

## **GUIDELINE**

# **Solactive Europe Dividend Stability Index**

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This document contains the underlying principles and regulations regarding the structure and the operating of the Solactive Europe Dividend Stability 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 Index. Any changes made to the guideline are initiated by the Committee specified in section 1.6. The Index is calculated and published by Solactive AG. The name “Solactive” is copyrighted.

## 1 Index specifications

The Solactive Europe Dividend Stability Index (the “Index”) is an Index of Solactive AG and is calculated and distributed by Solactive AG. The index is intended to track the price movement in shares of global infrastructure companies that exhibited low volatility and are expected to go “ex-dividend” between two consecutive Adjustment Days.

The Index is calculated as a Price Return Index. Special cash distributions are reinvested into the index with deduction of taxes.

The Index is published in EUR.

### 1.1 Short name and ISIN

The Index is distributed under the following identifiers:

Name	ISIN	WKN	Characteristic	Reuters	Bloomberg
Solactive Europe Dividend Stability Index	DE000SLA3WL8	SLA3WL	Price Return	.SOLDSTAB	SOLDSTAB Index
Solactive Europe Dividend Stability Index-NTR	DE000SLA8LZ0	SLA8LZ	Net Total Return	.SOLDSTAN	SOLDSTAN Index

### 1.2 Initial value

The Index is based on 100 at the close of trading on the start date, April 21st, 2006.

### 1.3 Distribution

The 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 Index via his information systems.

## 1.4 Prices and calculation frequency

The price of the Index is calculated on each Business Day based on the prices on the respective Exchanges on which the Index Components are listed. The most recent prices of all Index Components are used. Prices of Index Components not listed in the Index Currency are translated using spot foreign exchange rates quoted by Reuters. Should there be no current price available on Reuters, the most recent price or the Trading Price on Reuters for the preceding Trading Day is used in the calculation. The daily Index Closing Level is calculated using Reuters/WMCO closing spot rates as at 4pm London time.

The Index is calculated every Business Day from 9:00am to 10:30pm, CET. In the event that data cannot be provided to Reuters or to the pricing services of Boerse Stuttgart AG the Index cannot be distributed.

## 1.5 Weighting

Index Components are weighted according to the inverse of its Maximum Volatility.

$$Weight(i) = \frac{1 / Max\_Vol(i)}{\sum_{j=1}^{30} 1 / Max\_Vol(j)}$$

The individual weight of each index component shall not exceed 10%. Any excess weight that results from the restriction will be redistributed proportionally among all other index components with a weight of less than 10%. If this procedure results in index components receiving a weight of more than 10%, then the capping process is repeated iteratively until the individual weight of no index component is greater than 10%.

## 1.6 Decision-making bodies

A Committee composed of staff from Solactive AG is responsible for decisions regarding the composition of the 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 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 Index in the event that 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 will be maintained from the launch of the Index on April 21st, 2006. Data before August 9<sup>th</sup>, 2017 is backtested.

## **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:

Based on the criteria in Chapter 4, the Index Calculator on the Selection Day determines the securities that are eligible for inclusion in the index. These securities are filtered according to the criteria below, resulting in the final index selection:

1. Minimum Market Capitalization of at least EUR 1 billion.
2. Minimum Average Daily Value Traded of at least EUR 5mn over the past 3month.
3. All securities that fulfill the Market Capitalization and the Average Daily Value Traded threshold are ranked on the basis of:
  - Dividend Yield Rank: Dividend Yield is calculated as the sum of all regular dividends per share paid in Index Currency by a security between the period ( $t - 1$  year) and ( $t - 1$  year + 3 month) divided by the trading price in Index Currency as of the Selection Day. Where  $t$  is defined as the upcoming Adjustment Day. A stock is only considered eligible if the 12month FactSet (or any reference source taking the place of FactSet and providing comparable data items, acceptable to and as determined by the Index Calculator) Dividend forecast is greater than 75% of the sum of all regular dividends per share paid in Index Currency by a security between the period ( $t - 1$  year) and  $t$ . Securities are ranked from highest to lowest.
  - Volatility Rank: Securities are ranked from lowest to highest according to their Maximum Volatility.
  - An overall score is calculated as  $1/2 * \text{Dividend Yield Rank} + 1/2 * \text{Volatility Rank}$
  - The 50 securities with the lowest overall score are selected as index constituents. As a restriction, no more than 10 securities per country and 5 securities per industry are eligible for inclusion in the index. For clarification, first the 10 securities with the lowest overall score per country are considered as eligible for inclusion. From this pool the 5 securities with the lowest overall score per industry are considered as eligible for inclusion. From this final pool the Index then selects the 30 securities with the lowest overall score as index constituents. If two securities are tied when calculating the overall score, the security with the higher Dividend Yield is prioritized. If still tied, the firm with the lower Maximum Volatility is selected.

### 2.2 Ordinary adjustment

The composition of the Index is adjusted quarterly on the 3rd Friday of January, April, July and October each year. The composition of the Index is reviewed on the Selection Day, which falls on the 2<sup>nd</sup> Friday of January, April, July and October each year. Necessary index changes are announced.

The first adjustment will be made in October 2017 based on the Trading Prices of the Index Components on the Adjustment Day.

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

## **2.3 Extraordinary adjustment**

The Committee may, but is under no obligation to, substitute an Index Component with a successor Index Component upon the occurrence of an Extraordinary Event as determined by Solactive AG. Any such successor Index Component shall be included in the Index after the close of business on the day when an Extraordinary Event has been determined by Solactive AG.

## 3 Calculation of the Index

### 3.1 Index formula

The Index is an index whose value on a Business Day is equivalent to the sum over all Index Components of the products of (a) the Number of Shares of the Index Component and (b) the price of the Index Component at the respective Exchange.

