

Statement of Principles for Index Construction and Management of China Securities Index Company Limited

V1.0

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Version Number	Change time	Change scope
1.0	2023-12	Creation of “Statement of Principles for Index Construction and Management of China Securities Index Company Limited” .

These Principles are formulated and issued by China Securities Index Company Limited to regulate index construction and management, and ensure index operations. When encountering situations that are not covered by general index rules such as constituent adjustment rules, corporate events treatment rules, calculation rules and index methodology, or existing potential conflicts with the principles, priority should be given to these principles.

1. Indexes aim to reflect the overall performance of a specific market or a specific group of securities objectively. The index should have clear construction objectives and the objectives should be disclosed in the respective index methodology.
2. The index construction and management should illustrate its objectivity and fairness. Index construction rules are the fundamental basis for index construction and management and should be public, transparent, continuous and scientific as possible. Index construction rules should balance the representativeness and investability, to align with the index objectives. The process of index construction and management should follow the index construction rules.

Index construction rules should be revised and implemented at the right time to better align with the index objectives and can be easily understood by index users as possible. In the events of situations that are not covered by index construction rules, CSI will make decisions to maintain the vitality of the index after considering these principles in conjunction with the opinions of the index advisory committee, index users and other relevant parties.

3. The index representativeness includes, but not limit to: (1) index names should align with the index objectives. (2) indexes generally selects constituents from a predefined index universe. Index universes are determined by criteria such as security types, place of registration, listing time of securities etc.. They should be able to cover the market boards or certain groups of securities described in the index objectives. (3) within the index universe, constituents and their weights are determined by predetermined rules of sample selection and weighting calculation, to dynamically and effectively reflect the characteristics of the specific markets, groups of securities, or investment strategies described by index objectives.

4. The index investability includes, but is not limited to: (1) constituents should possess a certain level of trading liquidity regarding to trading volume, turnover rate etc.. Generally, the constituents should be tradable for replication and tracking. (2) indexes should possess a certain level of investment capacity; (3) constituents and their weights should minimize insignificant adjustments as possible; (4) constituents generally do not include securities under the following unusual circumstances: securities and their issuers have experienced or are obviously about to experience significant events that affect investability, and this impact will continually exist for a certain period; security issuers with significant ongoing operational capability uncertainty; security issuers with severe legal violations and other severe governance concerns.

5. Index should reflect the overall price performance of the index constituents objectively and continuously. The price used for index calculations should be the transaction prices from relatively active markets. When the above conditions cannot be obtained, after considering the opinions of index advisory committee, index users and other relevant parties, fair prices are further selected to objectively and authentically reflect the latest securities value or the price.

6. The representativeness and investability of indexes should be balanced when dealing with the corporate events. When formulating the treatment plan for complex corporate events, market opinions and specific event circumstances should be considered with the premise of ensuring the consistency and predictability as possible.
7. In the process of index construction and management, data used for sample screening, weighting and calculation should be based on reliable and publicly available sources as possible.

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