

GUIDELINE

Concinnity Multi-stakeholder Operating Companies Cap Weighted Index

Version 1.1 dated July 1, 2020



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This document contains the underlying principles and regulations regarding the structure and the operating of the Concinnity Multi-stakeholder Operating Companies Cap Weighted Index (the “Index”). Solactive AG shall make every effort to implement these regulations. Solactive AG does not offer any explicit or tacit guarantee or assurance, neither pertaining to the results from the use of the Index nor the Index value at any certain point in time nor in any other respect. The Index is merely calculated and published by Solactive AG and it strives to the best of its ability to ensure the correctness of the calculation. There is no obligation for Solactive AG – irrespective of possible obligations to issuers – to advise third parties, including investors and/or financial intermediaries, of any errors in the Index. The publication of the Index by Solactive AG is not a recommendation for capital investment and does not contain any assurance or opinion of Solactive AG regarding a possible investment in a financial instrument based on this Index.

Introduction

This document is to be used as a guideline with regard to the composition, calculation and management of the Index. Any changes made to the guideline are initiated by Concinnity Advisors, LP as specified in section 1.6. The Index is calculated and published by Solactive AG. The names “Concinnity Advisors, LP” and “Solactive” are copyrighted.

1 Index specifications

The Concinnity Multi-stakeholder Operating Companies Cap Weighted Index (the “Index”) is designed to give investors an opportunity to invest in what Concinnity Advisors, LP believes are “well-managed” companies that appear to achieve financial performance in a sustainable and responsible manner. Based on nearly a decade of research, Concinnity Advisors, LP has developed a strategy that asserts “well-managed” companies are those that adopt a multi-stakeholder operating system (“MsOS”) as the nucleus for their long-term value creation process. Concinnity believes that these companies understand that successful performance in today’s marketplace largely depends on the quality of their relationships with the following stakeholders:

- Customers
- Employees
- Suppliers
- Stock and Debt Holders
- Communities in which the Company Operates

The Index is calculated every fifteen seconds of the Trading Day and distributed by Solactive AG.

The Index is calculated on a Gross Total Return [GTR] basis.

The Index is published in US-Dollar [USD].

1.1 Short name and ISIN

<u>Name</u>	<u>ISIN</u>	<u>RIC Code</u>	<u>Bloomberg Ticker</u>	<u>Currency</u>	<u>Return Type</u>
Concinnity Multi-stakeholder Operating Companies Cap Weighted Index	DE000SL0BD40	.CONCCWT	CONCCWT Index	USD	TR

1.2 Initial value

The Index is based on 100 at the close of trading on the start date, 31st July 2008.

1.3 Distribution

The Index is published via the price marketing services of Boerse Stuttgart AG and is distributed to all affiliated vendors. Each vendor decides on an individual basis as to whether he will distribute/display the Index via his information systems.

1.4 Prices and calculation frequency

The price of the Index is calculated on each Business Day based on the prices on the respective Exchanges on which the Index Components are listed. The most recent prices of all Index Components are used. Should there be no current price available on Reuters, the most recent price or the Trading Price on Reuters for the preceding Trading Day is used in the calculation.

The Index is calculated every fifteen seconds of every Business Day from 9:30am to 4:30pm, EST. In the event that data cannot be provided to Reuters or to the pricing services of Boerse Stuttgart AG the Index cannot be distributed.

Any incorrect calculation is adjusted on a retrospective basis.

1.5 Weighting

The Index is market cap weighted. It is calculated using the available float shares and market price of the company. On the Selection Day, the Number of Shares for each component of the Index is determined. This Number of Shares for each component of the Index is effective at the Trading Price on the Adjustment Day.

1.6 Decision-making bodies

Concinnity Advisors, LP is responsible for decisions regarding the composition of the Concinnity Multi-stakeholder Operating Companies Cap Weighted Index as well as any amendments to the methodology for the creation of the Concinnity Multi-stakeholder Operating Companies Cap Weighted Index. The composition of the Concinnity Multi-stakeholder Operating Companies Cap Weighted Index is set on the Selection Days. Concinnity Advisors, LP may at any time make changes to the composition of the Index or to the guidelines while maintaining the Index's stated objectives.

1.7 Publication

All specifications and information relevant for calculating the Index are made available on the <http://www.solactive.de> web page and sub-pages.

1.8 Historical data

Historical data will be maintained from the start date, 31st July 2008. Solactive AG has published the Index since 03. July 2020.

