

## BENCHMARK STATEMENT

Pursuant to Article 27 of Regulation (EU) 2016/1011

### A. GENERAL INFORMATION (Article 1(1)(a) of the RTS)

A.1	Date of publication of the statement:	25. 3. 2020
	Date of its last update:	15. 6. 2020
A.2	Administrator name:	Burza cenných papírů Praha, a.s. (Prague Stock Exchange)

### B. BENCHMARKS TO WHICH THIS STATEMENT IS RELATED (Article 1(1)(b) to (d) of the RTS, Article 2 RTS)

B.1	Identification:	Family of benchmarks including the following indices:					
		<ul style="list-style-type: none"> <li>- <b>PX</b></li> <li>- <b>PX GLOB</b></li> <li>- <b>PX-TR</b></li> <li>- <b>PX-TRnet</b></li> <li>- <b>other indices, if any, from the PX family</b></li> </ul>					
B.2	Detailed description:						
		<b>Index name</b>	<b>ISIN</b>	<b>Currency</b>	<b>Index type</b>	<b>Types of weighting of shares in the index</b>	<b>Index calculation</b>
		PX	XC0009698371	CZK	"Price"	According to Free Float	Real-time
		PX GLOB	CZ0160000001	CZK	"Price"	According to Free Float	End-of-day
		PX TR	CZ0160000019	CZK	"Total Return"	According to Free Float	Real-time
		PX-TRnet	CZ0160000027	CZK	"Total Return NET"	According to Free Float	Real-time
B.3	Classification:	Non-significant benchmarks (Article 26 of the BMR) Regulated-data benchmarks (Article 17 of the BMR)					
B.4	Input data and its source:	Benchmarks not based on contributed input data. The input data comes from a trading venue XETRA and constitutes solely data of					

stock exchange trading on the administrator's markets (Article 3(24)(a)(i) of the BMR).

**C. DEFINITIONS FOR ALL KEY TERMS RELATING TO THE BENCHMARKS (Article 27(2)(a) of the BMR)**

BMR	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.
RTS	Commission Delegated Regulation (EU) 2018/1643 of 13 July 2018 supplementing Regulation (EU) 2016/1011 of the European Parliament and of the Council with regard to regulatory technical standards specifying further the contents of, and cases where updates are required to, the benchmark statement to be published by the administrator of a benchmark.
Index Committee (or „Committee”)	A unit set up by the CEO of the Administrator, currently consisting of the administrator's employees and the employees of the subsidiary Centrální depozitář cenných papírů, a.s., which is in charge of the management of the current stock indices and preparation of new indices.
Supervisory unit	The person authorized by the administrator to supervise the management of stock indices or, more precisely, to carry out the activities falling under provision of benchmarks. The supervisory unit checks compliance by the Committee and the CEO of their obligations.
Reduction factor	Factor which prevents the market capitalization share of an index constituent in total market capitalization of the composition from exceeding a defined maximum index weighting on the cut-off date.
Free float factor	Share of the securities accepted for trading in total number of securities which are actually in circulation and are sufficiently liquid.
Methodology	<p>1. For the PX, PX-TR and PX-TRnet indices: The Rules for the PX, PX-TR and PX-TRnet Indices of the Prague Stock Exchange published at <a href="https://www.pse.cz/indexy/popis-indexu">https://www.pse.cz/indexy/popis-indexu</a>.</p> <p>2. For the PX-GLOB index: The Rules for the PX-GLOB Index of the Prague Stock Exchange published at <a href="https://www.pse.cz/indexy/popis-indexu">https://www.pse.cz/indexy/popis-indexu</a>.</p>

**D. DEFINITION OF THE MARKET AND/OR ECONOMIC REALITY MEASURED BY THE BENCHMARK (Article 27(1)(a) of the BMR and Article 1(2) of the RTS)**

