

MARKET CONSULTATION SOLACTIVE CLEAN ENERGY INDEX – CHANGES TO INDEX METHODOLOGY

06 July 2022



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 CLEAN ENERGY INDEX PR	.SOLCLNEP	DE000SLOAVM5
SOLACTIVE CLEAN ENERGY INDEX NTR	.SOLCLNEN	DE000SLOAVN3
SOLACTIVE CLEAN ENERGY INDEX TR	.SOLCLNET	DE000SLOAVP8

Rationale for the Market Consultation

The Indices aim to track the performance of a basket of stocks of companies that are actively engaged in the international clean energy industry. In order to refine the strategy of the Indices, Solactive propose to make following changes to the methodology.

- Increase in the number of Tenders required for selection,
- Exclusion of funds from the selection process
- Adjustment to the required thresholds for the Cumulative Capacity of companies to avoid unnecessary and excess turnover,
- Include a dynamic weighting mechanism that takes into account factors like Assets under Management in the product(s) tracking the Indices, maximum participation, turnover and maximum ownership per company to ensure tradability, reduction of tracking difference of the product(s) tracking the Indices,
- Switch to ESG Exclusions Index of Solactive for stringent, reliable and comprehensive ESG filters.

A more detailed overview of the proposed changes is provided below in section "Proposed Changes to the Index Guideline".

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):

2.2. SELECTION OF THE INDEX COMPONENTS

From:

[...]



2. Any company listed on the Future Protection List (the "FWPL") produced by Legal & General Investment Management ("LGIM") are then excluded. The FWPL is reconstituted by LGIM on a semi-annual basis and the methodology by reference to which the FWPL is constructed is published on Future World Protection List Methodology. The most recently published FWPL that is available on a respective SELECTION DAY is used.

3. The securities that are eligible for inclusion in the INDEX (the "Eligible Securities") are selected from the INDEX UNIVERSE in the following manner:

A. it has its primary listing on an ELIGIBLE EXCHANGE.

B. the FactSet Economy Level for such Security is not classified as 'Energy' or 'Finance'.

C. the Country of Domicile for such Security is neither China nor Hong Kong.

D. it has, as of the SELECTION DAY, a FREE FLOAT MARKET CAPITALIZATION of at least USD 200 million, unless such Security is an existing INDEX COMPONENT, in which case, the FREE FLOAT MARKET CAPITALIZATION must be at least USD 150 million.

E. its three month AVERAGE DAILY VALUE TRADED, until and including the SELECTION DAY, is at least USD 1,000,000.

F. the NUMBER OF TENDERS is greater than one.

G. its TECHNOLOGY is any of wind, solar, ocean power, hydro, biopower and/or geothermal.

4. On each SELECTION DAY, each Eligible Security shall be deemed to be an INDEX COMPONENT, if in respect of such Eligible Security, any of the following conditions 4.A or 4.B is fulfilled.

A. In respect of each Eligible Security that is not classified as UTILITIES or THERMAL:

i. the company is a COMPONENT SUPPLIER but is not a T&D Company, Semiconductor Company, Foundation Construction Company or Pure EPC Provider;

OR

ii. the company is a WIND OEM and,

1. its CUMULATIVE CAPACITY ranks within the top 50th percentile of those companies with CUMULATIVE CAPACITY greater than zero; unless such



company is an existing INDEX COMPONENT in which case it shall rank within the top 60 per cent;

OR

iii. the company is a SOLAR OEM and,

1. its CUMULATIVE CAPACITY ranks within the top 50th percentile of those companies with CUMULATIVE CAPACITY greater than zero; unless such company is an existing INDEX COMPONENT in which case it shall rank within the top 60 per cent;

Further, for the purposes of steps (ii) and (iii) above, if the company is both, a WIND OEM and SOLAR OEM, it shall be treated as a WIND OEM if the wind capacity contribution towards the CUMULATIVE CAPACITY is greater than the solar capacity contribution. Otherwise, it will be treated as a SOLAR OEM.

OR

- B. In respect of each Eligible Security that is not a WIND OEM, SOLAR OEM, T&D COMPANY, SEMICONDUCTOR COMPANY or PURE EPC PROVIDER:

[...]

