



## **Statement On Transparency, Oversight, Maintenance and Overall Integrity of MarketGrader Ratings and Indexes**

MarketGrader rates publicly listed companies, based on a proprietary methodology that analyzes their financial statements according to a series of fundamental indicators. These ratings have been, since 2003, the basis upon which MarketGrader has selected companies to its indexes, designed as benchmarks of capital appreciation in multiple markets globally. As the company's ratings and indexes are used and followed by investors globally, MarketGrader has, over the years, adopted and implemented an extensive oversight framework to ensure the transparency, quality and integrity of its ratings and indexes. This framework forms the basis of the Code of Conduct by which all MarketGrader employees perform their duties, and is defined in a series of internal company policies, whose essence is summarized below.

### **1. Transparency**

All MarketGrader grades, scores, indicators and overall company ratings (Proprietary Data) are published daily on the company's website. All Proprietary Data is time stamped daily and archived indefinitely in redundant locations and available upon request by relevant stakeholders. Furthermore, all historical Proprietary Data points are available to MarketGrader clients on the company website, where they may retrieve MarketGrader's rating of any company since the firm began covering it. All MarketGrader Indexes' selections and daily values (Index Data) are also published daily on the MarketGrader website, and are subject to the same storage and archiving policies as the companies' ratings. Additionally, MarketGrader publishes on its web site and in its Global Index Rulebook the methodologies that govern all of its indexes. In some cases MarketGrader has agreements with third-party calculation agents for the calculation of some of its indexes. These include ICE Data Indices in the United States and China Securities Index Co. in China. MarketGrader is confident in the quality and integrity of the processes employed by these two firms in calculating its indexes and maintaining them to the highest standards of financial benchmarks.

### **2. Quality of Proprietary Data and Index Data**

MarketGrader has processes in place to ensure the quality, reliability and timeliness of the data that is used in the calculation of all the company's Proprietary Data and Index Data. A team of employees is dedicated to monitoring daily the data provided by third party vendors and to identifying any data points inconsistent with historical company records. MarketGrader interacts regularly with the data integrity and support teams of its data providers to ensure any data issues identified by its system are addressed and documented promptly. The company has multiple processes in place to ensure no erroneous data points are used in the calculation of its ratings or the selection of its index constituents. Additionally, it has clear procedures in place to report promptly to

stakeholders the impact any data issues may have in its business, including in the calculation of its ratings and indexes.

Also in place are processes to ensure that all Proprietary Data and Index Data published daily has been calculated and verified in accordance to all company methodology documents and index rulebooks. The company has in place clear procedures to promptly notify stakeholders of any deviations in its published Data from underlying methodologies and rulebooks.

### **3. Conflicts of Interest**

A conflict of interest occurs when competing obligations, interests or motivations result in, or are likely to result in, material risk of damage to the interests of another person or entity. The types of conflicts of interest that may occur and which may carry a material risk of damage to MarketGrader clients, stakeholders and the general investing public include, but are not limited to, circumstances in which MarketGrader or any employee, affiliate or person linked to MarketGrader will benefit financially, either on a personal basis from remuneration or transactions entered into, or on an inter-company basis from increased revenues from the sale or listing of index related products; is motivated or incentivised to favour MarketGrader commercial interests or the interests of the clients in other business areas over the interests of MarketGrader and its clients (for example, by offering clients influence over index administration or determination); deals with the same clients for Index purposes as MarketGrader affiliates; is providing oversight of the Index business when they also hold a commercial role within MarketGrader or an affiliate; is physically located near to employees involved in commercial roles who are not involved in the Benchmark determination process; is involved in the offer or sale of any Index related products and is also involved in the Benchmark determination process; receives from or gives to a business partner any gift, meal or entertainment that may be intended to, or appear to be intended to influence business decisions; has personal interests or connections or business connections that may compromise MarketGrader's performance of its functions; engages with third parties as part of the benchmark determination process that may be incentivised or motivated financially, or otherwise, from the Indices or related products.

Each conflict of interest identified must be managed and monitored. The following types of procedures and measures may be appropriate when managing conflicts of interest:

Control of Information: Preventing/controlling the exchange of information between opposing sides of a conflict of interest (e.g. by physically segregating such employees).



MarketGrader employees are physically and logistically separated from MarketGrader employees and functions where they may be on opposing sides of a conflict.

