

## Methodology

As a member of the Coalition for No TSP for the CCP, the Coalition for a Prosperous America commissioned in-depth research into the Thrift Savings Plan's International Fund and the new Mutual Fund Window. In the Mutual Fund Window, this research focused on 10 of the largest emerging and international funds and their holdings of Chinese equities.

Of the 10 funds examined, there was an average 22% weight towards Chinese companies/entities. The researchers then looked at the holdings of 5 of those funds:

- Fidelity Emerging Market Index Fund (FPADX)
- State Street Emerging Markets Equity Index Fund (SSKEX)
- BlackRock iShares MSCI Total International Index Fund (BDOKX)
- Vanguard Emerging Markets Stock Index Fund (VEMAX)
- DFA Emerging Markets Core Equity I (DFCEX)

These five funds were chosen because they corresponded to the mean China weight and represented a diverse cross-section of major mutual fund providers, including the two firms that provide investment advisory services to the Thrift Savings Plan, BlackRock and State Street.

Each fund's China holdings were examined on the basis of their composition as of the close of trading in New York on June 7, 2022. CPA's researchers classified the Chinese companies of concern into the following categories for the purposes of public reporting:

- Chinese Military Companies and Non-Specially Designated Nationals-Chinese Military Industrial Complex Companies (NS-CMIC): These companies (the parent company or a subsidiary) appear on either Department of Defense or Department of Treasury lists (or both) created pursuant to Executive Order 14032 (amending E.O. 13959) and Section 1260H of the FY21 NDAA (amending the former FY99 NDAA section 1237 CCMC List).

- U.S. Entity List: This refers to companies that are currently on the Commerce Department's Bureau of Industry and Security (BIS) Entity List (hereafter, U.S. Entity List) or the Department of Homeland Security's Customs and Border Patrol Withhold Release List. Some companies, such as CGN Power, appear on multiple lists and appear under each category separately.

- Surveillance State: Companies documented as having links to the Chinese Communist Party's growing surveillance state, for example Zhejiang Dahua Technology. Some of these companies also appear on the U.S. Entity List.

- Uyghur Forced Labor/Other Forced Labor: Companies that have been tied to the CCP's forced labor practices, documented through credible research reports and/or media accounts. We expect that this category will expand as the CBP's Uyghur Forced Labor Prevention Act Entity List is updated and the law is fully implemented.

- U.S. Unverified List: Companies on this list, which is managed by the Commerce Department's BIS, cannot be "verified" as legitimate or reliable end users of items subject to Export Administration Regulations (i.e., dual-use technology) because end-use checks or post-shipment verification could not be completed to the U.S. government's satisfaction.

- Companies of Concern: Companies where there is evidence of a contractual relationship with People's Liberation Army (PLA), the Ministry of Defense, or China's security services.

- Other: State-owned enterprises or entities under the effective control of the CCP that have

been implicated in the PLA's "grey-zone" activities in the South China Sea, the Belt-and-Road Initiative, violations of other non-China focused sanctions regimes, and other destabilizing activities of the party-state. They have not been subjected to sanctions by a U.S. government agency.

In addition, an analysis of the Mutual Fund Window found that it included 22 "China-only" funds as investment options. There was one "ex-China" emerging markets or international funds available for investors.

Note on Company Names: The identity of Chinese companies is particularly difficult to verify due to a variety of factors. Chinese company names and addresses are frequently changed. Large companies, including state-owned enterprises, employ complicated corporate structures with numerous subsidiaries, joint partnerships, and other relationships intended to obscure the beneficial owners and controllers of the company. In addition, the funds themselves do not always use the same naming conventions as each other or the U.S. government when the name of the corporate entity is translated from Chinese to English, leading to company names being listed differently within different funds.

Analyst Note: These findings are not exhaustive or inclusive of all problematic companies. The sample funds will be continually reindexed as new information comes available and public-facing research will be regularly updated.