1.9 Licensing

Licenses to use the Index as the underlying value for derivative instruments are issued to stock exchanges, banks, financial services providers and investment houses by Concinnity Advisors, LP, the owner of the Index.

2 Composition of the Index

2.1 Selection of the Index Components

The initial composition of the Index as well as any ongoing adjustment is based on the following rules:

2.1.1 Initial Universe:

The universe of companies eligible for the Concinnity Multi-stakeholder Operating Companies Cap Weighted Index include companies that:

- Trade on a major US stock exchange
- Have a market cap of at least \$2 billion USD on the annual Selection Day
- Have had a minimum average daily trading value (ADTV) of \$4 million USD

2.1.2 First Screen:

The initial screening stage is comprised of ~40 information sources that recognize companies for achieving various positive outcomes typically expected from firms guided by a multi-stakeholder operating system. The outcome sources used in this initial screen include publicly available ranking lists such as:

- Best Companies to Work For (Fortune Magazine)
- Best Corporate Citizens (Corporate Responsibility Magazine)
- Most Sustainable Corporations (Forbes)
- Most Ethical Companies (Forbes)
- Most Innovative Companies (Fast Company)
- ~35+

These initial screening sources are vetted annually and weighted based on stakeholder focus, research methodology and third party or in-house analysis of a source's potential as a leading indicator of corporate and/or stock performance. Of the approximately 1100 - 1400 companies that emerge from the initial universe, approximately 600 – 700 companies, most of which are the highest scoring companies, are further evaluated in a composite analysis.

2.1.3 Second Screen: Composite Analysis

After the initial screening has identified the 600-700 companies, a composite analysis is used to apply a deeper level of scrutiny to these companies. The composite analysis uses Concinnity Advisors, LP's data set, which has been developed over many years and updated as Concinnity Advisors, LP believes is appropriate. This data set combines ratings data from multiple research entities that specialize in various assessment categories. Companies are scrutinized through a series of scoring lenses that combine to form a composite score underpinned by several hundred criteria. Composite score rankings are then combined with initial screening scores to select a universe of potential portfolio candidates. This process is described in more detail below.

2.1.3.1 Composite Analysis Assessment Categories

Below are a list of assessment categories describing the type of data and characteristics captured and evaluated in the composite analysis. The data used is public as well as proprietary data supplied by vendors. Most of the data is non-financial data, and not released by the underlying companies (i.e. 10-K, 10-Q...).

1. **Environmental, Societal/Community & Governance (ESG):** Ratings from multiple ESG data providers that include numerous assessment criteria.
2. **Employee Engagement:** Ratings derived from a combination of employee productivity metrics, employee turnover measures, employee perception surveys and the "human capital" and/or labor-management scores embedded within overall ESG ratings.
3. **Corporate Reputation Management:** Ratings derived from an intangible asset management data source that evaluates several key areas of business performance; such as ethics, innovation, quality, safety, sustainability and security.
4. **Innovation:** Combines innovation component scores within the intangible asset management analysis and innovation scores derived from customer perceptions.

5. **Executive Integrity:** Ratings derived by assessing the degree of honesty displayed by executives when communicating with analysts and investors, based on analysis and indicators developed by the national intelligence community.
6. **Management Capability:** Ratings derived from a methodology designed to evaluate the quality, skill and operating ability of management teams.
7. **Customer Relationship Quality:** Includes ratings based on measures of customer loyalty, social media proficiency, customer perception of value, pricing power and economic profitability of customer relationships.
8. **Supplier Relationship Quality:** Ratings derived from a supplier risk database that analyzes how a company's supply chain management and practices are enabling or hindering its ability to meet customer needs.
9. **Labor & Human Rights (Supply Chain):** Scoring system based on evaluations from a global network of factory field auditors to gauge the risk of human rights and labor violations occurring within a company's supply chain.
10. **Culture:** A combination of all customer ratings and employee related ratings are used as proxies for appraising organizational culture.
11. **Quality of Financial Reporting:** Forensic accounting specialists are relied on to grade companies on the quality of their earnings and/or overall financial reporting.
12. **Efficiency and Fundamental Analysis (EFA):** A specific set of fundamental financial ratios are considered to evaluate multi-stakeholder operating system efficiency levels.

2.1.3.2 Data Aggregation

Data from the above assessment categories are weighted and combined into four aggregated scores.

