

# **The Primary Policy of Index Management of the China Securities Index Company Limited**

V3.0

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| Version Number | Change Time | Change Scope                                                                                                  |
|----------------|-------------|---------------------------------------------------------------------------------------------------------------|
| 1.0            | 201809      | Rulemaking                                                                                                    |
| 2.0            | 202003      | Adjustment to the expressions on index error correction and index termination.                                |
| 3.0            | 202403      | Adjustment to the expressions on index development, index calculation and maintenance, inquiry and compliant. |

## Contents

|                                                              |   |
|--------------------------------------------------------------|---|
| 1、Introduction .....                                         | 1 |
| 2、Index Development .....                                    | 1 |
| 2.1 Research, development, and review of indexes .....       | 1 |
| 2.2 Changes to the index methodologies .....                 | 2 |
| 2.3 Index Termination .....                                  | 3 |
| 2.4 Index Error Correction .....                             | 4 |
| 3、Index Calculation and Publication .....                    | 4 |
| 3.1 Index Calculation and Maintenance .....                  | 4 |
| 3.2 Emergency Response Mechanism for Index Calculation ..... | 5 |
| 3.3 Index Publication .....                                  | 5 |
| 4、Index Usage .....                                          | 6 |
| 4.1 Restrictions on Usage .....                              | 6 |
| 4.2 Inquiry and Compliant .....                              | 7 |
| Disclaimer .....                                             | 8 |

## **1、 Introduction**

The “Primary Policy of Index Management of China Securities Index Company Limited” (hereinafter referred to as the “Primary Policy of Index Management”) aims to outline the rules followed by China Securities Index Company Limited (hereinafter referred to as “CSI”) in index research, development, changes, termination, error correction, calculation and maintenance, emergency response mechanism, usage, inquiry and compliant, etc.

The “index/indexes” in this Policy refers to the equity indexes, bond indexes, multi-asset indexes, commodity indexes and other indexes administered by the Company. Any individual index follows a number of methodology rules including: constituent review rules, event rules, numbers of shares(including free float), index calculation rules and other general index compilation rules, the relevant detailed index methodologies and the Primary Policy of Index Management.

As the index administrator, the Company is responsible for determining index methodologies, calculation, maintenance and publication of indexes according to the index methodologies.

## **2、 Index Development**

### **2.1 Research, development, and review of indexes**

The plan for index research and development is set forth by the Company according to its business development plans and market demand. Index research and development aims to conduct rigorous research, follows the goals of representativeness and investability. The index construction method should be transparent and rule-base to reflect the performance of the specific market or the asset class accurately,

objectively and scientifically.

The index development shall be carried out by the project supervisor arranged by the Company. After the feasibility study, the supervisor shall submit a research report to the Company for internal assessment and examination. Indexes shall be calculated and published after the index methodology has been determined. The index methodologies are subject to periodic reviews by the Index Oversight Committee.

Further information about the process of index research and publication is detailed in Measures for Index Research and Development of China Securities Index Company Limited.

## **2.2 Changes to the index methodologies**

The Company shall make necessary amendments to index methodologies based on the periodic internal review, market environment examination, opinions of the Index Advisory Committee, market feedback, and external complaints, etc. Major changes to the index methodologies are subject to prior consultation with market opinions. In principle, major changes to Class I indexes<sup>1</sup> shall be subject to public consultation. If the targeted consultation is adopted, the range of consultation shall fit the actual impact of the indexes; Major changes to non Class I indexes shall be subject to targeted consultation of relevant stakeholders.

After the internal assessment, the amendments to index methodologies shall be disclosed to the market before its formal implementation. The implementation of index methodologies changes can be carried out together with the periodic review or rebalancing the weight of the index.

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<sup>1</sup> Class I indexes are the important indexes which aim to reflect the markets.

The Index Oversight Committee shall be responsible for overseeing the changes to the index methodologies.

Further information about the procedures of changing index methodologies is detailed in the Measures for the Implementation of Change of Index Methodologies of the China Securities Index Company Limited.

## **2.3 Index Termination**

After prudent assessments, the Company may implement the termination of the index, that is, terminate the calculation, maintenance and publication of the index.

The index termination proposal shall be submitted to internal review of the Company first. If there are stakeholders related to the proposed index termination, the Company shall consult the stakeholders on the termination proposal. If the termination involves Class I indexes, it shall also be submitted to the Index Advisory Committee for review.

The proposal for Class I index termination shall include assessments on alternative indexes. If the alternative index meets the regulatory requirements and has feasible methodologies and publication conditions, the Company will consider providing the alternative index for the market.

The Index Oversight Committee is responsible for ensuring that the index termination procedures are in line with the relevant measures and policies of the Company as well as reviewing the index termination proposal submitted by the relevant department.

For details of the index termination implementation procedures, please refer to the “Measures for the Handling of Index Termination of China Securities Index Company Limited” .

## **2.4 Index Error Correction**

Index error refers to the deviation of the index point released to the market from the correct point. Causes of Index error include but are not limited to the following: data errors, maintenance errors, software and hardware errors, etc.