**Removal of remuneration links:** Removing direct links between the remuneration of individuals on opposite sides of a conflict of interest, or remuneration links that may influence an individual to favor a particular product, service or customer. MarketGrader employees' remuneration is not directly or indirectly linked to the levels or performance of any of MarketGrader's indices. While some MarketGrader employees' remuneration is tied to amounts of assets under management, which may in turn be linked to the performance of one of MarketGrader's indices, index, policies and procedures have been adopted to ensure that separation is maintained between index administration and pricing and to ensure that index methodologies are not changed in order to try and improve the performance of any index.

**Distinct Separation of Duties:** Preventing/controlling the simultaneous/sequential involvement of individuals in separate tasks or services that may present conflicts of interest. MarketGrader employees involved in the administration of the indices are not involved in the offer or sale of any benchmark related products and policies and procedures have been adopted to ensure the "separateness" of pricing discussions.

**Personal Account Dealing:** All employees involved in the administration of the Index are bound by the requirements under MarketGrader's personal trading policy relating to MarketGrader data benchmarks and indices. All transactions undertaken are monitored on a regular basis by compliance.

**Business Gifts, Meals and Entertainment:** All employees involved in the administration of the Index are bound by the requirements under MarketGrader's business gifts, meals and entertainment policy. All disclosures are monitored on submission by compliance.

**Training:** Employees must participate annually in continuing education re: Code of Business Conduct which addresses Conflicts of Interest and Outside Business Activities.

**Disclosure:** Where the measures implemented to manage conflicts described above are insufficient to ensure, with reasonable confidence, that material risk of damage will be prevented, then the nature of the conflicts of interest arising must be disclosed as appropriate and entered into a conflicts registry

#### **4. Governance**

MarketGrader has in place a leadership structure that is clear to all employees involved in the calculation, maintenance and publication of its Proprietary Data and Index Data. This structure ensures employees have clearly defined roles, accountability for their work and reporting and oversight responsibilities within a well-established internal hierarchy. The company's management is responsible for overseeing the work of all the employees responsible for producing and maintaining the company's Proprietary and Index Data. All employees with direct involvement in the calculation and publication of the company's ratings and indexes are evaluated periodically for compliance with all company procedures and codes of conduct.

##### Index Oversight Committee

MarketGrader maintains an Index Oversight Committee, responsible for the complete oversight of all the company's indexes. The members of the committee are all experienced members of the industry with extensive knowledge of the investment industry and the index business in particular. The Committee's roles include:

- Ensuring all indexes are maintained according to their published rulebooks and that they adhere strictly to the methodologies described therein.
- Ensuring that at all index rebalances all new index selections are made according to published index rulebooks; this includes ensuring that all indexes are selected and published according to their published strategy.
- Overseeing all processes performed by third parties contracted to do index calculations and dissemination, such as ICE Data Indices and CSI.
- Evaluating, from time to time, index methodologies and rulebooks to ensure all indexes adhere to their stated strategy and to gauge any impact that material market structure changes may have on existing rules and methodologies.
- Evaluating possible changes to index rules and methodologies and assessing the impact these changes may have on existing indexes.
- Ensuring all index changes are communicated promptly and concurrently to all stakeholders.

##### Handling of Index Complaints

MarketGrader is committed to safeguarding the integrity of its indexes and to ensuring they represent their stated objective as outlined in our index rulebooks and

methodology documents. As MarketGrader's indexes are typically selected based on our individual company ratings, they do not aim to represent traditional market segments but rather a collection of companies that meet our selection criteria within a passive, rules-based, transparent selection, maintenance and rebalance process.

The ability for stakeholders in our indexes to provide us with input about their quality and their faithful adherence to their stated methodologies is an integral part of our index management process. This includes their ability to file complaints easily and to expect that a clear process to address such complaints and respond to them in a timely manner be in place. The following is a list of index complaints about which index stakeholders may communicate directly with MarketGrader according to the policy contained in this document:

- Whether the index represents the methodology stated in its rulebook and the specific strategy it seeks to follow.
- Whether the index's rules are being faithfully observed in its management and publication.
- Whether any material changes to the index are explained clearly and in advance of their implementation.
- Whether the index determination process is transparent, replicable and reliable.

#### How to File a Formal Complaint

Stakeholders may file formal index complaints by writing to [indexcomplaints@MarketGrader.com](mailto:indexcomplaints@MarketGrader.com). All complaints must include the full name of the complainant, the company name (if applicable) and a description of the nature of the complaint and its perceived impact.

MarketGrader will investigate all complaints promptly. If any complaint requires a material change to the selection, publication or maintenance of an index, such change will be communicated to all stakeholders in advance of its implementation. Regardless of the outcome of an investigation following the filing of a complaint, MarketGrader will notify the complainant, in writing, of the outcome within fourteen (14) days.

All records pertaining to complaints filed as prescribed herein will be kept for minimum period of five years.