
SMM Submitter Exclusion or Inclusion Policy

1. Introduction

Shanghai Metals Market (SMM) selects representative market participants from the industry, including smelters, traders, and downstream users, to be the price/data submitters that contribute to the SMM metal spot price (benchmark) assessment process. SMM's benchmark submitters tend to be a mix of small or medium sized entities.

SMM follows a rigorous process for selecting and on-boarding its price submitters.

In order to compile a representative price, SMM aims to achieve a balance of data collected from sellers and buyers.

SMM will take all reasonable care to identify and verify the authenticity of every price submitter before including their data submissions in any price compilation process. SMM's procedures are designed to minimize the risk of any anomalous price data being used in its calculations and to counter any efforts to manipulate a price.

2. Formation and adjustment of the submitters list:

The submitters pricing information to SMM benchmarks are predominantly legal entities. The two means by which an entity typically becomes a price submitter are direct application to SMM when the entity wants to become a price submitter; and by direct invitation from SMM. SMM may extend such an invitation after an extended period of contact and interaction with the entity, or after completing appropriate due diligence of the entity.

In the case of a direct application to SMM to become a submitter, the following selection process is commenced:

2.1 Regulations on price submitters:

1) Application and approval:

The price submitters will fill out and submit the application forms to price assessment managers for assessments. The completed forms will be then submitted to the price assessment director for approval.

Price Submitter considerations must include:

- Whether the relevant annual volume of production, trade or procurement of the entity meets the minimum requirements of the benchmark methodology;
- Whether the entity conducts standardised transactions smoothly across appropriate channels with stable sales performance
- Whether the entity maintains sufficient operation integrity, unduly influences the market or has an inadequate or poor reputation.

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- The willingness to become a price submitter and actively cooperate with SMM, to provide objective feedback and reporting to SMM on the information assets of their business, including the output, operation rate, quality of the product, sales price, sales volume, sales target, and inventory.
 - Whether the entity has a sound understanding of, and insight into the macroeconomy, status and trading of the market
 - Whether the entity is able to communicate well with the with SMM price reporters.

Thus, SMM always endeavours to:

- collect relevant documentation in the public domain for each price submitter and verify its authenticity
- ensure every price submitter is involved in the trading, buying, selling or production chain of one or more relevant products
- ensure every employee designated as a price submitter holds a position in their company giving them direct access to relevant data and with the necessary authorisation and ability to submit it to SMM in a timely fashion
- verify the reputation of each price submitter by canvassing other reputable market participants(or other price submitters).

Employees submitting data to SMM typically hold positions in the commercial sales or purchasing departments in their companies, although it is not a requirement for them to do so. They may also be part of the senior management or administrative staff.

As part of the ‘on-boarding’ process with SMM, price submitters commit to submitting accurate data in a timely fashion. SMM commits to ensuring their trading data and identity remain confidential should they request this.

Price submitters receive no incentives, rewards or benefits for submitting data to SMM.

SMM determines the member list of price submitters according to the above selection criteria. SMM requires all the qualified price submitter companies to sign a formal agreement biannually after review and posting on the website www.smm.cn, in order to ensure the accuracy and timeliness of the data provided. The agreement also protects the anonymity of the company’s trade information whilst also assigning a point of contact at the submitter entity. There must always be 20-50 submitters for any benchmark. Less than 20 submitters is permitted if they represent 50-90% of the real market's mainstream trading volume, system bias is adequately managed or mitigated and ensure the submitter mix is suitably representative. Each price submitter is required to sign and undertake compliance with the Code of Conduct for submitters.

2) Disqualification of price submitters:

a) In the event that price submitters are reluctant to provide their prices, (whether on a voluntary basis or not), the price assessment managers are to conduct an investigation and review to determine whether submitter disqualification is necessary. If disqualification

is deemed appropriate, the investigation conclusions are submitted to the price assessment director for disqualification approval. (Events that may warrant disqualification include: failure to notify SMM of a new contact person after personnel changes; and voluntarily application for a revocation, which SMM considers as automatic withdrawal). The maximum age of a price submitter shall not exceed 70 and all individuals making submissions should be fit for work and demonstrate appropriate levels of professional conduct.

Persons subject to any of the following circumstances shall not be permitted to act as a pricing submitter:

1. Being sentenced to public surveillance, criminal detention or fixed-term imprisonment for a crime, or being less than 5 years from the date of completion of the term of imprisonment;
2. under execution of deprivation of political rights or has been sentenced to deprivation of political rights due to perpetrating a crime;
3. having served as the person in charge of a social organization whose registration has been revoked due to violation of law, and having been personally responsible for the illegal acts of the social organization, or being within 5 years from the date of the cancellation of the social organization;

b) If a price submitter fails to meet the SMM assessment criteria, an application is submitted to the price assessment manager for investigation. If this investigation determines that disqualification of the submitter is appropriate, a disqualification request is submitted to the price assessment director for approval.

3) Assessment of price submitters:

All pricing submitters are reviewed every six-months, and he/she will be assessed based on the following criteria:

- a. The Accuracy, veracity and timeliness of the enterprises and the market trades reported;
- b. Responsiveness to SMM events (including participating in conferences, contributions and discussions).
- c. Submitters are subject to the SMM Submitters' Code of Conduct, which provides submitters with a framework by which their employees can use expert judgement in submitting data to SMM. The SMM Benchmark Oversight Committee owns the Code of Conduct and keeps under review both the Code of Conduct and Submitter compliance with the Code particularly as required by changes in the underlying markets the Benchmarks seek to measure.

SMM' s price analysts (reporters) collect transaction data from the designated contact person specified by the price submitters. The activities of all price submitters and the data they provide are actively monitored on an ongoing basis to ensure that submitters have sufficient awareness and understanding of the relevant markets such that they are able to provide reliable price data. If SMM' s price analysts consider a price submitter fails to

meet the SMM assessment criteria, an application is submitted to the price assessment manager for investigation. If this investigation determines that disqualification of the submitter is appropriate, the price submitter will be notified the details of disqualification and SMM's corrective advice in writing. SMM reserves the right to exclude the company from participating in the price collection process if no improvement is made 30 days after the notification.

SMM does not accept instant messenger (IM) communication from unknown parties, and analysts are required to verify a market participant's identity prior to using IM communication.

2.2 Price collection frequencies:

Price collection is conducted daily for major enterprises who account for over 50% of total transactions in the market;

Price collection is conducted two to three times a week for enterprises who have a small trading volume and intermittent supply;

Price collection is conducted one to two times a week for an enterprise that is a market trader but has very little influence on the market price.

The categories are adjusted on an annually basis and take into consideration any changes to price submitters and the assessment of price submitters.