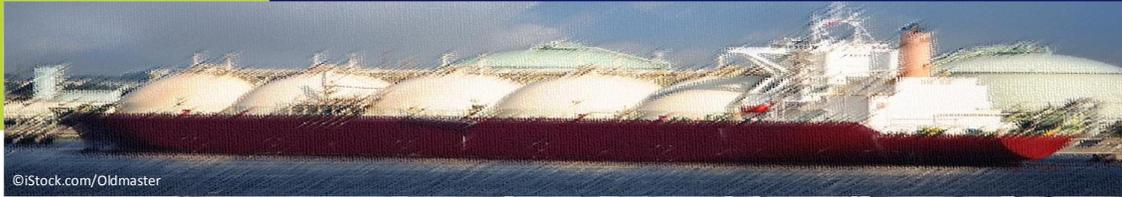


Market Update



SLInG FAQs

The SLInG index was introduced and opened for subscription in October 2015. SGX and EMC would like to provide the following FAQs as a convenient guide for market users.

1. What is SLInG?

“SLInG” is the abbreviated form of “SGX LNG Index Group”, a spot index for Asian LNG developed by SGX and its subsidiary EMC. It is the average of expert assessments, after excluding outliers, contributed by a balanced portfolio of market participants (producers, consumers and traders) who are active in the physical LNG market. SLInG is assessed Free on Board (FOB) Singapore as a virtual location of cargo in the vicinity of Singapore.

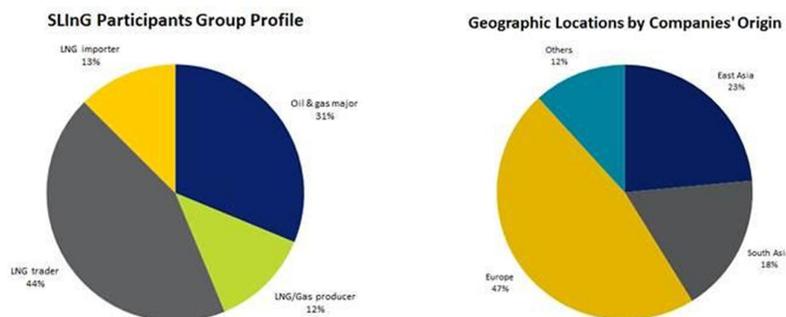
2. Why did SGX/EMC create SLInG?

SLInG was born out of a market need for a trusted Asian LNG spot index. Based on our research and market survey in 2014, there was no shared acceptance of the prevailing spot indices. SGX and EMC therefore started working together in September 2014, along with a pioneering group of physical LNG participants to design and to begin computing SLInG. It was helpful that many LNG market participants have built a presence in Singapore – indicative of its emergence as a regional natural gas market hub.

PARTICIPANTS

3. How many participants are contributing to SLInG and where do they originate from?

Since its commencement in September 2014, the number of SLInG index participants has grown from 5 to 20, comprising a varied group across segments and geographies. The identities of index participants are kept confidential at all times, though the charts below provide a top-level overview of the group’s makeup.



Note: The majority of the participants’ trading desks are located in Asia.

4. How are participants making their assessments?

Participants are required to quote the SLInG according to the specifications determined by EMC. They are also to observe the hierarchy of evidence set out in the IOSCO Principles of Financial Benchmarks as follows:

- Actual and directly relevant arms-length transactions concluded by the participant in the underlying interest or related markets;
- Quotes given by the participant to other market participants;
- Quotes received from dealers (e.g. deal-able bids and offers);
- Actual but indirectly relevant arms-length transactions in the underlying interest or related markets; or
- Other market information (e.g. indicative prices) or expert judgment. Expert judgment for this purpose may include impact assessment of market conditions or impairment of the credit quality of one or more market participants, or assigning more weighting to bids/offers which are more current in time than actual traded data.

Where possible, the assessment is based on observable transactions. Alternatively, other data such as bids and offers and expert judgement will inform the assessment.

