SOLACTIVE
German Index Engineering

EXPLANATION OF HOW KEY ELEMENTS OF THE BENCHMARK METHODOLOGY REFLECT ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG) FACTORS

iClima Distributed Renewable Energy Index NTR

This document provides an explanation of how the key elements of the benchmark methodology reflect ESG factors. It is compiled in accordance with the requirements of point (d) of Article 13 (1) of Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 (the "Benchmarks Regulation") and of the Commission Delegated Regulation (EU) 2020/1817.

General Information

Name of the benchmark administrator	Solactive AG
Type of benchmark or family of benchmarks	Equity
Name of the benchmark or family of benchmarks	iClima Distributed Renewable Energy Index NTR
Does the benchmark methodology for the benchmark or family of benchmarks take into account ESG factors?	Yes

ESG Factors Applied in the Benchmark Methodology

List of environmental factors considered	> Index Components are selected based on a list of products and services that enable the development of Distributed Generation business models based on renewable energy sources. Companies providing these products and services allow for a combination of Decentralisation (of energy generation), Digitalisation (of energy consumption and management), Decarbonisation (by enabling CO2e avoidance) and Disruption (away from the traditional model of larger centralized and fossil fuel-based power generation sources usually away from the electrical load). Companies are classified across seven broader segments that are part of the Distributed Generation value chain i.e. a.\tDistributed Power Sources b.\tDistributed Energy Storage c.\tV2G and EV Charging d.\tVirtual Power Plants e.\tMicrogrid & Smart Grids f.\tSmart Houses & Building Energy Management g.\tSoftware & Systems for Distributed Energy Resources The vetting of companies is based on a materiality check based on revenues and relevance of the business segment vis-à-vis the seven relevant activities outlined above. Each company is vetted according to an analysis of the revenue composition from sales of products that are in line with the seven activities and must fall into one of the four categories defined below. In addition, companies must supply a solution that is relevant to the DER expansion. The Selection Party uses the audited financial reports that each company prepares according to the jurisdiction where the company is based and the GAAP the company needs to adhere to. Additional information from investor relations can potentially be used in the calculation of the percentage of total revenues that are directly related to the products and services previously identified as those that can enable DER generation. Companies were classified according to the percentage of DER revenue (defined as the revenues associated with the seven activities outlined above) vis-a-vis the total net revenue reported by each company. Companies are then classified into the appropriate of four categories, namely: a.\tPure Player, if DER revenue is above 90%; b.\tMajority Player, if DER revenues are between 50% and 90%; c.\tPartial Player, if DER revenues are between 20% and 50%; and d.\tUpcoming Player, if DER revenues are below 20% but the DER revenue line is observing double digit annual growth or has been publicly reported as a key vertical for the company. Hence, companies in the

	Index Universe must derive more than 20% of total revenue from sales of products that are in line with the seven activities. A concession is granted for Upcoming Players that have DER type of revenues below 20% of total revenues but the DER revenue line is observing double digit annual growth or if the relevant product or services is in a business segment that has been publicly defined as a DER key vertical (defined according to the types of products and services that each company sells, as summarized below). Distributed Power Sources:\tRooftop or ground mounted installations of solar PV, combined heat and power (CHP), micro CHP, microturbines, small wind power systems Distributed Energy Storage:\tBattery and thermal energy storage, generation resources can include stationary batteries. Fuel cells V2G and EV Charging:\tEVs with V2G solutions. Charging networks. Net meters Virtual Power Plants: \tAggregators of heterogeneous DER resources. Hardware or software. Key components, such as inverters Microgrid & Smart Grids: \tMultiple dispersed generation sources with ability to isolate such microgrids from larger networks. Solutions for voltage and frequency issues Smart Houses & Building Energy Management:\tSmart appliances for net zero energy homes. Building heating and cooling optimization devices, smart thermostats, sensors & data collection Software & Systems for Distributed Energy Resources:\tBlockchain as a service, demand response. Remote monitoring software. Advanced analytics. Advanced Distribution Management Systems (ADMS), Asset Performance Management (APM), and Distributed Energy Resource Management Systems (DERMS) The companies in the 7 segments above provide services and products that allow for the decentralization and digitalization of the grid. > Exclusion of companies involved in oil exploration, as well as companies with any exposure to non-conventional weapons. > Companies are subject to a screening in terms of climate and other environmental related aspects. In addition, non-exclusionary additional indicators are used to reveal the companies with practices that are in line with higher sustainability objectives and the companies that are lagging in specific parameters.
List of social factors considered	> Companies are subject to a screening in terms of social & employee and respect for human rights. This targets, in particular, the elimination of all forms of forced and compulsory labour and the effective abolition of child labour (as defined by UN Global Compact). In addition, non-exclusionary additional indicators are used to reveal the companies with practices that are in line with higher sustainability objectives and the companies that are lagging in specific parameters.
List of governance factors considered	> Companies are subject to a screening in terms of social & employee, respect for human rights, anti-bribery and anti-corruption. This targets, in particular, the elimination of all forms of forced and compulsory labour and the effective abolition of child labour (as defined by UN Global Compact). In addition, non-exclusionary additional indicators are used to reveal the companies with practices that are in line with higher sustainability objectives and the companies that are lagging in specific parameters.

Data and Standards used

Data Input	The data used to construct the index is sourced externally from iClima Earth Ltd.
Verification and quality of data	The provider of ESG-related data input is selected by the Administrator based on an assessment of its existing processes in order to ensure the reliability and representativeness of the ESG-related data. The data provider has established processes in accordance with accepted and established market standards that ensure the permanent quality and reliability of the ESG-data provided.
Reference standards	International standards referenced by the index methodology are listed in the respective section above.
Information updated on	19/08/2022
Reason for update:	Index Methodology Change: https://www.solactive.com/methodology-change-iclima-global-decarbonisation-enablers-index-iclima-distributed-renewable-energy-index-effective-date-06-07-2021/

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