



**ICE<sup>®</sup> Taiwan ESG Sustainability High  
Dividend Select Top 30 Index<sup>™</sup>  
(TWSHD30)**

Version 1.0  
Valid from  
September 4, 2020

## Contents

Version History:	1
1. Index summary	2
2. Governance	3
3. Index Description	5
4. Publication	6
4.1 Daily opening, intraday and closing publication of Index values.	6
4.2 Exceptional market conditions and corrections	6
4.3 Changes to the Index	7
5. Calculation Methodology	9
5.1 Calculation of the Index	9
5.2 Divisor	9
5.3 Formulas	10
6. Index construction	14
6.1 Index universe and selection principles	14
6.2 Periodical updates of constituent holdings and weightings	16
6.3 Special considerations for Index backtest	16
7. Corporate Actions	17
7.1 General	17
7.2 Removal of Constituents	17
7.2.1 Mergers and Acquisitions	17
7.2.2 Suspensions and constituent distress	17
7.2.3 Price sources	18
7.3 Split-up /spin off	18
7.4 Dividends	18
7.5 Rights issues and other rights	19
7.6 Bonus issues, stock splits and reverse stock splits	19
7.7 Share repurchases, tenders and offerings	19
8. Disclaimer	20

## Version History:

### Version 1.0 (Effective September 4, 2020)

The methodology document covers the newly launched ICE® Taiwan ESG Sustainability High Dividend Select Top 30 Index™ (TWSHD30 / TWSHD30T).

## 1. Index summary

<b>Index Summary Factsheet</b>	
<b>Full name</b>	ICE® Taiwan ESG Sustainability High Dividend Select Top 30 Index™
<b>Index tickers</b>	Price Return (TWD): TWSHD30 Gross Total Return (TWD): TWSHD30T
<b>Index description</b>	The ICE® Taiwan ESG Sustainability High Dividend Select Top 30 Index™ is a rules-based, dividend yield weighted equity benchmark designed to track the performance of 30 high quality Taiwan listed companies with leading indicated dividend yields, as calculated by ICE Data Indices, and that have an ESG risk score greater than or equal to medium, as determined by Sustainalytics. Index compositions and corporate actions, including rebalance information, can be accessed from ICE Data Services at <a href="https://www.theice.com/market-data/indices/equity-indices/products">https://www.theice.com/market-data/indices/equity-indices/products</a> .
<b>Eligible stocks</b>	Common stocks of companies listed on the Taiwan Stock Exchange or Taipei Exchange
<b>Number of constituents</b>	Reconstitutes semi-annually to 30 constituent companies
<b>Weighting</b>	Indicated dividend yield weighted
<b>Review of composition</b>	Reference Date for the semi-annual reconstitutions is the 20 <sup>th</sup> calendar day of May and November, or if the Reference Date is a Taiwan equity market holiday or weekend, the previous Business Day
<b>Effective date of the reconstitution</b>	After the close of the last Business Day of May and November
<b>Calculation frequency</b>	Every 15 seconds between 09:00 & 13:30 CST (China Standard Time)
<b>Base date</b>	May 30, 2014
<b>Base level</b>	100.00
<b>Inception date</b>	May 30, 2014
<b>Bloomberg code</b>	TWSHD30 <INDEX> / TWSHD30T <INDEX>
<b>Refinitiv code</b>	.TWSHD30 / .TWSHD30T
<b>Launch date</b>	September 4, 2020
<b>Website</b>	<a href="https://www.theice.com/market-data/indices">https://www.theice.com/market-data/indices</a>

## 2. Governance

### Index Sponsor & Administrator

ICE Data Indices, LLC (“IDI”) is the Index Sponsor and the Index Administrator for the Indices. IDI is responsible for the day-to-day management of the Indices in accordance with their rules, including retaining primary responsibility for all aspects of the Index determination process, including implementing appropriate governance and oversight, as required under the International Organization of Securities Commission’s Principles for Financial Benchmarks (the IOSCO Principles). The IDI Index Governance Committee is responsible for helping to ensure IDI’s overall compliance with the IOSCO Principles, by performing the Oversight Function which includes overseeing the Index development, design, issuance and operation of the Indices, as well as reviewing the control framework. IDI is also responsible for decisions regarding the interpretation of these rules and the IDI Index Governance Committee is responsible for reviewing all rule book modifications and, if applicable, any non-rules based Index constituent changes with respect to the Index to ensure that they are made objectively, without bias, and in accordance with applicable law and regulation and IDI’s policies and procedures. Consequently, all IDI and IDI Index Governance Committee discussions pertaining to such reviews and decisions are confidential until released to the public.

