

MARKET CONSULTATION- SOLACTIVE GLOBAL LITHIUM INDEX (SOLLIT)

31 March 2020



Content of the Market Consultation

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

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SOLACTIVE GLOBAL LITHIUM INDEX	.SOLLIT	DE000A1EY8J4

Rationale for Market Consultation

1. The Lithium Market has developed rapidly in China. Additionally, with the development of the Connect Exchanges Shanghai and Shenzhen (SSE and SZSE securities) foreigners have received better access to the Chinese Stock Market. Therefore, the Connect Exchanges shall be considered eligible, in order to capture the global lithium market. However, due to some peculiar features of the Connect Exchanges, the number of Components listed on the Connect Exchanges shall be capped at 30% in the selection and they fall under the SOLACTIVE treatment regarding stocks listed on the Connect Exchanges:
2. With the inclusion of an annual index review it is ensured that a company with a changed business area or insufficient quantitative criteria do not remain for longer period in the index. Thematic and quantitative review shall be conducted six months after the yearly selection for the index components.
3. Due to enhancement of the universe (after inclusion of the Connect Listings to be eligible) the quantitative criteria for Average Daily Traded Value and Free Float Market Capitalization is set higher. Additionally, a buffer rule for existing index members is applied for Free Float Market Capitalization to reduce turnover.

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 1.5 Weighting:

From:

On each Selection Day each Index Component of the Solactive Global Lithium is weighted proportionally according to its Free Float Market Capitalization, which may be adjusted if the Relative Liquidity Criterion is not fulfilled.

[...]



The capping methodology may be amended by the Committee from time to time to ensure appropriate index representation and index compliance with financial product regulations.

[...]

1.5.1 Continuous Listing Standard Review

[...]

*For the avoidance of doubt, please note that on the annual Adjustment Day, the Percentage Weight of an Index Component which is a Mining Company is capped at 20%.

[...]

To:

On each Selection Day and Review Day (each an "Evaluation Day"), each Index Component of the Solactive Global Lithium is weighted proportionally according to its Free Float Market Capitalization, which may be adjusted if the Relative Liquidity Criterion is not fulfilled.

The Percentage Weight of an Index Component which is a Mining Company is capped at 20%, the Percentage Weight of an Index Component which is a Battery Company is capped at 4.75% on the Evaluation Days. The collective Percentage Weight of all Index Components with a Percentage Weight exceeding 4.75% is capped at 44.5% on the Evaluation Days. The excess weight is allocated proportionally to all Index Components whose Percentage Weight is not capped.

The Percentage Weight of the Index Components which do not fulfill the Relative Liquidity Criterion on the Evaluation Days is adjusted appropriately. The excess weight is allocated proportionally to all Index Components whose Percentage Weight is not capped.

This is carried out by implementing the shares as determined based on the weights calculated on the Evaluation Day.

The Index Committee may decide on the Evaluation Day that if the current index composition and weightings are still compliant with applicable financial product regulations and if the Index still validly represents the lithium market (in particular, no components need to be added or removed) that there will be no change to the index composition and weightings on the upcoming Adjustment Day or Review Adjustment Day, as applicable.

[...]

1.5.1 Continuous Listing Standard Review

[...]

*For the avoidance of doubt, please note that on the annual Adjustment Day/ Review Adjustment Day, the Percentage Weight of an Index Component which is a Mining Company is capped at 20%.



[...]

- Section 2.1 Selection of the Index Components

From:

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

[...]

To:

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

[...]

The number of Index Components is capped to 30% for listings on Shanghai Connect (SSE) and Shenzhen Connect (SZSE). This means, if there are 40 Index Constituents only 30% (12 in absolute terms) *of the Index Constituents can be listed on either Shanghai Connect (SSE) and Shenzhen Connect (SZSE). To clarify, in case there are less than 40 Index Constituents e.g. 39 Index Constituents, the capped number of components would be rounded down to the closest integral number of components, e.g. 11.7 would be rounded down to 11 Index Constituents.*

- Section 2.2 Ordinary Adjustment

From:

The composition of the Index is ordinarily adjusted once a year on the last Business Day in October. The composition of the Solactive Lithium is reviewed on the Selection Day and the appropriate decision made is announced.

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

To:

The composition of the Index is ordinarily adjusted once a year on the last Business Day in October. The composition of the Solactive Lithium is reviewed on the Selection Day and the appropriate decision made is announced.

Additionally, there is an Index Review once a year on the Review Day in April, where existing constituents will be checked for their quantitative eligibility (Free Float Market Capitalization and Average Daily Traded Value thresholds) as well as qualitative/ thematic eligibility (Lithium focus check).

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



- Section 4 Definitions

- Selection Pool

From:

- (a) Listing on a Regulated Stock Exchange in the form of shares tradable for foreign investors without restrictions.
- (b) Business operations in lithium mining or production of lithium batteries in which significant revenues are generated or expected to be generated either from a relative (i.e. in terms of the company's total revenues) or absolute (i.e. in terms of the absolute size of the revenues, "non-pure play company") point of view
- (c) Free Float Market Capitalization of at least 25 million USD.
- (d) Average Daily Traded Value over all national exchanges within the listed country of at least 150,000 USD in the last three months for companies that are not in the index as of the Selection Day, and 50,000 USD for companies that are in the index as of the Selection Day.

