

MARKET CONSULTATION SOLACTIVE CHINA ELECTRIC VEHICLE 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 Electric Vehicle Index PR	.SOLCEVIP	DE000SLA9J96
Solactive China Electric Vehicle Index NTR	.SOLCEVIN	DE000SLA9KA3
Solactive China Electric Vehicle Index TR	.SOLCEVIT	DE000SLA9KB1

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: Major Diversified". The industry is particularly relevant to electric vehicles, as batteries – one of the core components of EV- are essentially a chemical product. Additionally, the weight cap in the index will be increased from 7% to 9%. Several large market leaders have emerged in the electric vehicle 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.

Thirdly, after revision by the Oversight Committee, the negative keywords used in the index were updated.

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.f):
 - g) Chemicals: Major Diversified
- 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 8. will be changed as follows:
 8. 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) Electrical Products
 - b) Motor Vehicles
 - c) Auto Parts: OEM
 - d) Industrial Machinery
 - e) Chemicals: Specialty
 - f) Industrial Specialties
 - g) Chemicals: Major Diversified
4. From the list of constituents remaining after step 3, only companies with significant exposure to electric vehicles are eligible. Identification is based on the company description included in FactSet, and keywords that indicate significant exposure to electric vehicles and its related supply chain. The keywords are subject to regular revision by the OVERSIGHT COMMITTEE
5. As an exclusion policy, companies with insignificant exposure to electric vehicles and its related supply chain 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 electric vehicles 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. 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
10. Should less than 15 securities fulfill the requirements until and including step 9, the largest security/securities per TOTAL MARKET CAPITALIZATION that does/do not fulfill the requirements until and including step 8, but fulfills/fulfill the requirements until and including step 7, 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 no 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 Electric Vehicle 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 ELECTRIC VEHICLE INDEX" as the subject of the email, or

via postal mail to: Solactive AG



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Should you have any additional questions regarding the consultative question in particular, please do not hesitate to contact us via above email address.



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