

## State Street Global Advisors Trust Company

### SSGA Self-Indices Summary of Governance Framework / Adherence Statement

#### International Organization of Securities Commissions (“IOSCO”) Principles for Financial Benchmarks

##### **Introduction**

On July 17, 2013, the Board of IOSCO published its final report (the “Final Report”) entitled “Principles for Financial Benchmarks”. IOSCO is a global body comprised of representatives from the world’s financial regulators, whose objective is to create an overarching framework of principles for benchmarks used in financial markets. The Final Report is comprised of nineteen principles (the “IOSCO Principles”) which should be understood as a set of recommended practices that should be implemented by Benchmark Administrators and Submitters. IOSCO has recommended that administrators publicly disclose the extent of their compliance with the IOSCO Principles on an annual basis.

IOSCO states in its Final Report under Principle 4 “Control Framework for Administrators” that “the control framework should be documented and available to relevant Regulatory Authorities, if any. A Summary of its main features should be Published or Made Available to Stakeholders”. This summary is in regard to Principle 4, the “Control Framework for Administrators” and Principle 5 “Internal Oversight” of the IOSCO Principles.

##### **Governance and Oversight**

The State Street Global Advisors (“SSGA”) Indices Oversight Committee (“SIOC”) is primarily responsible for the oversight of the International Organization of Securities Commissions (“IOSCO”) principles in regard to the SSGA’s indices business (“SSGA Indices”)<sup>1</sup>. In the event that SSGA is launching a new index, SIOC may involve other formal SSGA committees as deemed necessary or appropriate. The purpose of the SIOC is to establish and ensure credible and transparent governance, oversight, and accountability procedures for the benchmark determination process. This includes an identifiable oversight function (along with other SSGA governance committees as necessary or appropriate) accountable for the development, issuance and operation of the benchmark.

The SIOC is comprised of senior non-money managing representatives from the Investment Committee, along with regional senior executives and representatives from Legal and Compliance.

SSGA has implemented and maintains procedures governing the creation, change, cessation and administration of financial indices. These existing policies and procedures include measures to ensure

---

<sup>1</sup> SSGA Indices are proprietary indices/benchmarks created and distributed by SSGA for self-indexed commingled fund vehicles but specifically exclude separately managed accounts where SSGA customizes an index or indices at the request of clients.

the integrity and accuracy of financial indices administered by SSGA, as well as policies to identify and mitigate potential conflicts of interests.

In alignment with the Final Report, SSGA has appropriate governance to support and adhere to the IOSCO principles. SSGA's administration of proprietary indices is conducted in accordance with its commitment to avoid conflicts of interest, govern our indices transparently and adopt best practices.

### **Scope**

SSGA acts as an Administrator for a number of financial indices which are linked to or referenced by a financial product, commonly referred to as "Benchmarks". SSGA's application of IOSCO Principles is in a proportionate manner based on the size and risk of each Benchmark and the Benchmark construction process. This adherence statement pertains only to indices that have financial products linked to them.

### **Indices based on Submissions**

None of the SSGA Indices are based on third party Submissions (as defined in the IOSCO Principles).

### **Main aspects of the Governance Framework**

**1. The Creation and Launch of SSGA Indices:** SSGA Indices must be approved by the SIOC before launch. As noted above, SIOC may require other SSGA governance committees to review or approval new indices prior to launch. The Global Equity Beta Solutions ("GEBS") research team may include considerations such as index objective, data sufficiency, robustness and methodology soundness when creating a new index.

**2. Changes to the Methodology of SSGA Indices:** SSGA may make methodology changes to indices for reasons including but not limited to; objective of the index, market structure, regulatory change, change in data inputs, and the ability for an index fund to track the index. The GEBS research team will determine the final methodology changes and submit a proposal to the SIOC. All SSGA Indices methodology changes must be approved by the SIOC.

**3. Cessation of SSGA Indices:** The decommissioning of an index must be approved by the SIOC. Steps will be taken to provide ample notice to stakeholders of the intention to terminate the calculation and publication of the index.

**4. Oversight of Third Parties:** SSGA's use of third parties in direct involvement with SSGA Indices is limited to the use of third parties as a "Calculation Agent", which IOSCO defines as "a legal entity with delegated responsibility for determining a Benchmark through the application of a formula or other method of calculating the information or expressions of opinions provided for that purpose, in accordance with the methodology set out by the Administrator". The GEBS Research team is

responsible for day to day oversight of the calculation agent's performance of their duties and will escalate any concerns to the SIOC.

