

ANNOUNCEMENT – SOLACTIVE DIVIDEND TAXATION METHODOLOGY ENHANCEMENT

01 December 2021

OBJECTIVE

On **November 2, 2021**, Solactive AG announced the upcoming enhancements on its Dividend Taxation Methodology (<https://www.solactive.com/solactive-dividend-taxation-methodology-enhancement/>).

The respective enhancements aim to increase the replicability of the Solactive indices, by reflecting market practices as accurately as possible in the index calculation.

The following outlines taxation practices prevalent in several countries either with respect to the security types or pertaining to certain corporate actions. For a better understanding, a summary of current treatment and the future treatment is also included.

CONTENT

In some countries, taxation on dividend payments may vary depending on the security type. Accordingly, dividend distributions, received by investors might be subject to a specific withholding tax rate. This is the case for the following securities:

- **Real Estate Investment Funds (REITs)** incorporated in Malaysia, Mexico, Singapore, Taiwan and Turkey .
- **REITs** incorporated in the United Kingdom with regard to the distribution that is classified as Property Income Distributions (**PID**). (REITs must distribute at least 90% of the tax-exempt profit from their property rental business, to qualify as PID payments.)

In some other countries, the origin of earnings distributed to the shareholders is relevant for the applicable withholding tax rate.

- In Brazil, the ordinary dividend payments are exempt from withholding tax, while **Interest on Capital** distributions are taxed at 15%.
- **Return of Capital** payments where the initial capital invested by a shareholder is distributed in form of a dividend, are generally tax-exempt, whereas distributions from operative earnings are subject to taxation. Therefore, Return of Capital distributions of companies incorporated in countries that apply the above treatment are not subject to a withholding tax.



CURRENT TREATMENT VS. FUTURE TREATMENT

Topic	Current Treatment	Future Treatment
REITs	Currently, Solactive AG does not differentiate securities based on their type. Standard withholding tax rates are applied for distributions, unless specified in the index guideline.	Solactive AG will identify countries, which have a different withholding rate applicable to REITs. Accordingly, the specific withholding rate will be used for payments of such companies. The respective tax rates will be available on https://www.solactive.com/documents/
PID	Currently, Solactive does not differentiate securities based on their type. Standard withholding tax rate of 0% is applied to distributions made by REITs incorporated in the United Kingdom.	REITs incorporated in the United Kingdom, which pay distributions as PID are subject to a 20% withholding rate. Regular distributions will still be tax-exempt. The respective tax rates will be available on https://www.solactive.com/documents/
Interest on Capital	<ul style="list-style-type: none"> - Solactive AG tries to use the net amount of dividends for calculations, unless gross amount is reported. - Solactive AG aggregates the values of regular dividend and the Interest on Capital when applying the dividends 	<p>No aggregation of regular dividend with Interest on Capital. Each payment type will be reported separately. For regular dividends the standard withholding tax rate for Brazil (currently 0%) will be applied while for Interest on Capital a withholding tax rate of 15% will be applied.</p> <p>The respective tax rates will be available on https://www.solactive.com/documents/</p>
Return of Capital		All distributions in the form of Return of Capital will be tax-exempt, unless specified or reported otherwise, by a country or company.

SCOPE AND TIMING

As of **December 1, 2021**, Solactive AG will use the enhanced methodology described in Section 2.1.1.3 of the Solactive Equity Index Methodology available on <https://www.solactive.com/documents/equity-index-methodology/>. From this day onwards, the new Dividend Taxation Methodology will be applied to all existing and future indices that are administered by Solactive AG. Please find the list of the affected existing indices on: <https://www.solactive.com/documents/solactive-dividend-taxation-methodology-enhancement-list-of-affected-indices/>



For third party indices, where Solactive AG is only the calculation agent, the index owners are kindly asked to approach Solactive AG to discuss the application of the enhanced Dividend Taxation Methodology to their index / indices.

Solactive AG provides all relevant information about corporate events in its Daily Corporate Action Files (DCAF). On **November 22, 2021**, these files have been expanded to reflect the dividend taxation characteristics specified above. Please be informed that the updated version of the DCAF will reflect the additional information for dividend distributions with the Ex-Date as of **December 1, 2021**. The respective additional information has been communicated in the DCAF Description File, provided on November 3, 2021.

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