other facts.

Index SBITOP TR additionally includes dividends paid by the issuers whose securities are represented in SBITOP TR index. Regardless of this, all abovementioned limitations about usefulness of the index to measure market or economic reality still apply. Consequently, LJSE does not guarantee and assumes no liability regarding SBITOP TR reliability for measuring any other reality or criteria, apart from a generalized rate of return measure for included shares, in accordance with SBITOP TR methodology.

Methodology and calculation

LJSE as the administrator of SBITOP sets the methodology of calculation, which is publicly disclosed and transparent. SBITOP is calculated in accordance with Instructions for the Index, Liquidity Criteria, Price List and Other Statistics (hereinafter: Instructions), which represent an act of LJSE adopted under article 385 of Market and Financial Instruments Act (Official Gazette of the Republic of Slovenia, no. 77/18, with changes and amendments, hereinafter: ZTFI-1). Based on the methodology LJSE sets the composition of SBITOP in regular and irregular reviews, while also calibrating the weights of individual included shares. If one share's weight exceeds the 30% limit, the excessive weight is distributed to other included shares. Intervals between reviews and their content are set out in the Instructions. Composition and weights in the benchmark are available on LJSE website. Methodology, composition and weights set all parameters used for calculation of SBITOP. For complete understanding of the process of deciding the composition and providing SBITOP, this statement shall be read with the Instructions.

Calculation of SBITOP is performed in real-time with regulated-data imported from the trading system. Calculation is performed by WBAG on behalf of LJSE. The calculation is performed by an IT system, independently and automatically, without human intervention. SBITOP value is automatically published and is available to data vendors.

WBAG outsourcing

Some services related to providing the benchmark were outsourced by LJSE to WBAG. LJSE keeps all authority, potential discretion and control over provision of SBITOP benchmark. WBAG has no rights or authorizations to influence the value or any other element of SBITOP. LJSE is the only administrator of SBITOP benchmark and retains all responsibility in accordance with article 10 of BMR.

LJSE ensures that service provision of WBAG fulfils conditions of article 10(3) BMR. Regarding this LJSE points out especially that WBAG itself is an administrator of dozens of benchmarks, is registered as an administrator at its competent authority and entered as such into ESMA registers.

Discretion rights

There are limited discretion rights in some areas of providing SBITOP benchmark. All rights to use discretion are stipulated and limited in the Instructions. Limited discretion may be exercised regarding methodology, composition or weights of individual shares in SBITOP. There is absolutely no discretion regarding the calculation of SBITOP by LJSE or any other person.



Discretion rights are limited to specific situation or functions. For example, LJSE management board may in some cases change the limits of calculating an index, allowing a calculation of a benchmark that would not comply with all criteria in the Instructions. Index committee may in some cases decide to carry out an irregular review of SBITOP or change more than 2 shares in its composition, which is the usual limit. All decisions, including any use of discretion rights, are documented and are subject to control under article 5 of BMR.

Circumstances in which the measurement could become unreliable

Despite all efforts of LJSE it is not possible to exclude circumstances in which SBITOP or its calculation would become unreliable. Reliability of SBITOP to reflect market reality is chiefly influenced by included shares and market liquidity. Instructions do include certain activities and limits in case of a small number of included shares, but in some circumstances index would be provided despite very low market liquidity.

There are certain protections built into the SBITOP methodology to ensure it always reflects the most accurate proxy of XLJU market reality. Even in circumstances of low liquidity, SBITOP will always include the most liquid shares and give greater weight to shares with bigger free float market capitalization. But there are still potential extraordinary circumstances in which market situation on XLJU would not be realistic. Despite all efforts of LJSE, all competent authorities and other market participants, prices on market XLJU could be subject to manipulation, which could, if present to a greater extent, influence the value of SBITOP. In addition to this, SBITOP only includes trades executed on trading venue XLJU. Some shares included in SBITOP are also traded on other trading venues or over the counter. Therefore there are potential extraordinary circumstances in which market price of certain shares would not be correct and would not properly reflect supply and demand, which could also impact SBITOP.

There also potential risks regarding technical feasibility of providing the benchmark. In extreme circumstances (armed conflicts, nature disasters, public disorder etc.) LJSE might, despite its business continuity plans and all other efforts, not be able to provide the benchmark or would be able to provide it only with limitation or with decreased reliability. Same circumstances could also take place at WBAG. LJSE has reliable and sufficient know-how regarding benchmark administration, but in case of an unplanned outage and sudden transfer of tasks from WBAG to LJSE there would probably be temporary disruptions, unreliability or even a complete outage in the short term.

Data irregularities, changes and cessation of benchmarks

In extraordinary events there could be ex-post corrections of already calculated values, significant changes of methodology or other elements of benchmarks, or potentially even a complete cessation. LJSE notes that the source of such events could be external and LJSE might not have any control over them. Every user of any LJSE benchmark and all other persons with any interest into LJSE benchmark should be aware that, despite best effort of LJSE, certain uncontrollable events could render administration of a benchmark difficult or even impossible.