1. **ESG - Environmental, Societal, and Governance**
2. **ESC - Employee, Supplier, and Customer**
3. **Quality of Management**
4. **Intangible Asset Management**

2.1.3.3 MsOS Score

Modeling techniques are used to weight and combine the data from the aggregated categories (including adjustments for industry variation of stakeholder importance) into a single score for each company. This score reflects the degree to which a company is considered MsOS proficient by the research process.

2.1.3.4 Valuation Score

Each company receives a valuation score which is determined using a set of fundamental financial ratios.

2.1.3.5 Risk Balancing

The risk balancing process measures the sector exposure, beta, and tracking error of the proposed Concinnity Multi-stakeholder Operating Companies Cap Weighted Index as compared to the Solactive US Large Cap Index to ensure a balanced outcome. Each stock on the list is also checked for:

1. Excessive debt
2. Excessive leverage
3. Bankruptcy risk
4. Recent negative news

2.1.4 Final Membership

The Concinnity Multi-stakeholder Operating Companies Cap Weighted Index is created by evaluating the MsOS Score, the Valuation Score, and the risk balancing process and selecting companies which best reflect adherence to the MsOS model. The final output ultimately comprises the members of the Concinnity Multi-stakeholder Operating Companies Cap Weighted Index, which in recent years has consisted of 300-350 companies.

2.2 Ordinary adjustment

The Index will be reconstituted annually using the process described in Section 2.1 above. The Index will be reconstituted on the Selection Day of October. The Index will be effective on the Adjustment Day of October. The announcement of the reconstituted Index constituents will be made on the Selection Day of October.

The Index will be rebalanced quarterly, on the Selection Day of each of the following months; January, April, and July. The Index rebalance will be effective on the Adjustment Day of each of the following months, January, April, and July. The rebalance

process starts with any necessary deletion of constituents, and then market cap weighting the remaining constituents. Constituents can be deleted from the Index at the quarterly rebalance for:

- 1) Falling below a \$1.5 billion Market Capitalization
- 2) Having a minimum average daily trading value for the last 30 days of less than \$3 million
- 3) Extraordinary events relating to a company's treatment of one (or more) of the five stakeholders defined in the Introduction section, as determined by Concinnity Advisors, LP.

3. Calculation of the Index

3.1 Index formula

The Index is an index whose value on a Business Day is equivalent to the sum over all Index Components of the products of (a) the Number of Shares of the Index Component and (b) the price of the Index Component at the respective Exchange.

As a formula:

$$Index_t = \sum_{i=1}^n x_{i,t} * p_{i,t}$$

with:

t = Any time in the Trading Day

n = Number of Index Components

i = Each Index Component

$x_{i,t}$ = Number of Shares of the Index Component i on Trading Day t

$p_{i,t}$ = Price of Index Component i on Trading Day t in Index Currency

3.2 Accuracy

The value of the Index will be rounded to 2 decimal places.

The Number of Shares of the Index Components will be rounded to 6 decimal places.

Trading Prices will be rounded to six decimal places.

3.3 Adjustments

Indices need to be adjusted for systematic changes in prices once these become effective. This requires the new Number of Shares of the affected Index Component to be calculated on an ex-ante basis.

The Index is adjusted for distributions, capital increases, rights issues, splits, par value conversions and capital reductions.

This procedure ensures that the first ex-quote can be properly reflected in the calculation of the Index. This ex-ante procedure assumes the general acceptance of the Index calculation formula as well as open access to the parameter values used. The calculation parameters are provided by Solactive AG.

Any delay in calculating the new Number of Shares of an Index Component would create problems. Therefore, the procedure described above is the most appropriate.

3.4 Dividends and other distributions

Dividend payments and other distributions are included in the Index. They cause an adjustment of the Number of Shares of the corresponding Index Component. The new Number of Shares is calculated as follows:

$$x_{i,t} = x_{i,t-1} * \frac{p_{i,t-1}}{p_{i,t-1} - D_{i,t}}$$

with

$x_{i,t}$ = Number of Shares of the Index Component i on Trading Day t

$D_{i,t}$ = Payment on Trading Day t multiplied by the Dividend Correction Factor of the respective country

$p_{i,t-1}$ = Closing price on the day prior to ex-date

3.5 Corporate actions

3.5.1 Principles

Following the announcement by a company included in the Index of the terms and conditions of a corporate action the Index Calculator determines whether such corporate action has a dilution, concentration or other effect on the price of the Index Component.