To:

- (a) Listing on a Regulated Stock Exchange in the form of shares tradable for foreign investors without restrictions, including stocks listed on the China Stock Connect: Shanghai and Shenzhen.
- (b) [...]
- (c) Free Float Market Capitalization of at least 50 million USD for companies that are not in the index as of the Selection Day, and 25 million USD for companies that are in the index as of the Selection Day.
- (d) Average Daily Traded Value over all national exchanges within the listed country of at least 200,000 USD in the last three months for companies that are not in the index as of the Selection Day, and 100,000 USD for companies that are in the index as of the Selection Day.

- Trading Day

From:

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.



To:

"Trading Day" is with respect to an Index Component included in the Index at the Adjustment Day and every Index Component included in the Index at the Calculation Day immediately following the Adjustment Day (for clarification: this provision is intended to capture the Trading Days for the securities to be included in the Index as new Index Components with close of trading on the relevant Exchange on the Adjustment Day) a day on which the relevant Exchange is open for trading (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 scheduled Exchange closing time and days on which the Exchange is open for a scheduled shortened period. The Index Administrator is ultimately responsible as to whether a certain day is a Trading Day.

☐ Market Capitalization

From:

"Market Capitalization" is with regard to each of the companies in the Selection Pool on a Selection Day or on a Monitoring Selection Day the value of a company calculated by multiplying the number of shares outstanding of the company's respective share class by its share price.

To:

"Market Capitalization" is with regard to each of the companies in the Selection Pool on a Selection Day, Review Selection Day or on a Monitoring Selection Day the value of a company calculated by multiplying the number of shares outstanding of the company's respective share class by its share price.

☐ Free Float Market Capitalization

From:

"Free Float Market Capitalization" is with regard to each of the shares in the Selection Pool or in the Index on a Selection Day or on a Monitoring Selection Day the Free Float Market Capitalization for this day multiplied by the ratio of (A) the number of shares in circulation and (B) the number of shares outstanding of the respective company share class.

To:

"Free Float Market Capitalization" is with regard to each of the shares in the Selection Pool or in the Index on a Selection Day, Review Selection Day or on a Monitoring Selection Day the Free Float Market Capitalization for this day multiplied by the ratio of (A) the number of shares in circulation and (B) the number of shares outstanding of the respective company share class.



The following definitions will be added:

- ☐ "Review Day" is the Business Day 10 Business Days before the last weekday in April.
- ☐ "Review Adjustment Day" is the last Trading Day in April. If the Adjustment Day is not a Trading Day, the adjustment will be postponed to the next possible Trading Day.
- ☐ "Evaluation Day" is summarizing Selection Day and Review Day.

- One time extraordinary rebalance

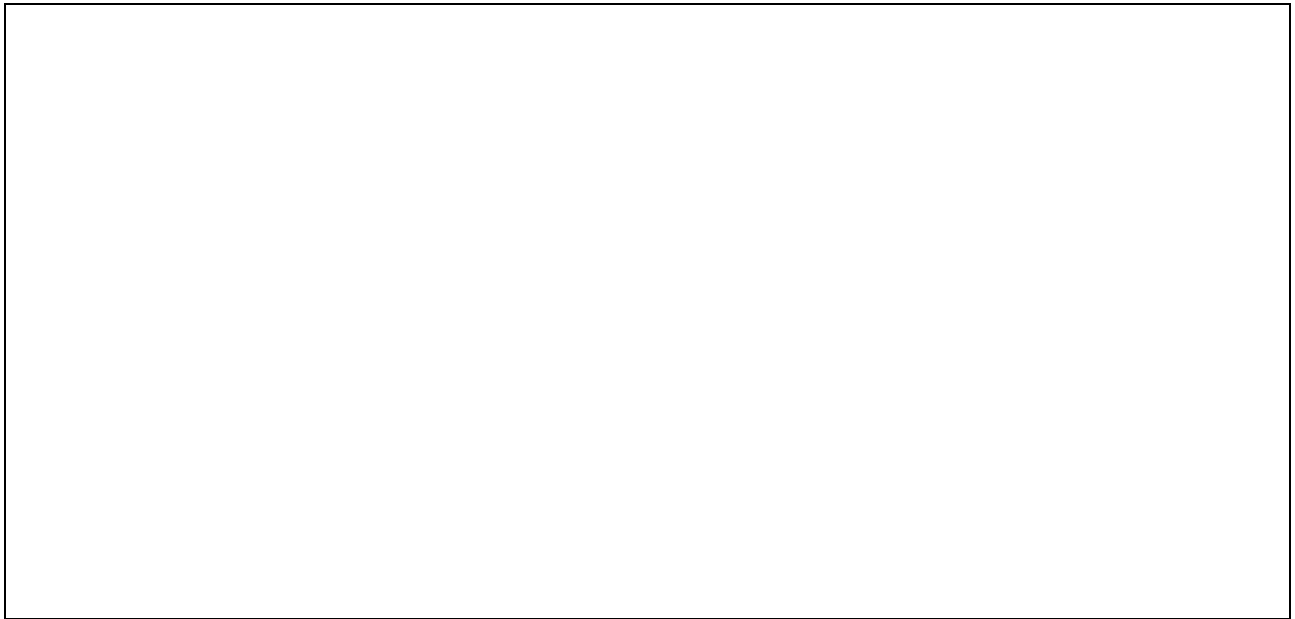
Depending on market conditions, a one-off extraordinary selection is planned after the above changes are implemented. The exact date of extraordinary adjustment will be announced in a separate announcement at a later stage.

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 GLOBAL LITHIUM 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 *30th April 2020*.

Please send your feedback via email to compliance@solactive.com, specifying "Market Consultation- SOLACTIVE GLOBAL LITHIUM INDEX (SOLLIT)" 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.

CONTACT

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