PX, PX-TR, PX-TRnet	These indices are stock indices which measure the development of the prices of blue chips actively traded on the administrator's markets. The Committee only includes in the indices shares which exceed the administrator-defined minimum market capitalization or the average daily
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	<p>trading volume of the issue in the relevant period and which were traded for a defined minimum number of days in the relevant period. The index compositions will not include shares identified as ineligible by the Methodology (share issues of investment funds, issues of those holding companies which have emerged from transformation of investment funds, preference shares, equity derivatives, shares of an issuer in respect of which a decision was issued on bankruptcy or liquidation, shares the trading of which has been suspended on a long-term basis). The Index Committee may pass an extraordinary decision not to include shares traded in a multilateral trading facility of the administrator although they otherwise qualify for inclusion in the index.</p> <p>Detailed information on the composition and calculation of the value of the index is provided in the relevant Methodology. No judgment or discretion is exercised when calculating the value of the indices.</p>
PX-GLOB	<p>It is a stock index which measures the development of the prices of all shares traded on the administrator's regulated markets, Prime Market and Standard Market, and selected significant shares traded in a multilateral trading facility of the administrator, with the exception of ineligible shares (share issues of investment funds, issues of those holding companies which have emerged from transformation of investment funds, preference shares, equity derivatives, shares of an issuer in respect of which a decision was issued on bankruptcy or liquidation, shares the trading of which has been suspended on a long-term basis). The Index Committee includes shares in the index regardless of their market capitalization and liquidity.</p> <p>Detailed information on the composition and calculation of the value of the index is provided in the relevant Methodology. No judgment or discretion is exercised when calculating the value of the indices.</p>

**E. LIMITATIONS OF THE BENCHMARK AND CIRCUMSTANCES IN WHICH THE MEASUREMENT OF THE MARKET OR ECONOMIC REALITY MAY BECOME UNRELIABLE (Article 27(1)(a) of the BMR and Article 1(3)(a) of the RTS)**

Since the input data comes from a trading system and indices are calculated automatically without the use of judgment and exercise of discretion, no limitations or unreliability of measurement are known.

**F. RATIONALE FOR ADOPTING THE BENCHMARK METHODOLOGY AND PROCEDURES FOR THE REVIEW AND APPROVAL OF THE METHODOLOGY (Article 27(2)(b) of the BMR)**

The methodologies are designed to correspond to the type of benchmark the calculation of which they define.

- (a) **Methodology for the PX, PX-TR, PX-TRnet indices:** They are stock indices measuring the development of the prices of the most liquid ("blue chips") shares on the administrator's markets. Therefore, the main criterion for inclusion in the index is minimum market capitalization or, alternatively, the average daily trading volume of the issue in the relevant period and the number

of days in which the issue was traded in the relevant period. In addition to the market capitalization of the issues, the weighting of the index constituents is based on the Free Float factor supplemented by the Reduction Factor.

- (b) **Methodology for the PX-GLOB index:** They are stock index measuring the development of the prices of all shares traded on the administrator's regulated markets, Prime Market and Standard Market, and selected significant shares traded in a multilateral trading facility of the administrator. The index constituents are not subject to requirements for their market capitalization or liquidity. The weighting of the index constituents is based on market capitalization of the issues supplemented by the Reduction Factor. The index is calculated automatically by the trading system after the end of the trading day based on the closing prices of the index constituents.

The Methodologies are prepared by the Index Committee and approved by the CEO of the Prague Stock Exchange. Once a year, the Committee reviews the content of the Methodologies in terms of their relevance, compliance with the applicable regulations, unambiguity of interpretation, and suggestions by third parties; it consults the contents of the Methodology with the supervisory unit.

#### **G. CRITERIA AND PROCEDURES USED TO DETERMINE THE BENCHMARK (Article 27(2)(c) of the BMR)**

The values of the PX, PX-TR, PX-TRnet indices are calculated automatically by the trading system in real time based on the current prices of individual shares included in the indices. The value of the PX-GLOB index is calculated on a daily basis after the session on the basis of the closing prices of the index constituents. Information on index values, compositions, calculation parameters, etc. is published through all major information agencies and also at <http://www.pse.cz>. The main criterion for inclusion in the PX, PX-TR, PX-TRnet indices is minimum market capitalization or, alternatively, the average daily trading volume of the issue in the relevant period and the number of days in which the issue was traded in the relevant period. Such criteria are not set for the PX-GLOB index. The weighting of the individual share issues included in the index is based mainly on the share of the market capitalization of the issues in the market capitalization of all index constituents, supplemented by the Reduction Factor and, except for the PX-GLOB index, also Free float factor. The maximum market capitalization share of index constituents from one issuer (in the case of the PX, PX-TR and PX-TRnet indices, free float adjusted) may not exceed 20% of the total free float adjusted market capitalization (in the case of the PX, PX-TR or PX-TRnet indices, also free float adjusted) on the defined cut-off dates.