To:

[..]

2. On each SELECTION DAY, any company included in the ESG EXCLUSIONS INDEX as determined by SOLACTIVE is then excluded from the INDEX UNIVERSE.

The methodology by reference to which the ESG EXCLUSIONS INDEX is constructed, together with the most recent applicable categories and inclusion criteria, is available on the SOLACTIVE website: <https://solactive.com/downloads/Guideline-Solactive-ESG-Exclusions-Index.pdf>

The applicable categories and inclusion criteria of the ESG EXCLUSIONS INDEX as of May 2022 are set out in Annex B of this document.

3. The securities that are eligible for inclusion in the INDEX (the "Eligible Securities") are selected from the INDEX UNIVERSE in the following manner:

- A. it has its primary listing on an ELIGIBLE EXCHANGE.
- B. the security type must be share or American Depositary Receipt (ADR), and must not be any type of fund.



- C. the FactSet Economy Level for such Security is not classified as 'Energy' or 'Finance'.
- D. the Country of Domicile for such Security is neither China nor Hong Kong.
- E. it has, as of the SELECTION DAY, a FREE FLOAT MARKET CAPITALIZATION of at least USD 200 million, unless such Security is an existing INDEX COMPONENT, in which case, the FREE FLOAT MARKET CAPITALIZATION must be at least USD 150 million.
- F. its three month AVERAGE DAILY VALUE TRADED, until and including the SELECTION DAY, is at least USD 1,000,000.
- G. the NUMBER OF TENDERS is greater than two.
- H. its TECHNOLOGY is any of wind, solar, ocean power, hydro, biopower and/or geothermal.

4. On each SELECTION DAY, each Eligible Security shall be deemed to be an INDEX COMPONENT, if in respect of such Eligible Security, any of the following conditions 4.A or 4.B is fulfilled.

A. In respect of each Eligible Security that is not classified as UTILITIES or THERMAL:

- i. the company is a COMPONENT SUPPLIER but is not a T&D Company, Semiconductor Company, Foundation Construction Company or Pure EPC Provider;

OR

- ii. the company is a WIND OEM and,

- 1. its CUMULATIVE CAPACITY ranks within the top two quartiles of those companies with CUMULATIVE CAPACITY greater than zero; unless such company is an existing INDEX COMPONENT in which case it shall rank within the top three quartiles;

OR

- iii. the company is a SOLAR OEM and,

- 1. its CUMULATIVE CAPACITY ranks within the top two quartiles of those companies with CUMULATIVE CAPACITY greater than zero; unless such company is an existing INDEX COMPONENT in which case it shall rank within the top three quartiles;

Further, for the purposes of steps (ii) and (iii) above, if the company is both, a WIND OEM and SOLAR OEM, it shall be treated as a WIND OEM if the wind capacity contribution towards the CUMULATIVE CAPACITY is greater than the solar capacity contribution. Otherwise, it will be treated as a SOLAR OEM.

OR



- B. In respect of each Eligible Security that is not a WIND OEM, SOLAR OEM, T&D COMPANY, SEMICONDUCTOR COMPANY, ENERGY STORAGE PROVIDER, ELECTROLYSER MANUFACTURER, FUEL CELL MANUFACTURER or PURE EPC PROVIDER:

[...]

2.3. WEIGHTING OF THE INDEX COMPONENTS

From:

On each SELECTION DAY each INDEX COMPONENT is assigned an equal weight ('the initial weight') such that the total INDEX COMPONENT weight of all INDEX COMPONENTS is equal to 100%, subject to the following constraints: weighted in accordance with the following steps:

1. if the three month AVERAGE DAILY VALUE TRADED is less than USD 2,000,000, then the INDEX COMPONENT Weight of such INDEX COMPONENT shall be capped at 1% provided the initial weight is greater than 1%;
2. if the three month AVERAGE DAILY VALUE TRADED is less than USD 3,000,000 but greater than or equal to USD 2,000,000, then the INDEX COMPONENT Weight of such INDEX COMPONENT shall be capped at 2% provided the initial weight is greater than 2%; and
3. if the three month AVERAGE DAILY VALUE TRADED is less than USD 4,000,000 but greater than or equal to USD 3,000,000, then the INDEX COMPONENT Weight of such INDEX COMPONENT shall be capped at 3% provided the initial weight is greater than 3%.