### Periodic review of Index rules

The Indices are constructed based on a defined set of rules which spell out all pertinent details of how an Index is compiled. The rules for compiling an Index are established when the Index is first created and specify the criteria for selecting constituent securities. The rules also establish the methodologies for weighting, valuing and rebalancing the constituents. Detailed rule documents are publicly available on our systems. Rules and methodologies are reviewed periodically, in accordance with IDI’s policies and procedures, to ensure the Index continues to meet its objective. The Index Administrator shall announce changes in Rules and methodologies, along with their implementation dates, in accordance with its policies and procedures. As it relates to material changes, the Index Administrator will also consult on proposed material changes that affect the Index prior to making such changes, in accordance with IDI’s consultation policy:

[https://www.theice.com/publicdocs/Consultation\\_Policy.pdf](https://www.theice.com/publicdocs/Consultation_Policy.pdf).

### Rule book changes

The IDI Index Governance Committee reviews all rule book modifications and Index changes to ensure that they are made objectively, without bias and in accordance with applicable law and regulation and IDI’s policies and procedures. These rules may be supplemented, amended in whole or in part, revised or withdrawn at any time in accordance with applicable law and regulation and IDI applicable policies and procedures. Supplements, amendments, revisions and withdrawals may also lead to changes in the way the Index is compiled or calculated or affect the Index in another way.

### Cases not covered in rules

In cases which are not expressly covered in the Index rules, operational adjustments will take place along the lines of the aim of the Index. Operational adjustments may also take place if, in the opinion of the Index Administrator, it is desirable to do so to maintain a fair and orderly market in derivatives on the Index and/or this is in the best interests of the investors in products based on the Index and/or the proper functioning of the markets. Any such modifications described under this section or exercise of Expert Judgment will also be governed by any applicable policies, procedures and guidelines in place by IDI at such time.

### Limitations of the Indices

All indices produced by IDI (the “Indices”) may be subject to potential limitations, such as a decline in the pool of available eligible securities due to advancements in technology, shifts in demographic spending or the economy, changes in regulation or accounting rules, consolidation in certain sectors or industries, or other factors. Other limitations may include the ability of the Benchmark to operate in illiquid or fragmented markets.

By design, the Indices are focused on representing the performance of 30 high quality Taiwan listed companies with leading indicated dividend yields that have an ESG risk score greater than or equal to medium. As the Taiwan equity markets transform, these Indices, by nature of the fact that they reconstitute semi-annually based on various liquidity, fundamental, ESG and dividend yield criteria, may be targeting a different range of companies.

The Indices are also dependent on ESG Risk Scores from Sustainalytics. As the coverage and scores of the Taiwan equity markets by Sustainalytics transform, these Indices may have changes in the size of their eligible constituent universe.

IDI seeks to manage and mitigate these limitations through the Benchmark design, review and oversight process.

### **3. Index Description**

The ICE® Taiwan ESG Sustainability High Dividend Select Top 30 Index™ is a rules-based, dividend yield weighted equity benchmark designed to track the performance of 30 high quality Taiwan listed companies with leading indicated dividend yields, as calculated by ICE Data Indices, and that have an ESG risk score greater than or equal to medium, as determined by Sustainalytics.

The Index is compiled from a universe of companies with common stocks listed on the Taiwan Stock Exchange or Taipei Exchange and is filtered based on various ESG, quality, liquidity, and dividend yield criteria. ESG data utilized in the index construction is utilized under license from Sustainalytics.

