SOLACTIVE
German Index Engineering

MARKET CONSULTATION SOLACTIVE J.P. MORGAN ASSET MANAGEMENT CHINA CARBON TRANSITION INDEX

27 March 2025

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

NAME	RIC	ISIN
Solactive J.P. Morgan Asset Management China Carbon Transition Index PR	.SJPMCCTP	DE000SLOGMQ2
Solactive J.P. Morgan Asset Management China Carbon Transition Index NTR	.SJPMCCTN	DE000SLOGMR0
Solactive J.P. Morgan Asset Management China Carbon Transition Index GTR	.SJPMCCTT	DE000SLOGMS8

Rationale for the Market Consultation

Solactive J.P. Morgan Asset Management China Carbon Transition Index is a rules-based, Carbon transition benchmark index that targets subset of the Solactive GBS China Large & Mid Cap USD Index that meet minimum exclusions standards for EU Climate Transition Benchmarks. Selected securities are weighted based on a multi-stage process which takes into consideration relative market capitalization weights, constraints on individual stock liquidity, CARBON TRANSITION PERCENTILES and concentration risks while trying to minimize turnover and meet EU Climate Transition Benchmark rules.

Proposed changes add **Re-allocate to High Carbon Transition Score Equities** sub section in Section 2.3 (Weighting of Index components)

In addition to achieving the target WACI (weighted average Carbon Intensity) this step adds the Carbon Transition Score target for Rebalance which is minimum target CTS for the Index.In this step If the current Carbon Transition Score $CTSp$ is $<CTSt$, then the Index re-allocates weights from Equities with low Carbon Transition Score to Equities with higher Carbon Transition Score until the Index CTS in Rebalance greater than or equal to the target $CTSt$.

With the above changes added the step **Increase Factor Exposure** from section 2.3 which increased the average Carbon Transition Percentile of the Index until minimum Turnover of 6% is reached is removed as it is not required to be implemented.

Proposed Changes to the Index Guideline

The following Methodology changes are proposed in the following points of the Index Guideline.

Add 2.3.11.1 Re-allocate to High Carbon Transition Score Equities

Section 6 defines the Carbon Transition Score target for the Rebalance period $CTSt$, which is the minimum target CTS of the index

If the current Carbon Transition Score $CTSp$ is $<CTSt$, then the Index re-allocates away from Equities with low Carbon Transition Score to Equities with higher Carbon Transition Score until the Index CTS matches the target $CTSt$.

To achieve this goal, the Index attempts to minimize the number of transactions by finding the pair trade that will yield the largest impact on Index Carbon Transition Score given all trading constraints from previous steps and no negative impact on INDEX WACI. In addition to isolating the trades to a particular Bucket so previously implemented constraints are not breached; the Index also ensures the allocation to high impact sub-sectors is always higher than or equal to the Investable Universe throughout the iteration.

γmax is the Maximum Turnover Threshold= 20%

For each iteration j, measure the Index Carbon Transition Score CTS.

$$CTS_j = \sum CTS_i * w6_{ji}$$

For each iteration, compute each Equity's capacity to increase weight cb$i$ and capacity to reduce weight cs$i$.

$$\mathrm{cb}_i = \max\left(\min\left(w^i_{\mathrm{cut}} + \Delta^i_{\mathrm{L}} - w^i_{6,j}, x_1 - w^i_{6,j}, w^i_{\mathrm{L}} - w^i_{6,j}\right), 0\right)$$

$$\mathrm{cs}_i = \max\left(\min\left(w^i_{6,j} - \left(w^i_{\mathrm{cut}} - \Delta^i_{\mathrm{L}}\right), w^i_{6,j} - x^i_{\min}\right), 0\right)$$

Additionally, for Equities where the Index currently has no allocation, $w6i$=0, it must also ensure that new allocations are above the Minimum New Investment Threshold $w$min.

Next, compute the top pair in each combination of Bucket and high/low impact by finding the Equity with the lowest Carbon Transition Score that has capacity to reduce weight and the Equity with the highest Carbon Transition Score with capacity to increase weight, making sure the CI of the name to reduce weight is higher or equal to the CI of the name to increase weight or the maximum weighted CI of the name to increase weight is lower than the difference between the current INDEX WACI and TARGET WACI, ensuring the TARGET WACI cannot be breached:

$$WACI_p - WACI_j \geq w^i_{\max} * CI_i$$

The difference in Carbon Transition Score between the Equity with the lowest Carbon Transition Score and the Equity with the highest Carbon Transition Score is noted as $\mathrm{cd}B_{khl}$. The trade size $\mathrm{ts}B_{khl}$ is the lower of the capacity to increase weight cb$i$ and capacity to reduce weight cs$i$.

$$\mathrm{cd}B_{khl} = c_{i,h} - c_{i,l}$$

$$\mathrm{ts}B_{khl} = \min(cb_i, cs_i)$$

For security to reduce weight.

$$w6_i = w6_i - \mathrm{ts}B_{khl}$$

For security to increase weight.

$$w6_i = w6_i + \mathrm{ts}B_{khl}$$

Add Carbon Transition Score Target in Section 6 Definitions

"Carbon Transition Score Target" A Carbon Transition score is calculated at the benchmark level to be used in the calculation of the Carbon Transition Score target of the index.

$$CTSB = \sum z_i * wcap_i$$

The Carbon Transition Score target is calculated to ensure there is a minimum increase in CT score in the portfolio versus the benchmark:

$$CTS_t = \min(CTSB * 1.5, CTSB + (1 - CTSB) * r_{min}.)$$

Where:

r_{min}. is the minimum adjustment and is set to 0.4.

Remove sub section Increase Factor Exposure in Section 2.3. WEIGHTING OF THE INDEX COMPONENTS

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 J.P. Morgan Asset Management China Carbon Transition 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 2025-04-03

[Subject to feedback received on this Market Consultation, the changes mentioned above are intended to become effective on 2025-04-09.

Please send your feedback via email to marketconsultation@solactive.com, specifying "Market Consultation Solactive J.P. Morgan Asset Management China Carbon Transition Index" as the subject of the email, or

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