

## Announcement

### Methodology change of the Indxx Global CleanTech v2 Index

**New York – February 23, 2022** - Effective February 23, 2022 the following are the changes in the methodology of the Indxx Global CleanTech v2 Index:

- Security Selection Process (Section 1.3)

Below is the amended methodology which will be effective from February 23, 2022.

February 2022

# INDXX GLOBAL CLEANTECH V2 INDEX METHODOLOGY

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# 1. INDXX GLOBAL CLEANTECH V2 INDEX

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## 1.1 INDEX DESCRIPTION

The Indxx Global CleanTech v2 Index is designed to track the performance of companies that develop technology or equipment that enables the production of energy from renewable sources, efficient utilization of energy and reduction of negative environmental influences.

The index has a base date of February 17, 2021 with an initial value of 1,000.

The index is currently available in the following versions:

- Total Return (Bloomberg Ticker: ICTECT2)
- Price Return (Bloomberg Ticker: ICTECP2)
- Net Total Return (Bloomberg Ticker: ICTEC2)

## 1.2 CREATION OF MASTER LIST

### 1.2.1 Initial Universe

To be eligible for inclusion in the Initial Universe, securities must have:

- Their listing either in a Developed or in an Emerging Market, excluding India. Developed and Emerging Markets are defined by Indxx in its 'Country Classification and Investability Requirements' document.
- A minimum total market capitalization of \$500 million.
- A 6-month average daily turnover greater than or equal to \$2 million.
  - In case of a Significant IPO, a security must have an average daily turnover greater than or equal to \$2 million since the IPO launch date.
- Traded on 90% of the eligible trading days in the last 6 months.
  - In case a security does not have a trading history of 6 months (only IPOs), to be considered for inclusion, in case of Significant IPOs, the IPO must have been listed at least 10 calendar days prior to the 'Selection Date', and in the case of other IPOs, 3 calendar months prior to the 'Selection Day'.
  - Additionally, unless the security is a Significant IPO, the security must have traded on 90% of the eligible trading days for the 3 months preceding the 'Selection Day' (this requirement shall not apply to Significant IPOs).
  - An IPO is considered to be a "Significant IPO" if its company level total market capitalization is greater than the company level total market capitalization of at least 50% of the on-going index constituents as of previous 'Reconstitution Selection Day'.

### 1.2.2 Free Float

All securities must meet at least one of the following criteria:

- Minimum free float equivalent to 10% of shares outstanding.
- (or)
- Minimum free float market capitalization of \$1 billion.

### 1.2.3 Maximum Price

Securities trading at a price of \$10,000 or above are ineligible for inclusion in the universe. This rule is not applicable for existing constituents. Existing constituents shall remain in the universe irrespective of their stock price.

### 1.2.4 Security Type

The following security types are eligible for inclusion:

- Common Stock
- ADR
- GDR
- DR

### 1.2.5 Share Classes

- The existing share class/listing in the portfolio is retained if it satisfies all the eligibility criteria of the index.
- In all other cases, the most liquid share class/listing is considered for inclusion.

## 1.3 SECURITY SELECTION PROCESS

Based on extensive research, Indxx has defined CleanTech as the following:

Companies involved in the development of technology/equipment relating to:

- (i) renewable energy production,
- (ii) residential and commercial energy efficiency,
- (iii) smart grid implementation,
- (iv) lithium-ion batteries and/or fuel cells, and/or
- (v) preventing or ameliorating the negative environmental effects of pollution

The theme is comprised of companies in the following FactSet Industries:

Alternative Power Generation	Electronic Equipment/Instruments	Industrial Specialties
Auto Parts: OEM	Electronic Production Equipment	Miscellaneous
Chemicals: Major Diversified	Engineering & Construction	Miscellaneous Manufacturing
Chemicals: Specialty	Environmental Services	Motor Vehicles
Electric Utilities	Gas Distributors	Other Metals/Minerals
Electrical Products	Household/Personal Care	Semiconductors
Electronic Components	Industrial Machinery	Packaged Software

The industries identified through this research-based approach are subject to change at the time of each semi-annual reconstitution.

In order to qualify for inclusion in the index, a company must derive greater than or equal to 50% of its revenue from activities mentioned above. Such company is considered a 'Pure-Play' CleanTech company.

These companies are evaluated on ESG screens as mentioned below.

The security selection based on ESG screens are provided by Minerva Analytics using their proprietary ESG framework.