## **4. Publication**

### **4.1 Daily opening, intraday and closing publication of Index values.**

#### **Opening**

The first Index level is calculated and published at 09:00 CST (China Standard Time), when the Taiwan equity markets open for their regular trading session. The calculation of that level utilizes the most updated prices available at that moment from the official primary exchange. In the case of constituents that have a non-traded, halted or suspended status, or have not opened for the current day, the previous day's reference prices (typically primary exchange official closes) or estimated prices (for IPOs, buyouts and swap offers) are used.

#### **Dissemination frequency**

The level of the Price Return and Gross Total Return Indices is published every 15 seconds to the ICE Data Consolidated Feed. The calculated Index levels incorporate the latest traded price of each constituent from within the regular trading session, normally 09:00 to 13:30 CST. The Index only holds equities listed and traded in Taiwan, and thus, intraday calculations of the Index incorporate trades from the official primary exchange. The Indices are calculated on those days specified as Index Business Days. Index Business Days are days on which the Taiwan equity markets are open for a full or partial day of trading.

#### **Closing level**

The closing level is the last level disseminated on the trading day and uses the official close prices from the primary exchange for each constituent. For constituents that have non-traded, halted or suspended status, or have not opened for the current day, the previous day's reference prices (typically primary exchange official closes) or estimated prices (for IPOs, buyouts and swap offers) are used instead. In the case of exceptional market conditions, the Index Administrator reserves the right to utilize other prices in the calculation of the official closing level, as indicated below in Sections 4.2, 7.2.2, and 7.2.3.

#### **Data Sources**

The ICE Data Consolidated Feed is the primary market data source for Taiwan equity real-time and closing prices, obtained from ICE Data Services. Currency rates utilized in the real-time calculation of the Index are sourced from ICE Data Services. Currency rates utilized in the closing calculation of the Index are sourced from the WM/Reuters FX benchmarks product provided by Refinitiv. ESG data utilized in the index construction are sourced from Sustainalytics. Additional sources of data less commonly used include market data vendors, company announcements, exchange announcements and other official sources.

### **4.2 Exceptional market conditions and corrections**

The Index Administrator retains the right to delay the publication of the opening level of the Index or suspend the publication of the level of the Index if it believes that circumstances prevent the proper calculation of the Index. If Index constituent intraday

prices are cancelled or revised, the Index will not be recalculated unless the Index Administrator decides otherwise.

Reasonable efforts are made to ensure the correctness and validity of data used in real-time Index calculations. Where errors have occurred in the determination or calculation of an Index closing value, the decision to make a restatement will be assessed on a case by case basis. Such decision will take account of the significance, impact, age and scale of the error.

There is the possibility of an exchange or market-wide event resulting in the normal closing auction, or official closing prices, not being available. In those situations, the Index Administrator will take guidance from the respective exchange(s) and determine an appropriate course of action on an event-by-event basis. Exchange or market-wide events include, but are not limited to, the following:

- Volatility Halts
  - LULD (Limit Up / Limit Down)
  - Market Wide Circuit Breaker
- Technological Problems / Failures
- Natural Disaster or Other BCP-Related Event

### **4.3 Changes to the Index**

#### **Announcement policy**

Changes to the Index methodology will be communicated by an Index announcement which will be distributed by IDI via <https://www.theice.com/market-data/indices/equity-Indices> and ICE Data Services at <https://www.theice.com/market-data/indices/equity-indices/products>.

As a general rule, the announcement periods that are mentioned below will be applied. However, emergency actions, including urgently required corporate action treatments, often resulting from late notices from the relevant company or exchange, may require the Index Administrator to deviate from the standard timing.

#### **Inclusion of new constituents**

The inclusion of new companies in the Index typically occur during the semi-annual reconstitutions. The inclusion of the new company in the scheduled reconstitutions is announced after the close of the first Business Day following the Reference Date. The Reference Date falls on the 20th calendar day of May and November, or if the Reference Date is a Taiwan equity market holiday or weekend, the previous Business Day. For example, for a reconstitution effective for the open on December 1, 2020, the announcement would occur after the close on November 23, 2020.