Any residual weight that arises from capping the INDEX COMPONENT weights shall be distributed equally to the remaining INDEX COMPONENTS, subject to the constraints 1 - 3 above. For the avoidance of doubt, INDEX COMPONENTS affected from the aforementioned constraints will be excluded from the weight redistribution if this process increases their weight above the defined weight caps.

To:

On each SELECTION DAY each INDEX COMPONENT is weighted in accordance with the following steps:

- i) Each INDEX COMPONENT is initially weighted equally w_i^* ;
- ii) Then, for each INDEX COMPONENT the maximum weight $w_{i,max}$ is calculated as:

$$w_{i,max} = \text{Min}\{w_{i,max}^{liquidity}, w_{i,max}^{ownership}\}$$

where,

$$w_{i,max}^{liquidity} = \frac{(1 - \text{Haircut}) \times \text{Liquidity Measure} \times \text{Participation (\%)}}{\text{AuM} \times \text{Turnover}}$$



$$w_{i,max}^{ownership} = \frac{Market\ Cap \times Max\ Ownership}{AuM}$$

and,

AuM – the maximum of total assets under management in US Dollars of ETFs tracking the INDEX as listed in Appendix C and US Dollars 50 million;

Haircut – assumed 10%;

Liquidity Measure – 3-month AVERAGE DAILY VALUE TRADED in US Dollars;

Market Cap – FREE FLOAT MARKET CAPITALIZATION of a company in US Dollars;

Max Ownership – assumed 7.5%;

Participation (%) – assumed 100%;

Turnover – assumed 40%.

- iii) In respect of INDEX COMPONENTS whose initial weight w_i^* is greater than $w_{i,max}$, the Target Index Weight w_i shall be set to be equal to $w_{i,max}$, and the excess weight is then calculated as follows:

$$w_{i,excess} = w_i^* - w_{i,max}$$

The cumulative excess weight is calculated as the sum of $w_{i,excess}$ in respect of all INDEX COMPONENTS whose initial weight w_i^* is greater than $w_{i,max}$.

The cumulative excess weight is then proportionally distributed across all INDEX COMPONENTS whose initial weight w_i^* is less than $w_{i,max}$ such that the above maximum weight cap condition is fulfilled. This can be an iterative process until 100% weight is fully allocated and all conditions above are fulfilled.

3.1. ORDINARY REBALANCE

From:

[...]

In addition, if the INDEX ADMINISTRATOR determines that the INDEX weight of any INDEX COMPONENT is greater than 15% on any REVIEW DAY, then the index shall be reweighted on the ADJUSTMENT DAY that occurs immediately after such REVIEW DAY according to section 2.3 WEIGHTING OF THE INDEX COMPONENTS. AVERAGE DAILY VALUE TRADED data will be based on the data available as of the REVIEW DAY.

[...]

To:

[...]

In addition, if the INDEX ADMINISTRATOR determines that the INDEX weight of any INDEX COMPONENT is greater than 15% on any REVIEW DAY, then the index shall be reweighted on the ADJUSTMENT DAY that occurs



immediately after such REVIEW DAY according to section 2.3 WEIGHTING OF THE INDEX COMPONENTS. All relevant data will be based on the data available as of the REVIEW DAY.

[...]

6. DEFINITIONS

• COMPONENT SUPPLIER

From:

"COMPONENT SUPPLIER" means a company that has an Equipment Type specified other than "Solar PV Modules", "Wind Turbine" and/or "Wind Turbine; Solar PV Modules" only.

To:

"**COMPONENT SUPPLIER**" means a company that has an Equipment Type specified other than "Solar PV Modules", "Wind Turbine", "Wind Turbine; Solar PV Modules", "Electrolyser", "Fuel Cells" only and/or the company is not an "**ENERGY STORAGE PROVIDER**".

• ENERGY STORAGE PROVIDER

From:

"**ENERGY STORAGE PROVIDER**", means any company whose Equipment type includes "Energy Storage System" and/or the company's Segment includes "Energy Storage".

