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# Shanghai Ganglian E-Commerce Holdings Co., Ltd's 2021 Annual Compliance Statements for the Steel Price Index Based on the IOSCO Principles for Financial Benchmarks

23<sup>rd</sup> May 2022

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## Section I Disclaimer and Scope

### 1. Disclaimer

Shanghai Ganglian E-Commerce Holdings Co., Ltd's (hereinafter referred to as "Mysteel") is committed to complying with IOSCO Principles for Financial Benchmarks (hereinafter referred to as "principles"). Throughout 2020, Mysteel has focused on improving the internal systems and processes in order to provide the highest standards of IOSCO compliance for the Steel indices Mysteel administers. Mysteel is committed to the continuous improvement of the indices across the business for all of the Principles.

Redistribution, reproduction and/or photocopying in whole or in part of this report are prohibited without written permission. All information provided by Mysteel is impersonal and not tailored to the needs of any individual, entity or group of persons. The past performance of an index is not a guarantee of future results. These materials have been prepared solely for informational purposes.

The content is provided on an 'as is' basis. In no event shall Mysteel be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of the indices. Mysteel and its respective employees, affiliates and partners hereby exclude, to the extent permitted by applicable law, all liability in connection with the use of this document.

### 2. Scope of Assurance

The Steel Price Index of Mysteel evaluated in this report reflects the price benchmark prepared by Mysteel for the steel spot market, and it reflects the transaction prices among major steel mills, large traders and end-users. This set of indices includes Shanghai Rebar Index, Shanghai Rebar USD Index, Shanghai Hot Rolled Coil Index and Shanghai Hot Rolled Coil USD Index.

The Mysteel Steel Index (MSDEX) that this report evaluated is the benchmark for steel spot market. MSDEX represents the actual transaction prices among major steel mills, large traders, and downstream users. In this report, it includes Mysteel Rebar Index and Mysteel Hot Rolled Coil Index.

#### Mysteel Rebar Index

Mysteel Rebar Indices (MRDEX) select actual transaction prices (VAT inclusive) of 20mm HRB400/HRB400E rebar of mainstream steel mill brands in designated spot market. MRDEX represents the actual transaction prices (VAT inclusive) among major steel mills, large traders, and downstream users. The sample of the indices includes agreements, tenders, deals, bids and offers between steel mills, traders, downstream users, and spot trading platforms. The unit of MRDEX is CNY/mt, with the minimum price change being 1 CNY/mt.

Mysteel Rebar USD Indices is converted from the Mysteel Rebar Indices through the offshore RMB exchange rate (Use the data released daily by the Hong Kong Treasury Market Association. If it is not announced on the day, the data from the previous day will be used). The unit of indices is USD/mt, with the minimum price change being 0.01 USD/mt.

#### Mysteel Hot Rolled Coil Index

Mysteel Hot Rolled Coil Indices (HRCDEX) selects actual transaction prices (VAT inclusive) of 5.75mm\*1500mm Q235B hot rolled coil of mainstream steel mill brands in designated spot market. HRCDEX represents the actual transaction prices (VAT inclusive) among major steel mills, large traders, and downstream users. The sample of the

indices includes agreements, tenders, deals, bids and offers between steel mills, traders, downstream users, and spot trading platforms. The unit of HRCDEX is CNY/mt, with the minimum price change being 1 CNY/mt.

Mysteel Hot Rolled Coil USD Indices is converted from the Mysteel Hot Rolled Coil Indices through the offshore RMB exchange rate (Use the data released daily by the Hong Kong Treasury Market Association. If it is not announced on the day, the data from the previous day will be used). The unit of indices is USD/mt, with the minimum price change being 0.01 USD/mt.

In total, six Steel Indices are included in the assurance of the compliance for the IOSCO Principles by December 31st, 2021. We listed them as below:

Order	Benchmark	Code	Category
1	Shanghai Rebar Index	MRDEX001	Mysteel Rebar Index
2	Shanghai Rebar USD Index	MRDEX002	
3	Shanghai Anti-Seismic Rebar Index	MRDEX003	
4	Shanghai Anti-Seismic Rebar USD Index	MRDEX004	
5	Shanghai Hot Rolled Coil Index	HRCDEX001	Mysteel Hot Rolled Coil Index
6	Shanghai Hot Rolled Coil USD Index	HRCDEX002	

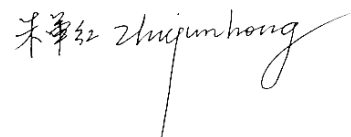
## Section II Management's Statement

We confirm that we have designed and implemented specific activities (the 'Relevant Activities') to adhere to the "Principles for Financial Benchmarks" (the 'Principles') published by the International Organization of Securities Commissions for the Mysteel Steel Index.

In our attached report, we set out a description of the relevant frameworks and control procedures together with the related control objectives which are operated by Shanghai Ganglian E-Commerce Holdings Co., Ltd (Mysteel) between January 1st, 2021 to December 31st, 2021. We confirm and commit that:

- (1) The description of the report is fair and objective. Details of the IOSCO Principles for Financial Benchmarks together with the Relevant Activities in Section VI of the Report have been implemented by Mysteel with the identified exception in the operation of Relevant Activities listed in Section III of the Report;
- (2) Mysteel has designed complete control procedures based on IOSCO principles. The strict implementation of these procedures will enable Mysteel's benchmark operation to meet a series of target requirements including IOSCO principles.
- (3) In 2022, we will continue to improve our control procedures to ensure robust and transparent benchmarking. Mysteel will run all control procedures with sufficient effectiveness to achieve control objectives.

Our management is and shall be, responsible for the Statement and the design and operation of the Relevant Activities referred to in the first paragraph above. Specifically, management is responsible for establishing appropriate internal controls to ensure continued compliance with the Statement.



Signed on behalf of Shanghai Ganglian E-Commerce Holdings Co., Ltd (Mysteel)

Zhu Junhong, Chairman

23<sup>rd</sup> May 2022

## Section III Identified Exceptions

This section describes the exceptions identified by Deloitte Touche Tohmatsu Certified Public Accountants LLP (referred to in this chapter as 'Deloitte' or 'we') in Deloitte's assurance for the period January 1st, 2021 to December 31st, 2021 in respect of Mysteel compliance with the International Organization of Securities Commissions (IOSCO) Principles for Financial Benchmarks (July 2013). The specific contents include 'Principles Reference', and 'Identified Exceptions and Mysteel's Response'. In the 'Identified Exceptions and Mysteel's Response' column, Deloitte describes the discovery and explanation of the exceptions by comparing the IOSCO financial benchmark principle with the current situation of Mysteel. At the same time, Mysteel states its mitigation or improvement measures for exceptions in the Mysteel's Response section.

No.	Principles Reference	Identified Exception	Management Response
1	<p><b><u>Principle 18 Audit Trail</u></b></p> <p>18.1 Written records should be retained by the Administrator for five years, subject to applicable national legal or regulatory requirements on:</p> <p>(a) all market data, Submissions and any other data and information sources relied upon for Benchmark determination;</p> <p>(b) the exercise of Expert Judgment made by the Administrator in reaching a Benchmark determination;</p> <p>(c) other changes in or deviations from standard procedures and Methodologies, including those made during periods of market stress or disruption;</p>	<p>For the IOSCO Principle 18, requirements on the Audit Trail, Mysteel has been retaining all its market data and information sources relied upon for benchmark determination for more than five years. In addition, Mysteel has also retained changes in or deviations from its standard procedures and Methodologies since 2013.</p> <p>However, for other information referred below, Mysteel has retained these data for less than five years:</p> <p>(i) the exercise of Expert Judgement made by the Administrator in reaching a Benchmark determination;</p> <p>(ii) the identity of each person involved in producing a Benchmark determination; and</p>	<p>Mysteel has undertaken the process of working towards IOSCO compliance since September 2019. During that period, the Index Department has implemented extensive improvements in policies, procedures, and record-keeping. However, there are four items (as listed in the exception column) that do not date back to 2015.</p> <p>Mysteel is committed to ensuring work related to the benchmarks is at the highest standards and that all processes and procedures are IOSCO compliant. All of the four exceptions have already been addressed and from February 2020, these exceptions will be documented in accordance with standard procedures:</p> <p>(i) the exercise of expert judgment made by the Administrator in reaching a Benchmark determination;</p> <p>Mysteel records any use of expert judgment daily after the indices' is calculated. The senior analyst responsible for checking the indexing process also records the information on expert judgment. The data file is stored on a secure cloud drive.</p> <p>(ii) the identity of each person involved in producing a benchmark determination;</p>

No.	Principles Reference	Identified Exception	Management Response
1	<p>(d) the identity of each person involved in producing a Benchmark determination; and</p> <p>(e) any queries and responses relating to data inputs.</p>	<p>(iii) any queries and responses relating to data inputs;</p> <p>(iv) records on interactions of processes of inputs submissions and collections (through various ways).</p>	<p>Mysteel records the identity of each person involved in the benchmark determination on a daily basis. This includes the analyst and the senior analyst responsible for checking and approving the benchmark before release. The file with this data is stored on a secure cloud drive.</p> <p>(iii) any queries and responses relating to data inputs;</p> <p>Mysteel records any queries and responses relating to data inputs in a file that is stored on a secure cloud drive. The query is recorded on the day it is submitted, the detail of the internal investigation and the official response is also recorded as the process is followed.</p> <p>(iv) records on interactions of processes of inputs submissions and collections (through various ways) ;</p> <p>Mysteel records all interactions related to submissions for all communication methods such as by phone, email or WeChat. WeChat conversations are carried out only on company-owned phones and accounts, and WeChat conversation record are in the process of being downloaded and stored on a monthly basis. Emails are stored in a private and secure inbox. Calls are recorded and the related meeting notes are recorded by the analysts on a secure internal system and checked regularly by senior personnel.</p>



## Section IV Independent Assurance Report

### **INDEPENDENT PRACTITIONER'S ASSURANCE REPORT TO SHANGHAI GANGLIAN E-COMMERCE HOLDINGS CO., LTD (HEREAFTER 'MYSTEEL') IN RESPECT OF THE MYSTEEL'S RESPONSES TO THE IOSCO PRINCIPLES FOR FINANCIAL BENCHMARKS FR07/13**

#### Deloitte's Engagement in the Assurance and Report Use

Deloitte Touche Tohmatsu Certified Public Accountants LLP (hereafter 'Deloitte' or 'we') has been engaged to perform testing procedures and carried out a limited assurance in accordance with our terms of reference as for our engagement in the process of assurance. Our assurance report is made solely for the use of the directors, as a body, of Mysteel, and solely for the purpose of reporting on the internal controls of Mysteel, in accordance with the terms of our engagement in the process of assurance. Our limited assurance engagement focused on Mysteel's consolidated control policies and procedures disclosed in Section VI of this report for 2021.

We have fully performed our profession and responsibilities through the process of assurance. Our assurance does not contain any assessments related to the quality of service provided by Mysteel or whether the service meets the requirements of Mysteel's customers. Meanwhile, any verbal responses provided by the Deloitte are also subject to the confidentiality restrictions of our terms of reference as the independent practitioner of this assurance. However, we do not assume any obligation or responsibility (including but not limited to the negligence) related to such verbal responses.

Without Deloitte's written permission, our assurance report is not allowed to be used or edited, in any circumstances. In addition to the internal use of our assurance report, if Mysteel intends to disclose or reproduce this assurance report in whole or in part in any forms (including electronic format or other media), or in addition to citing the name of the Deloitte in any documents (including electronic formats other than internal reports, articles, communications or other media), Mysteel should:

- (i) Provide and submit a draft of the documents which Mysteel intends to publish to Deloitte;
- (ii) Obtain written permission from Deloitte to publish, before publishing, copying or referring relevant information mentioned above.

Our assurance report is not allowed to be recited or referred to in whole or in part in any other document nor made available, copied or recited to any other party, in any circumstances. We agree that with Deloitte's written permission, Mysteel shall provide a copy of the report to its stakeholders to read-only if it is necessary to understand, provided that relevant stakeholders agree not to disclose, present, copy, distribute or provide information covered in this report to any other party without getting the written permission from Deloitte.

We agree to provide a copy of the report to the user entity (or 'user unit') of Mysteel to read-only with Deloitte's written permission. The user entity shall abide by and agree not to disclose, edit or re-edit our assurance report in whole or in part without getting the written permission from Deloitte. In addition, the user entity cannot provide our assurance report in whole or in part to any other party. We do not assume any responsibility or obligation to the user entity.



For any disclosure mentioned as the above, it is required to get Deloitte's written permission as a necessary condition.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Mysteel, for our work, for this report or for the limited conclusions we have formed.

## Our Approach

Through the whole process of our engagement in the assurance, we complied with International Standard on Assurance Engagement (ISAE) 3000 (Revised). Our criteria against which the control policies and procedures were evaluated are the internal control objectives as set out in the ISAE 3000 (Revised). We applied two approaches through our assessments, including:

- (i) **Approach I**  
Our assessments are based upon obtaining copies of policies for control procedures as described in the Mysteel's Approach to implementation of the IOSCO Principles for Financial Benchmarks of Section I of this report, and reviewing and evaluating these policies for control procedures to some extent so as to form our conclusions for Policy Review (PR) in the Deloitte's assessments of Section VI of this report;
- (ii) **Approach II**  
With the purpose of inspecting evidence about Mysteel's effective implementation of control procedures, we also conducted our assessments by obtaining and testing samples of specific control procedures to form our conclusions for Process and Implementation Check (PIC) in the Deloitte's assessments in Section V of this report. Samples we obtained include working files, meeting notes, training documents, the sample of data and so on, which are clearly indicated and detailed in Deloitte's assessments for Section VI of this report.

The nature, timing, and extent of the procedures we applied and the criteria against which we conducted our assessments on Mysteel's control procedures are also detailed in Section VI of this report.

## Inherent Limitations

Based on our research, the objective of IOSCO Principles is to create an efficient and general framework of Principles that apply to various financial markets. IOSCO Principles are generally for the financial benchmarks and mostly do not specify the requirements at an industry level. Some of the Principles may not accommodate certain features of the Steel industry practice subject to our assurance, such as range and average price indicated in Principle 9. For this case, we conducted an investigation to a certain extent on the Steel market and observed that for range and average price indicated in Principle 9, compliance with this specific IOSCO Principles for Steel Index assessments is constrained by the industry-inherent characteristics of steel market.

Our consideration for testing the validity and reliability of the financial benchmarks depends on below two types of information:

- (i) Inputs submitted to Mysteel Index Administrator, for which their submitters are solely responsible;
- (ii) Control Procedures conducted by the Mysteel Index Administrator to analyze information mentioned above.

This report is made for the assurance subject to Mysteel, therefore submitters of information mentioned as above are not subject to the IOSCO Principles and we have no rights for commenting on the source data submitted by these parties, except for the situation where inputs are submitted by internal resources of the Mysteel. To fully perform our responsibilities as the practitioner of assurance, we reviewed not only Mysteel's control policies and procedures over their internal systems but also those on their interactions with external resources so as to check the compliance with each principle to some extent.

With the respect of inherent limitations, the serious mistake caused by errors, frauds, collusion, or management override, would be unable to detect during our assurance. At the same time, the prediction of future control assessment also has an inadequate control risk due to the change of conditions, or the deterioration of policies/procedures compliance. Our assurance cannot detect the above situation. As we mentioned above, our conclusion is based on the historical information collected in 2021. Therefore, we are not responsible for and do not recommend to create any projection based on information and conclusions in this report to any future periods..

### Basis for Qualified Opinion

Our basis for the qualified opinion is specifically associated with exceptions indicated in Section III of this report. Based on our review and testing, through the implementation of control procedures, exceptions indicated in Section III of this report have not been operated by the Mysteel to a certain extent that the IOSCO Principles required in 2020. However, we noticed that Mysteel is working on designing some specific procedures as *mitigation measures corresponding to these exceptions*.

### Limited Assurance Conclusion

Based on the results of our conducted procedures, nothing has come to our attention to indicate that Mysteel's responses to Principles in section VI in 2021 are not fairly stated in all materials respects.

Deloitte Touche Tohmatsu Certified Public Accountants LLP  
China

23<sup>rd</sup> May 2022



## Section V Updated/New Control Measures for Assurance Period

No.	Subject	Description	Description of Updated or New Control Measures <sup>1</sup>	Nature		Impact on Compliance		
				Upda. <sup>2</sup>	New	Posi. <sup>3</sup>	Nega. <sup>4</sup>	Neut. <sup>5</sup>
<b>1</b>	<i>Collect and Trace</i>	Transfer from personal wechat group to enterprise wechat group	<p><b>Related Description:</b> The price data collection of Shanghai rebar and Shanghai HRC has been transferred from personal wechat group to enterprise wechat group, and non-telephone collection have been uniformly transferred to the enterprise wechat, which better meets the compliance requirements for collection of traces and the information can be stored for a long time.</p> <p><b>Compliance Impact:</b> This control measure is conducive to compliance requirements, monitoring sample data collection, and avoiding the risk of data record loss after the resignation of the collector.</p>	Update		Positive		

<sup>1</sup> The change control measures are divided into two types: renewal control measures and new control measures. Compared with the time point on December 31, 2020, the updated control measures are changes to the existing control measures, and the new control measures are increased on the basis of the existing control measures.

<sup>2</sup> Update

<sup>3</sup> Positive

<sup>4</sup> Negative

<sup>5</sup> Neutral

No.	Subject	Description	Description of Updated or New Control Measures <sup>1</sup>	Nature		Impact on Compliance			
				Upda. <sup>2</sup>	New	Posi. <sup>3</sup>	Nega. <sup>4</sup>	Neut. <sup>5</sup>	
2	Personnel Train	Enhance index work training scope, intensity and frequency, etc.	<p><b>Related Description:</b> In order to standardize the price index work of the department, according to the "Measures" of the National Development and Reform Commission and the compliance requirements of IOSCO, the scope, frequency and intensity of training will be increased for all existing and new information personnel. Internal training is required at least once in every quarter. The training is aim to standardize and strengthen the study of management and control measures for the formulation of a series of price indexes, and to enhance the standardization of price index work and the accuracy of price indexes.</p> <p><b>Compliance Impact:</b> This control facilitates compliance requirements and conducts regular high quality and professional internal training, which ensures the professionalism and competence of index personnel while assisting in risk management.</p>	Update		Positive			

## Section VI Principles and Responses

Types of Approaches	Description
<b>Policy Review (PR)</b>	For <b>Policy Review (PR)</b> detailed below, Deloitte checked and reviewed the content of Mysteel's control policies corresponding to the IOSCO Principles from January 1 <sup>st</sup> , 2021, to December 31 <sup>st</sup> , 2021.
<b>Process and Implementation Check (PIC)</b>	For <b>Process and Implementation Check (PIC)</b> detailed as the below, Deloitte obtained samples or investigated daily process and operation of Mysteel's control procedures and relevant activities corresponding to the IOSCO Principles from January 1 <sup>st</sup> , 2021 to December 31 <sup>st</sup> , 2021.

In addition, Deloitte Touche Tohmatsu Certified Public Accountants LLP conducted the following types of tests to determine whether Mysteel effectively implemented the control measures based on the IOSCO financial benchmark Principles from January 1<sup>st</sup>, 2021, to December 31<sup>st</sup>, 2021.

Types of Tests	Description
<b>Inquiry</b>	Conducted detailed interviews with relevant personnel to obtain evidence that the control was in operation during the reporting period and is accompanied by other procedures noted below that are necessary to corroborate the information derived from the inquiry.
<b>On-Site Observation</b>	During the whole assurance period, the implementation of relevant control measures was observed and inspected on-site to prove the effective implementation of relevant special control activities.
<b>Examination of Documentation / Inspection</b>	If the performance of the control is documented, inspected documents and reports indicating the performance of the control.
<b>Re-performance the Calculation</b>	The input test case, manually calculated expected results and compared actual results of processing to expectations.

We interviewed key members of the Mysteel Index Management Committee, the Head of Compliance, and the Head and Members of the Steel Index Team.

According to the frequency of control implementation, we take samples to check whether the control measures in internal monitoring, methodology change, compliance training, audit file preservation and salary independence of the Index Management Committee are effectively implemented; we take samples of index calculation data for recalculation and check the accuracy of index preparation. The sample is used as the supporting document for our assessment.

