

GUIDELINE

Solactive Australian Hybrid Securities Index

Version 1.0 dated October 1st, 2017



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This document contains the underlying principles and regulations regarding the structure and the operating of the Solactive Australian Hybrid Securities Index. Solactive AG shall make every effort to implement regulations. Solactive AG does not offer any explicit or tacit guarantee or assurance, neither pertaining to the results from the use of the Index nor the Index value at any certain point in time nor in any other respect. The Index is merely calculated and published by Solactive AG and it strives to the best of its ability to ensure the correctness of the calculation. There is no obligation for Solactive AG – irrespective of possible obligations to issuers – to advise third parties, including investors and/or financial intermediaries, of any errors in the Index. The publication of the Index by Solactive AG is no recommendation for capital investment and does not contain any assurance or opinion of Solactive AG regarding a possible investment in a financial instrument based on this Index.

Introduction

This document is to be used as a guideline with regard to the composition, calculation and management of the Solactive Australian Hybrid Securities Index. Any changes made to the guideline are initiated by the Committee specified in section 1.6. The Solactive Australian Hybrid Securities Index is calculated and published by Solactive AG. The name “Solactive” is copyrighted.

1 Index specifications

The Solactive Australian Hybrid Securities Index (the “Index”) is an Index of Solactive AG and is calculated and distributed by Solactive AG.

The Solactive Australian Hybrid Securities Index includes ASX listed hybrid securities whereby constituents are subject to minimum market capitalization.

The Index is published in AUD.

1.1 Short name and ISIN

Solactive Australian Hybrid Securities Index (Gross/Net) is distributed under the following identifiers:

Name	ISIN	WKN	Characteristic	Reuters	Bloomberg
Solactive Australian Hybrid Securities Index (Gross)	DE000SLA4B24	SLA4B2	Gross Return	.SOLAUDHG	SOLAUDHG Index
Solactive Australian Hybrid Securities Index (Net)	DE000SLA4B32	SLA4B3	Net Return	.SOLAUDHN	SOLAUDHN Index

1.2 Initial value

The Index is based on 1000 at the close of trading on the start date, 14th of August 2017.

1.3 Distribution

The Solactive Australian Hybrid Securities Index is published via the price marketing services of Boerse Stuttgart AG and is distributed to all affiliated vendors. Each vendor decides on an individual basis as to whether he will distribute/display the Solactive Australian Hybrid Securities Index via his information systems.

1.4 Prices and calculation frequency

The Solactive Australian Hybrid Securities Index is calculated every Business Day. In the event that data cannot be provided to Reuters or to the pricing services of Boerse Stuttgart AG the Index cannot be distributed.

Any incorrect calculation is adjusted on a retrospective basis.

1.5 Recalculation Policy

Index committee reserves the right to recalculate an index under certain limited circumstances. Index committee may choose to recalculate and republish an index if it is found to be incorrect or inconsistent.

1.6 Weighting

On each Adjustment Day each Index Component of the Solactive Australian Hybrid Securities Index is weighted according to the market capitalisation.

1.6 Decision-making bodies

A Committee composed of staff from Solactive AG is responsible for decisions regarding the composition of The Solactive Australian Hybrid Securities Index as well as any amendments to the rules (in this document referred to as the "Committee" or the "Index Committee"). The future composition of the Solactive Australian Hybrid Securities Index is determined by the Committee on the Selection Days according to the procedure outlined in 2.1 of this document. The Committee shall also decide about the future composition of the Solactive Australian Hybrid Securities Index if any Extraordinary Events should occur and the implementation of any necessary adjustments.

Members of the Committee can recommend changes to the guideline and submit them to the Committee for approval.

1.7 Publication

All specifications and information relevant for calculating the Index are made available on the <http://www.solactive.de> web page and sub-pages.

1.8 Historical data

Historical data is available since the 14th of February 2012. The index will be maintained from the launch on the 20th of October 2017.

1.9 Licensing

Licences to use the Index as the underlying value for derivative instruments are issued to stock exchanges, banks, financial services providers and investment houses by Solactive AG.

2 Composition of the Index

2.1 Selection of the Index Components

The initial composition of the Index as well as any ongoing adjustment is based on the following rules:

On the Selection Days, Solactive AG defines its Selection Universe. The instruments that fulfil the Solactive Australian Hybrid Securities Index Universe criteria stated under 4. are eligible for inclusion in the Solactive Australian Hybrid Securities Index. After that instruments are divided into two segments – dividend paying hybrids and interest paying hybrids.