Corporate actions affecting constituents of the Index, such as a spin-off or merger, do not lead to the addition of a company to the Index at any time other than at the scheduled reconstitutions.

## **Removal of Constituents**

The removal of constituent companies from the Index typically occur during the semi-annual reconstitutions, although there may also be intra-quarter deletions due to specific corporate actions affecting a current constituent such as a merger or acquisition. The removal of the company in the scheduled reconstitutions is announced after the close of the first Business Day following the Reference Date. The Reference Date falls on the 20th calendar day of May and November, or if the Reference Date is a Taiwan equity market holiday or weekend, the previous Business Day. For example, for a reconstitution effective for the open on December 1, 2020, the announcement would occur after the close on November 23, 2020.

Corporate actions can lead to the removal of a company from the Index at a time other than at the scheduled reconstitutions. At the very latest, all such removals are announced at least one trading day before the effective date. It should be noted that in the case of mergers and acquisitions, every effort is made to remove the company at some reasonable time ahead of the suspension in trading in the acquired company. There are certain situations and corporate actions that require the removal of a company that has already ceased trading. In those cases, the company is removed from the Index at its last traded price, or, at the discretion of the Index Administrator, at a derived price that most accurately represents its post-suspension value.

## **Corporate actions**

In case of an event that could affect one or more constituents, the Index Administrator will publish an announcement explaining the treatment of the event in the Index shortly after the firm details have become available and have been confirmed. When possible, the corporate action and resulting treatment within the Index will be announced, even if not all information is known, at least one trading day before the effective date of the action. Once the corporate action has been actioned in the Index, the Index Administrator will confirm the changes and final terms such as Index divisor in a separate announcement.

## **Reconstitution: Publication of Results**

The new composition of the Index, including the companies to be a part of the Index and their corresponding new Index shares, is announced on the first Business Day following the Reference Date and can be accessed from ICE Data Services at <https://www.theice.com/market-data/indices/equity-indices/products>.

## 5. Calculation Methodology

### 5.1 Calculation of the Index

The Index is calculated on a price return and gross total return basis. The current Index level is calculated by dividing the current Index market capitalization by the Index divisor. The Index market capitalization represents the sum product of Index constituent shares and prices. The divisor was determined as a function of the initial Index market capitalization and base Index level. The divisor is updated as a result of corporate actions, reconstitutions, rebalances and any other composition changes.

### 5.2 Divisor

Price Return Indices look to measure the period to period change in the value of its components due to changes in the valuation (price) of those components, including the impact of any special cash dividends and spin-offs. For a Total Return Index, the change in value also includes any income produced by those components.

Indices are maintained in order to avoid having corporate actions or changes in the composition resulting from additions, deletions, and share changes directly impact the Index level in any way.

The Divisor is an important element in the determination of Index levels. At the inception of an Index (Base Date) the Divisor is set such that the initial Index level (Base Level) is at the desired starting point. Indices usually have a starting level of 100 or 1,000, although any number could be used. The general formula to determine an Index level is:

$$\text{Index Level} = \frac{\text{Index Market Capitalization}}{\text{Divisor}}$$

which can be rearranged as:

$$\text{Divisor} = \frac{\text{Index Market Capitalization}}{\text{Index Level}}$$

It is this transformed formula which allows an Index calculator to maintain the continuity of the Index in the face of changes that may occur in Index market capitalization not attributed to changes in the prices of components. For example, at the effective date of a rebalance there may be changes to the pool of components and/or the number of shares held of those components. These changes to the Index are made

outside of component trading hours and as such there should be no change to the observed Index level pre- and post-rebalance. Take this simple example below:

	<b>Current Index Market Capitalization</b>	<b>New Index Market Capitalization</b>
Component #1	\$1,500,000	\$1,500,000
Component #2	\$1,250,000	\$1,250,000
Component #3	\$1,250,000	\$1,250,000
Component #4	\$0	\$2,000,000
Index Market Capitalization	\$4,000,000	\$6,000,000
Pre-Rebalance Index Level	2,000.00	
Pre-Rebalance Divisor	2,000.00	
Post-Rebalance Index Level		2,000.00
Post-Rebalance Divisor		3,000.00