## Principle 1 - Overall Responsibility of the Administrator

IOSCO Principle 1	Mysteel's Response	Deloitte's Assessment
<p>The Administrator should retain primary responsibility for all aspects of the Benchmark determination process.</p> <p>For example, this includes:</p> <p>1.a Development: The definition of the Benchmark and Benchmark Methodology;</p> <p>1.b Determination and Dissemination: Accurate and timely compilation and publication and distribution of the Benchmark;</p> <p>1.c Operation: Ensuring appropriate transparency over significant decisions affecting the compilation of the Benchmark and any related determination process, including contingency measures in the event of the absence of or insufficient inputs, market stress or disruption, failure of critical infrastructure, or other relevant factors; and</p>	<p><b><u>Context</u></b></p> <p>Mysteel has primary responsibility for all aspects of the benchmark determination process. Responsibilities include benchmarking, decision making, communication, operations, governance, etc.</p> <p><b><u>Relevant Activities</u></b></p> <p>1.a: Mysteel's external and internal steel index methodology explains in detail the definition of steel index, the content of benchmark, data collection, sampling, compilation calculation, release, and internal external supervision and so on.</p> <p>1.b: Mysteel's index calculation policy and index methodology have clearly defined the compilation, distribution and promotion of the index. All major index determinations are announced to the public on the Chinese and English website. The index will be published daily after 18:00, and no later than 19:00 The index daily report and index data table will be uploaded to the encrypted network disk by the staff responsible for calculating and publishing the index. In the screenshot of the index daily report, you can see the exact publish time. Any event that causes the index publish time to be</p>	<p><b><u>Policy Review (PR)</u></b></p> <p>For 1.a, we obtained a copy of the latest published Internal Steel Index Methodology and External Steel Index Internal Methodology. We observed that definitions of all benchmarks are clearly described in the published Steel Price Index Methodology, and the benchmark methodology is clearly introduced in the internal Steel Index Methodology.</p>

## Principle 1 - Overall Responsibility of the Administrator

IOSCO Principle 1	Mysteel's Response	Deloitte's Assessment
<p>1.d Governance: Establishing credible and transparent governance, oversight and accountability procedures for the Benchmark determination process, including an identifiable oversight function accountable for the development, issuance, and operation of the Benchmark.</p>	<p>abnormal will be record, and Mysteel will immediately disclose the incident.</p> <p>1.c: Mysteel extreme events management policy includes management for situations where there may be insufficient data input, market stress or market disruption, other important infrastructure failures or any other emergencies. Mysteel's internal Methodology also instructs the analyst responsible for the index compilation on how to manage each situation as well as including a process flow sheet for the index calculation in times of market stress. A detailed introduction can also be found in the index training documents. In addition, the supporting documents, solutions and staff names who is in charge of the extreme event will be recorded. Mysteel will make an announcement to the market as soon as the extreme event is resolved, detailing the event and the method adopted to resolve the event. If the extreme event occurs due to some well-known reasons (such as the market is closed due to holidays), Mysteel can choose not to make an announcement or indicate the reason in the index daily report.</p>	<p>For 1.b, we also obtained a copy of the latest Benchmark Calculation Procedures Summary. We observed that Mysteel has detailed policies for implementing the accurate and timely compilation, publication and distribution of the benchmark in the published Steel Index Methodology and Benchmark Calculation Procedures Summary.</p> <p>For 1.c, we obtained a copy of the Managing Extreme Events Policy. We observed that in the Managing Extreme Events Policy, Mysteel clearly defines extreme events (including the absence of or insufficient inputs, market stress or disruption, and failure of critical infrastructure), and introduces corresponding procedures for dealing with extreme events and policies of publishing announcements to the market.</p>



## Principle 1 - Overall Responsibility of the Administrator

IOSCO Principle 1	Mysteel's Response	Deloitte's Assessment
	<p>1.d: Mysteel has established the Index Management Committee which is made up of senior managers from across the company that are not directly involved with the day to day management of the index. This group will meet at least quarterly to provide oversight of the Index. In addition, Mysteel has also set up an external complaint mailbox, which is managed by a dedicated staff to receive any complaint information about the Mysteel index. Mysteel also sets up a complaints policy and a process for handling complaints.</p>	<p>For 1.d, we obtained a copy of the Control Framework for Index and Benchmark Administration. We observed that in the Control Framework for Index and Benchmark Administration, Mysteel clearly describes its oversight function, which includes the Index Management Committee (IMC) and External Index Advisory Group, and their corresponding responsibilities.</p> <p><b><u>Process and Implementation Check (PIC)</u></b></p> <p>For 1.b, we observed that Mysteel's process of compilation, publication, and distribution of its benchmark and reviewed the record-keeping of the preparation process of Mysteel Steel Index, as well as the benchmark publishing time on the official website. We have observed that the preparation, release, and publication of Mysteel benchmark are accurate and timely.</p>

## Principle 1 - Overall Responsibility of the Administrator

IOSCO Principle 1	Mysteel's Response	Deloitte's Assessment
		<p>For 1.c, we observed that for each usual and extreme scenario, Mysteel has its corresponding calculation procedures. We also obtained a copy of training documents for stakeholders, which is used by Mysteel to detail the nature of extreme events and actions taken to resolve extreme events to all index stakeholders.</p> <p>For 1.d, we reviewed the IMC's quarterly meeting notes and observed that during meetings, the IMC discussed the development, issuance, and operation of the benchmark to perform its responsibilities on the governance, oversight, and accountability of the benchmark determination. We also obtained a copy of the External Index Advisory Group Invitation Letter and observed that once Mysteel Index Advisory Group is set up, members of the External Index Advisory Group will perform their duties to ensure the governance, oversight, and accountability of the benchmark determination.</p>

## Principle 2 – Oversight of Third Parties

IOSCO Principle 2	Mysteel's Response	Deloitte's Assessment
<p>Where activities relating to the Benchmark determination process are undertaken by third parties - for example, collection of inputs, publication or where a third party acts as Calculation Agent - the Administrator should maintain appropriate oversight of such third parties. The Administrator (and its oversight function) should consider adopting policies and procedures that:</p> <p>2.a Clearly define and substantiate through appropriate written arrangements the roles and obligations of third parties who participate in the Benchmark determination process, as well as the standards the Administrator expects these third parties to comply with;</p>	<p><b><u>Context</u></b></p> <p>In preparation for the possible involvement of a third party in the future, Mysteel has already established a dedicated policy which defines clearly the management of the third parties involved in or responsible for any Mysteel steel index determination process.</p> <p><b><u>Relevant Activities</u></b></p> <p>2.a: Currently Mysteel does not have any third party involved in the index determination. In preparation for the possible involvement of a third party in the future, Mysteel has already established a dedicated policy which defines clearly the management of the third parties involved in or responsible for any Mysteel steel index determination process, such as data collection, index calculation etc. The policy also establishes the standards or criteria Mysteel expects third parties to comply with, such as a solid commercial reputation and experience in implementing related benchmarking process etc.</p>	<p><b><u>PR</u></b></p> <p>We obtained a copy of the Third-Party Management Policy, and observed that for any activities relating to the benchmark determination process are undertaken by third-parties, Mysteel will supervise and monitor through the whole process and make sure that third parties will conduct related activities based on Third Party Management Policy and corresponding standards.</p> <p>For 2.a, we have obtained Third-Party Management Policy, which clearly specifies the management methods for the third-party participating in or responsible for any process of determining the Mysteel Steel Index, such as data collection, index calculation. The policy also sets out standards or guidelines that Mysteel expects third-parties to adhere to, such as a solid business reputation and experience in implementing relevant benchmark procedures.</p>

## Principle 2 – Oversight of Third Parties

IOSCO Principle 2	Mysteel's Response	Deloitte's Assessment
<p>2.b Monitor third parties' compliance with the standards set out by the Administrator;</p> <p>2.c Make Available to Stakeholders and any relevant Regulatory Authority the identity and roles of third parties who participate in the Benchmark determination process; and</p> <p>2.d Take reasonable steps, including contingency plans, to avoid undue operational risk related to the participation of third parties in the Benchmark determination process.</p> <p>This principle does not apply in relation to a third party from whom an Administrator sources data if that third party is a Regulated Market or Exchange.</p>	<p>2.b: Currently Mysteel does not have any third-party involved in index determination. In preparation for the possible involvement of a third party in the future, Mysteel already has dedicated third party management policy in place for third-party monitoring. Mysteel will monitor third parties regularly by checking whether they attain the standards set out by Mysteel, including experienced personnel, infrastructure, strict internal controls, high quality and regular internal training mechanism and adequate internal and external audit policies.</p> <p>2.c: Mysteel does not currently engage a third party in any of the index determination process. If there is a third-party engaged in the future, Mysteel will promptly provide stakeholders and relevant regulatory agency (not applicable now) with the identity and specific role of the third-party participating in the benchmark determination process, as defined in the current Mysteel third party management policy.</p>	<p>For 2.b, we have obtained the Third-Party Management Policy, which clearly describes that Mysteel will regularly supervise the third-parties to check whether they meet the standards set by Mysteel, including experienced personnel, infrastructure, strict internal control system, high-quality and regular internal training mechanism and appropriate internal and external audit policies.</p> <p>For 2.c, we observed the index determination process on-site and took index calculation samples to recalculate the index decision-making process. The Steel Index decision-making process was participated by members of the Mysteel Steel Index Team, not involving the participation of third-parties. In the event of third-party involvement in the future, Mysteel undertakes to disclose to stakeholders and any relevant regulators the identity and role of third-parties involved in the benchmark decision-making process</p>

## Principle 2 – Oversight of Third Parties

IOSCO Principle 2	Mysteel's Response	Deloitte's Assessment
	<p>2.d: Mysteel does not currently engage a third party in any of the index determination process. If a third-party is engaged in the future, Mysteel has already established contingency plans for the monitoring of the third party in the supervision section of the Mysteel third party management policy. Mysteel has prepared for the foreseeable issues, however concedes that if the situation arises that the company engages a third party, there may be new issues that arise. If this situation occurs Mysteel will complete the due diligence necessary to prepare for and mitigate any emergencies and establish relevant contingency plans to avoid any operational risk associated with the specific third party. Mysteel will continue to strengthen the supervision and take reasonable steps according to the actual situations, and is dedicated to continuous improvement to ensure the benchmark is at IOSCO defined standards.</p>	<p>For 2.d, we have obtained the Third-Party Management Policy, which clearly describes the emergency plan of Mysteel monitoring the third-party. At present, Mysteel does not employ a third-party in any index determination process, and there is no need to start the emergency plan.</p>

### Principle 3 – Conflicts of Interest for Administrators

IOSCO Principle 3	Mysteel's Response	Deloitte's Assessment
<p>To protect the integrity and independence of Benchmark determinations, Administrators should document, implement and enforce policies and procedures for the identification, disclosure, management, mitigation or avoidance of conflicts of interest. Administrators should review and update their policies and procedures as appropriate. Administrators should disclose any material conflicts of interest to their users and any relevant Regulatory Authority if any.</p> <p>3.1 The framework should be appropriately tailored to the level of existing or potential conflicts of interest identified and the risks that the Benchmark poses and should seek to ensure:</p>	<p><b><u>Context</u></b></p> <p>Mysteel has strict conflicts of interest policy, and updated conflicts of interest registration form, mitigation and treatment measures and processes.</p> <p><b><u>Relevant Activities</u></b></p> <p>3.1: Mysteel's Conflicts of Interest Policy is appropriately tailored based on the identified current or potential level of conflict of interest and the risks posed by the benchmark:</p> <p>3.1.a: Mysteel has strict conflicts of interest policy, and updated conflicts of the interest registration form, mitigation and treatment measures, and processes. All index related staff have signed Conflicts of Interest Declaration. Mysteel has also implemented a gift and entertainment policy and a personal trading account policy. Mysteel will regularly check the status of the employee's trading accounts and submits the inspection materials to the IMC for review. Mysteel has adopted mitigation measures for identified conflicts of interest. The Index Management Committee regularly reviews Conflicts Register and evaluates the effectiveness of mitigation measures.</p>	<p>We obtained a copy of Conflicts of Interest Register, Conflicts of Interest Declaration Letter, Gifts and Entertainment Policy, and Personal Trading Account Policy. We observed that Mysteel has documented, implemented and enforced policies and procedures for the identification, disclosure, management, mitigation or avoidance of conflicts of interest. We observed that these policies are reviewed and updated by administrators who mentioned the above as appropriate.</p> <p><b><u>PR</u></b></p> <p>For 3.1.a, we observed that in the Conflicts of Interest Register, Mysteel has recorded and updated all existing and potential conflicts of interest. Mysteel also clearly defines its corresponding prevention and mitigation policies to manage conflicts of interest in the Conflicts of Interest Registration Form.</p>

### Principle 3 – Conflicts of Interest for Administrators

IOSCO Principle 3	Mysteel's Response	Deloitte's Assessment
<p>3.1.a Existing or potential conflicts of interest do not inappropriately influence Benchmark determinations;</p> <p>3.1.b Personal interests and connections or business connections do not compromise the Administrator's performance of its functions;</p> <p>3.1.c Segregation of reporting lines within the Administrator, where appropriate, to clearly define responsibilities and prevent unnecessary or undisclosed conflicts of interest or the perception of such conflicts;</p> <p>3.1.d Adequate supervision and sign-off by authorized or qualified employees before releasing Benchmark determinations;</p>	<p>3.1.b: Mysteel has a strict conflict of interest policy that defines the categories of conflict of interest, including personal interests and business relationships. The Mysteel Index Team is trained annually on conflicts of interest and signs conflicts of interest statements. The Index Team has a clear salary structure to ensure that they are fairly compensated to avoid any conflicts of interest. Mysteel also has a personal account transaction management policy to prevent Index Team members from seeking potential economic benefits by trading index-related products, Mysteel regularly checks the status of the employee's trading accounts and submits the inspection materials to the IMC for review. Any potential or existing conflicts of interest will be recorded, and the Index Management Committee will periodically review relevant policies and reports in order to ensure it has properly performed its duties.</p>	<p>For 3.1.b, we observed that in the Gifts and Entertainment Policy, Mysteel clearly explains its specific standards of conduct regarding the giving and receiving of gifts, entertainment, and hospitality across the Mysteel.</p> <p>In addition, we observed that in the Personal Trading Account Policy, Mysteel has already set up requirements to ensure that personal investment activities are conducted in compliance with applicable laws and regulations and that conflicts of interest related to personal investment activities are avoided or managed appropriately.</p> <p>For 3.1.c, we obtained a copy of the organizational structure and observed that Mysteel has clear segregation reporting lines. In IMC's Terms of Reference, Mysteel also clearly defines the responsibilities of each separate reporting line.</p>

### Principle 3 – Conflicts of Interest for Administrators

IOSCO Principle 3	Mysteel's Response	Deloitte's Assessment
<p>3.1.e The confidentiality of data, information and other inputs submitted to, received by or produced by the Administrator, subject to the disclosure obligations of the Administrator;</p> <p>3.1.f Effective procedures to control the exchange of information between staff engaged in activities involving a risk of conflicts of interest or between staff and third parties, where that information may reasonably affect any Benchmark determinations; and</p> <p>3.1.g Adequate remuneration policies that ensure all staff who participate in the Benchmark determination are not directly or indirectly rewarded or incentivized by the levels of the Benchmark.</p>	<p>3.1.c: Mysteel has a strict reporting line and equity structure to avoid unnecessary or potential conflicts of interest.</p> <p>3.1.d: Mysteel records daily the work of the analyst who completed the index compilation and the senior analyst who reviewed the data entry and index calculation process and approved the index release. The senior analyst is qualified to approve these indices. Indices and daily reports will not be released to the market until the senior analyst reviews the entire process and daily index report. If the senior analyst happens to be absent, a designated Index Management Committee member will check the index and sign off. Details can be found in internal methodology and MSDEX index work log excel spreadsheets.</p>	<p>For 3.1.d, we observed that in the Internal Steel Methodology, Mysteel clearly states the Index publication review process and daily report review process before releasing the benchmark. We randomly selected samples of the indices calculation table, and found no abnormality.</p> <p>For 3.1.e, we obtained a copy of the Submitter Code of Conduct. We observed that requirements on the confidentiality of data, information and other inputs submitted to the administrators are captured in the Submitter Code of Conduct.</p> <p>For 3.1.f, we obtained a Conflicts of Interest Policy and observed that the policy applies to all employees involved in the management of the Mysteel Steel Price Index, including IMC members and members of the external index advisory group.</p> <p>For 3.1.g, we observed that in the Conflicts of Interest Policy, Mysteel clearly states the removal of remuneration links to the levels of the benchmark.</p>



### Principle 3 – Conflicts of Interest for Administrators

IOSCO Principle 3	Mysteel's Response	Deloitte's Assessment
<p>3.2 An Administrator's conflict of interest framework should seek to mitigate existing or potential conflicts created by its ownership structure or control, or due to other interests the Administrator's staff or wider group may have in relation to Benchmark determinations. To this end, the framework should:</p> <p>3.2.a Include measures to avoid, mitigate or disclose conflicts of interest that may exist between its Benchmark determination business (including all staff who perform or otherwise participate in Benchmark production responsibilities), and any other business of the Administrator or any of its affiliates; and</p>	<p>3.1.e: Mysteel has formulated the Submitter Code of Conduct, which has clear rules on confidentiality of submissions (no data submitted is shared or published either internally or externally). All of the data, information and other information are received via a dedicated E-mail address. Mysteel has a private cloud data storage area that only the Index Team has access to, and the password is strictly separated internally. Mysteel also has Non-Disclosure Agreements in place with many of the major international submitters. As part of the Submitter Agreement, Mysteel states that the information submitted will be kept confidential.</p> <p>3.1.f: To control the exchange of information between staff engaged in activities involving a risk of conflicts of interest or between staff and third parties. The Index Team and the spot platform team belong to different office locations, and Mysteel will ensure that the members of the Index Team are effectively separated from employees engaged in business work to avoid the index being affected. In the meantime, strict conflicts of interest policy and updated conflicts of the interest registration form are in place to avoid or mitigate existing or potential conflicts of interest and to manage the information impacting benchmark determination.</p>	<p>For 3.2, We observed that for submitters, Mysteel sets out the Submitter Code of Conduct to control the exchange of information. In addition, we observed that Mysteel Conflicts of Interest Policy introduces measures to avoid, mitigate or disclose conflicts of interest that exist and may exist between its benchmark determination business and any other businesses of the administrator or any of its affiliates.</p> <p>For 3.2.a, we obtained a Conflicts of Interest Policy and observed that the policy applies to all employees involved in the management of the Mysteel Steel Price Index, including IMC members and members of the external index advisory group.</p> <p>For 3.2.b, we observed that in the Conflicts of Interest Policy, it indicates that 'Mysteel Index Management Committee and Mysteel Index Advisory Group are required to comply with the requirement to declare and manage conflicts'.</p>

### Principle 3 – Conflicts of Interest for Administrators

IOSCO Principle 3	Mysteel's Response	Deloitte's Assessment
<p>3.2.b Provide that an Administrator discloses conflicts of interest arising from the ownership structure or the control of the Administrator to its Stakeholders and any relevant Regulatory Authority in a timely manner.</p>	<p>3.1.g: According to the Mysteel Conflicts of Interest Policy, Mysteel's staff who participate in the benchmark determination have a fixed remuneration, the remuneration is not incentivized by the level of the index. The salary of the index group staff is composed of the basic salary and index performance. Mysteel has designed an index work standard to determine the index performance to ensure that the salary of the staff engaged in the index work is appropriate and not affected by the index value.</p> <p>3.2: Mysteel has developed a conflict of interest management framework that mitigates, as far as possible, existing/potential conflicts of interest.</p>	<p><u>PIC</u></p> <p>For 3.1.b, we observed that the Index Team and IMC members have signed the Conflicts of Interest Declaration Letter. We also note that Mysteel maintains internal controls for compliance monitoring and regulatory review of index team members' personal trading accounts. Mysteel has provided screenshots of personal trading accounts and statements signed by members that they have no trading accounts. We obtained the inspection records, including evidence that Index Team members have not opened trading accounts.</p> <p>For 3.1.d, we obtained a sample of Steel Index Performance Stats and observed that benchmark publication review procedures and daily report review procedures are being executed. We also reviewed the process of benchmark determination on-site and observed that before releasing the benchmark, senior analysts in the Index Team reviewed, supervised and signed off the benchmark.</p>

### Principle 3 – Conflicts of Interest for Administrators

IOSCO Principle 3	Mysteel's Response	Deloitte's Assessment
	<p>3.2.a: Mysteel implemented a "Wall" internally by creating physical separation of the Index team from the spot platform team or any teams that are related to commercial activities within Mysteel. Mysteel has a strict conflict of interest policy, and updated the conflicts of interest register form including methods of mitigation and management measures and processes. The index IT systems and file storage system are also divided into different permissions and cannot be accessed by non-index personnel. The highest authority in the system is controlled only by supervisors and senior analysts. Others have only normal permissions. In the background system, the data collection team and the index calculation team cannot view or change each other's file contents.</p> <p>3.2.b: The Mysteel index team reviews and identify conflicts of interest due to changes in ownership structure or managerial control. The Mysteel conflicts of interest policy requires anyone to report and register in a timely manner, and take timely mitigation measures. The conflict will be disclosed in a timely manner.</p>	<p>For 3.1.e, we obtained a sample of a signed Data Submission Agreement, which indicated the obligations of both parties (Mysteel and its submitters) that ensure the confidentiality of data, information, and other inputs. We also checked the access to the dedicated e-mail address for receiving inputs and access to the private cloud drive for storing inputs and observed that only Index Team members can access the e-mail and the private storage space.</p> <p>For 3.1.f, We note that the Index Team and the spot platform team belong to different office locations and are completely separated from each other physically. We also checked Mysteel's internal systems and observed that the two teams were unable to access each other's internal systems. At the same time, the Index Team and the spot platform team belong to two companies respectively. We further reviewed the equity structure relationship and reporting lines of the two companies. We observed that the two teams are independent of each other.</p>

### Principle 3 – Conflicts of Interest for Administrators

IOSCO Principle 3	Mysteel's Response	Deloitte's Assessment
		<p>For 3.1.g, we reviewed a sample of Index Team members' salary records and observed that each Index Team member's monthly wage was composed of the basic wage, age allowance, job allowance, standard meal allowance, standard car allowance, and other elements, and was not directly or indirectly rewarded or encouraged by the benchmark value level.</p> <p>For 3.2.b, we reviewed IMC's quarterly meeting notes for disclosing conflicts of interest to its stakeholders by the IMC.</p> <p>In the assurance process, we focused on reviewing the control structure related to the conflict of interest and did not review whether the conflict of interest occurred or not.</p>

