

MARKET CONSULTATION SOLACTIVE CHINA CLEAN ENERGY INDEX

29 April 2022



Content of the Market Consultation

Solactive AG has decided to conduct a Market Consultation with regard to changing the Index Methodology of the following Indices (the 'Indices'):

NAME	RIC	ISIN
Solactive China Clean Energy Index PR	.SOLCCEIP	DE000SLA9KC9
Solactive China Clean Energy Index NTR	.SOLCCEIN	DE000SLA9KD7
Solactive China Clean Energy Index TR	.SOLCCEIT	DE000SLA9KE5

Rationale for the Market Consultation

The Indices aim to represent the companies that are actively engaged in the Chinese clean energy industry. Solactive has determined that the Chinese clean energy industry has grown over time and additional companies have entered this rising business segment. Therefore, to ensure the reflection of objective of the Indices and to improve the diversification within the index composition, an increase of the number of index constituents from 20 to 35 is proposed. In addition, it is proposed to select the index components by using RBICS subindustry classification scheme instead of the FactSet's industry matrix due to its greater granularity to make the selection process more robust.

Moreover, Solactive has proposed that the calculation formula of the Indices should be modified from Standard to Divisor.

In order to reduce the turnover and to decrease the price impact, it is suggested to implement the following weighting scheme for the rebalancing on the second Friday in July 2022:

- 1) Each Index Component is assigned a weight according to Free Float Market Capitalization such that the weight of the company does not exceed 9%. The excess weight will be distributed to the other Index Components pro-rata in an iterative process.
- 2) The weight of each Index Component is multiplied by 0.5 if the security is not a current Index Component. The weights are redistributed pro-rata to the other Index Component in an iterative process while keeping the single security cap of 9%.



Proposed Changes to the Index Guideline

The following Methodology changes are proposed in the following points of the Index Guideline (ordered in accordance with the numbering of the affected sections):

Section 2.1 Index Universe Requirements

From (old version):

"[...]

3. Should be from the following clean energy-related industries according to the FactSet Industries and Economic Sectors:
 - a. Alternative Power Generation
 - b. Engineering & Construction
 - c. Industrial Specialties
 - d. Miscellaneous Manufacturing
 - e. Semiconductors
 - f. Electrical Products
 - g. Electronic Production Equipment
 - h. Electric Utilities
 - i. Chemicals: Specialty

[...]"

"[...]

9. If the company is not classified in the sector UTILITIES, based on FactSet Industries and Economic Sectors, the company should have a Debt to EBIT ratio of less than, or equal to, 30 as of the last completed financial year.
10. The companies are ranked in their industries, as defined in step 3, according to TOTAL MARKET CAPITALIZATION. The top 8 per industry are selected and constitute the INDEX UNIVERSE.
11. Should less than 15 securities fulfill the requirements until and including step 10, the largest security/securities per TOTAL MARKET CAPITALIZATION that does/do not fulfill the requirements until and including step 9, but fulfills/fulfill the requirements until and including step 8, is/are selected until the INDEX UNIVERSE consists of 15 securities.

[...]"



To (new version):

"[...]

3. Must be classified in one of the following subindustries based on FactSet Revere Business Industry Classification System ("RBICS"):

Wind Energy Equipment Manufacturing, Photovoltaic and Solar Cells and Systems Providers, Fuel Cell Equipment and Technology Providers, Smart Grid Technology and Smart Meter Products, Mixed Renewable Energy Generation Manufacturing, China Mixed Alternative Wholesale Power, China Biomass Wholesale Power, China Decentralized Wholesale Power, China Geothermal Wholesale Power, China Hydroelectric Wholesale Power, China Solar Wholesale Power, China Wind Wholesale Power, Process Plants, Utilities and Energy Construction, Electronic Materials Manufacturing, Other Front End Processing Equipment Makers, Flat Panel Display-Specific Equipment Makers, Hazardous/Industrial Waste Disposal, Wires and Cables Manufacturing, Machine Tools Manufacturing, Lasers and Optical Instrument Manufacturing, Backup, Emergency and Standby Power Products, Architectural Glass Manufacturing, Other Industrial Electrical Product Manufacturing, Transportation Construction, Power Generation/Support Products Manufacturing, Stamping and Forging Shops, Ball and Roller Bearings Products, Electrical Systems and Equipment Manufacturing

[...]"

Section 2.2 Selection of the Index Components

From (old version):

"[...]

