

# GUIDELINE FOR EXTRAORDINARY CORPORATE ACTIONS

Version 1.2

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This document is intended to serve as a framework for the standard treatment of extraordinary corporate actions (ECAs) for Indices owned by Solactive AG.

The binding document for the Index adjustment due to an extraordinary event is the corresponding rulebook.

Because of the complexities involved in some cases, this framework should not be construed as definitive rules that will determine Solactive's actions in all circumstances. Solactive reserves the right to determine the most appropriate method of implementation for any extraordinary corporate action which is not covered here or which is of a complex nature.

The present document will be reviewed regularly and updated in line with any changes identified as necessary through the review process.



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## 1. Definition

Solactive AG defines extraordinary corporate actions as actions that lead to an extraordinary rebalancing of Indices and/or affect the number of Index components, e.g. mergers and acquisitions, spin-offs, bankruptcies, insolvencies, liquidations, and nationalizations.

## 2. Timing of the Index Adjustment

An adjustment will be applied to the Index when

- a) the extraordinary event leads to a delisting of the Index constituent OR
- b) the acquiring company initiates a squeeze-out procedure for the remaining outstanding shares of the target company OR
- c) the results of the tender offer or shareholder meeting are announced, the offer is successful and the free float of the target company is set to drop below 15 %.

Solactive shall announce the index adjustment giving a notice period of at least two trading days. The index adjustments will be implemented with two days' notice on the effective day.

Specifically, Solactive will make an announcement of an index change on T+0, giving 2 days' notice.

The closing prices on T+2 will form the basis for the index adjustment.

Component additions, deletions and weighting changes will occur and be apparent in the opening file on T+3.

Should sufficient notice of ECAs be available, Solactive will give notice so that the effective date will coincide with the completion date of the event. Should ad-hoc ECAs occur, where timely information is not available to the market, Solactive will nevertheless give at least two trading days of notice, with the result being that the effective date may lag the ex-date.

Solactive retains the possibility to give notice at an earlier date providing for an effective date that precedes the completion date of the event should Solactive determine that this will aid clarity and prevent unnecessary delays for the customer.



### 3. Standard Treatment of Mergers & Acquisitions (Index adjustment)

In case an Index component is subject to merger or acquisition, the acquired entity will be removed from the Index on the effective date as announced by Solactive. The Index is subject to further adjustments in accordance with the following cases.

1. Merger or Acquisition of an Index component with / by another Index component
  - CASH TERMS: The weight of the target company based on its last close price will be distributed pro rata across the remaining Index components.
  - STOCK TERMS: The shares of the acquiring / surviving company will be increased according to the stock terms.
  - CASH AND STOCK TERMS: The cash portion will be reinvested pro rata across the remaining Index components. The shares of the acquiring / surviving company will be increased according to the stock terms.
  
2. Merger or Acquisition of an Index component with / by a non-component
  - CASH TERMS: The weight of the target company based on its last close price will be distributed pro rata across the remaining Index components.
  - STOCK TERMS: The weight of the target company based on its last close price will be distributed pro rata across the remaining Index components.
  - CASH AND STOCK TERMS: The weight of the target company based on its last close price will be distributed pro rata across the remaining Index components.

Treatments are summarized in the following table:

Acquisition Terms	Acquirer & Target are index constituents			Target is an index constituent		
	Cash	Stock	Cash & Stock	Cash	Stock	Cash & Stock
Pro Rata	X		X	X	X	X
Stock Only (Increase)		X	X			



## 4. Standard Treatment for Spin-offs (Demerger)

If an index constituent (i.e. the parent company) distributes part of its business into a further company (i.e. the spun-off company), the spun-off company will be added to the Index according to the transaction terms on the ex-date.

Calculation: *Shares of Spun-off Company = Shares of parent Company \* Transaction terms*

The parent company will remain in the Index with unchanged calculation parameters. The spun-off company will remain in the Index until further notice respectively the next ordinary rebalancing.

The spun-off company will be added to the Index file with a price of zero. If the spun-off company does not start to trade on the effective date, a theoretical price for the spun-off company will be implemented as a fixed price until it commences trading, from which time official prices will be used.

Calculation: *Price of Spun-off Company = [(Close Price Parent Company prior to effective date) – (Open Price Parent Company on effective date)] \* Transaction Terms*

If the first trading day of the spun-off company is unknown on the ordinary rebalancing date, the spun-off company will be removed from the Index with a price of zero.

In case the spun-off company is already an index constituent, the additional shares demerged from the parent company will be added to the spun-off company (share increase of the index member) on the effective date.

## 5. Listing Change

If an Index constituent changes its primary listing to a stock exchange which is not in accordance with the Index guideline and thus is no longer eligible to remain as a component, the listing change will be implemented with a two-trading day notice period. The Index constituent will then be removed from the Index with a pro rata distribution of the weight to the remaining Index components.



## 6. Bankruptcy / Insolvency / Liquidation

If an Index constituent is bankrupt, files for bankruptcy, becomes insolvent or is being liquidated, Solactive will make an announcement once it determines the news to be definitive and judges there is no likelihood of trade in the company resuming, the security will be removed from the Index with notice period of two trading days. The weight will be distributed pro rata across the remaining Index components.

If the security has already been delisted from the corresponding stock exchange and / or no valid price for the security is available, Solactive tries to the best of its knowledge to track prices from alternative liquid markets. The determined price will then be used for index calculation until the security will be removed from the Index based on the new price.

If no appropriate price for the Index constituent is available, the security will be removed from the Index with a price of zero.

## 7. Guru Indices

For Indices calculated with special Index calculation formula named "*GURU Logic*", the following special treatment will be applied in any event, e.g. mergers, acquisitions:

The affected Index constituent will be removed from the Index with a notice period of two days. The weight of the security based on its last price will be distributed equally within the affected sub-basket.

Spin-offs will be treated as a special dividend within the index.

## 8. Additional Comments

Solactive AG uses best efforts to provide accurate information in a timely manner. Extraordinary events such as ad-hoc de-listings, unspecified listing dates for spun-off companies, or undisclosed, incomplete or mismatched transaction terms require a high level of flexibility and short reaction times. In case an extraordinary event is not outlined as mentioned above, the Solactive Index Committee reserves the right to make index adjustments in an appropriate way on a best-effort basis.



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