#### Principle 4 – Control Framework for Administrators

IOSCO Principle 4	Mysteel's Response	Deloitte's Assessment
<p>An Administrator should implement an appropriate control framework for the process of determining and distributing the Benchmark. The control framework should be appropriately tailored to the materiality of the potential or existing conflicts of interest identified the extent of the use of discretion in the Benchmark setting process and to the nature of Benchmark inputs and outputs. The control framework should be documented and available to relevant Regulatory Authorities if any. A summary of its main features should be Published or Made Available to Stakeholders.</p> <p>4.1 This control framework should be reviewed periodically and updated as appropriate. The framework should address the following areas:</p> <p>4.1.a Conflicts of interest in line with Principle 3 on conflicts of interests;</p>	<p><b><u>Context</u></b></p> <p>Mysteel has developed and implemented an appropriate control framework for the benchmark determination/release, based on the importance of identified potential/existing conflicts of interest, the benchmarking process, or the degree of discretion in the benchmark input/output data. There should be clear documentation (relevant regulatory authorities not applicable) and a summary of its main features disclosed to stakeholders.</p> <p><b><u>Relevant Activities</u></b></p> <p>4.1: Mysteel Index Management Committee reviews the control framework periodically and updates as appropriate. The framework addresses the conflicts of interest, quality of benchmark, complaints, and staff level of expertise.</p> <p>4.1.a: The conflicts of interest covered by Mysteel's framework is in line with Principle 3 on conflicts of interest, there are total 20 discovered and potential conflicts of interests, details can be found on the Mysteel conflicts register document.</p>	<p>We observed that in its control framework, Mysteel clearly describes its implementation of an appropriate control framework for the process of determining and distributing the benchmark.</p> <p><b><u>PR</u></b></p> <p>For 4.1, we reviewed that the Index and Benchmark Management Control Framework was periodically reviewed by the Index Management Committee in December 2019.</p> <p>For 4.1.a, we reviewed the requirements in the 'Conflict of Interest' section of the Mysteel Index and Benchmark Management Control Framework, which are consistent with the relevant requirements for conflict of interest in Principle 3. At the same time, Mysteel has formulated the internal control process and conflict of interest policy to meet the relevant requirements of Principle 3 for conflict of interest.</p>

#### Principle 4 – Control Framework for Administrators

IOSCO Principle 4	Mysteel's Response	Deloitte's Assessment
<p>4.1.b Integrity and quality of Benchmark determination:</p> <p>i. Arrangements to ensure that the quality and integrity of Benchmarks is maintained, in line with Principles 6 to 15 on the quality of the Benchmark and Methodology;</p> <p>ii. Arrangements to promote the integrity of Benchmark inputs, including adequate due diligence on input sources;</p> <p>iii. Arrangements to ensure accountability and complaints mechanisms are effective, in line with Principles 16 to 19; and</p> <p>iv. Providing robust infrastructure, policies, and procedures for the management of risk, including operational risk.</p>	<p>4.1.b: In the benchmark determination process, Mysteel ensures the integrity and quality by following the robust methodology to operate. Mysteel has a rigorous internal audit process and documentation for data input; and also established a rigorous internal oversight and external complaints mechanism that establishes accountability.</p> <p>i: Mysteel built an encrypted network disk for the index team. Regular staff training is also provided to assist in managing risk. Mysteel has developed a flowchart of daily index work to ensure that employees understand the entire process of index compilation and can find solutions when problems occur.</p> <p>ii: Mysteel has established a complete review process to ensure the accuracy of data input, including a review before calculation of data submission and a review of the calculation process. In addition, Mysteel has developed a Submitter Code of Conduct for data submitters, and regularly reviews the data submitter list according to Submitter Review Process Policy.</p>	<p>For 4.1.b.i, we reviewed the section 'Integrity and Quality of Benchmark Determination' in the Index and Benchmark Management Control Framework to ensure that the relevant contents for maintaining the quality and reliability of the benchmark are consistent with the Principles 6 to 15 for the quality of the benchmark and methodology.</p> <p>For 4.1.b.ii, we reviewed Mysteel's Steel Index Methodology. In Chapter 5, 'Audit', Mysteel developed a strict internal audit process for data input reliability, including due diligence on data input sources. Also, we reviewed Data Submitter Review Process Policy clarified that Mysteel shall periodically review the data submitters list.</p> <p>For 4.1.b.iii, we have reviewed that Mysteel has published complaint policy, audit policy, and audit documents retention policy. Those policies are consistent with requirements in Principles 16 to 19 and have established strict complaint mechanisms and accountability systems.</p>

#### Principle 4 – Control Framework for Administrators

IOSCO Principle 4	Mysteel's Response	Deloitte's Assessment
4.1.c Whistleblowing mechanism: Administrators should establish an effective whistleblowing mechanism to facilitate early awareness of any potential misconduct or irregularities that may arise. This mechanism should allow for external reporting of such cases where appropriate.	<p>iii: Mysteel has a strict accountability system. Any incorrect input of data or errors in the process of index compilation and release will be recorded and traced back to the responsible employee, and punished according to the severity of the circumstances. Mysteel has also established a comprehensive external complaint mechanism and an external complaint e-mail box, which is managed by a dedicated employee to receive any complaint information about the Mysteel index. Mysteel also sets up a complaint policy and a complaint handling process.</p> <p>iv: Mysteel has well designed electronic facilities for encrypted storage, and each index team employee has different database permissions. In addition, Mysteel has also set up a special internal work account for the employees of the index group. Only this type of account can have the corresponding index work authority to isolate the possible operational risks.</p>	<p>For 4.1.b.iv, we observed that Mysteel has established management policies such as Submitter Code of Conduct, Data Hierarchy and Expert Judgment Guide, and Extreme Event Management Policy. Mysteel also continues to train its employees on expertise and compliance to help manage risk.</p> <p>For 4.1.c, we also obtained a copy of the Information Quality Management Committee Charter and observed that in the Information Quality Management Committee Charter, Mysteel clearly describes its requirements for whistleblowing mechanism.</p> <p>For 4.1.d.i, we have reviewed the 'expertise' section of the Index and Benchmark Management Control Framework, which clearly requires that the Index Management Committee has the responsibility to ensure that the members of the Mysteel Index Team have the appropriate professional level and received the appropriate training.</p>

#### Principle 4 – Control Framework for Administrators

IOSCO Principle 4	Mysteel's Response	Deloitte's Assessment
<p>4.1.d Expertise:</p> <p>i. Ensuring Benchmark determinations are made by personnel who possess the relevant levels of expertise, with a process for periodic review of their competence; and</p> <p>ii. Staff training, including ethics and conflicts of interest training, and continuity and succession planning for personnel.</p>	<p>4.1.c: In order to set up an effective whistleblowing mechanism, Mysteel has set up the information quality management committee, developed a specific charter and has emailed the charter to every Mysteel employees globally. This ensures that all employees are aware of the whistleblowing mechanism. Mysteel has also established a complaints email and physical postal address on both the Chinese and English external websites. Details can be found in the information quality supervision committee charter.</p>	<p>For 4.1.d.ii, we have reviewed the 'expertise' section of Index and Benchmark Management Control Framework, which explicitly requires that Mysteel provide training for Index Team members, and strictly regulate the training contents of employees to ensure that they understand and comply with internal procedures and methods.</p> <p>For 4.2.b, we obtained the Submitter Code of Conduct. We note that Mysteel has developed an appropriate system of measurement for its submitters to ensure that the submitter complies with the guidelines set out in the Submitter Code of Conduct, as well as the standards for the quality and reliability of data submission.</p>



#### Principle 4 – Control Framework for Administrators

IOSCO Principle 4	Mysteel's Response	Deloitte's Assessment
<p>4.2 Where a Benchmark is based on Submissions: Administrators should promote the integrity of inputs by:</p>	<p>4.1.d: Mysteel ensures that all employees involved in the steel index have sufficient knowledge and experience and receive relevant training every year to ensure their professionalism and competence.</p> <ul style="list-style-type: none"> <li>• The Mysteel Steel Index Group consists of team leaders (index reviewers) , senior analysts, and analysts. The reviewers are authorized by Mysteel to ensure that he has the expertise, experience and skills required for index review. The Index Management Committee will regularly review the suitability of the index group members to ensure that they always have professional qualifications for index work.</li> <li>• Mysteel has a systematic training materials, training system, and training records. In addition, Mysteel also established records of the daily responsibilities of the employees related to index determination. As well as establishing a clear system of personnel file keeping and backup. Training is provided annually. As stated in the Mysteel Index Analyst training and Mysteel methodology (internal).</li> </ul>	<p>For 4.2.c, we obtained the Submitter Code of Conduct. We note that the section 'Submitter Data Entry Procedures' specifies that the frequency of data submission for each trading day and that data submission is used for index decision-making.</p> <p>As a benchmark manager, Mysteel's Index Management Committee regularly reviews the submitted data and provides training for the submitter.</p> <p><b><u>PIC</u></b></p> <p>We noticed that Mysteel published its control framework on both its English and Chinese websites. We observed that the control framework is well documented and reviewed by the IMC periodically.</p> <p>For 4.1.b, we reviewed the process of benchmark determination and observed that prior to the daily benchmark release, senior analysts review the input data sources to improve the reliability of benchmark data input.</p>

#### Principle 4 – Control Framework for Administrators

IOSCO Principle 4	Mysteel's Response	Deloitte's Assessment
<p>4.2.a Ensuring as far as possible that the Submitter comprise an appropriately representative group of participants taking into consideration the underlying Interest measured by the Benchmark;</p> <p>4.2.b Employing a system of appropriate measures so that, to the extent possible, Submitters comply with the Submission Guidelines, as defined in the Submitter Code of Conduct and benchmarks and the Administrators' applicable quality and integrity standards for Submission;</p>	<p>4.2.a: Mysteel has unrivalled number of submitters in the industry, and the list contains key industry participants from a full cross section of the industry: steel mills, traders, downstream users and spot trading platforms which takes into account the underlying interest measuring the benchmark.</p> <p>4.2.b: Mysteel has a complete set of documents for submitters like a submitter code of conduct, which is sent to the submitters annually. In the submitter code of conduct, it defines key processes such as data submission procedures, submitter management strategies, systems and control procedures. This policy is also supported by a submitter review process that is updated and assessed regularly to track the performance of the submitters and whether they are trustworthy. The Index Management Committee also developed a policy review system and conducted regular reviews to ensure the suitability of the Submitter Code of Conduct.</p>	<p>For 4.1.d, we obtained a copy of expertise training documents and training scene photos and observed that each member of the Index Team and all related staff participated in the training, which included ethics and conflicts of interest, and continuity and succession planning for personnel.</p> <p>For 4.2.a, we obtained the index calculation table and the list of submitters and noted that the Steel Price Index has major industry participants from upstream and downstream of the industry, including steel mills, traders, downstream users, and spot trading platforms, taking into account the basic benefits involved in benchmark determination, to ensure as much as possible that the submitter includes appropriately representative market participants.</p> <p>For 4.2.b/4.2.c, we noticed in the daily submission, senior analysts in the Mysteel Index Team review it in each procedure of the benchmark determination, while submitters are required to comply with the Submitter Code of Conduct.</p>

#### Principle 4 – Control Framework for Administrators

IOSCO Principle 4	Mysteel's Response	Deloitte's Assessment
<p>4.2.c Specifying how frequently Submissions should be made and specifying that inputs or Submissions should be made for every Benchmark determination; and</p> <p>4.2.d Establishing and employing measures to effectively monitor and scrutinize inputs or Submissions. This should include pre-compilation or pre-publication monitoring to identify and avoid errors in inputs or Submissions, as well as ex-post analysis of trends and outliers.</p>	<p>4.2.c: Mysteel has a complete set of documents for submitters like a submitter code of conduct, which is sent to the submitters annually. In the submitter code of conduct, it defines key processes such as data submission procedures, submitter management strategies, systems and control procedures. This policy is also supported by a submitter review process that is updated and assessed regularly to track the performance of the submitters and whether they are trustworthy. The Index Management Committee also developed a policy review system and conducted regular reviews to ensure the suitability of the submitter code of conduct.</p> <p>4.2.d: Mysteel has developed and adopted comprehensive measures to strictly follow the methodological requirements and procedures to ensure effective monitoring and review of data entry and submission materials, including pre-production and pre-submission monitoring (identification and avoidance of input data and errors in submissions) and the analysis of post submission trend and outliers. Further details can be found in Mysteel's internal and external methodology and the employee's daily work record form. Any mistakes made during the index work will be recorded.</p>	<p>We observed that the IMC reviews the Submitter Code of Conduct annually and sends its training policies to each submitter.</p> <p>4.2.d, we have noticed that the index is required to reviewed before data generation and submitting the index. Mysteel Index Team has to built a reliable encryption network disk and that the index encryption network disk improves the quality, consistency, sufficiency, and confidentiality of data. We reviewed this internal encryption network disk and found that only index team members have access to the internal index encrypted web site of the board to which they belong. The administrator controls that only Index Team members have access to the internal index encrypted network disk, and the administrator regularly checks and cleans the permissions.</p>

## Principle 5 – Internal Oversight

IOSCO Principle 5	Mysteel's Response	Deloitte's Assessment
<p>Administrators should establish an oversight function to review and provide a challenge on all aspects of the Benchmark determination process. This should include consideration of the features and intended, expected or known usage of the Benchmark and the materiality of existing or potential conflicts of interest identified.</p>	<p><b><u>Context</u></b></p> <p>Mysteel has established an oversight function to review and provide challenge on all aspects of the benchmark determination process. This includes consideration of the features and intended, expected or known usage of the benchmark and the materiality of existing or potential conflicts of interest identified.</p>	<p><b><u>PR</u></b></p> <p>We obtained the policy which describes the Mysteel Index Management Committee's responsibility and observed that Mysteel clearly states that the Index Management Committee was responsible for supervising all aspects of the index managed by Shanghai Ganglian E-Commerce Co., Ltd., reviewing all aspects of the benchmark decision-making process and raising relevant queries.</p> <p>We obtained the policy which describes the Mysteel Index Management Committee's responsibility. In the 'Appendix 1 - Members' section, the members of the Mysteel Index Management Committee are composed of professionals from iron ore, steel, coal coke, non-ferrous industry, as well as the internal audit and legal affairs of Mysteel. The composition of the Index Management Committee can provide an effective review of various categories of indices.</p>

## Principle 5 – Internal Oversight

IOSCO Principle 5	Mysteel's Response	Deloitte's Assessment
<p>The oversight function should be carried out either by a separate committee, or other appropriate governance arrangements. The oversight function and its composition should be appropriate to provide effective scrutiny of the Administrator. Such oversight function could consider groups of Benchmarks by type or asset class, provided that it otherwise complies with this principle.</p> <p>5.1 An Administrator should develop and maintain robust procedures regarding its oversight function, which should be documented and available to relevant Regulatory Authorities, if any. The main features of the procedures should be Made Available to Stakeholders. These procedures should include:</p>	<p><b><u>Relevant Activities</u></b></p> <p>5.1: Mysteel develops and maintains robust procedures regarding its index management committee, which is documented and available to relevant parties. The main features of the procedures/processes are made available to stakeholders according to IOSCO principles. (Currently, the benchmark methodology and complaints policy are available on the Mysteel websites, Mysteel believes that the methodology already includes the main procedures and features of the benchmark compilation).</p> <p>5.1.a: Mysteel has an independent index management committee that specializes in the supervision and management of the index. Mysteel index management committee reviews, challenges and improves all aspects of the benchmarking process. The main oversight functions of the committee are divided into four aspects: overall responsibility, methodology, data submission, and governance. The total number of oversight items totals 21.</p>	<p>For 5.1, we obtained the policy which describes the Mysteel Index Management Committee's responsibility. We observed that Mysteel has established strong measures to maintain the supervision function of the Index Management Committee, and we have documented the supervision function of the Index Management Committee. At the same time, we have observed that the benchmark methodology and complaint policy have been made public on the Mysteel website, and they all include the key points of supervision measures of Index Management Committee.</p> <p>For 5.1.a, we obtained the policy which describes the Mysteel Index Management Committee's responsibility, and including four chapters: 'Overall Responsibility', 'Methodology', 'Data Submission' and 'Governance'. It specifically describes the supervision function of the Index Management Committee.</p>

## Principle 5 – Internal Oversight

IOSCO Principle 5	Mysteel's Response	Deloitte's Assessment
<p>5.1.a The terms of reference of the oversight function;  5.1.b Criteria to select members of the oversight function;  5.1.c The summary details of membership of any committee arrangement charged with the oversight function, along with any declarations of conflicts of interest and processes for election, nomination or removal and replacement of committee members.</p> <p>5.2 The responsibilities of the oversight function include  5.2.a Oversight of the Benchmark design:  i. Periodic review of the definition of the Benchmark and its Methodology;</p>	<p>5.1.b: When selecting committee members, the Index Management Committee ensures that the committee member has the expertise and skills required to perform its duties. The Index Management Committee reviews and records the skills, expertise and experience of the members of the Committee, whether they have any conflicts, how conflicts are managed, and the tenure of each committee member.  Members declare any conflicts they are aware of before accepting membership in the committee and sign a conflict declaration based on the conflict of interest policy annually.</p> <p>5.1.c: Mysteel has developed a detailed Index Management Committee Policy that includes member briefings, elections, nominations or removals; in addition, all committee members have signed a conflicts of interest declaration which is stored in a secure file for a minimum of five years.</p>	<p>For 5.1.b, we obtained the policy which describes the Mysteel Index Management Committee's responsibility, and the criteria for selecting the members of the Index Management Committee is described in chapter 'Members'.</p> <p>For 5.1.c, we obtained the policy which describes the Mysteel Index Management Committee's responsibility. In the chapter 'Appendix 1 - Members', it is introduced that the members of Mysteel Index Management Committee are composed of professionals from iron ore, steel, coal coke, non-ferrous industry, as well as the internal audit and legal affairs of Mysteel; In the 'Members' section, Mysteel describes the procedures for election, nomination or removal; in addition, we obtained a Conflict of Interest Statement signed by all Index Management Committee members. The Conflict of Interest Statement is maintained by Mysteel compliance manager in computer and the public disk for at least five years.</p>

## Principle 5 – Internal Oversight

IOSCO Principle 5	Mysteel's Response	Deloitte's Assessment
<p>ii. Taking measures to remain informed about issues and risks to the Benchmark, as well as commissioning external reviews of the Benchmark (as appropriate);</p> <p>iii. Overseeing any changes to the Benchmark Methodology, including assessing whether the Methodology continues to appropriately measure the underlying Interest, reviewing proposed and implemented changes to the Methodology, and authorizing or requesting the Administrator to undertake a consultation with Stakeholders were known or its Subscribers on such changes as per Principle 12; and</p> <p>iv. Reviewing and approving procedures for termination of the Benchmark, including guidelines that set out how the Administrator should consult with Stakeholders about such cessation.</p>	<p>5.2: The specific responsibilities of the Index Management Committee include:</p> <p>5.2.a: Mysteel Index Management Committee regularly monitors the definition of the benchmark, methodology and benchmark changes, reviews and approves the procedures for terminating the benchmark, and takes steps to keep stakeholders informed of the problems and risks of the benchmark.</p> <p>During the Index Management Committee meeting, Mysteel have conducted a detailed discussion on the oversight responsibilities in compliant with the requirements of the IOSCO Principles, and have kept detailed meeting minutes.</p> <p>5.2.b: Mysteel Index Management Committee oversees the integrity of the benchmark compilation, the completeness of benchmark framework, and the management and implementation of benchmarks, including in future if there are the possibility of any benchmark related activities involving third parties. The Mysteel Index Management Committee considers the results of internal and external audits, and follow-up actions taken after the implementation of the remedial actions highlighted in the audit findings; overseeing Mysteel's use of expert opinions and ensuring that published methods have been adopted.</p>	<p>For 5.2, we obtained the policy which describes the Mysteel Index Management Committee's responsibility, and we observed responsibilities of the oversight function for the Index Management Committee.</p> <p>For 5.2.a, we obtained the policy which describes the Mysteel Index Management Committee's responsibility, and in the chapter 'Methodology', it describes the regular monitoring of the benchmark by the Index Management Committee, the definition of methodology and benchmark changes, the procedures for reviewing and approving the termination of the benchmark, and measures are taken to let stakeholders understand the issues and risks related to the benchmark.</p>