INDEX FEATURES & METHODOLOGY

5. What is unique about the SLInG methodology and how does it produce an index which is neutral and transparent?

Some key highlights about the SLInG methodology:

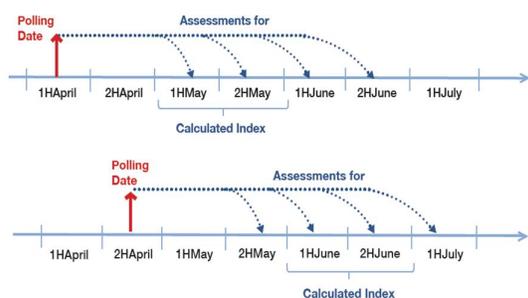
- Simple and transparent – SLInG methodology is a simple average of participant assessments after excluding outliers. The outliers are the upper and lower 15% of the assessments.
- Consistent and controlled group of participants – EMC informs the market how many participants have committed to contribute assessments and they represent a consistent and controlled group of contributors from a balanced portfolio of producers, consumers and traders.
- No editorial intervention – SLInG is based on a simple average formula, and does not include any editorial intervention
- No complicated adjustment formulae – SLInG does not rely on complicated freight netbacks or adjustments to derive its FOB Singapore index. Participants do so using their expert assessment and knowledge of the required adjustments since only they have full knowledge of their own transaction details.
- Code of Conduct – SLInG participants must be aligned with the Code of Conduct, which is drafted in line with the IOSCO Principles of Financial Benchmarks.

This methodology combined with a balanced group of participants will produce an index which is neutral and transparent.

6. When is SLInG published and why is it only a weekly index?

SLInG is published on the first business day of the week by 8pm Singapore time. Based on feedback from market participants, the frequency of potential price changes within a week is currently limited because market information such as transactions and deal-able bids and offers are still sporadic. Publishing at a higher frequency could introduce undue volatility into the index. Once the market is more active, EMC will look to increase the frequency of publication.

7. What are the available SLInG price markers?



Participants are polled for the 3rd, 4th, 5th and 6th half Calendar Months following the day of assessment. The polling period for the first half-calendar month (H1) begins on the 1st day of each calendar month, and the second half-calendar month (H2) will begin after the 16th day of each calendar month if this is a Singapore business day, or otherwise on the following business day.

The calculated index is the first full month (H1 and H2) available. In the example on the left, in the first half of April, the published index will be the May index. In the second half of April, the

published index will be the June index.

8. What is the standard deviation of the index?

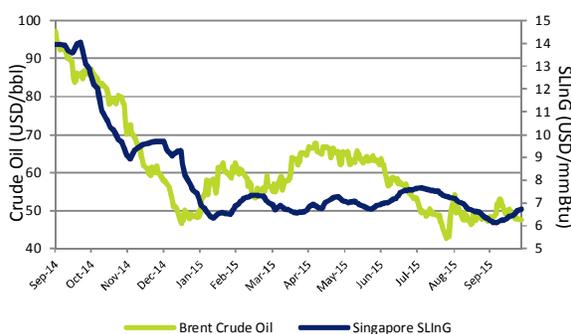
The 12-month data series for SLInG, shows a narrowing poll distribution, from a standard deviation of about 0.67 (6.3% of the index value) in November 2014 to 0.17 (2.5% of the index value) in October 2015. This indicates growing convergence and robustness in the formation of a strong consensual index.

9. How does SLInG ensure that the index remains robust and reflective of the market?

SLInG is designed with the following features to ensure this.

- Large, diverse and balanced portfolio participant group of 20 ensures that no single participant can affect the average index.
- Removal of outliers at the top and bottom 15% ensures that prices at the fringes do not affect the average index.
- Full anonymity of participants prevents collusion.
- Investigation with participants with contributions that fall outside of 2.5% to 97.5% range and consistent outliers.
- Participants have to be aligned with the Code of Conduct, which outlines activities that contravene a fair assessment.

10. How does SLInG compare against oil indices?



For some time now, LNG contracts that are based on a floating price have been indexed to crude oil. The basis for such a practice has been the notion that the two are alternative sources of energy.

