



Benchmark Statement pursuant to Art 27 Benchmark Regulation (BMR) CETOP Indices

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CETOP Indices

Name	ISIN	Currency	Price updates	Type of index	Type of weighting
CETOP	HU0005060236	EUR	Once a day	Price	Free float cap.
CETOP NTR	HU0009294161	EUR	Real time	Net total return	Free float cap.

Qualification of the benchmark-family

CETOP Indices are classified as non-significant, (transaction based) regulated-data benchmarks.

None of CETOP Indices fulfil the conditions laid down in Articles 20(1) (critical benchmarks) and 24(1) (significant benchmarks).

CETOP Indices are benchmarks based on regulated data pursuant to Article 3 (24) a (i) BMR: the Vienna Stock Exchange (VSE) as a supervised entity and contracted calculator of the CETOP Indices uses CEE Markets Direct Feed or Refinitiv as price source, i.e., the traded prices generated in the respective trading systems of the exchanges. (Exchange prices not sourced from CEE Markets Direct Feed are obtained from the data vendor Refinitiv. Refinitiv is exclusively responsible for the technical task of transmitting traded prices to VSE in accordance with Article 10 BMR for the purpose of index calculation.) In this context, Budapest Stock Exchange (BSE) remains responsible for compliance with this Benchmark Statement. The quality, surveillance and traceability of the input data is therefore ensured by the regulated market trading and the regulatory system of the exchanges.

Key terms

- CETOP Indices Manual (Manual): publicly available document about the methodology, calculation and review rules of the CETOP Indices (<https://bse.hu/Products-and-Services/Rules-and-Regulations/BSE-Rules>)
- CETOP countries: Hungary, Czech Republic, Poland, Slovakia, Slovenia, Croatia, Romania
- Calculation parameters: number of shares, free float factor, representations factor and price expressed in euro
- Price change: only changes to prices expressed in euro trigger a change in the index level
- Free float (factor): reflects the sum of actually tradable positions in shares in a company according to the free float rules as set out in the Manual
- Degression: at semi-annual index reviews when determining the weights of the share series the process to cut back weights of larger share series as set out in the Manual
- Country limits: number of equity series to be included in the given index from a single country shall be no more than 7 and the total weight of the equity series of a CETOP country shall not exceed 40% (at review)
- Weighting factor: ensures that the weight of the particular share series reflects degression, country limits and the effect of certain company events



- Adjustment factor: ensures the continuity of the index values at semi-annual reviews and certain company events
- Review criteria: share series are selected based on their turnover and free float capitalization according to review rules as set out in the Manual
- Chief Executive Officer of the Budapest Stock Exchange (CEO): all decisions concerning the provision of indices that do not affect the Manual may be made by the CEO
- Board of Directors of the Budapest Stock Exchange (Board of Directors): all amendments to the Manual is approved by the Board of Directors
- Index Committee: professional committee with an advisory function in relation with managing and developing the CETOP Indices

Economic reality measured

CETOP and CETOP NTR indices reflect the performance of the equities with the biggest capitalization and turnover introduced to the regulated markets of Central-Europe region (Hungary, Czech Republic, Poland, Slovakia, Slovenia, Croatia, Romania). The exact composition of the indices are defined and kept up to date in accordance with the publicly available rules and regulations for the CETOP indices of BSE. All index-related decisions are reached exclusively in accordance with the publicly available rules and regulations for the CETOP indices issued by BSE.

Controls and rules that govern any exercise of judgement or discretion

Index values are calculated by Vienna Stock Exchange based on contractual agreement between BSE and Vienna Stock Exchange. The calculation of the indices is based exclusively on traded prices expressed in euro, as well as on an automated mechanism that excludes any human discretion or judgement.

In certain cases, discretion can be applied in the equity selection (Section 3.9 of the Manual) or at changes in the index due to company events (Section 4.2.4).

External factors and their influence on the indices

Despite all precautions taken, indices may still be impacted by exogenous factors that can result in changes to the methodology or even the cessation of the indices. Changes to the methodology or the cessation of the indices may have a direct impact on financial products that reference the development of the underlying indices.

Methodology

The methodology is proposed by the CEO on the suggestions of the Index Committee and signed off by the Board of Directors.

- The main criteria for selection are tradability and size, i.e. optimal replication of the indices by the index users and reflection of the economic reality represented.
- Weightings in the indices are based on free-float capitalization where the biggest equities' and countries' weights are cut back in order to make the indices more balanced and diversified (degression and country limit).
- Calculation based on the trading prices concluded on the regulated markets of the CETOP countries excludes the exercise of discretion and minimizes the probability of manipulation.
- Detailed methodology and rules (Manual) are publicly available on BSE's website.