## Principle 5 – Internal Oversight

IOSCO Principle 5	Mysteel's Response	Deloitte's Assessment
<p>5.2.b Oversight of the integrity of Benchmark determination and control framework:</p> <p>i. Overseeing the management and operation of the Benchmark, including activities related to Benchmark determination undertaken by a third party;</p> <p>ii. Considering the results of internal and external audits, and following up on the implementation of remedial actions highlighted in the results of these audits; and</p> <p>iii. Overseeing any exercise of Expert Judgment by the Administrator and ensuring Published Methodologies have been followed.</p>	<p>During the index management committee meeting, the above compliance content was reviewed in detail and there is a corresponding meeting record.</p> <p>5.3: To prevent any conflicts of interest arising due to Mysteel's ownership structure or controlling interests, or due to other activities carried out by Mysteel and its affiliates or entities: Mysteel has considered establishing an independent internal oversight function, which includes a balanced representation of the stakeholders, subscribers, and submitters to counterbalance the relevant conflict of interest.</p> <p>5.4: Mysteel benchmark data is generated based on submissions, therefore Mysteel has conducted appropriate monitoring and inquiries regarding the submissions in the following methods:</p>	<p>For 5.2.b, we obtained the policy which describes the Mysteel Index Management Committee's responsibility, and in the chapter 'Governance', it describes the integrity of the Index Management Committee's monitoring benchmark preparation and the management and implementation of the benchmark. At the same time, the chapter 'Governance' describes the results of the internal and external audit considered by the Index Management Committee, as well as the follow-up actions taken after the implementation of remedial highlighted in the audit results. Any changes in the Methodology benchmarks are described in the section 'Methodology', including the assessment of whether the methodology can continue to properly measure the interests of the target, the review of the changes that will or have occurred in the methodology, and the authorization or requirement for benchmark managers to consult with stakeholders or subscribers on the changes in accordance with Principle 12.</p>



## Principle 5 – Internal Oversight

IOSCO Principle 5	Mysteel's Response	Deloitte's Assessment
<p>5.3 Where conflicts of interests may arise in the Administrator due to its ownership structures or controlling interests, or due to other activities conducted by any entity owning or controlling the Administrator or by the Administrator or any of its affiliates: the Administrator should establish an independent oversight function which includes a balanced representation of a range of Stakeholders where known, Subscribers and Submitters, which is chosen to counterbalance the relevant conflict of interest.</p> <p>5.4 Where a Benchmark is based on Submissions: the oversight function should provide suitable oversight and challenge of the Submissions by:</p>	<p>5.4.a: The documents that strictly manage the submitters can be identified in the terms of reference of Mysteel Index Management Committee, which includes review of the submitters and management of the submitted data. The management method of data submitted by the submitter are clearly stated in the submitter code of conduct.</p> <p>The submitter review process details the input data and submission parameters or Mysteel's challenging or sampling unusual input data or submissions. In addition, there are detailed requirements for data entry or submission in the methodology, with the aim of minimizing the impact of human operations or judgment on the benchmark.</p> <p>In addition, there are detailed requirements for data entry or submission in the methodology, to minimize the impact of human operations or judgment on the benchmark.</p>	<p>For 5.3, We obtained the code of conduct for submitters, which includes submission standards, submission management, conflict of interest arrangements, policy and control management, index operation monitoring, archiving and cooperation documents between Mysteel and regulators. It is confirmed that Mysteel has always maintained close communication with subscribers and submitters, and has also established a channel for complaints and suggestions, which is received and handled by the index management committee. This supervision mechanism is maturely operating.</p> <p>For 5.4.a, we obtained the policy which describes the Mysteel Index Management Committee's responsibility, and in the chapter 'Data Submission', it describes the supervision responsibilities of the Index Management Committee in reviewing the submitter and submitted data. In addition, we obtained the Steel Index Price Methodology, and there are detailed requirements for data input or submission. It also states that the impact of human operation or judgment on the</p>

IOSCO Principle 5	Mysteel's Response	Deloitte's Assessment
		<p>benchmark is minimized through the control procedure. We tested and verified the implementation of the control procedure through the data input and submission process through on-site observation.</p>

## Principle 5 – Internal Oversight

IOSCO Principle 5	Mysteel's Response	Deloitte's Assessment
<p>5.4 a Overseeing and challenging the scrutiny and monitoring of inputs or Submissions by the Administrator. This could include regular discussions of inputs or Submission patterns, defining parameters against which inputs or Submissions can be analyzed, or querying the role of the Administrator in challenging or sampling unusual inputs or Submissions;</p>	<p>5.4.b: Mysteel has developed a detailed Submitter Code of Conduct for managing the conduct of the submitter. The Submitter Code of Conduct includes submission criteria, submission management, conflict of interest arrangements, policies and control management, benchmark manipulation monitoring, documentation, and cooperation with Mysteel and regulators. The Mysteel Index Management Committee will periodically review the Submitter Code of Conduct to ensure its suitability.</p> <p>5.4.c: Mysteel Index Management Committee exercises the oversight function over its data submitters and resolves the submitter's violation of the submitter's code of conduct in accordance with the submitter code of conduct and submitter's review process policy. Mysteel's management committee has set up a method that allows the temporarily removal or permanent removal of the submitter.</p>	<p>For 5.4.b, we obtained the Submitter Code of Conduct, which includes submission standards, submission management, conflict of interest arrangements, policy, and control management, benchmark operation monitoring, archiving and cooperation between Mysteel and regulators.</p> <p>For 5.4.c, we obtained the policy which describes the Mysteel Index Management Committee's responsibility, and in the chapter 'Data Submission ', it states that the Index Management Committee performs the supervision function on the data submitters, and establishes the procedure to deal with the violation of the code of conduct.</p> <p>For 5.4.d, we obtained the Code of Conduct for the submitter, which requires the submitter to establish appropriate monitoring arrangements to detect and evaluate suspicious data input.</p>

## Principle 5 – Internal Oversight

IOSCO Principle 5	Mysteel's Response	Deloitte's Assessment
<p>5.4.b Overseeing the Code of Conduct for Submitters;</p> <p>5.4.c Establishing effective arrangements to address breaches of the Code of Conduct for Submitters; and</p>	<p>5.4.d: The Mysteel submitter code of conduct states that the submitter should develop appropriate monitoring arrangements to detect and assess suspicious data inputs. This includes monitoring transactions and valuations to ensure the authenticity of such inputs. Mysteel has also established measures to detect potential outliers and suspicious submissions, including recording each submission that is not used in the index calculation. The submission and submitter will be reviewed to determine if there is a mechanical submission or submission selectively submitted. In addition, Mysteel also uses statistical methods to alleviate the impact of outliers on the benchmark. Finally, Mysteel's analysts have extensive market experience and sufficient sources of information. Their understanding of prices is also a measure to screen for abnormal or suspicious data submission. All records will be kept, including the process of filtering outliers. All these review results will be analysed and presented to the Index Management Committee to determine the appropriate next stage of collaboration with the submitter.</p>	<p>Mysteel has also established measures to detect potential outliers and suspicious submission data, including recording each submission data that is not used in index calculations. Mysteel used statistical methods to mitigate the impact of outliers on the baseline. All these audit results will be analyzed and submitted to the Index Management Committee.</p> <p><b><u>PIC</u></b></p> <p>For 5.2, we reviewed the Index Management Committee quarterly meeting minutes and observed that at the fifth meeting, it fulfilled its supervisory responsibility for the benchmark decision-making and control framework. Specifically, it includes reviewing the internal and external Methodology, complaints, expert judgments, online records, reviewing and updating the control framework of index and benchmark management.</p>

## Principle 5 – Internal Oversight

IOSCO Principle 5	Mysteel's Response	Deloitte's Assessment
<p>5.4.d Establishing measures to detect potential anomalous or suspicious Submissions and in case of suspicious activities, to report them, as well as any misconduct by Submitters of which it becomes aware to the relevant Regulatory Authorities if any.</p>		<p>For 5.4, we reviewed the minutes of the IMC quarterly meeting and observed that at the fifth meeting, IMC fulfilled its supervision responsibility for data submission.</p> <p>We also found that at the fifth meeting of the Index Management Committee, the IMC reviewed the Code of Conduct for submitters and performed its oversight function for data submission.</p>

## Principle 6 – Benchmark Design

IOSCO Principle 6	Mysteel's Response	Deloitte's Assessment
<p>The design of the Benchmark should seek to achieve and result in an accurate and reliable representation of the economic realities of the Interest it seeks to measure and eliminate factors that might result in a distortion of the price, rate, index or value of the Benchmark.</p> <p>Benchmark design should take into account the following generic non-exclusive features, and other factors should be considered, as appropriate to the particular Interest:</p> <p>6.a Adequacy of the sample used to represent the Interest;</p> <p>6.b Size and liquidity of the relevant market (for example whether there is sufficient trading to provide observable, transparent pricing);</p>	<p><b><u>Context</u></b></p> <p>Mysteel takes into account the size and liquidity of the relevant market when designing the benchmark. When designing the steel benchmark, Mysteel used all the market spot stocks in circulation as the index sample of the target steel market.</p> <p><b><u>Relevant Activities</u></b></p> <p>6.a: The annual recirculation volume of the Shanghai rebar market and the HRC market is about 10 million tons respectively. After removing the direct supply that is belong to the market circulation resource, The total transaction volume of the major steel mills selected by Mysteel is sufficient to have a significant impact on the market. Mysteel selects all major steel mill brands as sample steel mills, and the sample coverage is around 70%. For details, please refer to Mysteel's presentation material about Shanghai steel market.</p>	<p><b><u>PR</u></b></p> <p>We obtained a copy of the Overall Introduction to the Steel Market and noticed that Mysteel clearly explains its application and selection of market data, which is closely related to the benchmark design.</p> <p>For 6.a, we observed that in the Overall Introduction to the Steel Market, Mysteel clearly introduces specific requirements for sample adequacy.</p> <p>For 6.b, we observed that in the Overall Introduction to the Steel Market, Mysteel clearly introduces specific requirements for relevant market size and liquidity.</p> <p>For 6.c, we observed that in the Overall Introduction to the Steel Market, Mysteel clearly introduces specific requirements for the underlying market relative size.</p>

## Principle 6 – Benchmark Design

IOSCO Principle 6	Mysteel's Response	Deloitte's Assessment
<p>6.c Relative size of the underlying market in relation to the volume of trading in the market that references the Benchmark;</p> <p>6.d The distribution of trading among Market Participants (market concentration); and</p> <p>6.e Market dynamics (e.g., to ensure that the Benchmark reflects changes to the assets underpinning a Benchmark).</p>	<p>6.b: Mysteel takes into account the size and liquidity of the relevant market when designing the benchmark. There are around 24 stable rebar steel mill brands circulating in the Shanghai market, and more than 15 hot-rolled plate and coil mill brands. Mysteel selected the main steel mills as sample collection objects, of which 15 rebar index sample mills accounted for 63% of the circulation, 7 hot-rolled steel coil plants accounted for 47% of the circulation. Sufficient trading volume allows us to obtain observable and transparent pricing. For details, please refer to Mysteel's presentation material about Shanghai steel market.</p> <p>6.c: When designing the steel benchmark, Mysteel used all the market spot stocks in circulation as the index sample of the target steel market. Mysteel collects data on most transactions in all steel spot market transactions, including repeat trades. All major market participants are Mysteel's data submitters, with dozens of companies. For details, please refer to Mysteel's presentation material on the Shanghai steel market.</p>	<p>For 6.d, we observed that in the Overall Introduction to the Steel Market, Mysteel clearly introduces specific requirements for trading distribution among market participants and market dynamics in the Steel Market.</p> <p><b><u>PIC</u></b></p> <p>For 6.a, we reviewed the market data collected by Mysteel and observed that its data included major steel mills as the sample collection objects. Among them, 15 main steel mills are selected as screw Steel Indices samples and 7 main steel mills are selected as Hot-Rolled Coil Indices samples. The main market participants are all data submitters of Mysteel. Sufficient trading volume enables Mysteel to obtain observable and transparent pricing.</p>

## Principle 6 – Benchmark Design

IOSCO Principle 6	Mysteel's Response	Deloitte's Assessment
	<p>6.d: Participants in the steel spot market are usually divided into sellers and buyers. Sellers are usually steel mills and traders, and buyers are usually end users. Mysteel selects steel mill brands with stable and sufficient resources in the Shanghai steel market as sample brands to ensure that the benchmark sample is sufficient and market representative. And Mysteel constantly monitors steel plant resources and market share, and sets the entry and exit criteria to ensure that the benchmark accurately reflects the market situation. As far as traders are concerned, Mysteel mainly chooses the primary agent of steel mills as the data submitter. Mysteel also ensures that sufficient sample data is obtained by extracting transaction data from the spot trading platform. All the major market participants, namely, all the major suppliers and buyers are Mysteel submitters. Mysteel keeps daily contact with a high proportion of submitters.</p> <p>6.e: Mysteel has a series of policies and procedures in place to ensure all the index analysts are well trained and qualified to gather data from the market and capture every detail of the market. Mysteel Index Management Committee exercises full oversight of the index releases daily and will conduct quarterly meetings to assess the index performance to ensure it reflects the market and monitor any potential market changes.</p>	<p>For 6.d, we reviewed the market data collected by Mysteel and observed that its data included major steel mills as the sample collection objects. Among them, 20 main steel mills are selected as screw Steel Index samples and 9 main steel mills are selected as Hot-Rolled Coil Index samples. The trading distribution of market participants is consistent with the general introduction of the Shanghai screw steel market and hot-rolled coil market.</p> <p>For 6.e, we observed that Mysteel has developed an internal training plan to ensure that all index analysts are well trained and have sufficient expertise and ability to collect data and capture every detail of the market. The Mysteel Index Management Committee conducts comprehensive supervision over the index and continues to pay attention to market dynamics to ensure that the index can measure the economic essence of interests.</p>



## Principle 7 – Data Sufficiency

IOSCO Principle 7	Mysteel's Response	Deloitte's Assessment
<p>The data used to construct a Benchmark determination should be sufficient to accurately and reliably represent the Interest measured by the Benchmark and should:</p> <p>7.a Be based on prices, rates, indices or values that have been formed by the competitive forces of supply and demand in order to provide confidence that the price discovery system is reliable; and</p> <p>7.b Be anchored by observable transactions entered into at arm's length between buyers and sellers in the market for the Interest the Benchmark measures in order for it to function as a credible indicator of prices, rates, indices or values.</p>	<p><b><u>Context</u></b></p> <p>Referring to benchmarks the Mysteel indices is anchored by observable transactions between buyers and sellers in the steel market. Mysteel has demonstrated its' prices and indices are formed by competitive forces of supply and demand by considering both the supply side.</p> <p><b><u>Relevant Activities</u></b></p> <p>7.a: In the document entitled overall introduction to the market, Mysteel has demonstrated its' prices and indices are formed by competitive forces of supply and demand by considering both the supply side, namely the steel mills and traders, and the demand side, namely the end users when designing the benchmarks and indices. 33 submitters submit data to Mysteel in total, ensuring the indices is representative of the market it seeks to measure.</p>	<p><b><u>PR</u></b></p> <p>We observed that in the Overall Introduction of Shanghai Screw Steel Market and Hot Rolled Coil Market, Mysteel clearly introduces specific requirements for the sufficiency of data.</p> <p>For 7.a, we observed that in the Overall Introduction of Shanghai Screw Steel Market and Hot Rolled Coil Market, Mysteel clearly stated its sample's adequacy. The annual flow flux of the Shanghai screw steel market and hot coil market is about ten million tons. After removing the direct supply of non-market circulation resources, the resources of the main steel plants selected by Mysteel are enough to have a significant impact on the market. Mysteel selected all major steel brands as sample steel plants, and the coverage rate of the survey samples was about 70%.</p>

## Principle 7 – Data Sufficiency

IOSCO Principle 7	Mysteel's Response	Deloitte's Assessment
<p>This principle requires that a Benchmark be based upon (i.e., anchored in) an active market having observable Bona Fide, Arms-Length Transactions. This does not mean that every individual Benchmark determination must be constructed solely of transaction data. Provided that an active market exists, conditions in the market on any given day might require the Administrator to rely on different forms of data tied to observable market data as an adjunct or supplement to transactions. Depending upon the Administrator's Methodology, this could result in an individual Benchmark determination being based predominantly, or exclusively, on bids and offers or extrapolations from prior transactions. This is further clarified in Principle 8.</p>	<p>7.b: Referring to benchmarks the Mysteel indices is anchored by observable transactions between buyers and sellers in the steel market. Tens of millions of tons of steel spot are traded between the seller and the buyer in accordance with the principle of fair trade. Mysteel observes market transactions every day. Mysteel collects and receives transaction data submitted by dozens of companies, including all major steel mills as well as traders, downstream users and spot trading platforms.</p> <p>In order to accurately reflect the market, Mysteel retains the flexibility of using non-transactional data, like tradable prices, bids and offers, expert of judgement if transactions are not available to supplement the data that contributes to the indices.</p>	<p>For 7.b, we observed that in the Overall Introduction of Shanghai Screw Steel Market and Hot Rolled Coil Market, Mysteel took all the current market spots as the index sample of the target steel market when designing the steel benchmark. Mysteel collects data on most of all steel spot market transactions, including repeat trades. All of the major market participants are Mysteel's data contributors. Because the Steel Price Index is linked to the fair trade between the buyer and the seller which can be observed in the market, the Steel Price Index can be used as a reliable indicator of the price.</p>

## Principle 7 – Data Sufficiency

IOSCO Principle 7	Mysteel's Response	Deloitte's Assessment
		<p><b><u>PIC</u></b></p> <p>We checked the submitters' list and observed that Mysteel's submitters are sufficient to accurately and reliably represent the interest measured by the benchmark, which ensured the rationality of the indices calculation.</p> <p>For 7.a/7.b, we also obtained a sample of submissions, and observed that these submissions are based on indices that have been formed by competitive forces of supply and demand and are anchored by observable transactions entered into are arm's length between buyers and sellers in the market for the interest the benchmark measures.</p>

## Principle 8 – Hierarchy of Data Inputs

IOSCO Principle 8	Mysteel's Response	Deloitte's Assessment
<p>An Administrator should establish and Publish or Make Available clear guidelines regarding the hierarchy of data inputs and exercise of Expert Judgment used for the determination of Benchmarks. In general, the hierarchy of data inputs should include:</p> <p>8.a Where a Benchmark is dependent upon Submissions, the Submitters' own concluded arms-length transactions in the underlying interest or related markets;</p> <p>8.b Reported or observed concluded Arm's-length Transactions in the underlying interest;</p> <p>8.c Reported or observed concluded Arm's-length Transactions in related markets;</p>	<p><b><u>Context</u></b></p> <p>Mysteel has dedicated policies and procedures in place to ensure the data hierarchy used for index determination is compliant with the IOSCO Principles. These policies and procedures are available upon request from stakeholders, like submitters.</p> <p><b><u>Relevant Activities</u></b></p> <p>8.a/8.b/8.c/8.d and 8.e: Mysteel has data hierarchy and expert judgment policy and internal Methodology in place to cover all of the information mentioned above. The details of the data hierarchy include the submitters' own transactions, transactions from trading platforms, trading prices, bids and offers, information gathered from the market in the underlying interest and related markets. To retain the flexibility of using inputs, and ensure the quality and integrity of Mysteel's indices, Mysteel has established the criteria for exercising expert judgment, which includes abnormal submissions, no transactions in the market, no bids or offers, and no quotes or indices for certain specific brands.</p>	<p><b><u>PR</u></b></p> <p>We observed that in the internal Methodology, Mysteel clearly describes its data hierarchy standard. We observed that this data hierarchy complies with IOSCO's requirements for the data.</p> <p>We also obtained a copy of Data Hierarchy and Expert Judgement Guidelines and observed that Mysteel has a clear guideline regarding the hierarchy of data inputs and exercise of Expert Judgement used for the determination of benchmarks.</p> <p><b><u>PIC</u></b></p> <p>For Principle 8, we obtained a sample of Mysteel data input and observed that this data meets the requirements specified in the data input hierarchy and expert judgment guidance. The detailed information of the data hierarchy includes the transaction of the submitter, the transaction of the spot trading platform, the transaction price, inquiry and offer, and the information collected from the basic interest market and relevant markets.</p>

## Principle 8 – Hierarchy of Data Inputs

IOSCO Principle 8	Mysteel's Response	Deloitte's Assessment
<p>8.d Firm (executable) bids and offers; and</p> <p>8.e Other market information or Expert Judgments.</p> <p>Provided that the Data Sufficiency Principle is met (i.e., an active market exists), this principle is not intended to restrict an Administrator's flexibility to use inputs consistent with the Administrator's approach to ensuring the quality, integrity, continuity, and reliability of its Benchmark determinations, as set out in the Administrator's Methodology. The Administrator should retain the flexibility to use the inputs it believes are appropriate under its Methodology to ensure the quality and integrity of its Benchmark.</p>		

## Principle 8 – Hierarchy of Data Inputs

IOSCO Principle 8	Mysteel's Response	Deloitte's Assessment
<p>For example, certain Administrators may decide to rely upon Expert Judgment in an active albeit low liquidity market, when transactions may not be consistently available each day. IOSCO also recognizes that there might be circumstances (e.g., a low liquidity market) when an observed bid or offer might carry more meaning than an outlier transaction. Under these circumstances, non-transactional data such as bids and offers and extrapolations from prior transactions might predominate in a given Benchmark determination.</p>		

## Principle 9 – Transparency of Benchmark Determinations

IOSCO Principle 9	Mysteel's Response	Deloitte's Assessment
<p>The Administrator should describe and publish with each Benchmark determination, to the extent reasonable without delaying an Administrator publication deadline:</p>	<p><b><u>Context</u></b></p> <p>Mysteel has detailed policies and procedures, such as market introduction and internal Methodology regarding each index determination, including market description, a number of samples, index calculation and index publication deadline ensuring Mysteel work to the highest level of the IOSCO Principles. The Market Introduction and internal Methodology are available for stakeholders and regulatory bodies upon request.</p>	<p><b><u>PR</u></b></p> <p>For 9.a, we observed that in the internal Methodology, Mysteel clearly describes its rationale for how the benchmark is determined, which is sufficient to facilitate a stakeholder's or market authority's ability to understand. We observed that if a stakeholder requests to know the content of internal Methodology, Mysteel is able to provide it for the stakeholder with further explanation.</p> <p>For 9.b, we reviewed Data Hierarchy and Expert Judgement Guidelines, Internal Steel Index Methodology, and observed that Mysteel clearly describes its application of expert judgment through the daily process of benchmark determination.</p>