2.2 Ordinary adjustment

The composition of the Index is adjusted on a quarterly basis. The composition of the Index is reviewed on the Selection Day which is the fifth Business Day of the month and necessary changes are announced. The new composition will be implemented on the respective Adjustment Day.

The first adjustment will be made on the 14th of November 2017 based on the Trading Prices of the Index Components on the Adjustment Day. On the Selection Day the respective Index Shares are fixed and applied on Close of Business on the Adjustment Day.

Solactive AG shall publish any changes made to the Index composition one Business day after the Selection Day and consequently with sufficient notice before the Adjustment Day.

2.3 Extraordinary adjustment

2.3.1 Dividend paying instruments. An extraordinary adjustment, for dividend paying instruments, if applicable, is triggered and applied in compliance with the rules set forth in the Solactive Guideline for Extraordinary Corporate Actions <https://www.solactive.com/wp-content/uploads/2017/02/ECA-Solactive-Guideline.pdf>.

2.3.1 Interest paying instruments. Extraordinary Events may lead to adjustments of the index between Adjustment Days. To standardise processes the following standard treatments for common corporate actions have been established:

Full Tender or Early Redemption: The bond proceeds will be reinvested into the index on the effective date. For the avoidance of doubt a tender must be mandatory, the pure offer to tender a bond will not lead to an adaption of the index.* On the effective date price and accrued interest are 0 and the proceeds (tender/redemption price + accrued interest/coupon) are considered as “Paid Cash” in the return formula (see 3.1). On the next calculation day, the bond is removed from the index and weightings are calculated according to the formula in 3.1. The new higher weightings of the remaining constituents imply the direct reinvestment of the redeemed bond into all other Index Components.

Flat Trading: A bond is flat trading if the bond issuer will not meet its coupon payment obligation which means that the buyer of a bond is not responsible for paying the interest that has accrued since the last payment. If a bond is defined to be “flat trading” between two adjustment days the respective accrued interests and coupons will be set to 0. The bond will not be removed until the next adjustment date.

Default: If the status of a bond changes to “In Default”, the bond will remain as part of the index or portfolio at the last available evaluated price provided by the pricing source until the next regular index adjustment day.

Debt issuances: Debt issuances of an existing bond will not be considered until the next Adjustment Day.

Debt-to-Equity conversion: In case of Debt-to-Equity conversion the bond will be removed at its last available price with two Business days notice. The weight of the bond will be distributed pro rata across the remaining interest paying constituents.

In case of an Extraordinary Event that is not covered by the standard treatments mentioned above the Committee will meet and decide on how to treat the Extraordinary Event in the index based on the information available. An extraordinary adjustment will only be implemented if the majority of the Committee supports the suggested treatment. As soon as a decision has been taken all parties related to the index are informed about the Extraordinary Event as well as the decided treatment and date of implementation

3 Calculation of the Index

The Index value on a Business Day is equivalent to the sum over Index Components of the products of (a) the Number of Shares of the Dividend Paying Index and the Interest Paying Index and (b) the Level of the Index, which calculations are described in 3.1 and 3.2.

$$Index_t = IndexD_t * x_{IndexD,t} + IndexI_t * x_{IndexI,t}$$

$IndexD_t$ = Index level of the dividend paying instruments segment on Trading Day t in Index Currency

$x_{IndexD,t}$ = Number of Shares of the IndexD on Trading Day t

$IndexI_t$ = Index level of the interest paying instruments segment on Trading Day t in Index Currency

$x_{IndexI,t}$ = Number of Shares of the IndexI on Trading Day t

3.1 Index formula for the dividend paying instruments

The Index is calculated based on Laspeyres formula, which can be found on the <http://www.solactive.com/downloads/Index-Calculation-Guideline-Solactive.pdf>

3.2 Index formula for the interest paying instruments

The Index is an index whose value reflects the relative changes in bond values. The composition is adjusted quarterly.