**5. Index Disclosure, Methodology and Review:** Disclosure of any index's calculation agent is in the Official Index Methodology document. SSGA produces an Official Index Methodology for the index which includes the criteria, construction, data inputs, sources of data and other pertinent constituent information. The SIOC will oversee an annual review of Official Index Methodologies.

**6. Hierarchy of Data Inputs:** The data inputs for benchmarks and sources of closing prices are set forth in each Official Index Methodology document to ensure that each benchmark meets the design objectives.

**7. Expert Judgement:** SSGA's benchmarks are based on traded prices sourced from regulated trading venues and thus use minimal expert judgment. In exceptional circumstances, for example corporate actions not covered by the Official Index Methodology or if securities have stopped trading because they have been suspended or because a market has unexpectedly closed, SSGA may consult with the respective exchange(s) or address the situation on an event-by-event basis.

**8. Expertise and Training:** The GEBS Research team is composed of experienced professionals in the equity index and research fields who possess an appropriate level of expertise to allow them to create and change equity indices. A structured program of training and assessment is in place for all employees. Succession and continuity plans are in place for a range of functions and levels within SSGA. All staff are subject to manager performance reviews throughout the year as well as an annual review. Each newly hired staff member directly supporting SSGA Indices shall attend and complete training on SSGA Indices Statement of Principles.

**9. Conflicts of Interest:** To protect the integrity and independence of index determinations, SSGA maintains a robust framework for the identification, disclosure, management, mitigation or avoidance of conflicts of interest, which is reviewed no less than annually. In addition to disclosing any material conflicts of interest in fund documentation, SSGA adheres to the *SSGA Global Conflicts of Interest Procedures*, the *State Street Standard of Conduct*, *SSGA Code of Ethics*, *State Street Outside Business Activities Policy*, and the *State Street Gifts and Entertainment Policy*. These procedures are designed to control the exchange of information amongst SSGA staff and help to avoid any mistreatment of information that could reasonably affect index determinations. Neither portfolio managers nor members of the GEBS Research team are permitted to sit on the SIOC.

**10. Market Surveillance:** SSGA has a Market Surveillance team and corporate Ethics Office for personal and/or client account trading, including reviewing inappropriate trading on additions/deletions stocks related to the index methodology reconstitution to ensure that applicable SSGA personnel have not originated personal trade orders for execution that involve the additions to or deletions from the index, throughout the period prior to public notification.

**11. Complaints:** SSGA adheres to the *State Street Customer- Complaints Policy – Global* and the *SSGA Global Customer Complaints Procedure*. Together, these documents provide a framework for administering a customer's oral or written statement of dissatisfaction, justified or not, regarding State Street's failure to provide a service, significant dissatisfaction with a service, or State Street's failure to act in an appropriate manner. These policies and procedures encompass how to manage communications addressing SSGA's failure to meet contractual obligations, regulatory or legal duties or regulatory expectations.

**12. Whistleblowing:** SSGA's whistleblowing framework is designed to establish a mechanism to facilitate early awareness of any potential misconduct or irregularities that may arise. We are subject to and must act in conformance with the State Street "Speak Up" whistleblowing protocol as set-forth in the SSGA Code of Ethics and the State Street Standard of Conduct.

**13. Risk Management:** SSGA's Operational Risk Management team manages operational risks through internal controls, internal and external audits, redundant systems, deliberate risk-management programs and contingency planning, all of which is supplemented by regulatory examination, supervision, and insurance. To further ensure a strong control environment, SSGA's central Business Controls Office (aka First Line of Defense or FLOD team) partners with the business to complete first line assurance reviews.

**14. Internal and External Audits:** The SIOC is responsible for the review of any internal and external audits, implementing remedial actions as appropriate.

**15. Record retention:** Subject to internal protocols, written records in regard to the index determination process will be retained for at least five years.

**16. Cooperation with Regulatory Authorities:** Documents related to index determinations will promptly be made available to regulatory authorities upon request.

#### **Adherence Statement**

As of the date of this Adherence Statement, SSGA has implemented the IOSCO Principles.

For the avoidance of doubt, please note that this Adherence Statement has been issued in respect of SSGA's Indices, which are proprietary indices/benchmarks that are created and distributed by SSGA only and for which SSGA acts as the Administrator.

#### **Further Information**

Additional information on SSGA indices, including the methodology for such index, can be found at <https://www.ssga.com/global/en/products-strategies/strategies/self-indexing.html>. This Adherence Statement should not be relied upon for information specific to the relevant SSGA index.

February 2020