## Principle 9 – Transparency of Benchmark Determinations

IOSCO Principle 9	Mysteel's Response	Deloitte's Assessment
<p>The Administrator should describe and publish with each Benchmark determination, to the extent reasonable without delaying an Administrator publication deadline:</p>	<p><b><u>Relevant Activities</u></b></p> <p>9.a: Mysteel has detailed policies and procedures, such as market introduction and internal Methodology regarding each index determination, including market description, a number of samples, index calculation and index publication deadline ensuring Mysteel work to the highest level of the IOSCO Principles. The Market Introduction and internal Methodology are available for stakeholders and regulatory bodies upon request.</p>	<p><b><u>PIC</u></b></p> <p>For 9.a, we obtained a sample of raw data and observed that, at a minimum, the size of liquidity of the market is assessed. The range, average volume, and the indicative percentages of each type of market data are considered in the benchmark determination.</p> <p>Based on the expected values of the above raw data, we checked some calculation samples of Mysteel and conducted a recalculation test. We observed that the real result of the recalculation was consistent with the calculation result (expected value) of Mysteel.</p> <p>For 9.b, we obtained the minutes of all index management committee meeting. In the minutes of the third Index Management Committee meeting, there was an expert judgment on the Shanghai Hot Rolled Coil Index on September 13, 2021. We get the sample of index calculation table, modify the data, simulate that when there is only inquiry and offer in the market on the same day, or there is no deal but only a deal price,</p>



## Principle 9 – Transparency of Benchmark Determinations

IOSCO Principle 9	Mysteel's Response	Deloitte's Assessment
<p>9.a A concise explanation, sufficient to facilitate a Stakeholder's or Market Authority's ability to understand how the determination was developed, including, at a minimum, the size and liquidity of the market is assessed (meaning the number and volume of transactions submitted), the range and average volume and range and average of price, and indicative percentages of each type of market data that have been considered in a Benchmark determination; terms referring to the pricing Methodology should be included (i.e., transaction-based, spread-based or interpolated/extrapolated);</p> <p>9.b A concise explanation of the extent to which and the basis upon which Expert Judgment if any was used in establishing a Benchmark determination.</p>	<p>9.b: To guide the use of expert judgment, Mysteel has a dedicated expert judgment procedure in place. In addition, Mysteel has an Expert Judgment Guide detailing the expert judgment application process in the absence of any transactions, bids and offers, normal submission, or insufficient samples. Mysteel has also listed all appropriate scenarios that can be applied when calculating the index. It includes standard and unusual cases, such as the sample of transactions is insufficient, only has bids and offers, the inquiry is insufficient, and the market is stagnant. For each scenario, there is a matched formula to apply to ensure the consistent use of expert judgment across all index analysts.</p>	<p>the index calculation table has a matching calculation formula to generate the index of the day, to help that all index analysts use the consistency of expert judgment.</p> <p>The objective of IOSCO's Financial Benchmark Principles is to develop an effective framework of general principles applicable to all kinds of financial markets. IOSCO Financial Benchmark Principles can be applied to all financial benchmarks, and in most cases, there are no corresponding requirements at the industry level.</p> <p>For the steel market, we observed the data collection and submission process of Mysteel on-site and obtained the sample data collected from the steel market. We have observed that in the steel market, the buyer and the seller determine the market price according to the brand and specification of the steel. The method of interval quotation is not adopted, and the buyer and the seller do not use the average value of the price to trade in the steel market.</p>

## Principle 9 – Transparency of Benchmark Determinations

IOSCO Principle 9	Mysteel's Response	Deloitte's Assessment
		<p>Therefore, for the reference in 9.a of IOSCO Financial Benchmark Principles, 'relevant stakeholders or market authorities should have a full understanding of the development process of the benchmark, at least including the reference range and average value of the price', in which the requirement of 'at least including the reference range and average value of the price' is not in line with the characteristics of the steel industry and does not apply to the evaluation of the Steel Price Index.</p>

## Principle 10 – Periodic Review

IOSCO Principle 10	Mysteel's Response	Deloitte's Assessment
<p>The Administrator should periodically review the conditions in the underlying Interest that the Benchmark measures to determine whether the Interest has undergone structural changes that might require changes to the design of the Methodology. The Administrator also should periodically review whether the Interest has diminished or is non-functioning such that it can no longer function as the basis for a credible Benchmark. The Administrator should Publish or Make available a summary of such reviews where material revisions have been made to a Benchmark, including the rationale for the revisions.</p>	<p><b><u>Context</u></b></p> <p>Mysteel has dedicated policies and procedures in place to ensure the periodic review of the indices and methodology to maintain the quality and integrity of the indices.</p> <p>Mysteel has dedicated policies and procedures in place to ensure the periodic review of the indices and methodology to maintain the quality and integrity of the indices.</p> <p>A dedicated organization named the index management committee (IMC) has been established to oversee the index and related business. The IMC monitors the activity and trends in the market as well as the Mysteel index and team performance. Mysteel holds a quarterly meeting for the IMC to assess and monitor the indices and determine if the steel market has observed any structural changes, such as diminishing activity. Meeting minutes are recorded and circulated to the IMC as well as relevant stakeholders upon request. In case of a requirement to change the indices due to a change in the steel market, the index transition and cessation policy addresses the issue and resulting process, such as introducing an alternative index or terminating an index.</p>	<p><b><u>PR</u></b></p> <p>We observed that in the IMC Terms of Reference, Mysteel clearly states that '(the IMC is) carrying out reviews of the Mysteel Steel Indices to assess whether new indices are required or that existing indices should be closed, for example, if the underlying Interest/market has diminished or non-functioning'. We also observed that for dealing with changes with the methodology, Mysteel clearly describes its policies and procedures in Methodology Management Policy and Index Transition and Cessation Policy.</p> <p><b><u>PIC</u></b></p> <p>We obtained the IMC meeting minutes and observed that the IMC reviewed the status of the underlying measured by the benchmark at each meeting and discussed the need to revise its methodology as a result. The steel price index methodology was revised v4.0 on July 20, 2021, and reported on the third IMC meeting.</p>

## Principle 11 – Content of the Methodology

IOSCO Principle 11	Mysteel's Response	Deloitte's Assessment
<p>The Administrator should document and Publish or Make Available the Methodology used to make Benchmark determinations. The Administrator should provide the rationale for adopting a particular Methodology. The Published Methodology should provide sufficient detail to allow Stakeholders to understand how the Benchmark is derived and to assess its representativeness, its relevance to particular Stakeholders, and its appropriateness as a reference for financial instruments.</p> <p>11.1 At a minimum, the Methodology should contain:</p> <p>11.1.a Definitions of key terms;</p>	<p><b><u>Context</u></b></p> <p>Mysteel's internal and External Steel Index methodology explains in detail how the steel price index is prepared, including the content of the benchmark, data collection, sample collection, index calculation, index publishing and internal and external monitoring.</p> <p><b><u>Relevant Activities</u></b></p> <p>11.1.a: In the Mysteel Steel Index Methodology, there is a definition of terms that are used in the steel market such as product, price type, pricing unit and trading process. For example, rebar, hot rolled coil, theoretical price, actual weight price, minimum unit, sample, valid sample, tax-included price, discount etc..</p> <p>11.1.b: Mysteel has developed standards and assessment procedures for all indices.</p> <p>1. Mysteel collects transaction, bid and offer prices submitted by major steel mills, trading companies and end users. According to Mysteel Collection Channel Hierarchy and data hierarchy, Mysteel also collects transaction, bid and offer prices from major steel spot trading platforms and other market participants.</p>	<p>We observed that a Methodology used to make benchmark determination is documented and made available, which includes the rationale for adopting various methodologies on the English website: <a href="https://www.mysteel.net/">https://www.mysteel.net/</a>. We observed that information included in the published Methodology is sufficient to take holders to understand and reference.</p> <p><b><u>PR</u></b></p> <p>For 11.1.a and 11.1.b, we observed that in the published Methodology, Mysteel clearly defines key terms related to the methodology and provides sufficient details related to criteria and procedures used to develop the benchmark.</p>

## Principle 11 – Content of the Methodology

IOSCO Principle 11	Mysteel's Response	Deloitte's Assessment
<p>11.1.b All criteria and procedures used to develop the Benchmark, including input selection, the mix of inputs used to derive the Benchmark, the guidelines that control the exercise of Expert Judgment by the Administrator, priority given to certain data types, minimum data needed to determine a Benchmark, and any models or extrapolation methods;</p> <p>11.1.c Procedures and practices designed to promote consistency in the exercise of Expert Judgment between Benchmark determinations;</p> <p>11.1.d The procedures which govern Benchmark determination in periods of market stress or disruption, or periods where data sources may be absent (e.g., theoretical estimation models);</p>	<p>2. The Index team collect observable transactions, bids and offers as well as tradable values and heard from market participants. Mysteel index team also collect these data from spot trading platforms such as Steelbank.</p> <p>3. Expert Judgement will be used to formulate the index when there is any abnormal submission, transaction, bid or offer. This includes looking at changes observed in the relevant market, similar transaction and changes of spread. Only senior analysts with a minimum of three years of industry experience can exercise Expert Judgement.</p> <p>4. Mysteel aims to provide the market with a typical price assessment which accurately tracks daily price changes. Therefore, where sufficient submissions are available, each final index is a volume weighted average of normalized transaction samples. The Index Team will follow the process laid out in the Mysteel data hierarchy and will prioritize higher confidence samples.</p> <p>11.1.c: In order to promote consistency in the exercise of expert judgement. During times of market stress, disruption, low market liquidity or any abnormal submission, Mysteel retains the right to adopt Expert Judgement where insufficient</p>	<p>For 11.1.c and 11.1.d, we observed that Mysteel clearly explains its policies of the exercise of expert judgment in designing its internal Methodology. We also obtained a copy of Extreme Cases Management Policy and observed that the exercise of expert judgment would be consistent in the extreme cases.</p> <p>For 11.1.e, we observed that in the correction part of the published Methodology, Mysteel clearly explains its procedures for dealing with error reports.</p> <p>For 11.1.g and 11.1.h, we observed that in the Methodology Management Policy, Mysteel clearly states its procedures for dealing with changes to the methodology, and potential limitations of the benchmark, including the consultation with its stakeholders, as appropriate.</p>

## Principle 11 – Content of the Methodology

IOSCO Principle 11	Mysteel's Response	Deloitte's Assessment
<p>11.1.e The procedures for dealing with error reports, including when a revision of a Benchmark would be applicable;</p> <p>11.1.f Information regarding the frequency for internal reviews and approvals of the Methodology. Where applicable, the Published Methodologies should also include information regarding the procedures and frequency for external review of the Methodology;</p> <p>11.1.g The circumstances and procedures under which the Administrator will consult with Stakeholders, as appropriate; and</p> <p>11.1.h The identification of potential limitations of a Benchmark, including its operation in illiquid or fragmented markets and the possible concentration of inputs.</p>	<p>submissions have been received, including referring to other market information such as supply and demand fundamentals, and other factors that affect the steel price. The detailed scenarios are described in Internal Mysteel Steel Index Methodology. Only the senior analyst which has a minimum of three years industry experience can exercise expert judgement.</p> <p>11.1.d: In case of market stress, disruption or low market liquidity, there is a Mysteel Methodology and managing extreme events table in Mysteel Steel Index Methodology which the index analysts adhere to.</p> <p>11.1.e: If an error is identified, whether caused by an incorrect submission or a calculation error, Mysteel will promptly issue a public notice to alert the market and modify the erroneous index value. For example, an index error occurred in the Mysteel Shanghai rebar index on November 19, 2021, and a correction announcement was immediately issue a notice to remind the market and modify the wrong index value, and submit the report to IMC. This is detailed in the Mysteel Methodology in the corrections section, and more detail is available in the Mysteel Disclosure to Complainants and Managing Methodology Changes policies.</p>	<p>For 11.2, we observed that criteria for including and excluding the submitter and notice periods due to changes of criteria are included in the Submitters Review Process Policy.</p> <p><b><u>PIC</u></b></p> <p>For 11.1.b, we selected some calculation samples of Mysteel and recalculated the samples according to the Methodology. We observed that the real result of the recalculation was consistent with the calculation result (expected value) of Mysteel.</p> <p>For 11.1.c, we reviewed that in the benchmark determination process, senior analysts in the Index Team supervised and reviewed the daily process of benchmark determination.</p>

## Principle 11 – Content of the Methodology

IOSCO Principle 11	Mysteel's Response	Deloitte's Assessment
<p>11.2 Where a Benchmark is based on Submissions, the additional Principle also applies:</p> <p>The Administrator should clearly establish criteria for including and excluding Submitters. The criteria should consider any issues arising from the location of the Submitter, if in a different jurisdiction to the Administrator. These criteria should be available to any relevant Regulatory Authorities, if any, and Published or Made Available to Stakeholders. Any provisions related to changes in composition, including notice periods should be made clear.</p>	<p>11.1.f: The Index Management Committee shall endeavor to provide a notice at least three months in advance to index users if it decided to discontinue the publication of a Mysteel index. This includes both internal reviews and external surveys and is applicable for extreme events, suitability, index correct and developing.</p> <p>11.1.g: Changes to the Mysteel Index Methodology can be proposed by the committee, by users and stakeholders, or by any other interested party. Mysteel considers all proposals, and where it considers them to have merit, will in general consult regarding such changes with users and stakeholders. Where possible, notice of changes will be announced in advance of their implementation.</p>	<p>For 11.1.f, we obtained meeting notes of the IMC and noticed that the IMC meeting discusses and reviews the Methodology periodically.</p> <p>For 11.2, we obtained the submitters' list and observed that current submitters satisfy criteria for being included in the submitter list.</p>

## Principle 11 – Content of the Methodology

IOSCO Principle 11	Mysteel's Response	Deloitte's Assessment
	<p>11.1.h: As administrator, Mysteel shall in all cases where a Mysteel Index is proposed to be ceased and as first step, consider whether it is possible to address the issues raised in connection with the Index, including for example: a decline in the liquidity of the underlying market referenced by the Index; a loss of partial input data, such as several tenors of a curve.</p> <p>11.2: Mysteel has developed detailed methods and procedures for accepting and excluding data providers, and this information is open to any regulator. Mysteel attaches great importance to cooperation with regulators, and any information required to be disclosed to regulators will be effectively disclosed.</p>	



## Principle 12 – Changes to the Methodology

IOSCO Principle 12	Mysteel's Response	Deloitte's Assessment
<p>An Administrator should Publish or make available the rationale of any proposed material change in its methodology, and procedures for making such changes. These procedures should clearly define what constitutes a material change, and the method and timing for consulting or notifying Subscribers (and other Stakeholders where appropriate, taking into account the breadth and depth of the Benchmark's use) of changes.</p> <p>Those procedures should be consistent with the overriding objective that an Administrator must ensure the continued integrity of its Benchmark determinations. When changes are proposed, the Administrator should specify exactly what these changes entail and when they are intended to apply.</p>	<p><b><u>Context</u></b></p> <p>Mysteel created the methodology change management procedure, having regard to the assessment of the overall circumstances.</p> <p><b><u>Relevant Activities</u></b></p> <p>12.a Mysteel created the methodology change management procedure, having regard to the assessment of the overall circumstances. For any Mysteel index methodology change, Mysteel will provide one to three months' notice before to the market before implementation.</p> <p>Mysteel provides advance notice and a clear time frame that provides stakeholders with sufficient opportunity to analyze and comment on the impact of such proposed material changes. Mysteel has provided a detailed explanation in the methodology change management procedure.</p>	<p><b><u>PR</u></b></p> <p>We observed that Mysteel has systematic procedures for dealing with changes to the Methodology.</p> <p><b><u>PIC</u></b></p> <p>We checked the External Methodology change records of the Steel Price Index. We found that the methodology was revised twice in 2021: on February 7, 2021, the methodology v3.0 removed the reference to external consulting groups; on July 20, 2021, the methodology 4.0 consolidated the methodology for each steel product. On January 25, 2022, the latest version of the methodology was published on Mysteel's website.</p> <p>In addition, the Shanghai Rebar Price Index Benchmark filed a notice of benchmark change on July 29, 2021, had its report reviewed on the third IMC meeting, and issued a notice of proposed change to the public. The specific benchmark changes will be implemented on August 1, 2022.</p>

## Principle 12 – Changes to the Methodology

IOSCO Principle 12	Mysteel's Response	Deloitte's Assessment
<p>The Administrator should specify how changes to the Methodology will be scrutinized, by the oversight function.</p> <p>The Administrator should develop Stakeholder consultation procedures in relation to changes to the Methodology that are deemed material by the oversight function, and that is appropriate and proportionate to the breadth and depth of the Benchmark's use and the nature of the Stakeholders. Procedures should:</p> <p>12.a Provide advance notice and a clear timeframe that gives Stakeholders sufficient opportunity to analyze and comment on the impact of such proposed material changes, having regard to the Administrator's assessment of the overall circumstances; and</p>	<p>12.b Mysteel will summarize the comments received from users and stakeholders regarding the proposed change as well as their feedbacks. The Email address will be attached to the announcement to collect comments, and every comment will be answered. For example: Mysteel has recently revised the methodology and will then summarized comments from stakeholders and submitted the requirements to IMC for approval. The deadline for publication was then posted on the website. Making sure there is no objection from any stakeholder by the end of the public announcement before it officially launched. (Where a commenter requested confidentiality, their comments and Mysteel's response will be removed from the public summary comments).</p>	<p>We checked the announcement on the change of methodology and benchmark of the Steel Price Index and observed that in this statement, Mysteel clearly described the change of methodology and benchmark, and informed the market in advance before implementing the new methodology and benchmark, and collected the market's feedback on the change of methodology and benchmark.</p>

## Principle 12 – Changes to the Methodology

IOSCO Principle 12	Mysteel's Response	Deloitte's Assessment
<p>12.b Provide for Stakeholders' summary comments, and the Administrator's summary response to those comments, to be made accessible to all Stakeholders after any given consultation period, except where the commenter has requested confidentiality.</p>		

## Principle 13 – Transition

IOSCO Principle 13	Mysteel's Response	Deloitte's Assessment
<p>Administrators should have clear written policies and procedures, to address the need for possible cessation of a Benchmark, due to market structure change, product definition change, or any other condition which makes the Benchmark no longer representative of its intended Interest. These policies and procedures should be proportionate to the estimated breadth and depth of contracts and financial instruments that reference a Benchmark and the economic and financial stability impact that might result from the cessation of the Benchmark. The Administrator should take into account the views of Stakeholders and any relevant Regulatory and National Authorities in determining what policies and procedures are appropriate for a particular Benchmark.</p>	<p><b><u>Context</u></b></p> <p>Mysteel has written policies and procedures in place to ensure that it has a plan to adjust or discontinue the index when external factors beyond its control occur in the market or otherwise cause the benchmark to no longer properly represent market conditions.</p> <p><b><u>Relevant Activities</u></b></p> <p>13.1 Mysteel's cessation and transition policies and procedures are in place to ensure that subscribers and other stakeholders who have financial instruments that reference Mysteel indices can have robust fall-back provisions in the event of material changes of the referenced benchmark.</p> <p>13.1.a Mysteel's cessation and transition policies and procedures provide an effective and practical solution for the contract or other financial instrument that reference a benchmark when the benchmark changes significantly or ceases.</p>	<p><b><u>PR</u></b></p> <p>For Principle 13, we obtained copies of Index Transition and Cessation Policies and Procedures, and we observed that in its policies and procedures, Mysteel has clearly described:</p> <ul style="list-style-type: none"> <li>• Need for robust fallback provisions in the event of a material change to or cessation of the referenced benchmark;</li> <li>• External factors beyond the control of the Administrator might necessitate material changes to a benchmark;</li> <li>• Criteria to guide the selection of a credible alternative benchmark;</li> <li>• The practicability of maintaining parallel benchmarks;</li> <li>• The procedures that the administrator would follow in event that a suitable alternative cannot be identified;</li> <li>• The policy defining the period in which the benchmark will continue to be produced in order to permit existing contracts to migrate to an alternative benchmark if necessary; and</li> </ul>

## Principle 13 – Transition

IOSCO Principle 13	Mysteel's Response	Deloitte's Assessment
<p>These written policies and procedures should be Published or Made Available to all Stakeholders.</p> <p>13.1 Administrators should encourage Subscribers and other Stakeholders who have financial instruments that reference a Benchmark to take steps to make sure that:</p> <p>13.1.a Contracts or other financial instruments that reference a Benchmark, have robust fallback provisions in the event of material changes to, or cessation of, the referenced Benchmark; and</p> <p>13.1.b Stakeholders are aware of the possibility that various factors, including external factors beyond the control of the Administrator, might necessitate material changes to a Benchmark.</p>	<p>13.1.b: When stakeholders are informed of the various factors that may require significant changes to the benchmark and the rights that they can propose to Mysteel for benchmark cessation and transition. These factors include external factors beyond Mysteel's control, including a decline in market liquidity of the index sample; a decrease in the number of sample collection channels; index sample monopoly (meaning all the index samples are held by a few major submitters); loss of sample data and so on.</p>	<ul style="list-style-type: none"> <li>• The process by which the administrator will engage stakeholders in the process of selecting and moving towards an alternative benchmark.</li> </ul>

