

**Overview of Index Business  
Compliance Management of Sino-  
Securities Index Information Service  
(Shanghai) Co., Ltd  
V 1.1**

**June 2022**

Time of Revision	Version	Notes
2022.01.	V1.0	Rule-making.
2022.06	V1.1	Adjust formatting, consistency, and wording, etc.

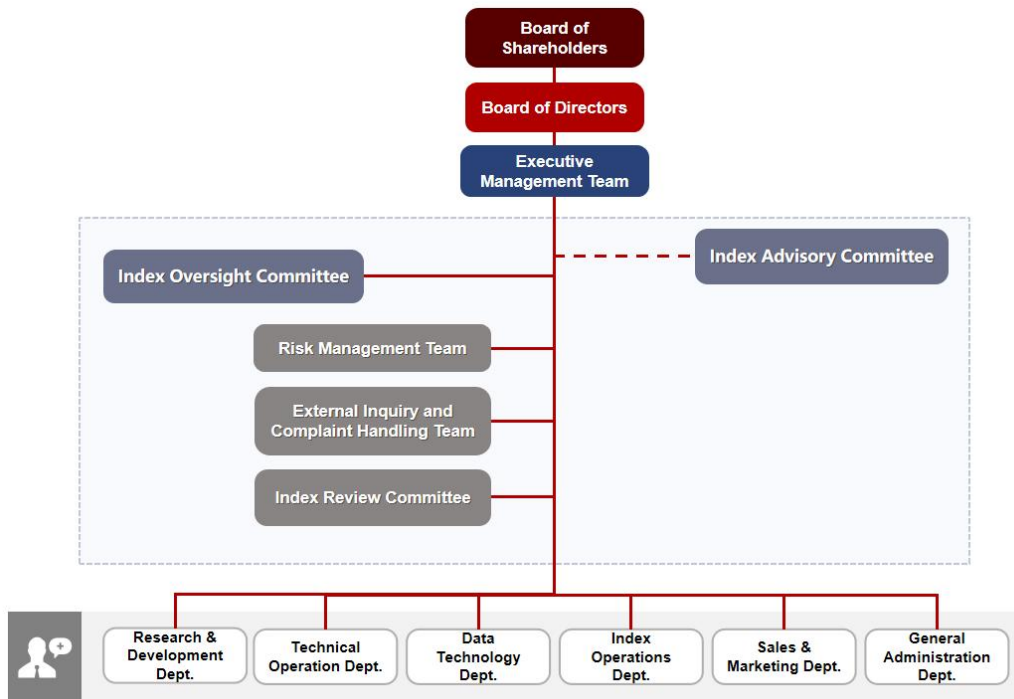
## 1. Company Overview

Sino-Securities Index Information Service (Shanghai) Co., Ltd (“SNSI” or “the Company”), founded in September 2017, is a company specializing in comprehensive services of index and indexing investment. SNSI gathers talents with background in securities, funds, banking and other fields, and has rich practical experience in index research and development, and indexing investment.

SNSI provides comprehensive services of index and indexing investment for all kinds of asset management institutions. SNSI focuses on the research and development of indices, and provides services that covers the whole industry chain including research consulting, product authorization, operation management, marketing promotion, valuation of unlisted equity and data information. SNSI aims to promote the in-depth development of index and indexing investment in China.

SNSI has been authorized by the Shanghai Stock Exchange, Shenzhen Stock Exchange and Hong Kong Exchanges and Clearing Limited for market quotations used in index compilation.

## 2. Index Business Governance Structure



### The Board of Shareholders, the Board of Directors and the Executive Management Team:

The Board of Shareholders and the Board of Directors determine SNSI's strategy and operational direction. The Executive Management Team is responsible for implementing the resolutions of the Board of Directors, operating and managing index business.

SNSI conducts organizational structure and management in accordance with the operation model of professional index institutions and sets up various departments to perform corresponding duties, including:

- Research & Development Department - Responsible for follow-up research on the development and innovation direction of domestic and overseas capital markets and security market indices; compiling security market indices that meet the needs of domestic and overseas investors to observe the market and make long-term investment; continually improving the index methodologies.
- Technical Operation Department - Responsible for indices calculation and

dissemination; assuring the safety of index operation, as well as the steady operation of the related systems and data; technical support and services provision for index business.