Periodic updates of the index compositions are carried out on a quarterly basis in order to maintain index quality and stability. The updated index composition enters into force on the first session after the third Friday of March, June, September and December. The calculation factors (i.e., FF factor, reduction factor and number of shares in the issue) are updated by the Index Committee on a quarterly basis (March, June, September and December) at the beginning of the respective month. The reduction factors are determined on the basis of the official closing prices valid on the last trading day in February, May, August, and November. Changes in the factors determined within the periodic index update generally take effect following the closing of trading on the maturity dates of derivative products in March, June, September and December. This is usually the third Friday of the respective month. If the third Friday happens to be a public holiday at the Prague Stock Exchange, the changes will be implemented after the end of trading of the previous trading day.

In exceptional circumstances, an issue can be excluded from the index without replacement, including on dates other than those set for the periodic updating of the composition. If any of the PX, PX-TR or PX-TRnet index constituents fails to meet the inclusion criteria on two consecutive cut-off dates, it will be excluded from the index.

The Administrator tries to anticipate circumstances which may have adverse impact on the index composition, such as mergers, takeovers, bankruptcy filings, longer trading suspensions, and tries to exclude index constituents affected by such difficulties as part of the quarterly index reviews. The goal is to maintain liquidity and marketability of the indices and to avoid extraordinary changes between the dates reserved for periodical updates.

The exact index calculation formulae, rules for inclusion and exclusion of stock issues in/from the index, index composition update rules and other detailed data are contained in the Methodologies which are publicly available.

#### **H. CONTROLS AND RULES THAT GOVERN ANY EXERCISE OF JUDGEMENT OR DISCRETION (Article 27(2)(d) of the BMR)**

The calculation of stock market indices is based on the application of a predefined formula with input data which is exclusively the prices of shares achieved on the administrator's markets. The inclusion of shares in the stock market index is based on predefined rules that determine which shares are to be included in the indices and which shares are ineligible for inclusion in the indices. Judgment or discretion is not exercised except for

- a) discretion of the Index Committee regarding an extraordinary non-inclusion of shares traded in a multilateral trading facility in the composition of the PX, PX-TR and PX-TRnet indices in cases where these shares otherwise meet the parameters for inclusion in the indices. When deciding not to include these shares, the Committee takes into account the significance of the issue, generally taking into account the length of trading history, volume, frequency of transactions, whether the issue is dual-listed, etc. Changes in the composition of indices based on judgment only occur on days set aside for the periodic updates;
- b) discretion of the Index Committee regarding an extraordinary inclusion of shares traded in a multilateral trading facility in the composition of the PX-GLOB index. When deciding to include these shares, the Committee takes into account the significance of the issue, generally taking into account the trading history (e.g., the issue has been historically placed on a regulated market for a long time and was subsequently transferred to a non-regulated market) as well as volume and frequency of transactions;
- c) judgment in deciding what shares to include in the indices in case of circumstances which may have adverse impact on the index composition, such as mergers, takeovers, bankruptcy filings, or longer trading suspensions. In such exceptional situations, the Committee tries to exclude index constituents affected by such difficulties as part of the quarterly index reviews. The goal is to maintain stability of the indices and to avoid extraordinary changes between the dates reserved for periodical updates.

**I. CIRCUMSTANCES IN WHICH THE QUANTITY OR QUALITY OF INPUT DATA FALLS BELOW THE STANDARDS NECESSARY FOR THE METHODOLOGY TO DETERMINE THE BENCHMARK ACCURATELY AND RELIABLY (Article 12(3) of the BMR)**

The indices are calculated and provided at all times and under all circumstances, provided the relevant trading data is available. Trading data is the only input data. If the trading data is not available (e.g., when trading is suspended), the value of the indices is calculated and provided according to the last known trading data. There is no minimum number of issues specified for the indices, which are required for the calculation and provision of indices. The Index Committee shall decide to terminate an index only if no issue can be included in the index.