## Principle 13 – Transition

IOSCO Principle 13	Mysteel's Response	Deloitte's Assessment
<p>13.2 Administrators' written policies and procedures to address the possibility of Benchmark cessation could include the following factors if determined to be reasonable and appropriate by the Administrator:</p> <p>13.2.a Criteria to guide the selection of a credible, alternative Benchmark such as, but not limited to, criteria that seek to match to the extent practicable the existing Benchmark's characteristics (e.g., credit quality, maturities, and liquidity of the alternative market), differentials between Benchmarks, the extent to which an alternative Benchmark meets the asset/liability needs of Stakeholders, whether the revised Benchmark is investable, the availability of transparent transaction data, the impact on Stakeholders and impact of existing legislation;</p>	<p>13.2: Mysteel has developed written policies and procedures that are considered reasonable and appropriate to address the possibility of benchmark cessation under the following circumstances:</p> <p>13.2.a: Mysteel has developed guidelines for selecting reliable, alternative benchmarks. According to Mysteel's Index Compilation Principles, samples with that are representative, transparency, authenticity and good liquidity will be selected. The new benchmark will be designed to meet the stakeholder's asset/liability needs. It will be invested with transparent transaction data available.</p>	

## Principle 13 – Transition

IOSCO Principle 13	Mysteel's Response	Deloitte's Assessment
<p>13.2.b The practicality of maintaining parallel Benchmarks (e.g., where feasible, maintain the existing Benchmark for a defined period to permit existing contracts and financial instruments to mature and publish a new Benchmark) in order to accommodate an orderly transition to a new Benchmark;</p> <p>13.2.c The procedures that the Administrator would follow in the event that a suitable alternative cannot be identified;</p> <p>13.2.d In the case of a Benchmark or a tenor of a Benchmark that will be discontinued completely, the policy defining the period of time in which the Benchmark will continue to be produced in order to permit existing contracts to migrate to an alternative Benchmark if necessary; and</p>	<p>13.2.b: Mysteel developed the cessation and transition policies and procedures to guarantee the practicality of parallel benchmarks. In the case of cessation and transition, when the stakeholders want to transition to an alternative index, a period of 6 months will be allowed for an orderly transition to the new index.</p> <p>13.2.c: If a suitable alternative is not found, Mysteel will follow the cessation and transition policies and procedures. Mysteel will consult with the stakeholders and issue a minimum of 6 months of cessation notice to the stakeholders on the websites and in the daily report.</p> <p>13.2.d: Mysteel Index Cessation and Transition Policy have defined a period of three to six months in which time the benchmark will continue to be produced in order to allow time for existing contracts to migrate to an alternative benchmark when the benchmark or tenor of the benchmark is to be completely terminated.</p>	

### Principle 13 – Transition

IOSCO Principle 13	Mysteel's Response	Deloitte's Assessment
<p>13.2.e The process by which the Administrator will engage Stakeholders and relevant Market and National Authorities, as appropriate, in the process for selecting and moving towards an alternative Benchmark, including the timeframe for any such action commensurate with the tenors of the financial instruments referencing the Benchmarks and the adequacy of notice that will be provided to Stakeholders.</p>	<p>13.2.e: When selecting alternative benchmarks, Mysteel will fully adopt recommendations from market participants and stakeholders. The stakeholders and relevant authorities will receive adequate notices including the timeframe for Mysteel starting a new benchmark.</p>	



## Principle 14 – Submitter Code of Conduct

IOSCO Principle 14	Mysteel's Response	Deloitte's Assessment
<p>Where a Benchmark is based on Submissions, the following additional Principle also applies:</p> <p>The Administrator should develop guidelines for Submitters ('Submitter Code of Conduct'), which should be available to any relevant Regulatory Authorities, if any and Published or Made Available to Stakeholders.</p>	<p><b><u>Context</u></b></p> <p>Mysteel has a 'Submitter Code of Conduct' for data submitters and regularly reviews its list of data submitters in accordance with its committer review process policy.</p> <p><b><u>Relevant Activities</u></b></p> <p>14.a: Mysteel adheres to the data hierarchy and submitters channel hierarchy when selecting input data. The submitter should provide Mysteel with all the relevant data created on each trade day in accordance with the relevant submission agreements. The submitter should submit the details of every relevant transaction, bid or offer. The submitter should not exercise Expert Judgement or undertake any estimations of prices. Mysteel prefers to receive submissions of data to the index via secured electronic transmission channels. Submitters experiencing issues transferring information through this method may submit the data through alternative methods such as via telephone. Refer to Mysteel Data Hierarchy and Expert Judgement Guidelines.</p>	<p><b><u>PR</u></b></p> <p>We observed that in the Submitter Code of Conduct, Mysteel clearly describes its requirements for submitters, including:</p> <ul style="list-style-type: none"> <li>• Submitter Data Input Procedures;</li> <li>• Submitter Governance Policy;</li> <li>• Conflicts of Interest Arrangements;</li> <li>• Systems and Controls Arrangements;</li> <li>• Benchmark Manipulation Detection Arrangements;</li> <li>• Record-Keeping Management; and</li> <li>• Cooperation with Mysteel and Regulators.</li> </ul>

## Principle 14 – Submitter Code of Conduct

IOSCO Principle 14	Mysteel's Response	Deloitte's Assessment
<p>The Administrator should only use inputs or Submissions from entities that adhere to the Submitter Code of Conduct and the Administrator should appropriately monitor and record adherence from Submitters. The Administrator should require Submitters to confirm adherence to the Submitter Code of Conduct annually and whenever a change to the Submitter Code of Conduct has occurred.</p> <p>The Administrator's oversight function should be responsible for the continuing review and oversight of the Submitter Code of Conduct.</p>	<p>14.b: Mysteel collects transactions, bid and offer data submitted predominantly from major steel mills, large trading companies, end users and spot trading platforms. To ensure the integrity, transparency, and timeliness of the data, Mysteel will categorize the data into a ranking of importance.</p> <p>The sample collection channels for the steel indices are divided into four levels on the hierarchy according to data's source and content.</p> <p>14.c: Mysteel has internal oversight and audit policies and procedures to control the quality of submitters. These include submitter governance policy, conflicts of interest arrangements, systems and controls arrangements and benchmark manipulation detection arrangements.</p>	<p>For 14.a, we have reviewed the Submitter Code of Conduct published by Mysteel, and in the 'Submitter Data Entry Procedure' section, it is explicitly required that the submitter should provide all relevant data to Mysteel on each trading day in accordance with the relevant submission agreement. The submitter shall submit details of each relevant transaction, inquiry or offer. The submitter shall not make an expert judgment or any price estimate. Mysteel prefers to receive data through a secure email. When there is a problem transferring information through this method, the submitter can submit data through other methods, such as by phone.</p> <p>For 14.b, we have reviewed the Submitter Code of Conduct published by Mysteel. In the chapter of 'Submitter Governance Strategy', it is explicitly required that the submitter should inform Mysteel of the name, role, responsibility and contact information of the submitter.</p>

## Principle 14 – Submitter Code of Conduct

IOSCO Principle 14	Mysteel's Response	Deloitte's Assessment
<p>The Submitter Code of Conduct should address:</p> <p>14.a The selection of inputs;</p> <p>14.b Who may submit data and information to the Administrator;</p> <p>14.c Quality control procedures to verify the identity of a Submitter and any employee(s) of a Submitter who reports (s) data or the information and the authorization of such person(s) to report market data on behalf of a Submitter;</p> <p>14.d Criteria applied to employees of a Submitter who are permitted to submit data or information to an Administrator on behalf of a Submitter;</p> <p>14.e Policies to discourage the interim withdrawal of Submitters from surveys or Panels;</p>	<p>14.d: The submitter should put in place internal governance policies to ensure employees hold the appropriate expertise and competency within the submitter to submit data, and are also appropriately trained.</p> <p>The employees involved in the data submission are made aware of this Code of Conduct and have received appropriate training to understand both the code and best market practice. This should be extended to all employees relevant to the data submission to Mysteel.</p> <p>Adequate monitoring, audit, disciplinary and complaint management policies and arrangements are in place. See principle 3.2 of the submitter code of conduct.</p>	<p>For 14.c, we have reviewed the Submitter Code of Conduct published by Mysteel. In the section of 'Benchmark Operation Test Arrangement', it is clearly required that the submitter should make appropriate monitoring to detect and evaluate suspicious data input; the submitter must report to Mysteel any suspicious behavior that attempts to operate or has successfully manipulated any Mysteel index; the submitter should establish a reporting mechanism when there is potential manipulation of the data submitted to calculate the Mysteel index or any other exception occurs during the submission process, it is allowed to report to the corresponding senior staff anonymously, or report to relevant external regulators as appropriate.</p>

## Principle 14 – Submitter Code of Conduct

IOSCO Principle 14	Mysteel's Response	Deloitte's Assessment
<p>14.f Policies to encourage Submitters to submit all relevant data; and</p> <p>14.g The Submitters' internal systems and controls, which should include:</p> <ul style="list-style-type: none"> <li>i. Procedures for submitting inputs, including Methodologies to determine the type of eligible inputs, in line with the Administrator's Methodologies;</li> <li>ii. Procedures to detect and evaluate suspicious inputs or transactions, including inter-group transactions, and to ensure the Bona Fide nature of such inputs, where appropriate;</li> <li>iii. Policies guiding and detailing the use of Expert Judgment, including documentation requirements;</li> <li>iv. Record-keeping policies;</li> </ul>	<p>14.e: Mysteel discourages the interim withdrawal from surveys or panels used to collect submitter data. In order to diminish the risk of interim withdrawal, Mysteel have a temporary exclusion and permanent exclusion of existing submitters policy. Where a submitter causes concern regarding the submitter data quality or consistency, Mysteel will consider whether it is appropriate to temporarily exclude index submissions from the relevant party until an investigation is complete and finalized.</p> <p>14.f: Mysteel endeavors to collect as much data as possible, including trading volume, offers, deal price, asking price, offer price and chemical specifications of samples. Mysteel confirms and analyzes submissions statistically, and encourages all market participants to become submitters to the Mysteel Indices, as more extensive data will ensure an index that reflects the market it serves to measure.</p>	<p>For 14.d, we reviewed the Submitter Code of Conduct published by Mysteel. In the chapter 'Submitter Governance Strategy', it is clearly required that the submitter should develop internal governance policies to ensure the employees who are responsible for submitting data are properly trained and have the necessary professional knowledge and ability.</p> <p>For 14.e, we reviewed the Submitter Code of Conduct published by Mysteel. In the section of 'Submitter Data Input Procedure', it is clearly required that the submitter should always adhere to the submission. There are corresponding procedures to ensure the continuity of submission, and the submission will not be temporarily stopped.</p>

## Principle 14 – Submitter Code of Conduct

IOSCO Principle 14	Mysteel's Response	Deloitte's Assessment
<p>v. Pre-Submission validation of inputs, and procedures for multiple reviews by senior staff to check inputs;</p> <p>vi. Training, including training with respect to any relevant regulation (covering Benchmark regulation or any market abuse regime);</p> <p>vii. Suspicious Submission reporting;</p> <p>viii. Roles and responsibilities of key personnel and accountability lines;</p> <p>ix. Internal sign off procedures by management for submitting inputs;</p> <p>x. Whistleblowing policies (in line with Principle 4); and</p>	<p>14.g: The submitter who provide data to the Mysteel Indices should observe the requirements set out in this Code of Conduct, to ensure the integrity and quality of the data submitted to Mysteel. Mysteel issued the Mysteel submitter code of conduct, a presentation on IOSCO principles and a data submission agreement to the all of the submitters. The submitters are requested to review, sign and return to Mysteel. For the submitters that do not respond in ten business days, Mysteel will issues a second email with the same documents. In this email it is advised that if the submitters continue to provide data to Mysteel then it will be defaulted they have accepted the terms and conditions and are conforming to the policies presented in the submitter code of conduct.</p>	<p>For 14.f, we reviewed the Submitter Code of Conduct published by Mysteel, and in the 'Submitter Data Entry Procedure' section, Mysteel encouraged the submitter to provide all relevant data in its best efforts generated on each trading day to Mysteel in accordance with the submission agreement.</p> <p>For 14.g, we reviewed the agreement made by Mysteel to submit the steel price report to the Shanghai Steel Union, which requires the submitter to establish internal control procedures.</p> <p>1. In section 2.1 of 'Submission Criteria' in the Submitter Code of Conduct, the submitter should provide Mysteel with all the relevant data created on each trading day in accordance with the relevant submissions agreement promptly and to a high standard.</p>

## Principle 14 – Submitter Code of Conduct

IOSCO Principle 14	Mysteel's Response	Deloitte's Assessment
<p>xi. Conflicts of interest procedures and policies, including prohibitions on the Submission of data from Front Office Functions unless the Administrator is satisfied that there are adequate internal oversight and verification procedures for Front Office Function Submissions of data to an Administrator (including safeguards and supervision to address possible conflicts of interests as per paragraphs (v) and (ix) above), the physical separation of employees and reporting lines where appropriate, the consideration of how to identify, disclose, manage, mitigate and avoid existing or potential incentives to manipulate or otherwise influence data inputs.</p>	<p>i. In order to collect quality data, Mysteel has a submission guideline for submitters.</p> <ol style="list-style-type: none"> <li>1. The submitter should provide Mysteel with all the relevant data created on each trade day in accordance with the relevant submissions agreement in a timely manner and to a high standard.</li> <li>2. The submitter should submit the details of every relevant transaction, bid or offer. The submitter should not apply any expert judgement or undertake estimations of prices.</li> <li>3. Mysteel prefers to receive submissions of data into the index via secured electronic transmission channels. Submitters experiencing issues transferring information through this method may submit the data through alternative methods such as via telephone.</li> <li>4. If a submitter encounters any problem with data submitting, they can contact the secure Mysteel index email address: <a href="mailto:msrdex@mysteel.com">msrdex@mysteel.com</a></li> <li>5. Submitters who foresee that they will in part or in whole suspend or terminate contributions to the calculation of the indices, should where possible notify Mysteel at least thirty days before that action takes place.</li> </ol>	<ol style="list-style-type: none"> <li>2. In section 2.2 of 'Submission Criteria' in the Submitter Code of Conduct, the submitter should submit the details of every relevant transaction, bid or offer. The submitter should not apply any expert judgment or undertake estimations of prices.</li> <li>3. In section 2.3 of 'Submission Criteria' in the Submitter Code of Conduct, Mysteel prefers to receive submissions of data into the index via secured electronic transmission channels. Submitters experiencing issues transferring information through this method may submit the data through alternative methods such as via telephone.</li> <li>4. In section 2.4 of 'Submission Criteria' in the Submitter Code of Conduct, if a submitter encounters any problems with submitting data, they can contact the secure Mysteel index email address: <a href="mailto:miodex@Mysteel.com">miodex@Mysteel.com</a></li> </ol>

## Principle 14 – Submitter Code of Conduct

IOSCO Principle 14	Mysteel's Response	Deloitte's Assessment
<p>(whether or not in order to influence the Benchmark levels), including, without limitation, through appropriate remuneration policies and by effectively addressing conflicts of interest which may exist between the Submitter's Submission activities (including all staff who perform or otherwise participate in Benchmark Submission responsibilities), and any other business of the Submitter or any of its affiliates or any of their respective clients or customers.</p>	<p>6. Mysteel expects submitters to be consistent and to have appropriate procedures to ensure continuity of submissions, and therefore not to cease submissions on a temporary basis. See part two of Mysteel submitter code of conduct and the data collection section of the methodology.</p> <p>ii. The submitter should put in place appropriate monitoring and surveillance arrangements to detect and evaluate suspicious data inputs. This includes monitoring of transactions and estimates, to ensure the bona fide nature of such inputs. For inter-group transaction, these indices can't be traded directly in steel spot physical market. They are reference indices for pricing. Therefore, there isn't any inter-group transactions.</p> <p>iii. Mysteel does not wish the submitter to exercise any expert judgement or to undertake estimations of prices. If it is unavoidable that submitters must utilize expert judgement, the submitter should document the indices submission methodology, including articulating eligible data input criteria and the use of expert judgement.</p> <p>iv. The submitter should retain an original record with all contents submitted, keep it for at least 5 years.</p>	<p>5. In section 2.4 of 'Submission Criteria' in the Submitter Code of Conduct, submitters who foresee that they will in part or in whole suspend or terminate contributions to the calculation of the indices, should where possible notify Mysteel at least thirty days before that action takes place.</p> <p>6. In section 2.6 of 'Submission Criteria' in the Submitter Code of Conduct, Mysteel expects submitters to be consistent and to have appropriate procedures to ensure continuity of submissions, and therefore not to cease submissions temporarily.</p> <p>ii. In section 3.5 of 'Benchmark Operation Test Arrangement' in the Submitter Code of Conduct, the submitter should put in place appropriate monitoring and surveillance arrangements to detect and evaluate suspicious data inputs. This includes monitoring of transactions and estimates, to ensure the bonafide nature of such inputs.</p>

## Principle 14 – Submitter Code of Conduct

IOSCO Principle 14	Mysteel's Response	Deloitte's Assessment
	<p>For more details, refer to the Mysteel submitter code of conduct which has been issued to all submitters to Mysteel.</p> <p>v. To ensure the smooth operation and the accuracy of the Mysteel steel indices, Mysteel ask submitters to conduct pre-Submission validation of inputs, and establish procedures for reviews by senior employee to check inputs and ensure they are correct, every wrong input would be record in file.</p> <p>vi. Employees hold the appropriate expertise and competency within the submitter to submit data, and are appropriately trained. The employees involved in the submission of data are made aware of this Code of Conduct and have received appropriate training to understand both the Code of Conduct and best market practice. This should be extended to all employees if relevant. Refer to 3.2 of Mysteel submitter code of conduct.</p> <p>vii. The submitter should put in place appropriate monitoring and surveillance arrangements to detect and evaluate suspicious data inputs. This includes monitoring of transactions and estimates, to ensure the bona fide nature of such inputs.</p> <p>viii. Accountability mechanisms such as a complaints process, documentation requirements and audit reviews. See 1.1.4 of Mysteel submitter code of conduct.</p>	<p>iii. In section 4.1 of 'Record Management ' in the Submitter Code of Conduct, Mysteel does not wish the submitter to exercise any expert judgment or to undertake estimations of prices. If it is unavoidable that submitters must utilize expert judgment, the submitter should document the indices submission methodology, including articulating eligible data input criteria and the use of expert judgment.</p> <p>iv. In section 4.2 of 'Record Management ' in the Submitter Code of Conduct, The submitter should retain an audit trail recording all submissions, including hard copy and electronic records, for a minimum of five years.</p>



## Principle 14 – Submitter Code of Conduct

IOSCO Principle 14	Mysteel's Response	Deloitte's Assessment
	<p>ix. The submitter should inform Mysteel of the names, roles, responsibilities and contact details of the senior officer responsible for the submitter's data submission process, and of any officer authorized to sign off and send the submitter's submission. For more detail refer to the Mysteel submitter code of conduct which has been issued to all submitters to Mysteel.</p> <p>x. The submitter should establish whistleblowing mechanism that allow the anonymous reporting of potential manipulation of data submitted for the calculation of the Mysteel Indices, or any other irregularity arising from the submission process, to an appropriate senior employee and where appropriate, externally to relevant regulatory authorities. For more detail refer to the Mysteel submitter code of conduct which has been issued to all submitters to Mysteel.</p>	<p>v. In section 3.5 of 'Benchmark Operation Test Arrangement' in the Submitter Code of Conduct, To ensure the smooth operation and the accuracy of the Mysteel Steel Indices, Mysteel asks submitters to conduct pre-Submission validation of inputs, and establish procedures for reviews by a senior employee to check inputs and ensure they are correct.</p> <p>vi. In section 3.2 of 'The Submitter Management Strategy' in the Submitter Code of Conduct, Employees hold the appropriate expertise and competency within the submitter to submit data and are appropriately trained. The employees involved in the submission of data are made aware of this Code of Conduct and have received appropriate training to understand both the Code of Conduct and the best market practice. This should be extended to all employees if relevant.</p>

## Principle 14 – Submitter Code of Conduct

IOSCO Principle 14	Mysteel's Response	Deloitte's Assessment
	<p>xi. The submitter should put in place effective arrangements to manage any conflicts of interest that may arise from the submission process. Examples of arrangements that may give rise to conflicts of interest include:</p> <ul style="list-style-type: none"> <li>- Lack of physical separation between employees involved in the submitting process and the trading desk;</li> <li>- Remuneration policies which might directly or indirectly incentivize employees to influence or manipulate submissions;</li> <li>- Segregation of duties which may lead to employees inappropriately influencing the data submitted.</li> <li>- Employees dealing/participating in the markets from which data is submitted to Mysteel.</li> </ul> <p>For more detail refer to the Mysteel submitter code of conduct which has been issued to all submitters to Mysteel.</p>	<p>vii. In section 3.5 of 'Benchmark Operation Test Arrangement' in the Submitter Code of Conduct, the submitter should put in place appropriate monitoring and surveillance arrangements to detect and evaluate suspicious data inputs. This includes monitoring of transactions and estimates, to ensure the true nature of such inputs.</p> <p>viii. In section 3.2.3 of 'The Submitter Management Strategy' in the Submitter Code of Conduct, accountability mechanisms such as a complaints process, documentation requirements, and audit reviews.</p>