#### 1. UN Global Compact Principles –

To be eligible for the Selection List in a UNGC screen, securities are assigned severity-score based on level of severity and frequency of violation. Each security is evaluated in each of the below categories based on the level of severity– Severe (score-20), High (score-10), Moderate (score-4), Minor (score-2) and None (score-0).

- Non-Compliance with the UNGC is assessed under four pillars: human rights, labour rights, environmental damage, and anti-corruption/bribery.

#### 2. Controversial Product –

Controversial products are assessed by product using thresholds. A company will not be eligible for the Selection List if it breaches any of the below thresholds.

##### a) 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 defense 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.

##### b) Small Arms

- $>5\%$  of their revenue from the production or distribution of arms, both public and private.

##### c) Thermal Coal

- $>10\%$  revenue 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.

##### d) 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.

##### e) Unconventional Oil & Gas

- $>5\%$  revenue from unconventional oil and gas production, including revenue 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.

##### f) Palm Oil

- Companies that are involved in systematic unsustainable palm oil production.

##### g) Prisons

- Private companies that are involved in management or ownership of prisons.

- h) Adult Entertainment
  - >0% revenue from production of adult entertainment.
  - >5% revenue from the distribution of adult entertainment.
- i) Recreational Cannabis & Tobacco
  - >5% revenue from recreational cannabis.
  - >0% revenue from tobacco manufacturing.
  - >5% revenue from tobacco distribution and/or sale of tobacco products.
- j) Alcohol
  - >0% revenue from the production of alcoholic beverages including ingredients solely used in alcoholic beverages.
  - >5% revenue from the distribution of alcoholic beverages or alcoholic related services.
- k) Gambling
  - >0% revenue from owning or operating gambling establishments.
  - >5% revenue from providing supporting products/services to gambling operations.
  - >5% revenue from manufacturing specialized equipment used exclusively for gambling.

Securities having severity-score greater than or equal to 20 are ineligible for inclusion in the Selection List.

The companies that satisfy the above criteria are included in the Selection List for the index.

## 1.4 FINAL COMPOSITION

From the Selection List:

- The top 40 Pure-Play companies ranked by market capitalization are included in the index.
- If there are fewer than 40 Pure-Play companies, all Pure-Play companies are included in the index.

## 1.5 WEIGHTING

The index is weighted as follows:

- Components are weighted based on their security-level market capitalization.
- A single security cap of 6% and a single security floor of 0.3% is applied.
- The aggregate weight of all the components with a weight greater than 5% is capped at 40%. All remaining securities are capped at 4.5%.
- If the weighting scheme becomes infeasible due to a decrease in number of components, the single security cap may be relaxed.

## 1.6 BUFFER RULES

Buffer Rules are employed to reduce Portfolio Turnover. The following buffer rules apply:

### 1.6.1 Market Capitalization

A constituent shall continue to be included in the Initial Universe if its market capitalization is greater than or equal to 80% of the previously defined market capitalization limit. To illustrate, if an existing index member qualifies all other selection criteria but doesn't qualify the market capitalization criteria to the extent of 20% deviation then it will be retained in the investible universe.

### 1.6.1 Liquidity

A constituent shall continue to be included in the Initial Universe if its 6-month ADTV is greater than or equal to 70% of the previously defined liquidity limit. To illustrate, if an existing index member qualifies all other selection criteria but doesn't qualify liquidity criteria to the extent of 30% deviation then it will be retained in the investible universe.

## 1.7 RECONSTITUTION AND REBALANCING RULES

- The index follows a semi-annual reconstitution and rebalancing schedule. The new portfolio becomes effective at the close of the third Friday of March and September each year. This day is called the 'Effective Day'.
- The security selection and portfolio creation process start on the close of the nearest Friday falling at least one month before the effective day, called the 'Selection Day'. The selection list is created based on the data as of the Selection Day.
- Weights are calculated at the close of the seventh trading day prior (six trading days prior) to the Effective Day. Index Shares are frozen using weights as of this day.

## 1.8 CORPORATE ACTIONS

The corporate action guidebook is present in the Announcements section of our website, under 'Index Documents.'



