

MARKET CONSULTATION SOLACTIVE CHINA CLEAN ENERGY INDEX

16 June 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 Indices (the 'Indices'):

NAME	RIC	ISIN
Solactive China Clean Energy Index PR	.SOLCCEIP	DE000SLA9KC9
Solactive China Clean Energy Index NTR	.SOLCCEIN	DE000SLA9KD7
Solactive China Clean Energy Index TR	.SOLCCEIT	DE000SLA9KE5

Rationale for Proposed Changes

Solactive AG deems the current Index Methodology lacking in regards to the corporate governance risk of the companies included in the index universe. Companies with a recent IPO are less thoroughly analyzed by the market and are therefore, to a higher degree, subject to potential corporate governance risk. In order to reflect these economic circumstances, Solactive AG decided to apply one additional criterium, only including securities in index universe with the first trade date not within the past six months from the Selection Day.

Secondly, Solactive AG deems the current Index Methodology lacks the diversification of the index and the accurate representation of the Index Objective. Hence, Solactive AG decided to add an additional industry to the list of eligible industries, "Chemicals: Specialty". The industry is particularly relevant to solar power, as solar cells are made of silicon through a chemical process.

Additionally, the weight cap in the index will be increased from 7% to 9%. Several large market leaders have emerged in the clean energy industries and underweighting (compared with simply free-float market cap weight) such leaders while overweighting the smaller companies would deteriorate the index performance compared to actual market conditions and the impact of larger companies.

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):

1. Chapter 2.1 Index Universe Requirements
 - a. an additional bullet will be included after point 3.h):
 - i) Chemicals: Specialty



- b. an additional point will be included between points 5. and 6:
 - 6. The first trade date of the security should not be within the last six months until and including the SELECTION DAY.
- c. point 9. will be changed as follows:
 - 9. The companies are ranked in their industries, as defined in step 3, according to TOTAL MARKET CAPITALIZATION. The top 8 per industry are selected and constitute the INDEX UNIVERSE.

Therefore, chapter 2.1. Index Universe Requirements will read:

The INDEX UNIVERSE is comprised of all financial instruments which fulfill the below requirements (the "INDEX UNIVERSE REQUIREMENTS"):

1. Headquartered in China or Hong Kong
2. Should be listed on one of the following exchanges:
 - a) Hong Kong: HKEX
 - b) Stock Connect: Shanghai and Shenzhen
 - c) US: NYSE and NASDAQ
3. Should be from the following industries according to the FactSet Industries and Economic Sectors:
 - a) Alternative Power Generation
 - b) Engineering & Construction
 - c) Industrial Specialties
 - d) Miscellaneous Manufacturing
 - e) Semiconductors
 - f) Electrical Products
 - g) Electronic Production Equipment
 - h) Electric Utilities
 - i) Chemicals: Specialty
4. From the list of constituents remaining after step 3, only companies with significant exposure to clean energy are eligible. Identification is based on the company description included in FactSet, and keywords that indicate significant exposure to clean energy and its related supply chain. The keywords are subject to regular revision by the OVERSIGHT COMMITTEE
5. As an exclusion policy, companies (i) with insignificant exposure to clean energy and its related supply chain and/or (ii) which engage in business(es) that may have adverse environmental impact



will be identified and removed from the list of eligible constituents after step 4 above. Identification is based on the company description included in FactSet and the "exclusion" keywords indicating limited or no exposure to clean energy and its related supply chain. The keywords are subject to regular revision by the OVERSIGHT COMMITTEE

6. The first trade date of the security should not be within the last six months until and including the SELECTION DAY.
7. Should have AVERAGE DAILY VALUE TRADED of at least HKD 20 million over 6 months prior to and including the SELECTION DAY
8. If a company has more than one share classes then the most liquid share class is eligible
9. If the company is not classified in the sector UTILITIES, based on FactSet Industries and Economic Sectors, the company should have a Debt to EBIT ratio of less than, or equal to, 30 as of the last completed financial year
10. The companies are ranked in their industries, as defined in step 3, according to TOTAL MARKET CAPITALIZATION. The top 8 per industry are selected and constitute the INDEX UNIVERSE.
11. Should less than 15 securities fulfill the requirements until and including step 10, the largest security/securities per TOTAL MARKET CAPITALIZATION that does/do not fulfill the requirements until and including step 9, but fulfills/fulfill the requirements until and including step 8, is/are selected until the INDEX UNIVERSE consists of 15 securities

The determination of the INDEX UNIVERSE is fully rule-based and the INDEX ADMINISTRATOR cannot make any discretionary decisions.

2. Chapter 2.3 Weighting of the Index Components

From:

On each SELECTION DAY each INDEX COMPONENT is assigned a weight according to FREE FLOAT MARKET CAPITALIZATION such that the weight of the company does not exceed 7%.

To:

On each SELECTION DAY each INDEX COMPONENT is assigned a weight according to FREE FLOAT MARKET CAPITALIZATION such that the weight of the company does not exceed 9%. The excess weight will be distributed to the other INDEX COMPONENTS pro-rata in an iterative process.

Implementation of the changes

Subject to feedback received on this Market Consultation, the changes mentioned above are intended to become effective on 26th June 2020.



Feedback on the proposed changes

If you would like to share your thoughts with Solactive AG, 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 AG is inviting all stakeholders and interested third parties to evaluate the proposed changes to the Methodology for the Solactive China Clean Energy 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 *24/06/2020 (cob)*.

Please send your feedback via email to compliance@solactive.com, specifying "Market Consultation SOLACTIVE CHINA CLEAN ENERGY INDEX" as the subject of the email, or

via postal mail to: Solactive AG
Platz der Einheit 1
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

Solactive AG

German Index Engineering

Platz der Einheit 1

60327 Frankfurt am Main

Germany

Tel.: +49 (0) 69 719 160 00

Fax: +49 (0) 69 719 160 25

Email: info@solactive.com

Website: www.solactive.com

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