## Principle 14 – Submitter Code of Conduct

IOSCO Principle 14	Mysteel's Response	Deloitte's Assessment
		<p>ix. In section 3.1 of 'The Submitter Management Strategy' in the Submitter Code of Conduct, the submitter should inform Mysteel of the names, roles, responsibilities and contact details of the senior officer responsible for the submitter's data submission process, and of any officer authorized to sign off and send the submitter's submission. For more detail refer to the Mysteel Submitter Code of Conduct which has been issued to all submitters to Mysteel.</p> <p>x. In section 3.7 of 'Benchmark Operation Test Arrangement' in the Submitter Code of Conduct, the submitter should establish whistleblowing arrangements that allow the anonymous reporting of potential manipulation of data submitted for the calculation of the Mysteel Indices, or any other irregularity arising from the submission process, to an appropriate senior employee and where appropriate, externally to relevant regulatory authorities.</p>

## Principle 14 – Submitter Code of Conduct

IOSCO Principle 14	Mysteel's Response	Deloitte's Assessment
		<p>xi. In section 3.3 of 'Conflict of Interest Arrangements ' in the Submitter Code of Conduct, the submitter should put in place effective arrangements to manage any conflicts of interest that may arise from the submission process. Examples of arrangements that may give rise to conflicts of interest include:</p> <ul style="list-style-type: none"> <li>• Lack of physical separation between employees involved in the submitting process and the trading desk;</li> <li>• Remuneration policies which might directly or indirectly incentivize employees to influence or manipulate submissions;</li> <li>• Segregation of duties which may lead to employees inappropriately influencing the data submitted;</li> <li>• Employees dealing/participating in the markets from which data is submitted to Mysteel.</li> </ul>

## Principle 14 – Submitter Code of Conduct

IOSCO Principle 14	Mysteel's Response	Deloitte's Assessment
		<p><u>PIC</u></p> <p>We observed that Submitter Code of Conduct has not been updated in 2021.</p> <p>We observed that in the daily process of benchmark determination, the Index Team conducts the validation of submissions. Senior analysts in the Index Team review the quality of submissions, which has been covered in Principle 15. If they find some abnormal data, they will consult with other sources and decide whether to remove these submissions.</p> <p>We obtained copies of Agreements between Mysteel and its submitters and observed that to ensure the quality of submissions, Mysteel has already sent Submitter Code of Conduct and Submitter Training policies to its submitters and observed that its submitters agreed to accept and perform requirements that set up by the Mysteel.</p>

## Principle 15 – Internal Controls over Data Collection

IOSCO Principle 15	Mysteel's Response	Deloitte's Assessment
<p>When an Administrator collects data from any external source the Administrator should ensure that there are appropriate internal controls over its data collection and transmission processes. These controls should address the process for selecting the source, collecting the data and protecting the integrity and confidentiality of the data. Where Administrators receive data from employees of the Front Office Function, the Administrator should seek corroborating data from other sources.</p>	<p><b><u>Relevant Activities</u></b></p> <p>Mysteel strictly controls the submissions from external sources and the data collection process, and only considers transactions, offers and bids that follow standard contract terms. Mysteel collects the submitted trade price, and also any significant additional information, including payment, logistics and eventual delivery timing of the product. For the purpose of internal control, all index analysts involved in data collection will be provided extensive training. The daily process of collecting and documenting submissions that contribute to the index, is reviewed and approved by a senior analyst in order to protect data integrity and confidentiality.</p>	<p><b><u>PR</u></b></p> <p>We observed that in the Submitter Code of Conduct, Mysteel clearly describes its requirements for the collection of data from any external sources.</p> <p><b><u>PIC</u></b></p> <p>We observed that Mysteel sent Submitter Training Policies to its submitters annually.</p> <p>We obtained a sample of data collected from external sources and observed that it complies with data requirements set up in the internal Methodology. Also, to protect the reliability and confidentiality of the data, senior analysts of the Index team review the data collected from external sources during the daily benchmark decision review process.</p>

## Principle 15 – Internal Controls over Data Collection

IOSCO Principle 15	Mysteel's Response	Deloitte's Assessment
	<p>Mysteel index team have access to data from Banksteel trading platform via emails with the content of actual transaction information. These information include time, buyer information, and contact ID, products grade and specification, steel mills, place of delivery ,deal price, transaction volume etc., Mysteel will filter all the data received and elected those data that meets the requirements of index methodology. All of these processes will be well marked and saved. Furthermore, Mysteel will also verify and judge the data to alleviate the impact of abnormal transaction on the index. This process will be properly marked and saved as well. Mysteel index team is dedicated to collecting data for all participants who can reflect the market.</p>	<p>We also obtained data samples collected from Mysteel's spot trading platform of steel and silver and checked them. We note that senior analysts in the index group have reviewed these internal data. The data collected by the spot trading platform of steel and silver is the actual transaction price of the buyer and the seller in the steel market on the spot trading platform of steel and silver. These actual transactions include transaction time, seller, contract number, specification, material, steel plant, delivery place, transaction price, transaction weight, and other details.</p>

## Principle 16 – Complaints Procedures

IOSCO Principle 16	Mysteel's Response	Deloitte's Assessment
<p>The Administrator should establish and Publish or Make Available a written complaints procedures policy, by which Stakeholders may submit complaints including concerning whether a specific Benchmark determination is a representative of the underlying Interest it seeks to measure, applications of the Methodology in relation to a specific Benchmark determination(s) and other Administrator decisions in relation to a Benchmark determination.</p> <p>The complaints procedures policy should:</p> <p>16.a Permit complaints to be submitted through a user-friendly complaints process such as an electronic Submission process;</p>	<p><b><u>Relevant Activities</u></b></p> <p>16.a Mysteel has established a "Complaints" section on both the English and Chinese websites that is easy to use and accessible to all without needing to log on to the website. The complaints section provides an email address and a physical address for complaints to be made in writing. The Mysteel complaints policy is also freely available to download. The below is the text from the English website, the Chinese website has a direct translation.</p> <p>Mysteel Indices Complaints Policy: Mysteel strives to provide high quality indices to the market. We are committed to transparency, collection of high-quality data and following our robust methodologies and procedures.</p> <p>If market participants would like to provide feedback, report an error or complaint please use the below email address. The Mysteel complaints policy is also available to download here.</p> <p>All complaints must be made in writing.</p> <p>Email: <a href="mailto:complaints@mysteel.com">complaints@mysteel.com</a></p>	<p>We observed that Mysteel has policies for dealing with complaints and disputes, which are made available to its stakeholders.</p> <p><b><u>PR</u></b></p> <p>For 16.a, we observed that Mysteel has set up a web link called 'complaint and supervision' on English and Chinese websites. The 'complaint and supervision' link provides an email address, which allows users to submit complaints.</p> <p>For 16.b, we obtained a complaint policy and observed that Mysteel clearly explained its procedures for handling complaints. The policy includes the procedures for receiving and investigating complaints about the index decision-making process in a timely and fair manner, isolating any person who may or may be involved in the complaints, and providing opinions on the investigation results to the complainants and other relevant persons within a reasonable period of time and keeping all records of the complaints.</p>



## Principle 16 – Complaints Procedures

IOSCO Principle 16	Mysteel's Response	Deloitte's Assessment
<p>16.b Contain procedures for receiving and investigating a complaint made about the Administrator's Benchmark determination process on a timely and fair basis by personnel who are independent of any person who may be or may have been involved in the subject of the complaint, advising the complainant and other relevant parties of the outcome of its investigation within a reasonable period and retaining all records concerning complaints;</p> <p>16.c Contain a process for escalating complaints, as appropriate, to the Administrator's governance body; and</p>	<p>Address: 7th Floor (A65), Shanghai Ganglian E-Commerce Holdings Co., Ltd, 68 Yuanfeng Road, Baoshan District, Shanghai, 200444, P.R. China.</p> <p>16.b: In the Mysteel Complaints policy there is a section titled Complaint Process and Complaint Handling which details the procedure for receiving and investigating a complaint made about the Mysteel Benchmark determination process. The complaint will be investigated in a timely and fair basis by personnel who are independent of any personnel who may be or may have been involved in the subject of the complaint. The independent person will advise the complainant and other relevant parties of the outcome of its investigation within a period stated in the policy and retaining all records concerning complaints for a minimum of five years. If there is a change in the Indices because of the complaint this will be published on the English and Chinese websites as a "Subscriber Note" (mysteel.net and mysteel.com). Mysteel has already established compliance department and has recruited for a newly created a compliance Manager who perform his duties as an independent employee. unrelated to the benchmark determination team.</p> <p>16.c: In the Mysteel Complaints policy there is a section titled COMPLAINT HANDLING which details how a complaint can be escalated, as appropriate, to the administrations governance body (the Index Management Committee).</p>	<p>For 16.c, we obtained a complaint policy and observed that Mysteel clearly explained its procedures for handling complaints in this policy. The policy includes procedures to escalate complaints to management's governing body.</p> <p>For 16.d, we obtained a complaint policy and observed that Mysteel explicitly require that all documents related to the complaint, including the documents submitted by the complainant and the records of the manager, to be kept for at least five years.</p> <p>For 16.e, we obtained a complaint handling process and observed that Mysteel has stated the dispute procedures (informal complaints) of index decision-making in this policy, and the manager refers to their appropriate standard procedures for resolution.</p> <p><b><u>PIC</u></b></p> <p>For 16.a, we observed that on <a href="https://www.mysteel.com/feedback/index.html">https://www.mysteel.com/feedback/index.html</a>, Mysteel provides a</p>

## Principle 16 – Complaints Procedures

IOSCO Principle 16	Mysteel's Response	Deloitte's Assessment
<p>16.d Require all documents relating to a complaint, including those submitted by the complainant as well as the Administrator's own record, to be retained for a minimum of five years, subject to applicable national legal or regulatory requirements.</p> <p>16.e Disputes about a Benchmarking determination, which are not formal complaints, should be resolved by the Administrator by reference to its standard appropriate procedures. If a complaint results in a change in a Benchmark determination, that should be Published or Made Available to Subscribers and Published or Made Available to Stakeholders as soon as possible as set out in the Methodology.</p>	<p>16.d: In line with IOSCO compliance Mysteel will retain all documents relating to a complaint, including those submitted by the complainant as well as Mysteel's own records, for a minimum of five years, subject to applicable national legal or regulatory requirements. In the Index team shared cloud drive there is an area named: complaint and suggestion, all the documents that related to the complaint will be retained.</p> <p>16.e: If Mysteel receives disputes that are related to benchmarking determination, which are not formal complaints. Mysteel will refer the dispute to the Index Management Committee to be addressed with reference to the Mysteel Complaints procedure. If after investigation the complaint results in a change in a Benchmark determination, Mysteel will publish a "Subscriber Note" as soon as possible to the English and Chinese websites and the English and Chinese daily MIODEX report. Both subscribers and stakeholders will be able to access and search for the note on the website for a minimum of five years.</p>	<p>specific e-mail address for complaints.</p> <p>For 16.b, we obtained a complaints register and observed that all documents relating to complaints are stored in this complaints register, and an independent person who may be or may have been involved in the subject to the complaints is in charge of dealing with these complaints and queries.</p> <p>For 16.c, we checked the related policy which states the complaints escalation.</p> <p>For 16.d, Since IOSCO compliance-related implementation began in September 2019, Mysteel does not have five years of compliant documentation. However, since September 2019, the Mysteel team is collecting relevant complaint details and keeping them on a secure cloud disk in time.</p> <p>For 16.e, Mysteel is handling disputes by a similar procedure to complaints and covered by the requirements in Mysteel Complaints procedure.</p>

## Principle 17 – Audits

IOSCO Principle 17	Mysteel's Response	Deloitte's Assessment
<p>The Administrator should appoint an independent internal or external auditor with appropriate experience and capability to periodically review and report on the Administrator's adherence to its stated criteria and with the Principles.</p> <p>The frequency of audits should be proportionate to the size and complexity of the Administrator's operations.</p>	<p><b><u>Context</u></b></p> <p><b>EXTERNAL AUDITS</b></p> <p>Mysteel appointed Deloitte as the external auditor in early 2018 to review and report on the administrator's adherence to its stated criteria and with the principles. Deloitte have experience across the globe as an auditor of the IOSCO principles for global benchmarks. The audit will be conducted by the external company on an annual basis which is proportionate to the size and complexity of the administrator's benchmark operations and the breadth and depth of benchmark use by stakeholders.</p>	<p><b><u>PR</u></b></p> <p>Mysteel has documented the internal and external periodical audit review, the corresponding frequency and timing in their audit policy.</p> <p>The newly hired Compliance Manager will work with the internal audit department to conduct the internal audit each year.</p>

## Principle 17 – Audits

IOSCO Principle 17	Mysteel's Response	Deloitte's Assessment
<p>Where appropriate to the level of existing or potential conflicts of interest identified by the Administrator (except for Benchmarks that are otherwise regulated or supervised by a National Authority other than a relevant Regulatory Authority), an Administrator should appoint an independent external auditor with appropriate experience and capability to periodically review and report on the Administrator's adherence to its stated Methodology. The frequency of audits should be proportionate to the size and complexity of the Administrator's Benchmark operations and the breadth and depth of Benchmark use by Stakeholders.</p>	<p><b>INTERNAL AUDITS</b></p> <p>Mysteel will conduct an internal audit on an annual basis. The internal audit for 2020 has been completed, which is in the charge of the compliance manager of Mysteel. Mysteel compliance manager is based in Singapore office and will report directly to the CEO of Mysteel to ensure that the Compliance Manager is completely separate from the index function and will have independence from any influence. Compliance Manager will have their own separate office in Singapore, allowing a</p> <p>"Chinese wall" to ensure they are not exposed to information that may influence them and also ensuring they have the privacy to conduct investigations and audits in a confidential manner. The main responsibilities of the compliance manager and IOSCO audit are as follows:</p> <ul style="list-style-type: none"> <li>• Assist and maintain IOSCO's documentation and process specifications.</li> <li>• Lead internal departments to execute processes, implement policies and IOSCO compliance.</li> <li>• Regular internal audits of IOSCO compliance, working with the index business unit to continuously improve systems and processes, advance automation and reporting.</li> </ul>	<p><b><u>PIC</u></b></p> <p>We obtained the PPT of Mysteel Index Management Committee's Chairman roadshow, which clearly stated that Mysteel hired a Compliance Manager to be responsible for the internal audit of various indices of Mysteel, and reported directly to the CEO to ensure its independence.</p> <p>We have observed that since the implementation of compliance related to the Steel Price Index IOSCO started in September 2019, the internal audit of the Steel Price Index has not been carried out yet, and the internal audit of the Steel Price Index will be carried out every year after the first assurance.</p>

## Principle 17 – Audits

IOSCO Principle 17	Mysteel's Response	Deloitte's Assessment
<p>Where appropriate to the level of existing or potential conflicts of interest identified by the Administrator (except for Benchmarks that are otherwise regulated or supervised by a National Authority other than a relevant Regulatory Authority), an Administrator should appoint an independent external auditor with appropriate experience and capability to periodically review and report on the Administrator's adherence to its stated Methodology. The frequency of audits should be proportionate to the size and complexity of the Administrator's Benchmark operations and the breadth and depth of Benchmark use by Stakeholders.</p>	<ul style="list-style-type: none"> <li>• Manage relationships between regulators and auditors, keep abreast of the latest situation and advise on business regulatory changes.</li> <li>• Lead development and implementation of business continuity testing, disaster recovery plans, and establishment and maintenance of risk registers.</li> <li>• Lead formal complaint investigations and manage complaint mailboxes.</li> <li>• Provide compliance training across the enterprise.</li> <li>• Provide advice to the Mysteel management team on major compliance issues related to Mysteel and identify the resources needed for Mysteel to develop and maintain an effective compliance program.</li> </ul> <p>Mysteel also has an independent audit department to assist compliance managers in conducting audits.</p>	

## Principle 18 – Audit Trail

IOSCO Principle 18	Mysteel's Response	Deloitte's Assessment
<p>18.1 Written records should be retained by the Administrator for five years, subject to applicable national legal or regulatory requirements on:</p> <p>18.1.a All market data, Submissions and any other data and information sources relied upon for Benchmark determination;</p> <p>18.1.b The exercise of Expert Judgment made by the Administrator in reaching a Benchmark determination;</p> <p>18.1.c Other changes in or deviations from standard procedures and Methodologies, including those made during periods of market stress or disruption;</p> <p>18.1.d The identity of each person involved in producing a Benchmark determination; and</p>	<p><b><u>Relevant Activities</u></b></p> <p>18.1.a: All Market data, submissions and any other source information relied upon for Benchmark determination are stored on the secure cloud drive set up specifically for the Index Team. All submissions submitted to Mysteel via email go to a secure inbox -msrdex@mysteel.com and the emails will be kept for a minimum of 5 years. Any other information supplied to the Index Team by phone is recorded in a secure note-taking system. Any submissions submitted by WeChat will be recorded and the WeChat conversations will be downloaded and stored every month for record-keeping and audit purposes.</p> <p>18.1.b: Mysteel has developed Data Hierarchy and Expert Judgment Guidelines. All expert judgments will be strictly implemented in accordance with the policy document and submitted for review at the IMC meeting.</p>	<p><b><u>PR</u></b></p> <p>For 18.1, we obtained a copy of policies for Record Keeping and Audit Trail, and observed that Mysteel clearly states its requirements on audit trails of the below items: in its chapter 'Data Submission Process', Mysteel explicitly requires to keep records of all market data, submissions and any other data and information sources used for index determination for at least five years; in its chapter 'Data Filtering, Data Normalization and Use of Expert Judgment', Mysteel explicitly requires to keep applications of expert judgment for at least five years; in its chapter 'Records and Audit'; in its chapter 'Scope of the Records and Audit Traceability Framework', Mysteel explicitly requires the preservation of any changes or departures from standard procedures and methodologies, including information on any other changes made under market pressure or during interruptions, for at least five years;</p>

## Principle 18 – Audit Trail

IOSCO Principle 18	Mysteel's Response	Deloitte's Assessment
<p>18.1.e Any queries and responses relating to data inputs.</p> <p>If these records are held by a Regulated Market or Exchange the Administrator may rely on these records for compliance with this Principle, subject to appropriate written record sharing agreements.</p>	<p>18.1.c: As stated in the "Mysteel managing extreme events" policy. In a situation where there is market stress or market disruption the Mysteel policy: Mysteel Managing Extreme Events Template must be used. The template defines the documenting and recording of the event throughout the process, including the issue, solution proposed and date and time in which each decision was made and the names of persons responsible for the decision should be recorded. This procedure will be followed and all details will be recorded in the template. The internal methodology details the process the index team will follow in calculating the index in times of market stress or disruption or whether it is necessary to republish the previous day's index. All times of incidents/actions, people involved and decisions will be recorded throughout.</p> <p>18.1.d: The identity of the person involved in producing the benchmark, as well as the senior analyst that checks and approves the index determination are recorded daily in the Mysteel Steel Index diary.</p>	<p>in its chapter ' Scope of the Records and Audit Traceability Framework ', Mysteel explicitly requires the preservation of everyone involved in benchmarking decisions; in its chapter ' Scope of the Records and Audit Traceability Framework ', Mysteel explicitly requires that any queries and responses related to the input data be kept for at least five years.</p> <p><b><u>PIC</u></b></p> <p>For 18.1, We have observed that Mysteel has retained the index calculation data on which its benchmark decisions are based for more than five years. In addition, Mysteel has retained information on changes or modifications to its standard procedures and Methodology.</p>

## Principle 18 – Audit Trail

IOSCO Principle 18	Mysteel's Response	Deloitte's Assessment
<p>18.2 When a Benchmark is based on Submissions, the following additional Principle also applies: Submitters should retain records for five years subject to applicable national legal or regulatory requirements on:</p> <p>18.2.a The procedures and Methodologies governing the Submission of inputs;</p> <p>18.2.b The identity of any other person who submitted or otherwise generated any of the data or information provided to the Administrator;</p> <p>18.2.c Names and roles of individuals responsible for Submission and Submission oversight;</p>	<p>18.1.e: All queries and responses related to data inputs or any other query related to the Index are recorded in the "MSDEX Performance Stats" which is stored on the shared drive for a minimum of 5 years. Each of the queries are given a unique ID so that Mysteel can track the query and the response, ensuring it was resolved in a clear and transparent manner.</p> <p>18.2.a: The submitter code of conduct, data submitter agreement, training presentation all govern the submission of inputs to Mysteel. All documentation is stored on the secure cloud drive for a minimum of 5 years. All communication with submitters related to the procedures and submitter code of conduct is stored in the private email inbox :msrdex@mysteel.com.</p>	<p>We sampled Mysteel's calculations for the tenth and last of each month in 2021, as well as for four holidays: Chinese New Year, National Day, May Day and December 24, and recalculated. We observed that the real result of the recalculation was consistent with the result of Mysteel's calculation (expected value).</p> <p>However, for other information referred below, Mysteel has retained these data for less than five years:</p> <p>(i) the exercise of Expert Judgement made by the Administrator in reaching a Benchmark determination;</p> <p>(ii) the identity of each person involved in producing a Benchmark determination; and</p> <p>(iii) any queries and responses relating to data inputs;</p> <p>(iv) records on interactions of processes of inputs submissions and collections (through various ways).</p>



