

SMM A00 Aluminum Ingot Spot Price and Premium/Discount Formulation Standards

Product: SMM A00 Aluminum Ingot Spot Price and Premium/Discount

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1. SMM Price Assessment Methodology General Principles

Shanghai Metals Market (hereinafter referred to as SMM) is a completely independent third-party service organization that does not participate in any substantive transactions. Instead, it maintains close communication with buyers or sellers in the market as an observer or organizer and provides relevant services to the market. SMM continuously formulates, reviews, and revises its methodology through communication with industry insiders, adopting the most common product specifications, trade terms, and trade conditions in the industry. It equally values normal transactions that meet specification standards. SMM reserves the right to exclude any price data information deemed unreliable or unrepresentative from its price assessments.

SMM publishes daily metal spot prices (or indices, etc., including both the Chinese market and markets outside China), commonly referred to as SMM prices. SMM has established corresponding methodologies for the SMM prices it publishes (all of which will be published on SMM's official website www.smm.cn for reference). These methodologies stipulate the formation and publication methods and procedures for SMM prices, and SMM strictly adheres to the provisions of the methodologies to form and publish SMM prices.

To align with the actual conditions of the spot market, SMM will make necessary revisions to the SMM price assessment methodology and announce the changes on SMM's official website www.smm.cn 28 days before formal implementation, unless special circumstances, particularly force majeure (natural disasters, wars, exchange bankruptcies, etc.), shorten the notification period. For any questions or suggestions regarding SMM prices and their methodologies, please contact SMM customer service (contact information can be found on SMM's official website www.smm.cn). This paragraph should be read in conjunction with SMM's methodology review and change policy and SMM's complaint policy.

This document stipulates the formulation standards and management methods for SMM A00 spot aluminum ingot prices. The purpose of SMM in establishing this standard is to create a transparent and verifiable SMM price formulation mechanism, providing an important pricing indicator for market participants.

The SMM Benchmark Management Committee will also regularly review the methodology and its assessment and publication processes. This committee oversees the SMM methodology and compilation process, ensuring that prices or indices reflect the objective conditions of the relevant physical spot market as accurately as possible. If the committee identifies any issues, it will immediately point them out and propose external consultation and modification of the ongoing methodology or process to improve the quality of the prices or indices published by SMM. The committee can only propose modifications to the methodology and steps used for future price or index assessments; it cannot change already published prices or indices.

2. Formation of SMM A00 Aluminum Ingot Spot Prices

As the Chinese market continues to open up further, Chinese enterprises in the commodity sector have emerged as one of the most dynamic groups in the global market. The influence of China's metal market on the international metal market has expanded. Taking aluminum as an example, with the continuous expansion of China's capacity and its cost advantages, the overseas market share of Chinese aluminum products has also been increasing. In 2024, China's aluminum production accounted for approximately 59.3% of the global total. While Chinese enterprises supply raw materials overseas, they also exert a profound influence on the original overseas trade models and pricing mechanisms.

In terms of trade models, taking China's metal smelting industry as an example, enterprises can import raw materials such as bauxite and coal, process them into aluminum, further refine them into deep-processed products, and then export them to overseas markets. In addition, with the improvement of China's production technology and scale in the aluminum processing sector, some overseas aluminum enterprises have chosen to engage in Processing Trade with Supplied Materials in China to reduce the production costs of intermediate products.

In terms of pricing mechanisms, with the expansion of production and trade scales, Chinese enterprises have actively participated in the pricing functions of aluminum metal transactions. However, as the quantity and variety of metals and processed products exported by China

continue to increase, the pricing of the original raw material products has also begun to change. For instance, Chinese aluminum processing enterprises recommend to overseas consumers the use of spot prices or index prices for metals published by independent third-party institutions (such as SMM) as the settlement benchmark. This demonstrates that Chinese enterprises are placing increasing importance on the pricing of commodities, particularly metal-related products.

2.1 Definition, Background, and Significance

Background of Publishing SMM A00 Spot Aluminum Ingot Prices:

China already holds a significant position in the global aluminum market. As the world's largest producer and consumer, China's aluminum prices have become a global benchmark. Although the futures market provides early price discovery functions, the global aluminum spot market is also vast, and the trading activity of related products increases year by year. At this time, the global market needs a spot price guide to reduce transaction costs and minimize contract execution risks. Thus, SMM, as an independent third party, does not participate in transactions but formulates corresponding aluminum spot ingot guide prices based on the operational characteristics of China's spot aluminum ingot market. This meets the pricing benchmark needs of upstream smelting, intermediate processing, and end-use consumers for corresponding products, aligning with the interests of the entire aluminum industry chain. The SMM A00 spot aluminum ingot price meets the pricing needs of the industry chain and serves as a timely operational feedback indicator for China's aluminum spot market. Global related third-party market research institutions, government

organizations, and public institutions can all benefit from it.

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For full version of the Shanghai Metals Market DRAFT Price Assessment Methodology – SMM

A00 aluminium ingot spot prices, please contact legal@smm.cn