

Timberland Services Ltd

INDEX METHODOLOGY POLICY

DECEMBER 30, 2017

VERSION HISTORY

Updated On	Updated By	Summary of Changes
30.12.2017		Initial Setup
30.12.2019		Rev 1.1.

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1 POLICY STATEMENT

The present document serves to describe and summarize Timberland Services Ltd policies and underlying procedures (the “Index Methodology Policy”) that govern the process of creation and determination of new indexes, as well as modifications to existing rulebooks and methodologies. Our policy has been drafted in accordance with the IOSCO Principles and the EU Benchmark Regulation directives.

2 SCOPE

This policy applies to all indexes calculated and administered by Timberland Services Ltd. For customized indexes where Timberland Services Ltd. is not the index administrator and has no influence over their methodology, methodological decisions are taken by the respective client.

3 PURPOSE

Timberland Services Ltd. has established and documented transparent, objective and auditable processes for the creation of new indices, as well as any decisions involving changes in existing indexes and benchmarks and their respective methodologies. These processes are essential to not only ensure the integrity, reliability and independence of the indexes, but also to facilitate a full understanding by stakeholders of all the processes and methods behind the creation and calculation of indexes administered by Timberland Services Ltd.

4 GUIDELINES FOR APPROVAL OF NEW INDEXES

4.1. New Index Request Initiation

Before any initial exploratory or research work is completed, the initiating party (this can be any employee of Timberland Services Ltd.) must complete the New Index Request (NIR), indicating the reason for the request (for example whether this is triggered by a client request or by an internal product development initiative) and filling the main characteristics of the indexed to be developed. The main fields of the NIR are:

- Initiator
- Type of Index
- Adherence to existing methodology (Y/N)
- Main Index Characteristics
- Special Input Data necessary (Y/N)
- Estimated additional data/technology costs (if applicable)
- Reasons for request

4.2. Index Prototype Construction

After approval of the NIR, the respective Product Development team assigned to the project will initiate all development activities. The main development activities are:

- Sourcing and validation of input data (in case some input data is not already available)
- Definition of initial index methodology (this can be done entirely internally, or in consultation with clients for those processes initiated by a client).
- Initial back-testing (simulation of historical index behavior by applying index methodology)

to historical data)

4.3. Methodology Requirements

Timberland Services Ltd.'s methodologies are reliable, transparent, traceable and verifiable.

The rationale for adopting each methodology must be based on a review of the market and economic reality the indexes are intended to represent.

Timberland Services Ltd. will develop transparent methodology.

All of Timberland Services Ltd.'s index methodologies are based on objective, repetitive decisions and processes, allowing an automated replication and ongoing calculation of the index.

4.4. Product Development and Operational Approval

After approval, the respective Product Development team will proceed to build a final version.

5 GUIDELINES OF METHODOLOGY CHANGES

The methodologies of Timberland Services Ltd.'s indexes are supposed to stay constant throughout time. However, situations may arise where changes in the methodology are required to keep warranting a faithful representation of the market conditions and objectives of the index.

Any proposed methodological changes need to be properly grounded and justified. When assessing potential changes to the methodology, the materiality of the change needs to be properly assessed.

In cases of changes requested outside the regular reviews, the member of the Timberland Services Ltd. Product Development team are proposing or initiating a methodology change.

Once any change in the methodology has gone through the aforementioned process and has been granted approval, the changes are incorporated.

6 METHODOLOGY DESIGN GUIDELINES

All indexes developed and administered by Timberland Services Ltd. aim to accurately and objectively represent and measure the economic reality contained in a particular market segment, theme or investment opportunity.

The foundation stone for each index construct and methodology is the presence of an objectively constructed investable universe. Unless specifically stated, all of Timberland Services Ltd. indexes must be built from a broader Timberland Services Ltd. Universe, to which filters, screens and selection mechanisms can be applied on an objective, consistent way.

The main objectives for each index methodology proposed by Timberland Services Ltd. are:

- Representativeness
- Objectivity
- Replicability

- Investability
- Efficiency

The Timberland Services Ltd. Index Management Committee is responsible for providing information and confirmation to the Timberland Services Ltd. Oversight Committee on the correct application of all the processes contained in this Policy.

7 EFFECTIVE DATE

This Policy becomes effective 1 January 2018.