EXPLANATION OF HOW ESG FACTORS ARE REFLECTED IN THE KEY ELEMENTS OF THE BENCHMARK METHODOLOGY
Name of the benchmark administrator: Budapest Stock Exchange Plc.
Asset class underlying of the benchmark-family: Equity



Name of benchmark-family: CETOP Indices	
Does the benchmark methodology for the family of benchmarks take into account ESG factors?	NO
Last updated: 05.02.2024 Reason for update: Introduction of new index (CETOP NTR)	

Criteria for determining the benchmarks

- Only the prices expressed in euro of an index member equity traded exclusively on the regulated market of the CETOP countries can trigger a new index level.
- New index levels are calculated based on a publicly available formula (in the Manual).
- As only traded prices expressed in euro may trigger a new index level and the largest and most liquid stocks have already been selected for the indices by the methodology, there is no need for defining minimum volume for the required data, the last index level always represents the most current picture of the economic reality to be measured.
- Weightings of the indices – besides changes in index member equity prices – can be amended in accordance with the rules set out in the Manual
 - regularly at the semiannual reviews by adjusting the calculation parameters to the actual situation,
 - due to certain company events as set out in the Manual.
- The following factors have an influence on the weighting of the index:
 - Last traded prices of the equity series expressed in euro changes the weighting day by day
 - Number of equities listed on the BSE of the index member equity series
 - Free float (factor): effectively tradable quantity of equity series (ratio) that is taken into account when calculating free float capitalization
 - Weighting factor: can adjust the free float capitalization derived weightings due to depression, county limits and certain company events
 - Additions to the index: when new companies meet the inclusion criteria of the index in the review months of March and September, they are added to the index after the third Friday of the month in which the review takes place
 - Removals from the index: when index member companies no longer meet the inclusion criteria of an index in the review months of March and September as defined in the Manual, they are removed from the index after the third Friday of the month in which the review takes place

Determination of the benchmarks in periods of stress and potential restrictions in illiquid and fragmented markets

- Values of the CETOP Indices are based exclusively on the traded prices expressed in euro on the regulated market of the CETOP countries.
- The selection of index members is based on the principle of including the largest and most liquid companies in an index. Therefore, in all phases – irrespective of whether many or few updates – the most current economic reality is always optimally represented.
- The calculation of the indices may be suspended by the publication of the resolution concerned as soon as possible if there is no transaction concluded for the equity series embody at least 75% of the given index basket weight within 10 trading days on the exchanges of the CETOP countries.
- Should a situation arise in which it is no longer possible to compute CETOP NTR index in real time, the following procedure shall apply:
 - BSE informs the market participants about the situation



- The CEO – when appropriate, after consulting with the relevant stakeholders – decides on the actions that should be taken
- Communication and implementation of the actions to be taken

Dealing with errors in the input data

- Should wrong input data flow into the index calculation, the first and primary step is to inform all market participants of problems in the index calculation.
- In order to stop the dissemination of false index data, the affected index is suspended.
- Afterwards an error diagnosis is made, and the relevant corrections are made to the false values.
- After the corrections are completed, the market participants are notified of this.

Changes to or cessation of the benchmarks

It can become necessary to cease the indices when the underlying parameters for the calculation of the indices are no longer given and cannot be replaced. Changes to the indices can be implemented as a result of index development or if the market circumstances have changed significantly.

- Changes to the methodology

When changing the methodology, after the prior approval of the Index Committee a proposal by the CEO for the Board of Directors is prepared about the modification of the Manual. After the approval of the Board of Directors, changes to the Manual are published by the BSE on its website at least 10 calendar days before its entry into force.

- Cessation of the benchmark

Should a situation arise in which the Board of Directors decides on the cessation of the given index, the details of the procedure should be determined a published based upon the consultation of market participants also taken the index related contracts in place into account. Detailed information about the cessation is published as soon as possible that the market participants can prepare for the event.

- Force Majeure

The index calculation is discontinued due to force majeure, when due to a natural disaster or similar event the calculation is temporarily or permanently rendered impossible. In this case BSE publishes the last official values of the CETOP Index and its last valid composition.

Environmental, social and governance factors (“ESG” factors)

EXPLANATION OF HOW ESG FACTORS ARE REFLECTED IN THE BENCHMARK STATEMENT	
CONSIDERATION OF ESG FACTORS	
Name of the benchmark administrator: Budapest Stock Exchange Plc.	
Asset class underlying of the benchmark-family: Equity	
Name of the benchmark-family: CETOP Indices	
Are there in the portfolio of the benchmark administrator any EU Climate Transition Benchmarks, EU Paris-aligned Benchmarks, benchmarks that pursue ESG objectives or benchmarks that take into account ESG factors?	NO
Does the family of benchmarks pursue ESG objectives?	NO
DISCLOSURE OF THE ALIGNMENT WITH THE OBJECTIVES OF THE PARIS AGREEMENT	



Does the family of benchmarks align with the target of reducing carbon emissions or the attainment of the objectives of the Paris Agreement?	NO
Last updated: 05.02.2024 Reason for update: Introduction of new index (CETOP NTR)	

- At the same time, the BSE is examining the possibility of including ESG factors in the methodology of CETOP Indices and, if circumstances allow, plans to change this in the future.