

Methodology Review and Change Consultation Process

June 2023

Open consultation and formal process

Fastmarkets' editorial teams carry out a formal review and approval of our pricing methodologies on an annual basis to ensure that these methodologies are reflective of the physical markets being assessed. Fastmarkets follow a defined review and approval process for introducing or amending its methodologies. All methodology changes are communicated to the market through pricing notices.

To initiate the formal annual methodology review process, the editorial teams issue an open consultation at least one month before the review is due, inviting feedback from users and subscribers over the duration of that consultation period.

If the editorial team identify changes required to existing methodologies, they classify them either as 'material' or 'immaterial':

- Material changes are those that, once implemented, may result in fundamental changes to the published price assessment. These include specification changes or structural changes to indices.
- Immaterial changes are those that will not result in a different price level once they are implemented.

Fastmarkets writes and publishes a pricing notice detailing the consultation and the method for the submission of feedback. We will provide notice and a clear timetable.

If a material change to the methodology is proposed as part of the annual review, Fastmarkets will also include in its pricing notice:

- The outline of the proposed change;
- The rationale or motivation for proposing such a change; and
- A proposed timetable for the date on which, if the change goes ahead, it would be implemented

Timescales on consultations may vary but, in line with international best practice, they will last no less than one month (or around 20 business days) to give market participants sufficient time to analyze and comment on specific proposed changes and/or on whether Fastmarkets' methodologies continue to reflect the physical markets under assessment.

Further consultation and approval process

Following the open consultation, Fastmarkets' editorial teams review the feedback and comments received, including any suggested changes to existing methodologies.

If no changes are proposed, Fastmarkets will publish a pricing notice to conclude the methodology review. This includes the link to the methodology document and the date of the next scheduled review.

If Fastmarkets decides a proposed change is to be made and the change is material, the proposed change will follow the methodology review and change process and will go through an approval process. Fastmarkets will publish a pricing notice detailing the change. If, from reviewing feedback, additional changes are to be made, a second pricing notice will be published to allow time for market participants to review and analyze the proposal and to provide feedback

If insufficient feedback has been received during the initial consultation period, Fastmarkets may decide to extend it. In this event, Fastmarkets will publish a second pricing notice stating that this is the case. Any feedback received during this extended consultation period will be reviewed according to the same guidelines and process.

Fastmarkets will publish a pricing notice announcing the outcome of the review, including the rationale for the decision and, whenever possible, feedback received unless stated as confidential.

Fastmarkets reserves the right to paraphrase and group comments received into a comprehensive rationale explaining the decision.

Ad-hoc changes to methodologies

Fastmarkets regularly assesses methodologies through continuous contact with the markets. Outside of the formal methodology review process, editors may from time to time suggest changes or additions to reflect market developments and feedback received.

As with the formal review, changes to the existing methodology will either be classed as 'material' or 'immaterial'. The process for implementing the change will be the same as outlined above for formal reviews.

Timescales on consultations may vary depending on the type of methodology change but, in line with international best practice, they will last no less than one month (or around 20 business days).

Discontinuing a price

Fastmarkets also follows the above guidelines when proposing the discontinuation of an existing price.

Fastmarkets believes it is important that we give sufficient warning of any discontinuation to our clients, contributors and other market participants, with an explanation of the reasons and the discontinuation process that is followed.

The consultation process may be of similar length to that of methodology change reviews but the notice period before a discontinuation becomes effective may extend for up to a year to give sufficient warning to market participants using the prices in contracts.

New price launch

For new price assessments a consultation period is initiated via the publication of a pricing notice inviting feedback over a specified period. The consultation should proceed as per the Methodology Review and Change Consultation Process.

At the end of the consultation period, Fastmarkets will assess any feedback received from users and subscribers and will decide whether to launch the price assessment.

If Fastmarkets decides to launch the new price, we will issue a pricing notice on the day of the launch.

For strategic new prices in line with a new product launch, market feedback will not be sought to protect Fastmarkets' strategic advantage.

For prices assessed and published in China, new price launches require a testing period of six months prior to launch for reporters and editors to study, analyze and gather price data on this new market. This internal work may not be shared nor published. An industry consultation will be initiated in line with the guidance for price launches elsewhere in the world.

Important points to note

For prices subject to the EU Benchmark Regulation (BMR), any proposed change to the methodology, including price discontinuations, requires approval by the Managing Director of Fastmarkets Benchmark Administration Oy (FBA Oy). Any material change to the methodology, including price discontinuations, requires approval by the Board of Directors of FBA Oy. All methodologies subject to the BMR must be ratified by the Board of Directors of FBA Oy on an annual basis.

Most types of methodology change will require consultation with the market; however, Fastmarkets will not seek industry feedback in certain scenarios. These are listed below:

- For clarifications to an existing methodology that do not alter the assessment, feedback will not be sought.

- For new assessments on existing markets (e.g. monthly/quarterly averages) to be implemented, feedback will not be sought
- As mentioned under new price launches, market feedback will not be sought for strategic new assessments in line with a new product launch to protect Fastmarkets strategic advantage.