

ANNOUNCEMENT – SOLACTIVE TREATMENT OF MERGERS & ACQUISITIONS AND SPIN-OFFS BETWEEN SELECTION DAY AND ADJUSTMENT DAY

22 December 2021

OBJECTIVE

This document provides guidance on the enhancement for the treatment of Mergers & Acquisitions (M&A) and Spin-offs between Selection Day and Adjustment Day. The Enhancement aims to increase the replicability of the indices administered by Solactive AG, by reflecting the general market of dealing with such events as accurately as possible in the index calculation.

The following section describes Mergers & Acquisitions and Spin-offs between Selection Day and Adjustment Day and compares the current and the future treatment.

CONTENT

Whilst selecting the Future Index Components for Solactive AG administered indices, Solactive AG identifies securities which are subject to a Merger & Acquisition event after the Selection Day and validates the potential effect of such event on the selection results.

Despite this validation, there might be some Merger & Acquisition events that are announced after the Selection Day, which cannot be reflected in the selection process.

This requires a visible and transparent treatment to account for the different types of those Merger & Acquisition events and an Implementation Scheme.

CURRENT TREATMENT VS. FUTURE TREATMENT

Implementation Scheme	M&A or Spin-Off Scenario	Current Treatment	Future Treatment	Comment
Weights	Cash (Acquirer in Future Composition)	Removal of target company of the acquisition and distribution of target company's weight proportionally across the remaining Future Index Components	Removal of target company of the acquisition and distribution of target company's weight proportionally across the remaining Future Index Components	No change
	Cash (Acquirer not in Future Composition)	Removal of target company of the acquisition and distribution of target company's weight proportionally across the	Removal of target company of the acquisition and distribution of target company's weight proportionally across the	No change

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		remaining Future Index Components	remaining Future Index Components	
	Cash & Stock (Acquirer in Future Composition)	Removal of target company of the acquisition and distribution of target company's weight proportionally across the remaining Future Index Components	The cash portion will be reinvested pro rata across the remaining Future Index Components. The weight of the acquiring / surviving company will be increased according to the stock terms	Change
	Cash & Stock (Acquirer not in Future Composition)	Removal of target company of the acquisition and distribution of target company's weight proportionally across the remaining Future Index Components	Removal of target company of the acquisition and distribution of target company's weight proportionally across the remaining Future Index Components	No change
	Stock (Acquirer in Future Composition)	Removal of target company of the acquisition and distribution of target company's weight proportionally across the remaining Future Index Components	The weight of the target company of the acquisition will be added to the weight of the acquiring company.	Change
	Stock (Acquirer not in Future Composition)	Removal of target company of the acquisition and distribution of target company's weight proportionally across the remaining Future Index Components	Removal of target company of the acquisition and distribution of target company's weight proportionally across the remaining Future Index Components	No change
	Spin-Off	The spin-off company will not be included in the Future Index Composition	The spin-off company will be added leaving the combined weight of the company, i.e., parent company and spin-off company unaffected	Change
Shares	Cash (Acquirer in Future Composition)	The value of the target company of the acquisition will be distributed pro rata across the remaining Future Index Components.	The value of the target company of the acquisition will be distributed pro rata across the remaining Future Index Components.	No change

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	Cash (Acquirer not in Future Composition)	The value of the target company of the acquisition will be distributed pro rata across the remaining Future Index Components.	The value of the target company of the acquisition will be distributed pro rata across the remaining Future Index Components.	No change
	Cash & Stock (Acquirer in Future Composition)	The cash portion will be reinvested pro rata across the remaining Future Index Components. The stock portion will be reflected by increasing the Total Shares of the acquiring company.	The cash portion will be reinvested pro rata across the remaining Future Index Components. The stock portion will be reflected by increasing the Total Shares of the acquiring company.	No change
	Cash & Stock (Acquirer not in Future Composition)	The value of the target company of the acquisition will be distributed pro rata across the remaining Future Index Components.	The value of the target company of the acquisition will be distributed pro rata across the remaining Future Index Components.	No change
	Stock (Acquirer in Future Composition)	The shares of the acquiring company will be increased according to the deal terms.	The shares of the acquiring company will be increased according to the deal terms.	No change
	Stock (Acquirer not in Future Composition)	The value of the target company of the acquisition will be distributed pro rata across the remaining Future Index Components.	The value of the target company of the acquisition will be distributed pro rata across the remaining Future Index Components.	No change
	Spin-Off	The spin-off company will be added to the Future Index Composition according to the terms on the ex-date.	The spin-off company will be added to the Future Index Composition according to the terms on the ex-date.	No change
Multiday Index Rebalance	Cash (Acquirer in Future Composition)	The implementation of the M&A event is delayed until the day following completion of Multiday Index Rebalance.	The M&A event is applied on the effective date as per Solactive standard and is applied after the planned rebalance for the effective date. The target weight of the target company of the acquisition is redistributed pro rata to remaining Future Index Components.	Change