To:

"**ENERGY STORAGE PROVIDER**", means any company whose Equipment type is "Energy Storage System" and the company's Segment is "Energy Storage".

• NUMBER OF TENDERS

From:

"**NUMBER OF TENDERS**", means, in respect of a Security and an INDEX BUSINESS DAY, the cumulative sum of number of QUARTERLY TENDERS/CONTRACTS over 20 quarters prior to and including the immediately preceding quarter. If the QUARTERLY TENDERS/CONTRACTS of such Security as of the immediately preceding quarter is unavailable or equal to zero, then the NUMBER OF TENDERS shall be equal to the NUMBER OF TENDERS determined as of the most recent quarter, within the preceding 11 quarters, when the QUARTERLY TENDERS/CONTRACTS was not equal to zero. Notwithstanding the above, if the QUARTERLY TENDERS/CONTRACTS of such Security was equal zero consecutively for 12 quarters prior to and including the immediately preceding quarter, then the NUMBER OF TENDERS in respect of such INDEX BUSINESS DAY shall be deemed to be equal to zero.



To:

“NUMBER OF TENDERS”, means, in respect of a Security and an INDEX BUSINESS DAY, the cumulative sum of number of QUARTERLY TENDERS/CONTRACTS over 20 quarters prior to and including the immediately preceding quarter. However, if the cumulative sum of number of QUARTERLY TENDERS/CONTRACTS of such Security over 12 quarters prior to and including the immediately preceding quarter is not greater than one, then the NUMBER OF TENDERS in respect of such INDEX BUSINESS DAY shall be deemed to be equal to zero.

- **CUMULATIVE CAPACITY**

From:

“CUMULATIVE CAPACITY”, means, in respect of a Security and an INDEX BUSINESS DAY, the cumulative sum of QUARTERLY TOTAL CAPACITY (UNITS) over 20 quarters prior to and including the immediately preceding quarter. If the QUARTERLY TOTAL CAPACITY (UNITS) of such Security as of the immediately preceding quarter is unavailable or equal to zero, then the CUMULATIVE CAPACITY shall be the CUMULATIVE CAPACITY determined as of the most recent quarter within the preceding 11 quarters, when the QUARTERLY TOTAL CAPACITY (UNITS) was not equal to zero. Notwithstanding the above, if the QUARTERLY TOTAL CAPACITY (UNITS) of such Security was equal to zero consecutively for 12 quarters prior to and including the immediately preceding quarter, then the CUMULATIVE CAPACITY in respect of such INDEX BUSINESS DAY shall be deemed to be equal to zero.

To:

“CUMULATIVE CAPACITY”, means, in respect of a Security and an INDEX BUSINESS DAY, the cumulative sum of QUARTERLY TOTAL CAPACITY (UNITS) over 20 quarters prior to and including the immediately preceding quarter. However, if the cumulative sum of QUARTERLY TOTAL CAPACITY (UNITS) of such Security over 12 quarters prior to and including the immediately preceding quarter is equal to zero, then the CUMULATIVE CAPACITY in respect of such INDEX BUSINESS DAY shall be deemed to be equal to zero.

- **DATA PROVIDER:**

From:

“DATA PROVIDER 1” is Global Data. For more information, please visit: <https://www.globaldata.com/>.

“DATA PROVIDER 2” is Sustainalytics. For more information, please visit: <https://www.sustainalytics.com/>.

To:

“DATA PROVIDER I” is Global Data. For more information, please visit: <https://www.globaldata.com/>.

“DATA PROVIDER II” is Sustainalytics. For more information, please visit: <https://www.sustainalytics.com/>.