After prudent assessments, the Company may correct the Index errors , following the principles: If the index errors have been discovered for more than six months after it occurred, they will not be dealt with generally. For index errors within six months, it is necessary to assess factors such as the impact of the index error, the situation of the index product, the time until the next index adjustment, and the investability and replicability of the index, in order to carefully decide on the treatment plan. The Company reserves the right to recalculate the index or republish related data products at its own discretion in complex cases. In the event of index recalculation or republishment, shall promptly issue an notification to index users.

## **3、Index Calculation and Publication**

### **3.1 Index Calculation and Maintenance**

The data used for the index calculation is sourced from stock exchanges or data suppliers designated by the Company from time to time. The pricing information used in some bond indexes is from CSI Bond Valuation. CSI Bond Valuation produces third-party bond valuation data recognized by regulators and market institutions, which has been widely used in the domestic market. The data used for index maintenance is public information obtained directly or through designated data suppliers, such as prospectus, listing announcements, regular reports, temporary announcements, etc.

Indexes are calculated according to relevant index methodologies. Further information about the index divisor adjustment, index adjustment, handling of corporate events, index exchange rate and bond events handling involved in index calculation is detailed in the constituent review rules, event rules, numbers of shares(including free float), index calculation rules and other general index compilation rules, the relevant detailed index methodologies.

In the process of index calculation and maintenance, for certain specific events not mentioned in the constituent adjustment rules, corporate events treatment rules, index calculation rules and other general index compilation rules, or there is potential conflict with the Statement of Principles for Index Construction and Management of China Securities Index Company Limited, priority is given to processing in accordance with the Statement of Principles for Index Construction and Management of China Securities Index Company Limited.

### **3.2 Emergency Response Mechanism for Index Calculation**

The company establishes an index calculation emergency mechanism and sets up a hierarchical management emergency plan. In case of an emergency, the host department of the plan shall organize and carry out the classification and grading of abnormal situations, report and request instructions according to the corresponding requirements of the classification management, and prepare emergency treatment plans according to the scenario of the plan. Implement business or technical emergency treatment measures would be taken as soon as possible after approval. After taking into account the impact of the index calculation anomaly, the notice will be issued as appropriate.

### **3.3 Index Publication**

Index publication refers to the process of formulating index publication plans based on the classification and purpose of the index, and disseminating the calculated results of the index to the public or delivering them to specific entities. Real-time index point data shall be published via the broadcast system of the Company, Exchange or other third-party broadcast system. The update frequency is subject to agreement. closing index point data shall be published via the official website and CSI data service platform. The update frequency is generally daily on the index trading day.

## **4、 Index Usage**

### **4.1 Restrictions on Usage**

The development, calculation, and publication of indexes are aimed to measure certain market sectors or specific strategies more effectively. Indexes can be used for different purposes, including but not limited to research purpose or for financial institutions to issue index related products. Index users include various market participants, who should choose indexes based on their own specific needs.

There are many factors in the course of index methodologies, calculation and maintenance, most of which are beyond the control of the Company. These uncontrollable factors include but are not limited to: adjustment of basic market structure, inadequate or incorrect data source, low market liquidity, drastic changes in market environment and geopolitical changes, which may cause changes to, or even the cessation of indexes in extreme cases. Users should be fully aware of these risks and disclose such risks in the terms of their financial products. The Company shall not be responsible for users' usage of index, regardless of whether the purpose of such use is to conduct research or issue financial

products, etc.

## **4.2 Inquiry and Compliant**

Inquiry and Compliant refer to the complaints of the company's customers, cooperative institutions, other institutions or personnel against the products and services provided by the company's index business to the market in business activities.

Users may raise inquiries and compliant on the Company's business to the specialized staff via public mailbox designated for inquiry and compliant. The scope includes: input data/output data of index; data services; index methodologies; index adjustment results; treatment on corporate events of index constituents; industry classification; other related matters.

The person in charge shall prepare a plan for resolving such inquiries and complaints and forward such plan to the specialized staff for feedback via public mailbox designated for inquiry and compliant. Important inquiries and complaints should be approved by the Company. The Index Oversight Committee shall be responsible for periodically review of quarterly report on index Business complaints.

Further information about the handling procedures of inquiries and complaints is detailed in Measures for the Handling of Complaints Relating to Index Business of China Securities Index Company Limited.

## **Disclaimer**

All information contained herein is provided for reference only. This document shall not be used for any unlawful or unauthorized purposes.

No information in this material (including, but not limited to, the inclusion or exclusion of a security from the index, adjustment of the weight of the index constituents, etc.) constitutes a recommendation by China Securities Index Co., Ltd. (“CSI”) to buy, hold or sell any securities, financial products or other investment instruments or any trading strategies. The selection and determination of index constituents by CSI does not imply that CSI makes any substantive judgment or guarantee of the investment value or investment return of such constituents, nor does it imply any guarantee that such constituents will continue to meet the selection criteria. CSI shall not be liable to any person for any loss of profits, loss of timing or loss of goodwill (whether direct or indirect, special, punitive or incidental) under any circumstances (including, but not limited to, suspension, default or other adverse events of the index constituents, termination of index calculation, maintenance and publication, etc.).

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