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# Benchmark Statement

## Baltic Exchange Headline Index Family

### 1. Introduction

1.1 This benchmark statement is provided by the Baltic Exchange Information Services Limited (**BEISL**) as an administrator of the Baltic Exchange Headline Index family of benchmarks. BEISL will review and, where necessary, update information provided in this benchmark statement in the event of any relevant changes, including whenever information contained in this statement ceases to be correct or sufficiently precise, and in any event at least once every two years.

1.2 The content of this document has been prepared in accordance with the requirements of the UK Benchmark Regulation (UK **BMR**), the corresponding secondary legislation, notably Commission Delegated Regulation (EU) 2018/1643 on the contents of, and cases where updates are required to, the benchmark statement to be published by the administrator of a benchmark and Commission Delegated Regulation (EU) 2020/1816 regarding the explanation of how environmental, social and governance (ESG) factors are reflected in each benchmark.[1]

1.3 This benchmark statement should be read in conjunction with the Guide to Market Benchmarks. Among other things, the Guide to Market Benchmarks includes definitions of all key terms relating to the Baltic Exchange Dry Index family and referenced in this benchmark statement.

1.4 BEISL does not currently assign an international securities identification number (ISIN) to the benchmarks for which it is the administrator.

### 2. About Baltic Exchange Headline Index Family

***General information***

2.1 The Baltic Exchange Headline Index family are composite indices, derived from a basket of indices (the Input Data) published by BEISL. As such, these Headline indices do not reflect any single route or trading pattern but do measure a segment or collection of segments defined by the cargoes carried on ships, such as Dry Bulk Commodities, Bulk Oil, or Liquid Natural Gas.

[1] 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, *OJ L 274* (5 November 2018) (link) and Commission Delegated Regulation (EU) 2020/1816 of 17 July 2020 supplementing Regulation (EU) 2016/1011 of the European Parliament and of the Council as regards the explanation in the benchmark statement of how environmental, social and governance factors are reflected in each benchmark provided and published, *OJ L 406*, 3.12.2020 (link)

2.2 The Baltic Exchange Headline Index family qualifies as non-significant benchmarks as defined under Title III, Article 26 UK BMR. This classification is primarily dictated by the market size which does not meet the EUR 50 billion threshold in a 6-monthly period.

***Economic reality measured***

2.3 The Baltic Exchange Headline Indices seek to measure the general direction of a collection of indices. Circumstances in which such measurement may become unreliable may include insufficient Data to the underlying routes and/or various unforeseen developments in the marketplace.

2.4 Full index specifications for the Headline Index family of benchmarks can be found in Appendix 2 of the Guide to Market Benchmarks.

***Notice of possible changes or cessation of benchmark***

2.5 The shipping market is dynamic, with trade patterns and vessel designs evolving over time. Such developments may impact the benchmarks administered by BEISL, which seeks to ensure that they are appropriately reflected in the benchmark methodologies. It is also possible that certain factors, including factors beyond the control of BEISL, may necessitate changes to, or the cessation of, the benchmark. Users of the Baltic Exchange Headline Index family should take note of the fact that changes to the benchmark or the cessation thereof may have an impact upon the financial instrument that reference that benchmark.

***Benchmark methodology rationale and review***

2.6 BEISL is under an obligation to ensure the integrity of its benchmarks. To this end, BEISL strives to ensure that its methodology reflects the realities of the shipping market, which changes constantly. BEISL benchmarks are calculated on the basis of Input Data provided by a reliable and representative group of Panellists. BEISL also undertakes regular, at least annual, reviews of the methodologies for all the benchmarks it provides. The regular reviews are undertaken by the BEISL Board and by the BEISL Oversight Function. Changes to the benchmark methodology have to be approved by the BEISL Board, subject to input provided by the BIC.

2.7 The Guide to Market Benchmarks sets out possible types of changes to the BEISL benchmark methodologies, including material and non-material changes. Each type of change is subject to separate procedures, as outlined in section 5.7 of the Guide to Market Benchmarks. Both material and non-material changes involve consultation with the relevant stakeholders. In respect of major changes, BEISL acknowledges that detailed consideration of the impact of prospective changes is required and that market participants need to be given sufficient notice of any such upcoming changes. It therefore sets out and communicates to the marketplace implementation plans and relevant timelines well in advance prior to initiating such changes.

***Criteria and procedures for determination of benchmarks***

2.8 BEISL's Headline Family benchmark determination process is based on an arithmetic calculation of a basket of Input Data published by the Baltic.

***Procedures applicable in periods of stress or insufficiency of transaction data***

2.9 BEISL recognises that periods of stress or periods when transaction data sources, contributing to the Input Data, are insufficient, inaccurate or unreliable may arise from time to time, resulting in benchmark limitations in such periods. The Guide to Market Benchmarks outlines procedures applicable in such circumstances, which are summarised in sections 2.11, 2.12 and 2.13 of this benchmark statement. In addition, BEISL maintains a Benchmark Business Continuity and Disaster Recovery Plan policy, as set out in Appendix 6 of the Guide to Market Benchmarks.

***Procedures for dealing with errors***

2.10 While BEISL makes every effort to ensure the accuracy of benchmark determination processes, it is possible that errors may occur. Such errors may occur either at the level of BEISL (computer system error, human error) or the Panellist (erroneous Input Data). In case of an error occurring at the level of BEISL and when data entry or calculation error is found in a published benchmark, the Senior Freight Assessor will advise the CEO. In case when an error occurs at the Panellist level and when an Assessor considers that Input Data may contain an error, he or she will consult the Panellist, and the Panellist may offer to correct it. In either case and subject to the views of the Senior Freight Assessor and the CEO, an error does not always give rise to a correction and/or public announcement of the correction. If, however, such error is considered substantial and is observed soon after initial publication has taken place, the CEO will advise the BIC. Upon consideration, the BIC may put forward additional recommendations to the BEISL Board on how to deal with such error. When deemed appropriate, such correction to the published benchmark will be announced by BEISL to the market, together with an explanation. All errors and the actions taken have to be reported to the CEO.