In cases of irregularities in input data or other elements, which would result in wrong calculation, LJSE would notify the public immediately after discovering such mistakes through its SEOnet service, where correct data would also be published. If mistakes could not be rectified immediately, LJSE could stop providing the benchmark until correct data would be provided.



In extreme cases of force majeure, complete market illiquidity or too few included shares, there could be significant changes of the benchmark methodology or even a cessation of a benchmark. For example, a weight limit of 30% necessitates at least 4 included shares, or existence of a benchmark is not possible. If such circumstances would take place, LJSE would notify the public as soon as possible. LJSE would strive to achieve continuity of the benchmark in a manner as close as possible to the benchmark before change. If this is not possible, LJSE could be forced to stop providing the benchmark.

If change or cessation would be unavoidable, LJSE will to the extent possible and permissible follow the contractual terms regarding the use of its benchmark. LJSE will strive to notify all stakeholders and general public as soon as possible, explaining when and under which terms its benchmarks could be provided in the future. If significant change or cessation would be necessary, LJSE will publish the last available value and again notify all stakeholders and general public about the change or cessation.

At this opportunity LJSE expressly puts on record that any change, modification or cessation would impact financial contracts and financial instruments which have LJSE benchmark as its reference, or put limitation on funds calculating its performance compared to this benchmark. LJSE can not measure or predict these effects. Each person or subject who could be impacted from such circumstances should educate themselves and be aware of potential effects on yields, safety of its investment or even the principal invested, and accept any risks involved. LJSE does not accept any responsibility in this regard.

Compliance statement

Content of this statement

This statement is prepared in line with article 26(3) of BMR and Commission delegated regulation (EU) 2018/1106 of 8 August 2018. This statement is prepared to explain to its reader why and with which goal the administrator of benchmarks legally does not use certain clauses of BMR and related legal acts.

LJSE notes that SBITOP and SBITOP TR are classified as a regulated-data benchmark. Therefore some clauses of BMR and related legal acts are not applicable under article 17 of BMR. LJSE will not explain such waivers under article 17 of BMR in detail and any reader of this statement shall assume that LJSE does not use any of clauses mentioned in article 17 of BMR and related legal acts, unless this document or Instructions clearly state otherwise.

SBITOP and SBITOP TR benchmarks are also classified as a non-significant benchmark under article 26 of BMR. From this classification certain waivers arise, including a right to not use certain clauses of BMR or its derived legal acts, which in some cases are replaced by not obligatory ESMA guidelines. In this statement LJSE will only explain potential non-compliance or limited use of some clauses which can be waived under article 26(1) of BMR. For potential other waivers for non-significant benchmark any reader of this document shall assume that LJSE uses those waivers and is not compliant with waived obligations, unless this document or Instructions clearly state otherwise.

In the table below there are explanations regarding clauses mentioned in article 26(1) of BMR which LJSE does not comply with or pursues only limited compliance, along with reasons for such action. Non-compliance or limited use of any clause also pertains to any underlying act of such clause. If any clause mentioned in article 26(1) of BMR is not mentioned below, LJSE shall and does comply with it in full.



The form and content of this statement is compliant with the template in Annex II of Commission implementing regulation (EU) 2018/1106 of 8 August 2018.

A. General Information

1. Date of creation of this document and the latest update to it	Created: 03/10/19 Last updated: 30/04/21
2. Name of the administrator	Ljubljanska borza, d. d., Ljubljana

B. Ljubljanska borza, d. d., Ljubljana chooses to not apply the following provisions of Regulation (EU) 2016/1011 in respect of the non-significant benchmark or non-significant benchmarks identified below

1. The benchmark or benchmarks in respect of which the provision(s) do not apply	Index SBITOP, ISIN: SI0026109882 Indeks SBITOP TR, ISIN: SI0028409892
2. (i) The provision or provisions of Regulation (EU) 2016/1011 that do not apply (ii) or each provision, the reasons why it is appropriate for the administrator not to comply with that provision	2(i) – 4(2) <i>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.</i> 2(ii) LJSE believes that due to the nature of the benchmark provision, conflict of interest risks are very small. Nevertheless, LJSE obliges all employees and other involved persons by internal and public legal acts to refrain from coming into conflict of interest situation, or where this is not possible, exclude themselves from all activities regarding the benchmark. All employees are required to report all securities transactions which enables fast discovery of potential conflicts of interest. LJSE is also of the opinion that, having in mind the extent of use of its benchmarks and its disposable human resources, it is not economically sensible and responsible to completely separate benchmark provision from all other operations, especially when conflict of interest potential is extremely small. Compliance function is operationally separated to ensure oversight.
3. -ii-	3(i) – 4(7)(c) <i>do not have any interests or business connections that compromise the activities of the administrator concerned</i> 3(ii) LJSE is not aware of any person involved in the process of benchmark administrator that would have interests or connections which would endanger LJSE's interests. However, due to low risk and the nature of the benchmark, there are no special mechanisms to control potential existence of such circumstances. Apart from regular employment law and internal acts LJSE does not have specific controls for potential