The following definitions and Annex A, B & C will be iadjusted / included:

- **"ELECTROLIYSER MANUFACTURER"** means any company whose Equipment Type is "Electrolyser".
- **"FUEL CELL MANUFACTURER"** means any company whose Equipment Type is "Fuel Cells".
- **"TENDERS & CONTRACTS"** refers to all **CLEAN TECHNOLOGY** projects over the last 40 quarters prior to and including the immediately preceding quarter.
- **"ESG EXCLUSIONS INDEX"** is the ESG Exclusions Index. For more information on the methodology, please visit: <https://solactive.com/downloads/Guideline-Solactive-ESG-Exclusions-Index.pdf>
For more information on the current composition, please visit: https://www.solactive.com/wp-content/uploads/solactiveip/en/Factsheet_ESGEXCLUSIDX.pdf

ANNEX A

No.	Exchange Code	Exchange
1	NA	Equity Euronext Amsterdam Netherlands
2	FP	Equity Euronext Paris France
3	FH	Equity Helsinki Stock Exchange Finland
4	HK	Equity Hong Kong Stock Exchange China
5	KP	Equity Korea Stock Exchange Korea
6	KQ	Equity Kosdaq Stock Exchange Korea
7	LN	Equity London Stock Exchange United Kingdom
8	UQ	Equity Nasdaq Global Market United States
9	UW	Equity Nasdaq Global Select Market United States
10	UN	Equity New York Stock Exchange United States
11	NO	Equity Oslo Norway
12	SE	Equity SIX Swiss Exchange Switzerland
13	SS	Equity Stockholm Stock Exchange Sweden
14	SF	Equity First North Stockholm Sweden
15	TT	Equity Taiwan Stock Exchange Taiwan
16	JT	Equity Tokyo Stock Exchange Japan
17	CT	Equity Toronto Stock Exchange Canada
18	GY	Equity Xetra Germany
19	LI	Equity London International Exchange
20	AT	Equity Australian Securities Exchange Australia
21	AV	Equity Vienna Stock Exchange Austria
22	NZ	Equity New Zealand Exchange
23	ID	Equity Irish Stock Exchange Ireland
24	DC	Equity NASDAQ OMX Copenhagen Denmark
25	SM	Equity Madrid Stock Exchange Spain



26	SQ	Equity Sociedad de Bolsas Spain
27	IM	Equity Borsa Italiana Italy
28	PL	Equity Euronext Lisbon Portugal
29	SP	Equity Singapore Exchange Singapore
30	BB	Equity Euronext Brussels Belgium
31	UR	Equity Nasdaq Capital Market

ANNEX B

As of May 2022, the following inclusion criteria for the categories below were applicable.

Please refer to the most recent document available under the URL as specified in section '2.2. Selection of the Index Components' above for the most recent applicable categories and inclusion criteria.

Categories	Inclusion Criterion
Established norms around Environment, Human Rights, Corruption and Labour Rights	Non-Compliance with the UNGC
Controversy	Controversies with the Level 5
Tobacco	(5% Production <OR> 5% Retail <OR> 5% Related Products/Services) *
Defense – Weapons	(10% Military Contracting Weapons <OR> 10% Military Contracting Weapons – Related Products/Services) *
Defense – Controversial Weapons	Any direct Involvement or any indirect Involvement through corporate ownership
Coal	(30% Thermal Coal Extraction <OR> 30% Power Generation <OR> 30% Supporting Products/Services) *
Conventional Oil & Gas	25% Production*

Note:

- % Figures refer to revenue threshold (for degree of involvement). The criterion is fulfilled if involvement is equal to or above such threshold.
- The terminology used in the table above is specific to the DATA PROVIDER II and may change from time to time.

*This includes significant corporate ownership (were a company holds a stake greater than 50% in an involved company, the revenues of the involved company are attributed to the company).



Any company included in the INDEX UNIVERSE which fulfills any of the criteria set out above shall be a component of the ESG Exclusions Index. The primary listing for each company is selected as INDEX COMPONENT.

For the avoidance of doubt, any company for which an evaluation of the criteria is not possible due to the non-availability of relevant data with the DATA PROVIDER II, shall not be a component of the ESG Exclusions Index.

ANNEX C

List of ETFs used to determine the total asset under management tracking the INDEX:

No.	ISIN	Name of the ETF
1	IE00BK5BCH80	L&G Clean Energy UCITS ETF



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 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 19.07.2022 (cob).

Subject to feedback received on this Market Consultation, the changes mentioned above are intended to become effective on 02.08.2022.

Please send your feedback via email to marketconsultation@solactive.com, specifying "Market Consultation Solactive Clean Energy Index" 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.

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