

## Methodology of SSE Corporate Governance Index

SSE Corporate Governance index selects the securities from the SSE Corporate Governance Sector as constituents. The index aims to encourage listed companies to further improve corporate governance and enhance the overall quality of listed companies.

### 1. Index Name and Index Code

- Index Name: SSE Corporate Governance Index
- Shortened Name: Governance Index
- Index Code: 000019

### 2. Base Date and Base Value

The base date is June 29, 2007. The base value is 1000.

### 3. Index Eligibility

#### 3.1 Index Universe

The index universe includes all securities and CDRs issued by red-chip enterprises in the SSE Corporate Governance Sector.

#### 3.2 Constituents Selection

Select all securities in the universe as the constituents.

### 4. Index Calculations

The index is calculated according to the following formula:

Current Index = Current Total Adjusted Market-Cap / Divisor × Base Value

Where Current Total Adjusted Market-Cap =  $\sum (\text{Security Price} \times \text{Number of Free Float Adjusted Shares} \times \text{Weight Factor})$

For the calculation of number of free float adjusted shares, please refer to CSI Index Calculation and Maintenance Methodology for further details. The

value of Weight Factor is between 0 and 1, so that the weight of each constituent is capped at 10%.

## **5. Constituents and Index Weights Adjustment**

### **5.1 Constituent's Periodical Review**

The index is adjusted and rebalanced semi-annually. Companies in the SSE Governance Sector will be re-selected in May and November. CSI will then adjust constituents of this index accordingly on the next trading day after the 2nd Friday in June and December.

Weight Factor is assigned to each constituent at each rebalancing date. The effective date is the same as that of the constituent adjustment. The Weight Factor stays the same until next rebalancing date.

### **5.2 Ongoing Review**

When special events occur, CSI will review the index accordingly. Delisted securities will be deleted from the constituents. Please refer to Index Calculation and Maintenance Methodology for further details. If a company in the SSE Corporate Governance Sector has serious negative event, it will be excluded from the Corporate Governance Sector as soon as possible. The SSE Corporate Governance index will be adjusted accordingly.