As a formula:

$$Index_t = \sum_{i=1}^n x_{i,t} * p_{i,t}$$

With:

$x_{i,t}$  = Number of Shares of the Index Component i on Trading Day t

$p_{i,t}$  = Price of Index Component i on Trading Day t in Index Currency

### 3.2 Accuracy

The value of the Index will be rounded to two decimal places.

The Number of Shares of the Index Components will be rounded to six decimal places.

Trading Prices will be rounded to six decimal places.

### 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 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.



### 3.4 Special dividends and other distributions

Special dividend payments and other distributions are included in the Index. They cause an adjustment of the Number of Shares of the corresponding Index Component. The new Number of Shares is calculated as follows:

$$x_{i,t} = x_{i,t-1} * \frac{p_{i,t-1}}{p_{i,t-1} - D_{i,t}}$$

With:

$x_{i,t}$  = Number of Shares of the Index Component i on Trading Day t  
 $D_{i,t}$  = Payment on Trading Day t multiplied by the Dividend Correction Factor of the respective country.

### 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.

#### 3.5.2 Capital increases

In the case of capital increases (from the company's own resources or through cash contributions) the new Numbers of Shares are calculated as follows:

$$x_{i,t} = x_{i,t-1} * \frac{p_{i,t-1}}{p_{i,t-1} - rB_{i,t-1}} \quad \text{with:} \quad rB_{i,t-1} = \frac{p_{i,t-1} - B - N}{BV + 1}$$

With:

$x_{i,t}$  = Number of Shares of Index Component i on the day of the distribution  
 $x_{i,t-1}$  = Number of Shares of Index Component i on the day prior to the distribution  
 $p_{i,t-1}$  = Closing price on the day prior to ex date  
 $rB_{i,t-1}$  = Calculated value of rights issue  
 $B$  = Price of rights issue  
 $N$  = Dividend disadvantage

$BV$  = Subscription ratio

$B = 0$  if capital is increased from the company's own resources.

The last dividend paid or the announced dividend proposal is applied as the dividend disadvantage.

### 3.5.3 Capital reductions

In the case of capital reductions the new Number of Shares is determined as follows:

$$x_{i,t} = x_{i,t-1} * \frac{1}{H_{i,t}}$$

With:

$H_{i,t}$  = Reduction ratio of the company on day t

$x_{i,t}$  = Number of Shares of the affected Index Component on the day of the distribution

$x_{i,t-1}$  = Number of Shares of the affected Index Component on the day prior to the distribution

### 3.5.4 Share splits and par value conversions

In the case of share splits and par value conversions it is assumed that the prices change in ratio to the number of shares or to the par values. The new Number of Shares is calculated as follows:

$$x_{i,t} = x_{i,t-1} * \frac{N_{i,t-1}}{N_{i,t}}$$

With:

$N_{i,t-1}$  = Former par value of security class i (or new number of shares)

$N_{i,t}$  = New par value of security class i (or former number of shares)

$x_{i,t}$  = Number of Shares of the affected Index Component on the day of the distribution

$x_{i,t-1}$  = Number of Shares of the affected Index Component on the day prior to the distribution

## 3.6 Miscellaneous

### 3.6.1 Recalculation

Solactive AG makes the greatest possible efforts to accurately calculate and maintain its indices. However, the occurrence of errors in the index determination process cannot be ruled out. In such cases Solactive AG adheres to its publicly available [Correction Policy](#).

### 3.6.2 Market Disruption

In periods of market stress Solactive AG calculates its indices following predefined and exhaustive arrangements set out in its publicly available [Disruption Policy](#).

#### 4. Definitions

“**Index Universe**” in respect of a Selection Day are companies that fulfill the following criteria:

1. Must be listed on a regulated stock exchange in Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and United Kingdom.
2. Units, Common Stocks, Preferred Stocks and Real Estate Investment Trusts according to FactSet classification are eligible for inclusion in the index.

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

“**Maximum Volatility**” is defined as the maximum of the three month Volatility and the one year Volatility in Index Currency.

“**Volatility**” is provided by FactSet under the field “P\_Volatility”.

“**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 in Index Currency.

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

“**Dividend Correction Factor**” is calculated as 1 minus the applicable withholding tax rate and/or other applicable tax rate currently prevalent in the respective country.

“**Exchange**” is, in respect of Index and every Index Component, the respective primary exchange where the Index Component has its primary listing. The Committee may decide to declare a different stock exchange the “Exchange” for trading reasons, even if the company is only listed there via a Stock Substitute.

“**Stock Substitute**” includes in particular American Depository Receipts (ADR) and Global Depository Receipts (GDR).

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.

“**Average Daily Traded Value**” means, in respect of a Share, the sum of Daily Traded Value in Index Currency over a specified period divided by the number of Exchange Trading Days that fall in the specified period.

**“Daily Traded Value”** means, in respect of a Share and of an Exchange Trading Day, the product of (i) the Closing Exchange Price in Index Currency of such Share and (ii) the volume traded (measured as a number of Share) of such Share on the Exchange during such Exchange Trading Day.

A **“Business Day”** is every weekday other than a Saturday or a Sunday.

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

The **“Index Currency”** is EUR.

**“Market Capitalization”** is with regard to each of the shares in the Index 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 share price in Index Currency times number of shares at security level.

**“Adjustment Day”** is the 3<sup>rd</sup> Friday of January, April, July and October of each year.

**“Selection Day”** is the 2<sup>nd</sup> Friday of January, April, July and October of each year.

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.

## **5 Appendix**

### **5.1 Contact data**

#### **Information regarding the 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.