- Data Technology Department - Responsible for strategic research, design and system construction of data products; development, construction, upgrade and maintenance of specific data products; investment application research and analysis of data products; coordination of the ESG Advisory Committee.
- Index Operations Department - Responsible for index constituents management, event maintenance, daily management and periodic review of capital stocks; research on the index management and maintenance rules; index operation analysis, index information support; operation of the Index Advisory Committee.
- Sales & Marketing Department - Responsible for development and maintenance of customers; client services; organization of market activities and customer management; brand construction and media outreach; market data and information analysis.
- General Administration Department - Responsible for corporate administration, personnel, procurement, compliance risk control and finance.
- Risk Management Team - Risk management of index business.
- External Inquiry and Complaint Handling Team - Responsible for external inquiries and complaints reception, as well as internal handling process coordination within SNSI.
- Index Review Committee - Evaluation of the index methodologies and research reports involved in the Company's index project.

### **3. Index Oversight Committee**

SNSI has set up the Index Oversight Committee, which is mainly responsible for supervising and reviewing the records and reports of relevant departments to ensure the implementation of all aspects of the Company's

index compilation and governance. The Index Oversight Committee holds a regular meeting every quarter, records the matters reviewed and supervised within its responsibilities, and submits reports to the Board of Directors every year.

The specific duties of the Index Oversight Committee and the committee member list can be found on SNSI's website.

## **4. Index Advisory Committee**

SNSI has set up the Index Advisory Committee and has employed professionals from the financial field, academic institutions and large financial institutions as external advisory committee members. The Index Advisory Committee holds regular meetings twice a year. It provides advice on the company's index development, the business strategy related to the index, and the universal rules of index compilation and management, etc., so as to improve the scientific nature and authority of the index compilation method.

The specific duties of the Index Advisory Committee and the committee member list can be found on SNSI's website.

## **5. Input Data Quality Control**

The index calculation of SNSI is based on open market data sources or qualified data providers. For data quality management, SNSI has adopted a series of measures:

- Selection of data suppliers: selecting well-known data suppliers to ensure compliance of data sources.
- Data verification and processing: taking various data verification measures, including data dual-source check, dual-personnel check, etc., to ensure the accuracy and integrity of the data.
- Daily supervision and regular evaluation: taking a series of daily supervision and management measures, and carry out data evaluation

work on a regular basis.

In the process of compiling indices, there is no human experience to process the data or artificially remove the data that meets the requirements.

## 6. Emergency and Risk Management

SNSI has formulated a series of internal systems for risk management and adopted various measures to standardize the risk management process and ensure the safe operation of the index business. The Risk Management Team regularly submits risk assessment reports to the Index Oversight Committee to report on the risks in the index operation.

## 7. Index Business Process Compliance Management

To ensure the compliance of the Company's index business processes, SNSI has formulated the following index management system based on the existing index management process and plan.

### ● Index Research and Release Management

SNSI has established the *Measures for the Index Research and Release Management* to regulate the process of index research, development and release. Index research and development is carried out in accordance with the established index research and development plan. Index methodologies shall be reviewed by the Index Review Committee and the head of the Research & Development Department and approved by the Company's management. Before the release of indices, SNSI will release the online index announcement according to the management method.

The *Measures for the Index Research and Release Management* is available on SNSI's website.

### ● Index Methodologies Management

SNSI has established the *Equity Index Calculation and Maintenance*

*Methodology* to regulates the basic rules for the daily calculation and maintenance of indices. At the same time, SNSI discloses the detailed index methodologies of a single index or index series, and describes the specific rules of specific indices.

SNSI has established an index rule review mechanism to evaluate the suitability of the index rules on an annual basis.

SNSI regularly reviews the *Equity Index Calculation and Maintenance Methodology*, the detailed index methodologies and other index rule documents annually to ensure that the index calculation and maintenance are in line with the purpose of index compilation. After the regular review is completed, an annual review report is formed and submitted to the Index Oversight Committee. The *Equity Index Calculation and Maintenance Methodology* and the detailed index methodologies of a single index or index series are available on SNSI's website.

#### ● **Index Termination**

SNSI has established the *Measures for Handling of Index Termination* to regulates the process of approval and consultation for index termination. When an index with clear stakeholders is to be terminated, consultation should be conducted, and the termination proposals in connection with any important index shall include consideration of alternative indices. A notice will be announced on SNSI's website at least one month in advance (three months for important indices) before the termination of any index.

The *Measures for Handling of Index Termination* is available on SNSI's website.