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	Cash (Acquirer not in Future Composition)	The implementation of the M&A event is delayed until the day following completion of Multiday Index Rebalance.	The M&A event is applied on the effective date as per Solactive standard and is applied after the planned rebalance for the effective date. The target weight of the target company of the acquisition is redistributed pro rata to the remaining Future Index Components.	Change
	Cash & Stock (Acquirer in Future Composition)	The implementation of the M&A event is delayed until the day following completion of Multiday Index Rebalance.	The M&A event is applied on the effective date as per Solactive standard and is applied after the planned rebalance for the effective date. The target weight of the target company of the acquisition is redistributed using a ratio of the Deal Terms, with the Stock portion being allocated to the acquirer and the rest distributed pro rata to remaining Future Index Components.	Change
	Cash & Stock (Acquirer not in Future Composition)	The implementation of the M&A event is delayed until the day following completion of Multiday Index Rebalance.	The M&A event is applied on the effective date as per Solactive standard and is applied after the planned rebalance for the effective date. The target weight of the target company of the acquisition is redistributed pro rata to the remaining Future Index Components.	Change
	Stock (Acquirer in Future Composition)	The implementation of the M&A event is delayed until the day following completion of Multiday Index Rebalance.	The M&A event is applied on the effective date as per Solactive standard and is applied after the planned rebalance for the effective date. The target weight of	Change

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			the target company of the acquisition is allocated to the acquirer.	
	Stock (Acquirer not in Future Composition)	The implementation of the M&A event is delayed until the day following completion of Multiday Index Rebalance.	The M&A event is applied on the effective date as per Solactive standard and is applied after the planned rebalance for the effective date. The target weight of the target company of the acquisition is redistributed pro rata to the remaining Future Index Components.	Change
	Spin-Off (Parent Company in Future Composition)	Spin off is applied as a special cash distribution for the parent company on the ex-date.	The Spin-Off event is applied on the effective date as per Solactive standard treatment and is applied after the planned rebalance for the effective date. The spin-off company will be added according to deal terms. The ratio of the value of the parent company and the spin-off company using open prices will be calculated and used to allocate the target weights of the parent company and the spin-off company.	Change
	Spin-Off (Parent Company not in Future Composition)	Spin off is applied as a special cash distribution for the parent company on the ex-date.	The Spin-Off event is applied on the effective date as per Solactive standard treatment and is applied after the planned rebalance for the effective date. The spin-off company will be added according to deal terms. The spin-off company will receive a target weight of zero (matching the target weight of the parent company).	Change

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SCOPE AND TIMING

Solactive AG has decided to introduce changes on its treatment for Mergers & Acquisitions and Spin-offs between Selection Day and Adjustment Day with an effective date of **14.02.2022**. From this day onwards, the respective treatment will be applied to all existing and future indices that are administered by Solactive AG.

In addition, the Solactive Equity Index Methodology available on <https://www.solactive.com/documents/> will be updated with the description of the enhanced treatment on the effective date specified above.

For the implementation scheme of a Multiday Index Rebalance, the above treatments will be applied for all indices administered by Solactive AG. Please be informed that for indices, where Solactive AG is not acting as an index administrator and the implementation scheme is Weights or Shares, Solactive AG will contact the respective index administrator to define a default treatment.

Solactive AG provides all relevant information about corporate events in its Daily Corporate Action Files (DCAF). These files will also be expanded to reflect the adjustments to the treatment of Mergers & Acquisitions (M&A) and Spin-offs between Selection Day and Adjustment Day specified above. The DCAF Description File demonstrates the new structure of the DCAF after the implementation of the enhanced treatments. With the effective date as of **14.02.2022**, Solactive AG will only distribute the new version of the DCAF.

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