

# MARKET CONSULTATION SOLACTIVE CHINA CLEAN ENERGY V2 USD INDEX – CHANGE OF METHODOLOGY

09 February 2024



## Content of the Market Consultation

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

Name	Index RIC	Index ISIN
Solactive China Clean Energy v2 USD Index GTR	.SOLCCEUT	DE000SL0D0K9
Solactive China Clean Energy v2 USD Index NTR	.SOLCCEUN	DE000SL0D0J1
Solactive China Clean Energy v2 USD Index PR	.SOLCCEUP	DE000SL0D0H5

## Rationale for Market Consultation

Solactive is proposing that the incorporation of an Environmental, Social, and Governance (ESG) screen in the selection methodology would be prudent. The purpose of this addition is to enhance the alignment of the index with its overarching strategy, which is to increase exposure to companies that are instrumental in advancing and promoting the adoption of clean energy in China.

The index already encompasses companies operating in the solar, wind, nuclear, and hydro energy sectors. The integration of the ESG screen would serve to underscore the index's commitment to promoting environmental and social characteristics. This is achieved by excluding companies involved in activities such as Controversial Weapons, Small Arms, Thermal Coal, Alcohol, Gambling, Conventional and Unconventional Oil & Gas, Palm Oil, Prisons, Adult Entertainment, Recreational Cannabis, and Tobacco, at varying revenue levels derived from each. For a more comprehensive understanding, please refer to the attached draft methodology.

While the screening filters pertaining to the "Environmental" aspect of ESG are undoubtedly in line with the theme of the index, we have decided to incorporate aspects related to the "Social and Governance" part of ESG as well. The index is already promoting sustainability aspects with its core theme. Adding these filters for "Social and Governance" in the screen will enhance this aspect and make its sustainability profile well rounded. As an added benefit, the index will be in alignment with SFDR Article 8 and be consistent with those characteristics.

Moreover, the ESG screen will aid in filtering out additional violators, particularly those that may be infringing or have the potential to infringe upon limits for fossil fuel exposure in the future. Given that this is a clean energy strategy, it is imperative that the constituents of the index do not raise concerns regarding their potential pollution contribution, thereby ensuring the purity of the index.



## Changes to the Index Guideline

### Section 2.2. SELECTION OF INDEX COMPONENTS

From:

“[...]”

Based on the INDEX UNIVERSE, the initial composition of the INDEX as well as any selection for an ordinary rebalance is determined on the SELECTION DAY in accordance with the following rules (the “**INDEX COMPONENT REQUIREMENTS**”):

1. All eligible securities are ranked based on their FREE FLOAT MARKET CAPITALIZATION in a descending order.

[...]”

To:

“[...]”

Based on the INDEX UNIVERSE, the initial composition of the INDEX as well as any selection for an ordinary rebalance is determined on the SELECTION DAY in accordance with the following rules (the “**INDEX COMPONENT REQUIREMENTS**”). The companies selected after completion of the above steps will be evaluated on the criteria outlined below. The evaluation is based on data provided by the ESG DATA PROVIDER:

- UN Global Compact Principles
  - Non-Compliance with the UNGC
- Controversial Weapons
  - Companies involved in the production development or maintenance of Anti-personnel Mines, Biological or chemical weapons, Cluster munitions, Depleted uranium, Nuclear Weapons, or any other weapon that violate humanitarian principles through normal use
  - Companies that produce or develop key and dedicated components for controversial weapons
  - Companies involved in the production and/or services tailor made for the defence industry or the military
  - Companies that hold  $\geq 20\%$  stake in a company that is involved in controversial weapons
  - Companies currently  $\geq 50\%$  owned by a company that is involved in controversial weapons
- Small Arms
  - $>5\%$  of their revenue from the production or distribution of arms, both public and private
- Thermal Coal
  - 10% revenues from the exploration mining or refining of thermal coal
  - Companies that base 30% or more of their operations on thermal coal



- Companies that produce >20 million tons of thermal- coal annually and are actively expanding
- Conventional Oil & Gas
  - >5% revenue from conventional oil and gas production, including natural gas, petroleum, and crude oil
  - Companies building or operating pipelines that significantly facilitate export of conventional oil and gas
- Unconventional Oil & Gas
  - >5% revenues from unconventional oil and gas production, including revenues from oil sands, oil shale, shale gas and oil and gas production in the arctic regions
  - Companies building or operating pipelines that significantly facilitate export of unconventional oil and gas
- Palm Oil
  - Companies that are involved in systematic unsustainable palm oil production
- Prisons
  - Private companies that are involved in management or ownership of prisons
- Adult Entertainment
  - >0% revenue from production of adult entertainment
  - >5% revenues from the distribution of adult entertainment
- Recreational Cannabis & Tobacco
  - >5% revenues from recreational cannabis
  - >0% revenues from tobacco manufacturing
  - >5% revenue from tobacco distribution and/or sale of tobacco products
- Alcohol
  - >0% revenues from the production of alcoholic beverages including ingredients solely used in alcoholic beverages
  - >5% revenues from the distribution of alcoholic beverages or alcoholic related services
- Gambling
  - >0% revenues from owning or operating gambling establishments
  - >5% revenues from providing supporting products/services to gambling operations
  - >5% revenues from manufacturing specialized equipment used exclusively for gambling

All companies violating any of the exclusion criteria above are excluded. All companies for which an evaluation of these exclusion criteria is not possible due to insufficient and/or missing information or data are excluded.

1. All eligible securities are ranked based on their FREE FLOAT MARKET CAPITALIZATION in a descending order.

[...]"



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 China Clean Energy v2 USD 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 February 23, 2024 (cob).

Please send your feedback via email to [marketconsultation@solactive.com](mailto:marketconsultation@solactive.com), specifying "Market Consultation Solactive China Clean Energy v2 USD 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](mailto:info@solactive.com)

Website: [www.solactive.com](http://www.solactive.com)

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