***Benchmark limitations***

2.11 BEISL recognises that from time to time there may be an exceptional market event that could render the benchmark reporting impossible or meaningless. Examples of such events include the outbreak of war, terrorism, civil unrest, sanctions and major accidents that render ports inaccessible. In such circumstances, BEISL's methodology contains procedures for benchmark change or cessation, as set out in sections 5.3 and 5.8 of the Guide to Market Benchmarks.

2.12 Due to the cyclical nature of shipping, markets can be characterised by periods of relatively limited liquidity and as such it is possible that the number of transactions available to report on a given physical route may not be sufficiently representative in order to ensure the accuracy and reliability of a benchmark. In such circumstances, the Panellists are required to rely on the guidance contained in the Guide to Market Benchmarks, use of Expert Judgment based on market information and/or reference voyage for time charter and vice versa. Lack of sufficient Input Data to determine the benchmark for a physical market route in accordance with its methodology would occur if the number of Panellists who meet the criteria set out in Section 4 of the Guide to Market Benchmarks would be less than four (4) or the annual trade pattern would be less than two vessel voyages per week. In such circumstances, BEISL's methodology contains procedures for benchmark change or cessation, as set out in sections 5.3 and 5.8 of the Guide to Market Benchmarks.

2.13 During periods of Exceptional Market conditions (as set out in 2.11), there may be occasions where not all appointed Panellists are able to provide assessments, resulting in fewer than four assessments for a given reporting period. In such circumstances, BEISL will continue to apply its established controls and oversight processes to ensure the continued and orderly publication of the indices. BEISL will ensure that the market is informed, on a periodic basis, of occasions when indices have been published with fewer than 4 Panellist assessments.

***Environmental, Social and Governance (ESG) Factors***

2.14 BEISL acknowledges the BMR requirement to explain, where applicable, in the benchmark statement how the relevant benchmark or a family of benchmarks reflects the ESG objectives. We further acknowledge technical specifications concerning the ESG factors as set out in the Commission Delegated Regulation (EU) 2020/1816 and 2020/1817[2]. In light of this, we confirm

[2] Commission Delegated Regulation (EU) 2020/1816 of 17 July 2020 supplementing Regulation (EU) 2016/1011 of the European Parliament and of the Council as regards the explanation in the benchmark statement of how environmental, social and governance factors are reflected in each benchmark provided and published, *OJ L 406*, 3.12.2020 (link) and Commission Delegated Regulation (EU) 2020/1817 of 17 July 2020 supplementing Regulation (EU) 2016/1011 of the European Parliament and of the Council as regards the minimum content of the explanation on how environmental, social and governance factors are reflected in the benchmark methodology, *OJ L 406*, 3.12.2020 (link)

that BEISL does not currently pursue the ESG objectives in the benchmarks it determines and BEISL's methodology does not align with the target of carbon emission reductions or attain the objectives of the Paris Agreement. BEISL is, however, ambitious to direct its benchmark administration activities towards opportunities related to ESG objectives.

## Appendix 1

### Explanation of how ESG factors are reflected in the Benchmark Statement

| **Section 1: Consideration of ESG Factors** | |
|---|---|
| **Item 1**: Name of the benchmark administrator | Baltic Exchange Information Services Ltd |
| **Item 2**: Type of benchmark or family of benchmarks. (*Choose the relevant underlying asset from the list provided in Annex II.)* | Other |
| **Item 3**: Name of the benchmark or family of benchmarks. | Baltic Exchange Headline Index Family |
| **Item 4.** 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? | Yes ☐ **No ☒** |
| **Item 5.** Does the benchmark or family of benchmarks pursue ESG objectives? | Yes ☐ **No ☒** |
| **Item 6.** Where the response to Item 5 is positive, provide below the details (score) in relation to the ESG factors listed in Annex II for each family of benchmarks at aggregated level.<br>The ESG factors shall be disclosed at an aggregated weighted average value at the level of the family of benchmarks. | |
| **(a) List of combined ESG factors**: N/A | **Details of each factor:** N/A |
| **(b) List of environmental factors**: N/A | **Details of each factor:** N/A |
| **(c) List of social factors**: N/A | **Details of each factor:** N/A |
| **(d) List of governance factors**: N/A | **Details of each factor:** N/A |
| **Item 7.** Where the response to Item 5 is positive, provide below the details (score) for each benchmark, in relation to the ESG factors listed in Annex II, depending on the relevant underlying asset concerned.<br>Alternatively, all of this information may be provided in the form of a hyperlink to a website of the benchmark administrator included in the benchmark statement. The information on the website shall | |

| | |
|---|---|
| be easily available and accessible. Benchmark administrators shall ensure that information published on their website remains available for five years.<br><br>The score of the ESG factors shall not be disclosed for each constituent of the benchmark but shall be disclosed at an aggregated weighted average value of the benchmark. | |
| **(a) List of combined ESG factors**: N/A | **Details of each factor:** N/A |
| **(b) List of environmental factors**: N/A | **Details of each factor:** N/A |
| **(c) List of social factors**: N/A | **Details of each factor:** N/A |
| **(d) List of governance factors**: N/A | **Details of each factor:** N/A |