As a formula:

$$Totalreturn_{t,i} = \frac{Price_{t,i} + ACCInt_{t,i} + CPAdj_{t,i} + PaidCash_{t,i}}{Price_{t-1,i} + ACCInt_{t-1,i} + CPAdj_{t-1,i}} \cdot \frac{FX_{t,i}}{FX_{t-1,i}} - 1$$

$$Weighting_{t,i} = \frac{MarketValue_{t,i} \cdot Cap_{SD,i} \cdot FX_{t,i}}{\sum_{i=1}^a MarketValue_{t,i} \cdot Cap_{SD,i} \cdot FX_{t,i}} = \frac{(Price_{t,i} + ACCInt_{t,i} + CPAdj_{t,i}) * Amount_{SD,i} * Cap_{SD,i} \cdot FX_{t,i}}{\sum_{i=1}^a (Price_{t,i} + ACCInt_{t,i} + CPAdj_{t,i}) * Amount_{SD,i} * Cap_{SD,i} \cdot FX_{t,i}}$$

Whereas:

$$Index_t = Index_{t-1} * (1 + \sum_{i=1}^a (Totalreturn_{t,i} * Weighting_{t-1,i}))$$

$Totalreturn_{t,i}$	= Total return of the bond i on trading day t
$Index_t$	= Value of the index on trading day t
$Index_{t-1}$	= Value of the index on trading day t-1
$Price_{t,i}$	= Last Evaluated Price of the bond i on trading day t
$Price_{t-1,i}$	= Last Evaluated Price of the bond i on trading day t-1
$ACCInt_{t,i}$	= Accrued Interest of the bond i on trading day t
$ACCInt_{t-1,i}$	= Accrued Interest of the bond i on trading day t-1
$Weighting_{t,i}$	= Weighting of the bond i on trading day t
$Weighting_{t-1,i}$	= Weighting of the bond i on trading day t-1
$Amount_{SD,i}$	= Amount Outstanding of bond i on the last Selection Day SD
$Cap_{SD,i}$	= Capping Factor which helps to adjust the weights as defined under 1.5
$FX_{t,i}$	= Foreign Exchange Rate of bond i on trading day t
$FX_{t-1,i}$	= Foreign Exchange Rate of bond i on trading day t-1
$PaidCash_{t,i}$	= a) Value of the coupon payment for bond i on trading day t b) If a bond i will be removed from the index, the resulting payment of the bond will be included in the paid cash component.
$CPAdj_{t,i}$	= Variable Coupon Adjustment Factor of bond i on trading day t if the bond trades ex-dividend Equal to 0 if bond i is not in an ex-dividend period on trading day t or bond i was included in the index during the ex-dividend period. Equal to the upcoming coupon if bond i is in an ex-dividend period on trading day t and bond i was included in the index before the ex-dividend period. The ex-dividend period is the period before the coupon payment date where the buyer of a bond is not entitled to the upcoming coupon. The ex-dividend date is the first date at which the bond does not include an entitlement to the next coupon payment when purchased. The Accrued Interest of bond i is negative during the ex-dividend period and 0 on the coupon payment date.

3.2 Accuracy

The value of the index will be rounded to four decimal places.

According to the terms of the bond, the Index Calculator will take the following conventions into account:

Act/Act

Act/360

Act/365

30/360

ISMA 30/360

Accrued Interest is calculated assuming T+2 settlement. If a bond does not pay any coupons (e.g. zero coupon bonds or T-Bills) the Accrued Interest as well as the coupon payment will be set to 0.

3.3 Adjustments

Indices need to be adjusted for systematic changes in prices once these become effective. This requires the new Number of Shares of the affected Index Component to be calculated on an ex-ante basis.

The Solactive Australian Hybrid Securities Index is adjusted for distributions, capital increases, rights issues, splits, par value conversions and capital reductions.

This procedure ensures that the first ex quote can be properly reflected in the calculation of the Index. This ex-ante procedure assumes the general acceptance of the Index calculation formula as well as open access to the parameter values used. The calculation parameters are provided by Solactive AG.

Any delay in calculating the new Number of Shares of an Index Component would create problems. Therefore the procedure described above is the most appropriate.

3.5 Corporate actions

3.5.1 Principles

Following the announcement by a company included in the Index of the terms and conditions of a corporate action the Index Calculator determines whether such corporate action has a dilution, concentration or other effect on the price of the Index Component.

If this should be the case the Index Calculator shall make the necessary adjustments to the affected Index Component and/or the formula for calculating the Index and/or to other terms and conditions of this document that he deems appropriate in order to take into account the dilution, concentration or other effect and shall determine the date on which this adjustment shall come into effect.

Amongst other things the Index Calculator can take into account the adjustment made by an Affiliated Exchange as a result of the corporate action with regard to option and futures contracts on the respective share traded on this Affiliated Exchange.

3.6 Calculation of the Index in the event of a Market Disruption Event

In the event of a Market Disruption Event, Solactive AG calculates the Index value, taking into account the market conditions prevailing at this point in time, the last quoted Trading Price for each of the Index Components as well as any other conditions that it deems relevant for calculating the Index value.