If this should be the case the Index Calculator shall make the necessary adjustments to the affected Index Component and/or the formula for calculating the Index and/or to other terms and conditions of this document that he deems appropriate in order to take into account the dilution, concentration or other effect and shall determine the date on which this adjustment shall come into effect.

Amongst other things the Index Calculator can take into account the adjustment made by an Affiliated Exchange as a result of the corporate action with regard to option and futures contracts on the respective share traded on this Affiliated Exchange.

3.5.2 Capital increases

In the case of capital increases (from the company's own resources or through cash contributions) the new Numbers of Shares are calculated as follows:

$$x_{i,t} = x_{i,t-1} * \frac{p_{i,t-1}}{p_{i,t-1} - rB_{i,t-1}} \quad \text{with:} \quad rB_{i,t-1} = \frac{p_{i,t-1} - B - N}{BV + 1}$$

$x_{i,t}$ = Number of Shares of Index Component i on the day of the distribution

$x_{i,t-1}$ = Number of Shares of Index Component i on the day prior to the distribution

$p_{i,t-1}$ = Closing price on the day prior to ex-date

$rB_{i,t-1}$ = Calculated value of rights issue

- B = Price of rights issue
- N = Dividend disadvantage
- BV = Subscription ratio

B=0 if capital is increased from the company's own resources.

The last dividend paid or the announced dividend proposal is applied as the dividend disadvantage.

3.5.3 Capital reductions

In the case of capital reductions the new Number of Shares is determined as follows:

$$x_{i,t} = x_{i,t-1} * \frac{1}{H_{i,t}}$$

- $H_{i,t}$ = Reduction ratio of the company on day t
- $x_{i,t}$ = Number of Shares of the affected Index Component on the day of the distribution
- $x_{i,t-1}$ = Number of Shares of the affected Index Component on the day prior to the distribution

3.5.4 Share splits and par value conversions

In the case of share splits and par value conversions it is assumed that the prices change in ratio to the number of shares or to the par values. The new Number of Shares is calculated as follows:

$$x_{i,t} = x_{i,t-1} * \frac{N_{i,t-1}}{N_{i,t}}$$

- $N_{i,t-1}$ = Former par value of security class i (or new number of shares)
- $N_{i,t}$ = New par value of security class i (or former number of shares)
- $x_{i,t}$ = Number of Shares of the affected Index Component on the day of the distribution
- $x_{i,t-1}$ = Number of Shares of the affected Index Component on the day prior to the distribution

3.6 Calculation of the Index in the event of a Market Disruption Event

In the event of a Market Disruption Event, Solactive AG calculates the Index value, taking into account the market conditions prevailing at this point in time, the last quoted Trading Price for each of the Index Components as well as any other conditions that it deems relevant for calculating the Index value.

4. Definitions

“**Adjustment Day**” is the last Business Day in October, January, April, and July.

“**Affiliated Exchange**” is with regard to an Index Component an exchange, a trading or quotation system on which options and futures contracts on the Index Component in question are traded, as specified by the Index Calculator.

“**Business Day**” is a day on which the New York Stock Exchange is open for trading.

“**Dividend Correction Factor**” is calculated as 1.

“**Equal Percentage Weight**” of an index is calculated by dividing 100 by the number of components of that index.

“**Exchange**” is, in respect of Index and every Index Component, the respective primary exchange where the Index Component has its primary listing. Concinnity Advisors, LP may decide to declare a different stock exchange the “Exchange” for trading reasons, even if the company is only listed there via a Stock Substitute.

“**Float Shares**” are shares in a company that available to trade publicly and are not held privately or restricted from trading.

“**Index Calculator**” is Solactive AG or any other appropriately appointed successor in this function.

“**Index Component**” is each company currently included in the Index.

“**Index Currency**” is US-Dollar [USD].

“**Index Universe**” with respect to the annual reconstitution Selection Day are companies that fulfill the following criteria:

- 1) Trading on a major US stock exchange
- 2) Have a market cap of at least \$2 billion USD on the annual Selection Day
- 3) Have had a minimum average daily trading value (ADTV) of \$4 million USD

The Index Universe with respect to the quarterly rebalancing Selection Day are companies that fulfill the following criteria:

- 1) Trading on a major US stock exchange
- 2) Have a market cap of at least \$1.5 billion USD on the annual Selection Day
- 3) Have had a minimum average daily trading value (ADTV) of \$3 million USD

“**Market Capitalization**” is defined as the value of a company calculated by multiplying the number of shares outstanding of the company by its share price.