1. Top 15 by TOTAL MARKET CAPITALIZATION rank are selected for index inclusion
2. Existing constituents with rank from 16 to 25 are selected for index inclusion until the target constituent count of 20 is reached
3. If there are less than 20 stocks after step b, non-constituents are selected with rank from 16 to 25 until the target constituent count of 20 is reached

If less than 20 securities pass the selection criteria described above, all such securities will be selected resulting in less than 20 INDEX COMPONENTS.

The selection of the INDEX COMPONENTS is fully rule-based and the INDEX ADMINISTRATOR cannot make any discretionary decision.

[...]"



To (new version):

"[...]

1. All eligible securities are ranked based on their FREE FLOAT MARKET CAPITALIZATION in a descending order.
2. Top 25 by FREE FLOAT MARKET CAPITALIZATION rank are selected for index inclusion.
3. Existing constituents ranked from 26 to 40 by FREE FLOAT MARKET CAPITALIZATION are selected for index inclusion until the target constituent count of 35 is reached.
4. If there are less than 35 stocks after step 3, non-constituents ranked from 26 to 40 by FREE FLOAT MARKET CAPITALIZATION until the target constituent count of 35 is reached.

If less than 35 securities pass the selection criteria as described above, all such securities will be selected resulting in less than 35 INDEX COMPONENTS.

[...]"

Section 4.1 Index Formula

From (old version):

"[...]

The calculation is performed according to the Equity Index Methodology, which is available on the SOLACTIVE website: <https://www.solactive.com/documents/equity-index-methodology/>. The standard index formula stipulates that the level of the INDEX changes based on the change of the prices of its INDEX COMPONENTS taking into account their weight in the INDEX and any currency conversion in case the price of an INDEX COMPONENT is quoted in a currency other than the INDEX CURRENCY.

Any dividends or other distributions are reinvested back into the INDEX COMPONENT paying the dividend or other distribution at the opening of the effective date (the so called ex-date) of the payment of such dividend or other distribution.

[...]"

To (new version):

"[...]



The calculation is performed according to the Equity Index Methodology, which is available on the SOLACTIVE website: <https://www.solactive.com/documents/equity-index-methodology/>. The divisor index formula stipulates that the level of the INDEX changes based on the change of the prices of its INDEX COMPONENTS taking into account their weight in the INDEX and any currency conversion in case the price of an INDEX COMPONENT is quoted in a currency other than the INDEX CURRENCY.

Any dividends or other distributions are reinvested across the entire basket of INDEX COMPONENTS by means of a divisor at the opening of the effective date (the so-called ex-date) of the payment of such dividend or other distribution.

[...]"

Section 4.2 Accuracy

From (old version):

The level of the INDEX will be rounded to two decimal places. TRADING PRICES and foreign exchange rates will be rounded to six decimal places.

To (new version):

The level of the INDEX will be rounded to two decimal places. Divisors will be rounded to six decimal places. TRADING PRICES and foreign exchange rates will be rounded to six decimal places.

Section 6 Definitions

The following definition is proposed to be removed:

The "Total Market Capitalization" is with regard to each of the securities in the INDEX on a SELECTION DAY the sum of all SHARE CLASS MARKET CAPITALIZATIONS of a company.

The following definitions is proposed to be included:

"WM / Refinitiv Rate" shall have the meaning as defined in Section 1.4.



Feedback on the proposed changes

If you would like to share your thoughts with Solactive, please use this consultation form and provide us with your personal details and those of your organization.

Name	
Function	
Organization	
Email	
Phone	
Confidentiality (Y/N)	

Solactive is inviting all stakeholders and interested third parties to evaluate the proposed changes to the Methodology for the Solactive China Clean Energy Index and welcomes any feedback on how this may affect and/or improve their use of Solactive indices.



Consultation Procedure

Stakeholders and third parties who are interested in participating in this Market Consultation, are invited to respond until *May 20th 2022 (cob)*.

Subject to feedback received on this Market Consultation, the changes mentioned above are intended to become effective on *June 24th 2022*.

Please send your feedback via email to marketconsultation@solactive.com, specifying "Market Consultation I Solactive China Clean Energy Index" as the subject of the email, or

via postal mail to: Solactive AG
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60327 Frankfurt am Main
Germany

Should you have any additional questions regarding the consultative question in particular, please do not hesitate to contact us via above email address.

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