4. Definitions

“**Solactive Australian Hybrid Securities Index Universe**” in respect of a Selection Day are instruments that fulfill the following criteria:

- a. Listed on the ASX (Australian Stock Exchange)
- b. Trading in AUD
- c. Type of Issuance: Preferred shares, Convertible Bonds, Bonds with Subordinated Ranking. Only active issues included (default/suspended/called/without active listing status issues are excluded)
- d. Minimum Market Capitalization AUD\$ 100 million

“**Index Component**” is each share currently included in the Index.

“**Gross Index**” is the index, which assumes the maximum possible amount of distributions is reinvested in the index, and both cash and tax credits are considered.

“**Net Index**” is the index, which assumes the minimum possible amount of cash distributions is reinvested in the index, tax credits are not considered.

“**Number of Shares**” is in respect of an Index Component and any given Business Day the number or fraction of shares included in the Index. It is calculated for any Index Component as the ratio of (A) the Percentage Weight of an Index Component multiplied by the Index value and (B) its Trading Price.

“**Percentage Weight**” of an Index Component is the ratio of its Trading Price multiplied by its Number of Shares divided by the Index value.

In particular an “**Extraordinary Event**” is

- a Merger
- a Takeover bid
- a delisting
- the Nationalisation of a company
- Insolvency.

The Trading Price for this Index Component on the day the event came into effect is the last available market price for this Index Component quoted on the Exchange on the day the event came into effect (or, if a market price is not available for the day the event came into effect, the last available market price quoted on the Exchange on a day specified as appropriate by the Index Calculator), as determined by the Index Calculator, and this price is used as the Trading Price of the particular Index Component until the end of the day on which the composition of the Index is next set.

In the event of the Insolvency of an issuer of an Index Component the Index Component shall remain in the Index until the next Adjustment Day. As long as a market price for the affected Index Component is available on a Business Day, this shall be applied as the Trading Price for this Index Component on the relevant Business Day, as determined in each case by the Index Calculator. If a market price is not available on a Business Day the Trading Price for this Index Component is set to zero. The Committee may also decide to eliminate the respective Index Component at an earlier point in time prior to the next Adjustment Day. The procedure in this case is identical to an elimination due to and Extraordinary Event.

An Index Component is “**delisted**” if the Exchange announces pursuant to the Exchange regulations that the listing of, the trading in or the issuing of public quotes on the Index Component at the Exchange has ceased immediately or will cease at a later date, for whatever reason (provided delisting is not because of a Merger or a Takeover bid), and the Index Component

is not immediately listed, traded or quoted again on an exchange, trading or listing system, acceptable to the Index Calculator.

“Insolvency” occurs with regard to an Index Component if (A) all shares of the respective issuer must be transferred to a trustee, liquidator, insolvency administrator or a similar public officer as result of a voluntary or compulsory liquidation, insolvency or winding-up proceedings or comparable proceedings affecting the issuer of the Index Components or (B) the holders of the shares of this issuer are legally enjoined from transferring the shares.

A **“Takeover bid”** is a bid to acquire, an exchange offer or any other offer or act of a legal person that results in the related legal person acquiring as part of an exchange or otherwise more than 10% and less than 100% of the voting shares in circulation from the issuer of the Index Component or the right to acquire these shares, as determined by the Index Calculator based on notices submitted to public or self-regulatory authorities or other information considered by the Index Calculator to be relevant.

With regard to an Index Component a **“Merger”** is

- (i) a change in the security class or a conversion of this share class that results in a transfer or an ultimate definite obligation to transfer all the shares in circulation to another legal person,
- (ii) a merger (either by acquisition or through forming a new structure) or a binding obligation on the part of the issuer to exchange shares with another legal person (except in a merger or share exchange under which the issuer of this Index Component is the acquiring or remaining company and which does not involve a change in security class or a conversion of all the shares in circulation),
- (iii) a takeover offer, exchange offer, other offer or another act of a legal person for the purposes of acquiring or otherwise obtaining from the issuer 100% of the shares issued that entails a transfer or the irrevocable obligation to transfer all shares (with the exception of shares which are held and controlled by the legal person), or
- (iv) a merger (either by acquisition or through forming a new structure) or a binding obligation on the part of the issuer of the share or its subsidiaries to exchange shares with another legal person, whereby the issuer of the share is the acquiring or remaining company and it does not involve a change in the class or a conversion of the all shares issued, but the shares in circulation directly prior to such an event (except for shares held and controlled by the legal person) represent in total less than 50% of the shares in circulation directly subsequent to such an event.

