

MARKET CONSULTATION  
SOLACTIVE CLOUD  
TECHNOLOGY EQUAL WEIGHT  
INDEX – CHANGE OF  
METHODOLOGY

14 June 2023



## Content of the Market Consultation

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

NAME	RIC	ISIN
Solactive Cloud Technology Equal Weight Index PR	.SOLSKYYP	DE000SLOCZK6
Solactive Cloud Technology Equal Weight Index NTR	.SOLSKYYN	DE000SLOCZL4
Solactive Cloud Technology Equal Weight Index GTR	.SOLSKYYT	DE000SLOCZM2

## Rationale for Market Consultation

Due to the fast development of the cloud computing space as well as the broadening of underlying services such as Cloud based Collaborations and Communications platforms, Solactive proposes to increase the amount of Index Components from currently 75 to 100 as well as introducing three thematic buckets for a better clustering of the thematic scope of the Affected Indices. The proposed adjustments to the methodology of the Affected Indices will improve the exposure to the dynamically evolving area of Cloud Computing and lead to a more diversified composition over all the relevant segments of Cloud Computing.

## Changes to the Index Guideline

### Section 2.2 Selection of the 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**"):

The selection is done based on screening of publicly available information such as financial news, business profiles, and company publications using ARTIS®, SOLACTIVE's proprietary natural language processing algorithm.

Using keywords that describe the index theme, ARTIS® identifies companies that have or are expected to have significant exposure to the provision of products and/or services in the field of cloud computing, such as service providers or producers of equipment or software focused on cloud computing.

Each company identified by ARTIS® receives a score that reflects their exposure to the cloud computing theme. This set of companies are then reviewed to ensure relevance to the cloud computing theme based



on business operations. Companies that do not have relevant business exposure to the cloud computing theme are removed from the selection process at this stage. The remaining companies are ranked by their score (in descending order).

In order to avoid excess turnover, the following buffer rule applies:

1. Securities in the INDEX UNIVERSE are sorted by its score in descending order. Each security is assigned a rank based on the position in the sorted list, e.g., the security with the highest score is assigned rank 1.
2. All securities ranked in the top 15 are selected as INDEX COMPONENTS.
3. Current INDEX COMPONENTS with a rank from 16 to 90 are added to the INDEX until the total number of stocks in the INDEX reaches 75.
4. If the total number of INDEX COMPONENTS is still below 75 after the previous steps (step 1-3), the highest-ranking securities are added to the INDEX until 75 INDEX COMPONENTS are reached.

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 DATA PROVIDER.

- UN Global Compact
  - o Companies not in compliance with UN Global Compact principles
- Controversial Weapons
  - o 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.
  - o Companies that produce or develop key and dedicated components for controversial weapons.
  - o Companies involved in the production and/or services tailor made for the defense industry or the military.
  - o Companies that hold  $\geq 20\%$  stake in a company that is involved in controversial weapons.
  - o Companies currently  $\geq 50\%$  owned by a company that is involved in controversial weapons.
- Conventional Weapons
  - o  $>10\%$  revenue from the production or distribution of arms, both public and private
- Tobacco
  - o  $>5\%$  revenues from tobacco manufacturing.
  - o  $>5\%$  revenue from tobacco distribution and/or sale of tobacco products.
- Thermal Coal
  - o  $>10\%$  revenues from the exploration mining or refining of thermal coal.
  - o 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.

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.

If one of the companies fails the screening process above, it will be excluded from the selection and the next highest-ranking security will be evaluated until 75 INDEX COMPONENTS are reached. The screening is based on the analysis provided by the DATA PROVIDER.

The selection of the INDEX COMPONENTS is fully rule-based and the INDEX ADMINISTRATOR cannot make any discretionary decision.

[...]"

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 selection is done based on screening of publicly available information such as financial news, business profiles, and company publications using ARTIS<sup>®</sup>, SOLACTIVE'S proprietary natural language processing algorithm.

Using keywords that describe the index theme, ARTIS<sup>®</sup> identifies companies that have or are expected to have significant exposure to the provision of products and/or services to the cloud computing industry. For the purposes of the INDEX, the following are the products and/or services deemed to suit the index theme:

- Cloud Software and Services: Companies that are active in the development and operation of cloud-based software, platforms and solutions. This includes companies offering cloud-based subscription services, cloud storage and data solutions, cloud-based enterprise, security and marketing solutions as well as companies leveraging on other cloud-based models, assets and resources in their workflows.
- Cloud Equipment and Infrastructure: Companies that are active in the development and operation of solutions and equipment used in the cloud infrastructure, architecture, and network. This can also include companies offering cloud consulting, integration and transformation services.
- Cloud Collaboration and Communications: Companies that are active in providing services and solutions in cloud communications, such as video or phone conferencing or content collaboration platforms using cloud technology.



Each company identified by ARTIS® receives a score that reflects their exposure to the cloud computing theme. Companies that do not have relevant business exposure to the cloud computing industry are removed from the selection process at this stage. The remaining companies are ranked by their score (in descending order).

In order to avoid excess turnover, the following buffer rule applies:

5. Securities in the INDEX UNIVERSE are sorted by its score in descending order. Each security is assigned a rank based on the position in the sorted list, e.g., the security with the highest score is assigned rank 1.
6. All securities ranked in the top 25 are selected as INDEX COMPONENTS.
7. Current INDEX COMPONENTS with a rank from 26 to 125 are added to the INDEX until the total number of stocks in the INDEX reaches 100.
8. If the total number of INDEX COMPONENTS is still below 100 after the previous steps (step 1-3), the highest-ranking securities are added to the INDEX until 100 INDEX COMPONENTS are reached.

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 DATA PROVIDER.

- UN Global Compact
  - o Companies not in compliance with UN Global Compact principles
- Controversial Weapons
  - o 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.
  - o Companies that produce or develop key and dedicated components for controversial weapons.
  - o Companies involved in the production and/or services tailor made for the defense industry or the military.
  - o Companies that hold  $\geq 20\%$  stake in a company that is involved in controversial weapons.
  - o Companies currently  $\geq 50\%$  owned by a company that is involved in controversial weapons.
- Conventional Weapons
  - o  $>10\%$  revenue from the production or distribution of arms, both public and private
- Tobacco
  - o  $>5\%$  revenues from tobacco manufacturing.
  - o  $>5\%$  revenue from tobacco distribution and/or sale of tobacco products.
- Thermal Coal
  - o  $>10\%$  revenues from the exploration mining or refining of thermal coal.
  - o 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.

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.

If one of the companies fails the screening process above, it will be excluded from the selection and the next highest-ranking security will be evaluated until 100 INDEX COMPONENTS are reached. The screening is based on the analysis provided by the DATA PROVIDER.

The selection of the INDEX COMPONENTS is fully rule-based and the INDEX ADMINISTRATOR cannot make any discretionary decision.

[...]"

Defined terms used in this Market Consultation document, but not defined herein, have the meaning assigned to them in the respective index guideline of the Index.



### 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 Cannabis 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 June 27<sup>th</sup>, 2023 (cob).

Please send your feedback via email to [marketconsultation@solactive.com](mailto:marketconsultation@solactive.com), specifying “Market Consultation Solactive Cloud Technology Equal Weight 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.



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