## 2. APPENDIX

### 2.1 METHODOLOGY CHANGES

Methodology changes since January 2022 are as follows:

Section	Previous Value	New Value	Effective Date (close)
1.3		New Industry Added- Packaged Software	Jan 25, 2022
1.3		<p>These companies are evaluated on ESG screens as mentioned below.</p> <p>The security selection based on ESG screens are provided by Minerva Analytics using their proprietary ESG framework.</p> <p>1. UN Global Compact Principles – To be eligible for the Selection List in a UNGC screen, securities are assigned severity-score based on level of severity and frequency of violation. Each security is evaluated in each of the below category based on the level of severity – Severe (score-20), High (score-10), Moderate (score-4), Minor (score-2) and None (score-0).</p> <ul style="list-style-type: none"> <li>Non-Compliance with the UNGC is assessed under four pillars: human rights, labour rights, environmental damage and anti-corruption/bribery.</li> </ul> <p>2. Controversial Product – Controversial products are assessed by product using thresholds. A company will not be eligible for the Selection List if it breaches any of the below thresholds.</p> <p>a) Controversial Weapons</p> <ul style="list-style-type: none"> <li>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.</li> <li>Companies that produce or develop key and dedicated components for controversial weapons.</li> <li>Companies involved in the production and/or services tailor</li> </ul>	Feb 23, 2022

Section	Previous Value	New Value	Effective Date (close)
		<p>made for the defense industry or the military.</p> <ul style="list-style-type: none"> <li>• Companies that hold <math>\geq 20\%</math> stake in a company that is involved in controversial weapons.</li> <li>• Companies currently <math>\geq 50\%</math> owned by a company that is involved in controversial weapons.</li> </ul> <p>b) Small Arms</p> <ul style="list-style-type: none"> <li>• <math>&gt;5\%</math> of their revenue from the production or distribution of arms, both public and private.</li> </ul> <p>c) Thermal Coal</p> <ul style="list-style-type: none"> <li>• <math>&gt;10\%</math> revenue from the exploration, mining or refining of thermal coal.</li> <li>• Companies that base 30% or more of their operations on thermal coal.</li> <li>• Companies that produce <math>&gt;20</math> million tons of thermal- coal annually and are actively expanding.</li> </ul> <p>d) Conventional Oil &amp; Gas</p> <ul style="list-style-type: none"> <li>• <math>&gt;5\%</math> revenue from conventional oil and gas production, including natural gas, petroleum, and crude oil.</li> <li>• Companies building or operating pipelines that significantly facilitate export of conventional oil and gas.</li> </ul> <p>e) Unconventional Oil &amp; Gas</p> <ul style="list-style-type: none"> <li>• <math>&gt;5\%</math> revenue from unconventional oil and gas production, including revenue from oil sands, oil shale, shale gas and oil and gas production in the arctic regions.</li> <li>• Companies building or operating pipelines that significantly facilitate export of unconventional oil and gas.</li> </ul> <p>f) Palm Oil</p> <ul style="list-style-type: none"> <li>• Companies that are involved in systematic unsustainable palm oil production.</li> </ul> <p>g) Prisons</p>	

Section	Previous Value	New Value	Effective Date (close)
		<ul style="list-style-type: none"> <li>• Private companies that are involved in management or ownership of prisons.</li> </ul> <p>h) Adult Entertainment</p> <ul style="list-style-type: none"> <li>• &gt;0% revenue from production of adult entertainment.</li> <li>• &gt;5% revenue from the distribution of adult entertainment.</li> </ul> <p>i) Recreational Cannabis &amp; Tobacco</p> <ul style="list-style-type: none"> <li>• &gt;5% revenue from recreational cannabis.</li> <li>• &gt;0% revenue from tobacco manufacturing.</li> <li>• &gt;5% revenue from tobacco distribution and/or sale of tobacco products.</li> </ul> <p>j) Alcohol</p> <ul style="list-style-type: none"> <li>• &gt;0% revenue from the production of alcoholic beverages including ingredients solely used in alcoholic beverages.</li> <li>• &gt;5% revenue from the distribution of alcoholic beverages or alcoholic related services.</li> </ul> <p>k) Gambling</p> <ul style="list-style-type: none"> <li>• &gt;0% revenue from owning or operating gambling establishments.</li> <li>• &gt;5% revenue from providing supporting products/services to gambling operations.</li> <li>• &gt;5% revenue from manufacturing specialized equipment used exclusively for gambling.</li> </ul> <p>Securities having severity-score greater than or equal to 20 are ineligible for inclusion in the Selection List.</p> <p>The companies that satisfy the above criteria are included in the Selection List for the index.</p>	

### 3. DISCLAIMER

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