## Principle 18 – Audit Trail

IOSCO Principle 18	Mysteel's Response	Deloitte's Assessment
<p>18.2.d Relevant communications between submitting parties;</p> <p>18.2.e Any interaction with the Administrator;</p> <p>18.2.f Any queries received regarding data or information provided to the Administrator;</p> <p>18.2.g Declaration of any conflicts of interests and aggregate exposures to Benchmark related instruments;</p> <p>18.2.h Exposures of individual traders/desks to Benchmark related instruments in order to facilitate audits and investigations; and</p>	<p>18.2.b: The meeting notes system, emails, WeChat and the daily calculation sheet all record the data that is submitted to Mysteel. All Mysteel desk phones in Shanghai are recorded to allow conversations to be monitored for content and used for audit purposes. Mysteel is working with the IT department to improve internal systems for all methods of communication to ensure data is recorded accurately and to reduce manual activities as far as possible. Mysteel details in the internal methodology that regardless of the communication method, notes must be recorded for the conversation with the submitter. Even if a call attempt has been made, but there is no answer, the analysts must recorded the interaction. Details of requirements are below:</p> <ul style="list-style-type: none"> <li>- Information from email are stored in the MSDEX email inbox: msrdex@mysteel.com. This is a secure inbox that only the index team have access.</li> <li>- For the WeChat conversations, Mysteel will archive these conversations by downloading the conversation history and storing on the secure shared drive.</li> </ul>	<p><b><u>PR</u></b></p> <p>For 18.2.a, we obtained the Submitter Code of Conduct. In its chapter 'Records Management', Mysteel clearly described that the submitter should keep records of the procedures and methodology for managing the submission of input data for at least five years.</p> <p>For 18.2.b, we obtained the Submitter Code of Conduct. In its chapter 'Records Management', Mysteel clearly described that the submitter should keep records of the identity of the person who submitted or integrated data to the manager for at least five years.</p> <p>For 18.2.c, we obtained the Submitter Code of Conduct. In its chapter 'Records Management', Mysteel clearly described that the submitter should keep records of the names and roles of the personnel responsible for submission and submission supervision for at least five years.</p>

## Principle 18 – Audit Trail

IOSCO Principle 18	Mysteel's Response	Deloitte's Assessment
<p>18.2.i Findings of external/internal audits, when available, related to Benchmark Submission remedial actions and progress in implementing them.</p>	<p>Notes must include the following:</p> <ul style="list-style-type: none"> <li>Mysteel name of analyst</li> <li>Date</li> <li>Time</li> <li>Name of source</li> <li>Company source works for Position</li> <li>Details of call <ul style="list-style-type: none"> <li>- any heard transactions, bids or offers details</li> <li>- including variety, brand, specification, material, volume and price.</li> <li>- Indication of sentiment</li> <li>- What does the source think of the market now?</li> <li>- What does the source think of the price? whatever is relevant to the product the source is trading/dealing in</li> <li>- Anything interesting happening in the market that the source will share?</li> <li>- Any quotes from sources that can be used in the commentary at the end of the day?</li> </ul> </li> </ul>	<p>For 18.2.d, we obtained the Submitter Code of Conduct. In its chapter 'Records Management', Mysteel clearly described that the submitter should keep records of relevant communication between the submitter for at least five years.</p> <p>For 18.2.e, we have obtained the Submitter Code of Conduct. In its chapter 'Records Management', Mysteel clearly describes that the submitter shall keep any interaction records between the submitter and the manager for at least five years.</p> <p>For 18.2.f, we obtained the Submitter Code of Conduct. In its chapter 'Records Management', Mysteel clearly described that the submitter should keep the records of any queries received about the data or information provided to the manager for at least five years.</p>

## Principle 18 – Audit Trail

IOSCO Principle 18	Mysteel's Response	Deloitte's Assessment
	<p>18.2.c: Mysteel has a comprehensive list of all of the individuals that submit data and from which company. Mysteel Index team meets face to face with the main submitters regularly, not only the person who submits data but also their manager/general manager of the steel departments. Within Mysteel the Senior Analysts are responsible for the daily monitoring of submitters, with oversight from the Head of Indices and the Internal Management Committee.</p> <p>18.2.d: Any communication between Mysteel and submitters is done using the msrdex@mysteel.com email address - All emails will be archived annually and kept for 5 years on the secure shared drive.</p> <p>18.2.e: Any interaction with the administrator is done using the msrdex@mysteel.com or SECRETARY_IMC@mysteel.com email addresses. All emails will be archived annually and kept for 5 years on the shared drive.</p>	<p>For 18.2.g, we obtained the Submitter Code of Conduct. In its chapter 'Records Management', Mysteel clearly described that the submitter should keep records of the statement of any conflict of interest and the overall disclosure of benchmark related instruments for at least five years.</p> <p>For 18.2.h, we obtained the Submitter Code of Conduct. In its chapter 'Records Management', Mysteel clearly described that the submitter should keep the records of the traders/trading desks who contact the benchmark related products for at least five years.</p> <p>For 18.2.i, we obtained the Submitter Code of Conduct. In its chapter 'Records Management', Mysteel clearly described that the submitter should keep records of the results of external and internal audits related to the remedial measures and implementation progress of benchmark submission for at least five years.</p>

## Principle 18 – Audit Trail

IOSCO Principle 18	Mysteel's Response	Deloitte's Assessment
	<p>18.2.f: All queries and responses related to data inputs or any other information provided to the administrator are recorded in the "MSDEX index diary " which is stored on the shared drive for a minimum of 5 years. Each of the queries are given a unique ID so that Mysteel can monitor the query, response and resolution in a clear and transparent manner.</p> <p>18.2.g:  <b>Conflict of Interest of the Submitter.</b>            In the Mysteel principles for achieving compliant record keeping audit trail there is a section that states that submitters must declare any conflicts of interest and aggregate exposures to benchmark related instruments. Below is the detail from the policy. As the benchmark is based on submissions it is important to communicate to submitters that it is essential, they retain records for five years on conflict of interests. This includes the register and declaration of any conflicts. If Mysteel has to conduct an investigation on a submitter, Mysteel must record the details of the investigation in the index team secure shared drive and stored for audit purposes for a minimum of five years.</p>	

## Principle 18 – Audit Trail

IOSCO Principle 18	Mysteel's Response	Deloitte's Assessment
	<p>18.2.h: In the Submitter Code of Conduct which is issued to submitters annually, it states that submitters must adhere to the following:</p> <p>4.2.7 Declaration of any conflicts of interests and aggregate exposures to Mysteel Index-related instruments;</p> <p>4.2.8 Exposures of individual traders/desks to indices-related instruments;</p> <p>4.2.9 Findings of external/internal audits, when available, to submission remedial actions and progress in implementing them.</p> <p>5.1 Submitters must cooperate with Mysteel or any regulatory authority in the course of an investigation relating to the Mysteel Indices. Firms submitting data must promptly provide records upon request.</p>	

## Principle 18 – Audit Trail

IOSCO Principle 18	Mysteel's Response	Deloitte's Assessment
	<p>18.2.i: Mysteel is committed to providing a high-quality service to all Index users and stakeholders and will ensure that audits are carried out regularly both internally and by an external auditor. When feedback is received from the internal or external auditors, the Index Management Committee (IMC) will meet, discuss and approve remedial actions. The Index Team will use the audit results to review their processes and procedures and improve them, taking into account all comments. Progress will be documented and presented to the IMC at the following meeting for approval and sign off, ensuring all feedback has been addressed.</p>	

## Principle 19 – Cooperation with Regulatory Authorities

IOSCO Principle 19	Mysteel's Response	Deloitte's Assessment
<p>Relevant documents, Audit Trails and other documents subject to these Principles shall be made readily available by the relevant parties to the relevant Regulatory Authorities in carrying out their regulatory or supervisory duties and handed over promptly upon request.</p>	<p><b><u>Context</u></b></p> <p>Mysteel stores all of the documents related to the index's compilation on a secure cloud drive that has restricted access. The indices data, policies and any related documents are all stored in this location for a minimum of five years. If there are any situations where regulatory or supervisory authorities need to access any of Mysteel's data or policies, Mysteel will be fully cooperative and will respond in a prompt manner.</p> <p><b>RECORD KEEPING AND AUDIT TRAILS</b></p> <p>For the purpose of supporting the audit process written records will be retained by Mysteel for a minimum of five years, related to the indices on the following areas:</p> <ul style="list-style-type: none"> <li>• All market data, submissions, any other data and information relied upon for benchmark determination</li> <li>• The exercise of expert judgement</li> <li>• Other changes or deviations made by Mysteel from standard procedures and methodologies, including those made in market stress or disruption</li> <li>• Any queries or responses relating to data inputs</li> <li>• Any complaints, details of investigations and responses by Mysteel plus remedial actions</li> <li>• Submitter notes issued to the market for any reason</li> </ul>	<p><b><u>PR</u></b></p> <p>We note that in the cooperation policy with the supervisory and regulatory authorities, Mysteel has clarified that it will disclose to the relevant Chinese supervisory and regulatory authorities the relevant information received and generated by the company in the process of managing and operating the Mysteel Steel Price Index. We observe that Mysteel has maintained relevant documentation, audit trails and other documents subject to this Code for review by the relevant regulators.</p>

## Section VII References

This section lists references for Mysteel's responses, including both policies and documents (like working files, meeting notes, samples, etc.), as shown in Section V of this report.

Principle ID	References
<b>Principle 1</b>	<ul style="list-style-type: none"> <li>• External Methodology of Steel Price Index</li> <li>• Internal Methodology of Steel Price Index</li> <li>• Index and Benchmark Management Control Framework Overview</li> <li>• Extreme Event Management Policy</li> <li>• Steel Index training materials</li> <li>• Invitation letter from an external consulting group</li> <li>• Introduction to Mysteel Index Management Committee</li> <li>• Introduction to the terms of reference of the Mysteel external advisory group</li> </ul>
<b>Principle 2</b>	<ul style="list-style-type: none"> <li>• Third-Party Management Policy</li> </ul>
<b>Principle 3</b>	<ul style="list-style-type: none"> <li>• Conflicts of Interest Policy</li> <li>• Conflict of Interest Declaration Letter</li> <li>• Conflicts of Interest Internal Control Process</li> <li>• Conflicts of Interest Register</li> <li>• Personal Trading Account Policy</li> <li>• Gifts and Entertainment Policy</li> <li>• Submitter Code of Conduct</li> <li>• Organizational Structure of the Index Department</li> <li>• Reporting Lines of the Index Department</li> <li>• Screenshots of Continuity Plan and Internal Training of Continuity Plan</li> <li>• Data Submission Agreement</li> <li>• The monthly salary of Index Team members</li> <li>• Internal index encrypted network disk and its encrypted screenshot</li> <li>• Calculation Table of Shanghai Rebar Price Index</li> <li>• Calculation Table of Shanghai Hot Rolled Coil Price Index</li> </ul>



Principle ID	References
<b>Principle 4</b>	<ul style="list-style-type: none"> <li>• Submitter Review Process Policy</li> <li>• Submitter Code of Conduct</li> <li>• Conflicts of Interests Policy</li> <li>• Conflicts of Interests Register</li> <li>• Mysteel Steel Index Internal Methodology</li> <li>• Mysteel Steel Index External Methodology</li> <li>• Information Quality Management Committee Charter</li> <li>• Disclosure to Complainants</li> <li>• Complaint Policy</li> <li>• Complaint Handling Procedures</li> <li>• Control Framework for Index and Benchmark Administration</li> <li>• Training Documents for the Index Department</li> <li>• Introduction of Index Management Committee</li> <li>• Calculation Table of Shanghai Rebar Price Index</li> <li>• Calculation Table of Shanghai Hot Rolled Coil Price Index</li> </ul>
<b>Principle 5</b>	<ul style="list-style-type: none"> <li>• Introduction of Index Management Committee</li> <li>• Introduction of External Advisory Group</li> <li>• External Advisory Group Terms of Reference</li> </ul>
<b>Principle 6</b>	<ul style="list-style-type: none"> <li>• Overall Introduction to the Shanghai Rebar Market</li> <li>• Overall Introduction to the Shanghai Hot Rolled Coil Market</li> </ul>
<b>Principle 7</b>	<ul style="list-style-type: none"> <li>• Overall Introduction to the Shanghai Rebar Market</li> <li>• Overall Introduction to the Shanghai Hot Rolled Coil Market</li> <li>• Submitters List</li> </ul>
<b>Principle 8</b>	<ul style="list-style-type: none"> <li>• Internal Steel Index Methodology</li> <li>• Data Hierarchy and Expert Judgment Guidelines</li> </ul>
<b>Principle 9</b>	<ul style="list-style-type: none"> <li>• Data Hierarchy and Expert Judgement Guidelines</li> <li>• External Steel Index Methodology</li> <li>• Calculation Table of Shanghai Rebar Price Index</li> <li>• Calculation Table of Shanghai Hot Rolled Coil Price Index</li> </ul>
<b>Principle 10</b>	<ul style="list-style-type: none"> <li>• Index Management Committee Terms of Reference</li> <li>• Methodology Management Policy</li> <li>• Index Transition and Cessation Policy</li> </ul>

Principle ID	References
<b>Principle 11</b>	<ul style="list-style-type: none"> <li>• External Steel Index Methodology</li> <li>• Internal Steel Index Methodology</li> <li>• Complaints Handling Procedures</li> <li>• Data Hierarchy and Expert Judgement Guidelines</li> <li>• Introduction of Index Management Committee</li> <li>• Index Transition and Cessation Policy</li> <li>• Methodology Management Policy</li> <li>• Introduction of Index Management Committee</li> </ul>
<b>Principle 12</b>	<ul style="list-style-type: none"> <li>• Methodology Management Policy</li> </ul>
<b>Principle 13</b>	<ul style="list-style-type: none"> <li>• Index Transition and Cessation Policy</li> <li>• Index Transition and Cessation Implementation Procedures</li> </ul>
<b>Principle 14</b>	<ul style="list-style-type: none"> <li>• Data Hierarchy and Expert Judgement Guidelines</li> <li>• Internal Steel Index Methodology</li> <li>• Submitter Code of Conduct</li> <li>• Submitter Review Process Policy</li> <li>• Conflicts of Interest Declaration Letter</li> <li>• Conflicts of Interest Internal Control Process</li> <li>• Conflicts of Interest Policy</li> </ul>
<b>Principle 15</b>	<ul style="list-style-type: none"> <li>• Conflicts of Interest Declaration Letter</li> <li>• Submitter Code of Conduct</li> <li>• Internal Steel Index Methodology</li> <li>• Training Documents for the Index Department</li> </ul>
<b>Principle 16</b>	<ul style="list-style-type: none"> <li>• Complaint Policy</li> <li>• Complaints Register</li> </ul>
<b>Principle 17</b>	<ul style="list-style-type: none"> <li>• Recordkeeping and Audit Trail Policies</li> <li>• Audit Policy</li> </ul>

Principle ID	References
<b>Principle 18</b>	<ul style="list-style-type: none"> <li>• Managing Extreme Events Policy</li> <li>• Managing Extreme Events Template</li> <li>• Internal Steel Index Methodology</li> <li>• Data Submission Agreement</li> <li>• Submitter Code of Conduct</li> <li>• Training Documents on IOSCO Principles and Submitter</li> <li>• Code of Conduct</li> <li>• Submitter Review Process Policy</li> <li>• Recordkeeping and Audit Trail Policies</li> <li>• Audit Policy</li> <li>• Calculation Table of Shanghai Rebar Price Index</li> <li>• Calculation Table of Shanghai Hot Rolled Coil Price Index</li> </ul>
<b>Principle 19</b>	<ul style="list-style-type: none"> <li>• Cooperation with Regulators and Supervisors</li> <li>• Audit Policy</li> <li>• Recordkeeping and Audit Trail Policies</li> </ul>

## Section VIII Glossary

### Glossary for IOSCO Principles

#### 1. Benchmark

As for the Benchmark defined in the IOSCO Principles, the Benchmarks in the scope of this report are indices that are:

- (i) Made available to users, whether free of charge or for payment;
- (ii) Calculated periodically, entirely or partially based on the application of a formula or another method of calculation to, or an assessment of, the value of one or more Underlying Interests.

#### 2. Benchmark Administrator

According to the IOSCO Principles, the Benchmark Administrator in the scope of this report is an organization that controls the creation and operation of the Benchmark Administration process, whether or not it owns the intellectual property relating to the Benchmark. In particular, it has responsibility for all stages of the Benchmark Administration process, including:

- (i) Daily calculation and determination of the Benchmark;
- (ii) Designing, applying and reviewing the Benchmark Methodology; and
- (iii) Application and dissemination of the Benchmark.

#### 3. Expert Judgement

Referred to the definition of Expert Judgment in the IOSCO Principles, Expert Judgment in the scope of this report indicates the exercise of discretion by an Administrator or Submitter with respect to the use of data in determining a Benchmark. It includes extrapolating values from prior or related transactions, adjusting values for factors that might influence the quality of data, such as weighting firm bids or offers greater than a specific standard.

#### 4. Methodology

The methodology mentioned in this report specifically represents written rules and procedures designed by Benchmark Administrators that described governance and objectives of the Indices, requirements for sample collection, normalization, and calculation, Index publication, corrections, requests for data clarifications and complaints.

#### 5. Submission

Submission in the scope of this report means prices, volumes, values, and other information that is provided by a Submitter to an Administrator so as to determine a Benchmark.

#### 6. Submitter

As for the definition of Submitter in the IOSCO Principles, a submitter is a legal person who provides data or information to the Benchmark Administrator associated with the Benchmark determination.

## Glossary for Key Terms Related to Steel Market

### 1. Mysteel Steel Index (MSDEX)

Represents the tradable prices of standard steel stocks of major steel mill brands in the designated regions. The sources of information used in the calculation of these indices include transactions, bids, and offers between major steel market participants (major steel mills, large traders, downstream users, and spot trading platforms).

### 2. Mysteel Rebar Index (MRDEX)

Select actual transaction prices (VAT inclusive) of 20mm HRB400 rebar of mainstream steel mill brands in the designated spot market. MRDEX represents the actual transaction prices (VAT inclusive) among major steel mills, large traders, and downstream users. The sample of the indices includes agreements, tenders, deals, bids, and offers between steel mills, traders, downstream users, and spot trading platforms. The unit of MRDEX is RMB/Tonne, with the minimum price change being 1 RMB/Tonne.

### 3. Mysteel Hot Rolled Coil Index (HRCDEX)

Selects actual transaction prices (VAT inclusive) of 5.75mm\*1500mm Q235B hot-rolled coil of mainstream steel mill brands in the designated spot market. HRCDEX represents the actual transaction prices (VAT inclusive) among major steel mills, large traders, and downstream users. The sample of the indices includes agreements, tenders, deals, bids, and offers between steel mills, traders, downstream users, and spot trading platforms. The unit of HRCDEX is RMB/Tonne, with the minimum price change being 1 RMB/Tonne.

### 4. Mysteel Rebar USD Index

This is converted from the Mysteel Rebar Indices through the offshore RMB exchange rate (Use the data released daily by the Hong Kong Treasury Market Association. If it is not announced on the day, the data from the previous day will be used). The unit of indices is USD/Tonne, with the minimum price change being 0.01 USD/Tonne.

### 5. Mysteel Hot Rolled Coil USD Index

This is converted from the Mysteel Hot Rolled Coil Indices through the offshore RMB exchange rate (Use the data released daily by the Hong Kong Treasury Market Association. If it is not announced on the day, the data from the previous day will be used). The unit of indices is USD/Tonne, with the minimum price change being 0.01 USD/Tonne.

### 6. Rebar

Commonly known as a hot-rolled ribbed bar, regularly composed of HRB minimum yield strength, wherein H, R, and B are the initials of Hot Rolled, Ribbed, and Bars. Mysteel Rebar Index mainly selects HRB400 rebar for index calculation.

### 7. Hot-rolled coil

Commonly known as the hot-rolled coil, the common hot-rolled coil is abbreviated as HRC, the basic grade is Q235B, and the 235 is yield strength. H, R, and C are the English first letters of the words Hot Rolled and Coil. Mysteel Hot Rolled Coil Index mainly selects Q235B hot rolled coil for index calculation.

### 8. Theoretical weight price

It is the price calculated by using the theoretical weight, and its value is equal to the actual weight price / (1 + weight deviation %).

### 9. Actual weight price

It is the price calculated by using actual weight, and its value is equal to the theoretical weight price \* (1 + weight deviation %).

### 10. Sample

The original meaning refers to a part of the actual observation or investigation in the study is called a sample, and the whole of the research object is called the sample size. In this Methodology, the sample refers to data collected by Mysteel from major market participants (steel mills, traders) to reflect the mainstream price trend.

#### **11. Valid sample**

This refers to the exclusion of other samples that do not conform to market practices or unusual samples that deviate from the market. Mysteel determines whether it deviates from the market or does not meet market mainstream trends based on industry practices, including sample brand, quantity, price, delivery time, market representation, transparency, and authenticity of samples..