The chart on the left compares oil and LNG prices over the past year. It is clear that the supply-demand dynamics of crude oil and LNG are not identical, and prices can often diverge. As the LNG market grows, such divergences are likely to become both larger and more frequent. With the introduction of SLInG, market participants can consider using a more appropriate and relevant LNG market price for both shorter-term and longer-term transactions.

USING THE SLInG

11. How is SLInG's FOB Singapore assessment relevant to the rest of Asia?

The location of assessment for SLInG was decided in close consultation with the industry. FOB Singapore has the advantage of being in the middle of most seaborne routes of the Asian LNG trade where most physical cargo would pass through the vicinity of Singapore waters. It is estimated that over 50% of global LNG supplies, or about 2,000 cargoes a year, pass through the proximity of Singapore.

In the middle of a number of key global origin (FOB) and destination (DES) locations, SLInG is positioned to represent a credible Asian benchmark spot price for LNG. As future supply-demand dynamics evolve, prices from key respective FOB and DES regions may be incorporated in SLInG by participants.

It should be further clarified that specifying an FOB Singapore location is NOT dependent on whether there is actual physical cargo being offloaded or stored in the Singapore LNG terminals. The SLInG can be adjusted to and from transactions that are non-Singapore based, using the relevant freight prices. EMC is considering publishing a series of freight rates from its participants, and will do so if required.

12. How can I use SLInG for my physical LNG transactions?

The SLInG index, as a price assessment of an LNG cargo at a virtual point off Singapore, can be an extremely useful pricing point either as an actual price or as a reference price. Please refer to the case studies below. All examples use a modern TFDE, 160,000 Cubic Meter vessel with standard HSFO and MDO assumptions.



The SLInG presents sellers, buyers and traders numerous opportunities to price their cargo as above. Traders with shipping optionality or flexibility could sell or buy LNG cargoes on SLInG or SLInG plus or minus freight taking into account their own freight efficiencies.

13. When will derivatives on SLInG be available?

SGX intends to introduce SLInG swaps and futures at the appropriate juncture in early 2016, but this remains subject to regulatory approval. For a derivatives market to succeed, the market must first recognise the value of SLInG, adopt SLInG as the floating price for physical transactions and understand the importance of hedging and risk management. Based on SGX's experience in developing other commodity products, these activities take time and tremendous educational and promotional effort. SGX is here for the long term to grow and aid the progressive development of the Asian LNG market.

For more information on SLInG, please visit www.emcsg.com/sling.

For a complimentary SLInG subscription (up to end 2017), please email lngindexdata@emcsg.com.

Contact us at:

Glenda Soh: T. +65 6236 5375 | E. glenda.soh@sgx.com

Lily Chia: T. +65 6236 8770 | M. +65 9117 2520 | E. lily.chia@sgx.com

This document is not intended for distribution to, or for use by or to be acted on by any person or entity located in any jurisdiction where such distribution, use or action would be contrary to applicable laws or regulations or would subject SGX to any registration or licensing requirement. This document is not an offer or solicitation to buy or sell, nor financial advice or recommendation for any investment product. This document has been published for general circulation only. It does not address the specific investment objectives, financial situation or particular needs of any person. Advice should be sought from a financial adviser regarding the suitability of any investment product before investing or adopting any investment strategies. Further information on this investment product may be obtained from www.sgx.com. Investment products are subject to significant investment risks, including the possible loss of the principal amount invested. Past performance of investment products is not indicative of their future performance. Examples provided are for illustrative purposes only. While SGX and its affiliates have taken reasonable care to ensure the accuracy and completeness of the information provided, they will not be liable for any loss or damage of any kind (whether direct, indirect or consequential losses or other economic loss of any kind) suffered due to any omission, error, inaccuracy, incompleteness, or otherwise, any reliance on such information. Neither SGX nor any of its affiliates shall be liable for the content of information provided by third parties. SGX and its affiliates may deal in investment products in the usual course of their business, and may be on the opposite side of any trades. SGX is an exempt financial adviser under the Financial Advisers Act (Cap. 110) of Singapore. The information in this document is subject to change without notice.

Singapore Exchange

2 Shenton Way
#02-02 SGX Centre 1
Singapore 068804
main: +65 6236 8888

sgx.com