The **“Merger Date”** is the date on which a Merger is concluded or the date specified by the Index Calculator if such a date cannot be determined under the law applicable to the Merger.

“Nationalisation” is a process whereby all shares or the majority of the assets of the issuer of the shares are nationalised or are expropriated or otherwise must be transferred to public bodies, authorities or institutions.

“Exchange” is, in respect of the Index the ASX.

With regard to an Index component (subject to the provisions given above under “Extraordinary Events”) the **“Trading Price”** in respect of a Trading Day is the closing price on this Trading Day determined in accordance with the Exchange regulations. If the Exchange has no closing price for an Index Component, the Index Calculator shall determine the Trading Price and the time of the quote for the share in question in a manner that appears reasonable to him.

A **“Trading Day”** is in relation to the Index or an Index Component a Trading Day on the Exchange (or a day that would have been such a day if a market disruption had not occurred), excluding days on which trading may be ceased prior to the normal Exchange closing time. The Index Calculator is ultimately responsible as to whether a certain day is a Trading Day with regard to the Index or an Index Component or in any other connection relating to this document.

A **“Business Day”** is a day on which ASX is open for trading.

The **“Index Calculator”** is Solactive AG or any other appropriately appointed successor in this function.

The “**Index Currency**” is AUD

“**Market Capitalization**” is with regard to each of the shares in the Universe on a Selection Day or Adjustment Day the value published as the Market Capitalization for this day.

As at the date of this document Market Capitalization is defined as the value of a company calculated by multiplying the number of shares outstanding of the company by its share price.

“**Adjustment Day**” is the close of the tenth Business Day of February, May, August, November.

“**Selection Day**” is the close of the fifth Business Day of the month where the index has an Adjustment Day.

An “**Affiliated Exchange**” is with regard to an Index Component an exchange, a trading or quotation system on which options and futures contracts on the Index Component in question are traded, as specified by the Index Calculator.

A “**Market Disruption Event**” occurs if

1. one of the following events occurs or exists on a Trading Day prior to the opening quotation time for an Index Component:
 - A) trading is suspended or restricted (due to price movements that exceed the limits allowed by the Exchange or an Affiliated Exchange, or for other reasons):
 - 1.1. across the whole Exchange; or
 - 1.2. in options or futures contracts on or with regard to an Index Component or an Index Component that is quoted on an Affiliated Exchange; or
 - 1.3. on an Exchange or in a trading or quotation system (as determined by the Index Calculator) in which an Index Component is listed or quoted; or
 - B) an event that (in the assessment of the Index Calculator) generally disrupts and affects the opportunities of market participants to execute on the Exchange transactions in respect of a share included in the Index or to determine market values for a share included in the Index or to execute on an Affiliated Exchange transaction with regard to options and futures contracts on these shares or to determine market values for such options or futures contracts; or
 2. trading on the Exchange or an Affiliated Exchange is ceased prior to the usual closing time (as defined below), unless the early cessation of trading is announced by the Exchange or Affiliated Exchange on this Trading Day at least one hour before
 - (aa) the actual closing time for normal trading on the Exchange or Affiliated Exchange on the Trading Day in question or, if earlier.
 - (bb) the closing time (if given) of the Exchange or Affiliated Exchange for the execution of orders at the time the quote is given.
- “**Normal exchange closing time**” is the time at which the Exchange or an Affiliated Exchange is normally closed on working days without taking into account after-hours trading or other trading activities carried out outside the normal trading hours; or
3. a general moratorium is imposed on banking transactions in the country in which the Exchange is resident if the above-mentioned events are material in the assessment of the Index Calculator, whereby the Index Calculator makes his decision based on those circumstances that he considers reasonable and appropriate.

5 Appendix

5.1 Contact data

Information regarding the Solactive Australian Hybrid Securities Index concept

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5.2 Calculation of the Index – change in calculation method

The application by the Index Calculator of the method described in this document is final and binding. The Index Calculator shall apply the method described above for the composition and calculation of the Index. However it cannot be excluded that the market environment, supervisory, legal, financial or tax reasons may require changes to be made to this method. The Index Calculator may also make changes to the terms and conditions of the Index and the method applied to calculate the Index, which he deems to be necessary and desirable in order to prevent obvious or demonstrable error or to remedy, correct or supplement incorrect terms and conditions. The Index Calculator is not obliged to provide information on any such modifications or changes. Despite the modifications and changes the Index Calculator will take the appropriate steps to ensure a calculation method is applied that is consistent with the method described above.