“**Market Cap Weighting**” is defined as weighting each constituent of the index by its market cap size. The market cap of each constituent is calculated using the available float shares multiplied by the market price. The weight for each the constituent is its market cap divided by the sum of all the market caps for the constituents in the index.

“Market Disruption Event” occurs if

1. one of the following events occurs or exists on a Trading Day prior to the opening quotation time for an Index Component:
 - A) trading is suspended or restricted (due to price movements that exceed the limits allowed by the Exchange or an Affiliated Exchange, or for other reasons):
 - 1.1. across the whole Exchange; or
 - 1.2. in options or futures contracts on or with regard to an Index Component or an Index Component that is quoted on an Affiliated Exchange; or
 - 1.3. on an Exchange or in a trading or quotation system (as determined by the Index Calculator) in which an Index Component is listed or quoted; or
 - B) an event that (in the assessment of the Index Calculator) generally disrupts and affects the opportunities of market participants to execute on the Exchange transactions in respect of a share included in the Index or to determine market values for a share included in the Index or to execute on an Affiliated Exchange transaction with regard to options and futures contracts on these shares or to determine market values for such options or futures contracts; or
2. trading on the Exchange or an Affiliated Exchange is ceased prior to the usual closing time (as defined below), unless the early cessation of trading is announced by the Exchange or Affiliated Exchange on this Trading Day at least one hour before
 - (aa) the actual closing time for normal trading on the Exchange or Affiliated Exchange on the Trading Day in question or, if earlier.
 - (bb) the closing time (if given) of the Exchange or Affiliated Exchange for the execution of orders at the time the quote is given.

“Normal exchange closing time” is the time at which the Exchange or an Affiliated Exchange is normally closed on working days without taking into account after-hours trading or other trading activities carried out outside the normal trading hours; or
3. a general moratorium is imposed on banking transactions in the country in which the Exchange is resident if the above-mentioned events are material in the assessment of the Index Calculator, whereby the Index Calculator makes his decision based on those circumstances that he considers reasonable and appropriate.

“Number of Shares” is in respect of an Index Component and any given Business Day the number or fraction of shares included in the Index. The number of shares for each component of the Index is calculated on the Selection Day as (A) the Market Cap Weight of an Index Component multiplied by the Index value divided by (B) its Trading Price.

“Percentage Weight” of an Index Component is the ratio of its Trading Price multiplied by its Number of Shares divided by the Index value.

“Price of Index Component” is the price of the component of the Index in accordance with the Exchange regulations at any given time throughout the Trading Day.

“Selection Day” is 5 Business Days prior to the Adjustment Day.

“Stock Substitute” includes in particular American Depository Receipts (ADR) and Global Depository Receipts (GDR).

“Trading Day” is in relation to the Index or an Index Component a day where trading is conducted on the Exchange (or a day that would have been such a day if a market disruption had not occurred), excluding days on which trading may be ceased prior to the normal Exchange closing time. The Index Calculator is ultimately responsible as to whether a certain day is a Trading Day with regard to the Index or an Index Component or in any other connection relating to this document.

“**Trading Price**” in respect of a Trading Day is the closing price on this Trading Day determined in accordance with the Exchange regulations. If the Exchange has no closing price for an Index Component, the Index Calculator shall determine the Trading Price and the time of the quote for the share in question in a manner that appears reasonable to him.

5 Appendix

5.1 Contact data

Information regarding the Index concept

Concinnity Advisors, LP

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5.2 Calculation of the Index – change in calculation method

The application by the Index Calculator of the method described in this document is final and binding. The Index Calculator shall apply the method described above for the composition and calculation of the Index. However, it cannot be excluded that the market environment, supervisory, legal, financial or tax reasons may require changes to be made to this method. The Index Calculator may also make changes to the terms and conditions of the Index and the method applied to calculate the Index, which he deems to be necessary and desirable in order to prevent obvious or demonstrable error or to remedy, correct or supplement incorrect terms and conditions. The Index Calculator is not obliged to provide information on any such modifications or changes. Despite the modifications and changes the Index Calculator will take the appropriate steps to ensure a calculation method is applied that is consistent with the method described above.