	interests from involved natural persons that could harm LJSE.
4. -ii-	<p>4(i) – <i>4(7)(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;</i></p> <p>4(ii) LJSE does not prohibit trading of its employees for most listed securities, it only documents and oversees such trading, keeping the records of transactions sealed. Therefore it is possible a natural person would influence the benchmark by trading on the exchange. However, due to the mechanism of calculation potential change due to manipulation is extremely small or even non-existent, and any such benchmark manipulation attempt would be extremely costly and therefore unviable. For these reasons LJSE treats benchmark manipulation risks related to employee trading as very small and believes a blanket ban on employee trading would be unnecessary.</p>
5. -ii-	<p>5(i) – <i>4(7)(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.</i></p> <p>5(ii) As already pointed out, LJSE treats conflict of interest risks as small and for this reason any control over employee communication would be unnecessary, inefficient and illegal. Taking account of the risks involved, current internal controls are considered sufficient. All LJSE personnel is subject to strict data protection and confidentiality obligations when communicating to third parties, arising from internal acts and the law, and additional special controls are not feasible.</p>
6. -ii-	<p>6(i) – <i>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.</i></p> <p>6(ii) Benchmark is being provided automatically in real-time through IT system. No discretion is possible or allowed during its calculation from any involved person, and no preapproval is needed or sought from management. For these reasons any special</p>



	<p>procedures and internal controls over employees are unfeasible and impossible. Benchmark composition and weights are always approved by the index committee.</p>
7. -ii-	<p><i>7(i) – 5(2) Administrators shall develop and maintain robust procedures regarding their oversight function, which shall be made available to the relevant competent authorities;</i></p> <p><i>5(3) the oversight function shall operate with integrity and shall have the following responsibilities, which shall be adjusted by the administrator based on the complexity, use and vulnerability of the benchmark: (a) – (i);</i></p> <p><i>5(4) the oversight function shall be carried out by a separate committee or by means of another appropriate governance arrangement.</i></p> <p>7(ii) – LJSE established a compliance function which it deems efficient and sufficient relative to the risks involved. Compliance function is separated from all other functions and elements of administering the benchmark and has oversight and a right to review all documentation regarding benchmark provision. Compliance function considers all complaints against benchmark administration. But due to simplicity and assessed risks LJSE does not have special procedures apart from the Instructions. An internal resolution was adopted for the appointment of compliance function, which was not forwarded to the competent authority. Due to the nature of benchmark provision LJSE does not apply or applies in a limited manner some clauses from article 5(3) BMR. Clauses c, g, and h are not applicable as LJSE administrates only regulated-data benchmarks and application of these points is not feasible nor mandatory. Regarding other provisions LJSE points out that compliance function has full control and oversight over all elements of benchmark administration. But LJSE does not regulate what exactly compliance function shall do and how often it has to inspect anything regarding benchmarks, there are no internal procedures regarding this and there are no records what compliance function reviewed and what it established. Compliance function reports to the management board.</p> <p>Compliance function is made of 1 person, appointed by the management board. Having in mind human resources available to administrator and the extent of compliance function activities, a special compliance committee is not needed.</p>



8. -ii-	<p>8(i) – 6(1) <i>Administrators shall have in place a control framework that ensures that their benchmarks are provided and published or made available in accordance with this Regulation.;</i></p> <p>6(3) <i>The control framework shall include: (a) – (c);</i></p> <p>6(5) <i>The control framework shall be documented, reviewed and updated as appropriate and made available to the relevant competent authority and, upon request, to users.</i></p> <p>8(ii) Due to relative simplicity of its benchmarks, LJSE does not have special control framework only for benchmarks. As a regulated market operator and an MTF operator LJSE is regulated by many acts and laws which oversee risk management, business continuity and extraordinary circumstances management, therefore it is not efficient and sensible to establish special controls only for benchmark administration. Benchmark provision is documented and operated through regular LJSE activities.</p>
9. -ii-	<p>9(i) – 7(2) <i>An administrator shall designate an internal function with the necessary capability to review and report on the administrator's compliance with the benchmark methodology and this Regulation.</i></p> <p>9(ii) Due to human resources at its disposal and simplicity of operations LJSE does not have special internal function in accordance with article 7(2) of BMR. All complaints and accountability framework are subject of compliance function under article 5 of BMR.</p>
10. -ii-	<p>10(i) – 13(2) <i>The procedures required under point (c) of paragraph 1 shall provide for: (a), (b)</i></p> <p>10(ii) Current number of licenses and contractual partners regarding the benchmark is relatively small and LJSE does not envisage or need special formal procedures of consultation. In accordance with the instructions any changes are announced at least 3 months in advance. In addition, LJSE consults with its stakeholders regularly during normal business communication.</p>

Ljubljana Stock Exchange

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