#### ● **Index Emergency Response Management**

SNSI has established the *Emergency Response Measures of Index Calculation* and a series of emergency handling plans formulated by SNSI regulate emergency handling measures and ensure the safe operation of



index business. The rules regulate the handling procedures of various emergency scenarios such as market disruption, data deficient, and paralysis of important systems. SNSI regularly organizes emergency drills and maintains the risk event database in a timely manner to improve the security and stability of the index business.

The *Emergency Response Measures of Index Calculation* is available on SNSI's website.

### ● **Index Error Correction Management**

SNSI has established the *Measures of Index Error Correction* to regulate the error correction process for index calculation. When an index calculation error is found, the head of the Index Operations Department should be notified in time to confirm the cause of the error, and the Index Operations Department will measure the deviation of the index points and form a relevant treatment plan. When decision is made to correct an index error, a notice should be drawn up and all data files republished to notify all relevant informants and fund clients. After the correction, the experience should be summed up in time and entered into the risk event database.

The *Measures of Index Error Correction* is available on SNSI's website.

### ● **Change of Index Methodologies**

SNSI has established the *Measures for the Implementation of Change of Index Methodologies* to regulate the revision process of index methodologies. The index methodologies include the above-mentioned index business management measures, index calculation and maintenance methodologies, methodologies for specific index or index series and industry indices classification standards. If the revision of index methodologies involves material changes, SNSI shall consult the market in advance.

The *Measures for the Implementation of Change of Index Methodologies*

is available on SNSI's website.

## **8. Index Business Staff Management (Recruitment and Management)**

In order to ensure that the Company's personnel involved in index business have qualified professional level, and can engage in index business-related work in compliance with regulations, SNSI takes the following measures:

- Ensuring that employees of index business are recruited according to standard procedures;
- Ensuring that employees receive on-the-job training and related work specifications guidance;
- Ensuring that employee assessment and business training are carried out on a regular basis.

SNSI requires all employees to sign the "Employee Handbook" upon entry and every year, and provide relevant compliance training to ensure that employees understand the code of conduct required in the handbook. At the same time, a reporting mechanism has been set up internally, and employees can report violations through a dedicated mailbox.

## **9. Supplier Management**

The third-party suppliers of the index business of SNSI are mainly data suppliers.

The selection and management of third-party suppliers by SNSI follows the Measures for Supplier Management. SNSI requires third-party suppliers to sign the Supplier Code of Conduct, which includes requirements for anti-corruption, conflicts of interest, employee qualifications and information disclosure.

SNSI regularly evaluates suppliers, and submits evaluation reports to the Index Oversight Committee.

The list of third-party suppliers can be obtained by contacting us via the external inquiry phone or email.

## 10. Conflicts of Interest Management

Conflicts of interest may arise in the following circumstances in relation to SNSI's index business:

- An employee or any of his/her immediate family members are employed by the Company's suppliers, index users or competitors.
- An Employee taking advantage of his/her position or inside information for personal gain or recommending investment behavior of others.
- A related party is both the Company's index user and supplier.
- A related party entrusts the Company to manage the index or entrusts the related party to calculate the index.
- An external Committee member is from the Company's related parties, index users, suppliers or index business competitors.
- An external Committee member is the immediate family of a Company's employee.
- An external Committee member holds investments related to the index constituents securities to be discussed.
- A supplier is also the Company's index user.
- The security issued by any supplier, index user or competitor is also a constituent of the index the Company manages.
- A supplier is also a competitor of the Company.

SNSI believes that there is no conflict of interest in SNSI's index business. The index is compiled in accordance with established rules, adhering to the impartiality and independence of index development. No entity may be included in any index by payment or in any other form.

## 11. External Inquiries and Complaints

In accordance with the *Index Inquiry and Complaint Handling Measures*, SNSI regulates the handling process of external inquiries and complaints of index business, and has established an External Inquiry and

Complaint Handling Team to receive, investigate and handle external inquiries and complaints. The handling plan of important complaints shall be submitted to the Executive Management Team for approval. The Team reports the acceptance and handling of inquiries and complaints to the Index Oversight Committee on a quarterly basis.

The *Index Inquiry and Complaint Handling Measures* is available on SNSI's website.

## **12. Record-keeping and External Audit**

SNSI regulates the management of index business documents in accordance with the "Documents Management Specification" to ensure the integrity and standardization of various documents. Paper documents are retained for at least 5 years.

SNSI regularly engages external auditors to conduct audits in accordance with the International Organization of Securities Commissions (IOSCO) Financial Benchmark Index Guidelines. The audit report is reviewed and oversight rectification by the Index Oversight Committee.

## Disclaimer

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