**J. PROCEDURES WHICH GOVERN THE DETERMINATION OF THE BENCHMARK IN PERIODS OF STRESS OR PERIODS WHERE TRANSACTION DATA SOURCES MAY BE UNRELIABLE OR IN ILLIQUID OR FRAGMENTED MARKETS (Article 27(2)(e) and (g) of the BMR)**

The input data for all indices is exclusively the data coming from a regulated market or multilateral trading facility. Each index is calculated on the basis of a predefined formula and information on trading of shares included in the index. All indices are calculated at all times and under all circumstances, provided the relevant trading data is available. Therefore, the administrator distinguishes only the situation when the trading data is available and the index can therefore be calculated and the situation when the data is not available and the index cannot be calculated. There is no minimum number of issues required to calculate the index specified for any of the indices. Even in the case of an illiquid market or a period of high stress, the index continues to be calculated in the standard way. If data is not available at all because there is no trading, the index values are not calculated, but the index (with the last known value) is still distributed to the users and agencies. In case the input data is found to be unreliable, the index is suspended until the error has been corrected – for more details see the next section.

**K. PROCEDURES FOR DEALING WITH ERRORS (Article 27(1)(f) of the BMR)**

If it is found that incorrect data is used as input of the trading system when calculating the index, or another error has occurred that results in a miscalculation of the index or a misrepresented index value, the below-stated procedure is applied in the following order:

1. information given to all market participants about the error,
2. discontinuation of the public disclosure and distribution of the index in order to prevent dissemination of incorrect data,
3. error diagnosis and correction of the incorrect values,
4. restoration of dissemination of the index and provision of information to all market participants about the correction made.

In the event of a loss of index calculation or distribution which is not short-term, the Prague Stock Exchange will make reasonable efforts to calculate the index manually and to ensure that it is published on its website at the end of the trading day. This emergency procedure will last until the failure has been rectified. After the failure has been rectified, the real-time values of the indices are calculated additionally for the period when the values were not calculated/(published).

#### **L. MEASURES IN CHANGES TO AND CESSATION OF A BENCHMARK (Article 28(1) of the BMR)**

Index termination is only conceivable if the input data for index calculation is no longer available. If this situation occurs, i.e., if it becomes clear that input data will no longer be available for the calculation of the index, the chairman of the Index Committee shall convene an extraordinary Committee meeting to discuss this matter. If the end of the availability of the input data is confirmed, the Committee will propose to the CEO of the administrator to terminate the index. The decision on termination of an index will be made by the CEO of the administrator on proposal of the Index Committee. The decision to terminate the index will be published in advance by the administrator who will ensure that the information is provided to information agencies and index users. Members of the administrator are also informed about the forthcoming termination of the index in the Bulletin of the Prague Stock Exchange.

Index changes may consist of a change in the calculation formula, change in the input data, and change in the composition of the index. The formula and input data are firmly defined by methodologies, therefore in practice only a change in the composition of the index will come into consideration.

The general procedure for changing the index is as follows:

1. If necessary, the matter is referred to the Committee for consideration and decision. The Committee will meet when convened by its chairman.
2. The Committee analyzes the situation.
3. If, on the basis of the analysis, the Committee concludes that there is a need for changes, it will decide on the implementation of the change and, in the event of the impact of the change on the methodology, on modification of the methodology. The Committee shall document the change made and the reasons for the change in writing.
4. Market participants are informed about the change in advance (and, if applicable, the new methodology is published in advance), including the reasons for the change and the effective date thereof.

#### **M. UPDATES OF THE BENCHMARK STATEMENT**

This statement is updated:

- (a) each time the information in the statement ceases to be correct or sufficiently accurate,
- (b) when the type of the benchmark changes, or
- (c) when there is a substantial change in the Methodology, or
- (d) always at least once every 2 years.

#### **N. ADMINISTRATOR'S NOTICE (Article 27(1)(c) and (d) and Article 27(2a) of the BMR)**

The administrator warns that due to a variety of factors, including external factors which are beyond the control of the administrator, certain changes may occur in the provision of the benchmark or the provision may be discontinued.

The Administrator recommends that changes to or discontinuation of provision of the benchmark may affect financial contracts and financial instruments referring to that benchmark or measurement of the performance of investment funds.

The Administrator does not pursue environmental, social and governance (ESG) objectives within any of the benchmarks. None of the benchmarks provided by the Administrator is a EU Climate Transition

Benchmark or a EU Paris-aligned Benchmark' in the sense of Article 3(1)(23a) or Article 3(1)(23b) of the BMR.