In this example we see that the rebalance has added another component to the Index. This addition has increased the Index Market Capitalization from 4 to 6 million USD. If the current Divisor is used, the Index level would be calculated incorrectly ( $6,000,000 / 2,000 = 3,000.00$ ). Because we know that there were no component price changes, we know that the Index level pre- and post-rebalance should be the same. In order to maintain that Index level, we need to calculate a new Divisor.

### 5.3 Formulas

The general formula for the **Price Return version [Index(PR)<sub>t</sub>]** of the Index is:

$$\text{Index(PR)}_t = \frac{\sum_i P_{i,t} Q_{i,t}}{D_t}$$

Where:

$t$  means Index Calculation Date  $t$

$D_t$  means the Price Return Index Divisor on Index Calculation Date  $t$

$P_{i,t}$  means the Price (in the Index Base Currency) of Index Constituent  $i$  on Index Calculation Date  $t$

$Q_{i,t}$  means the number of Shares of Index Constituent  $i$  on Index Calculation Date  $t$

The Index is only calculated on Index Business Days, which are defined in Section 4.1 above.

The **Index Divisor  $D_t$**  is adjusted for corporate actions and any additions, deletions, and share changes for the Index Constituents:

$$D_t = \frac{\sum_i APC_{i,t} Q_{i,t}}{\text{Index}(PR)_{t-1}}$$

Where:

$D_t$  means the Index Divisor on Index Calculation Date  $t$

$\text{Index}(PR)_{t-1}$  means the Price Return Index Level from Date  $t-1$

$APC_{i,t}$  means the Adjusted Previous Close Price (for corporate actions, and, denominated in the Index Base Currency) of Index Constituent  $i$  on Index Calculation Date  $t$

$Q_{i,t}$  means the number of Shares of Index Constituent  $i$  on Index Calculation Date  $t$

The general formula for the **Gross Total Return version [Index(GTR) $_t$ ]** of the Index follows that of the Price Return version:

$$\text{Index}(GTR)_t = \frac{\sum_i P_{i,t} Q_{i,t}}{D_{gtr,t}}$$

Where:

$t$  means Index Calculation Date  $t$

$D_{gtr,t}$  means the Gross Total Return Index Divisor on Index Calculation Date  $t$

$P_{i,t}$  means the Price (in the Index Base Currency) of Index Constituent  $i$  on Index Calculation Date  $t$

$Q_{i,t}$  means the number of Shares of Index Constituent  $i$  on Index Calculation Date  $t$

The **Index Divisor** for the **Gross Total Return Index** is adjusted as follows:

$$D_{gtr,t} = \frac{\sum_i APC_{i,t} Q_{i,t}}{\text{Index}(GTR)_{t-1}}$$

Where:

$t$  means Index Calculation Date  $t$

$D_{gtr,t}$  means the Gross Total Return Index Divisor on Index Calculation Date  $t$

$APC_{i,t}$  means the Adjusted Previous Close Price (for gross dividends going ex-dividend on Index Calculation Date  $t$  and corporate actions, and, denominated in the Index Base Currency) of Index Constituent  $i$  on Index Calculation Date  $t$

$Q_{i,t}$  means the number of Shares of Index Constituent  $i$  on Index Calculation Date  $t$

$\text{Index}(GTR)_{t-1}$  means the Gross Total Return Index Level from Date  $t-1$

The general formula for the **Net Total Return version [Index(NTR)<sub>t</sub>]** of the Index follows that of the Price Return version:

$$\text{Index(NTR)}_t = \frac{\sum_i P_{i,t} Q_{i,t}}{D_{ntr,t}}$$

Where:

$t$  means Index Calculation Date  $t$

$D_{ntr,t}$  means the Net Total Return Index Divisor on Index Calculation Date  $t$

$P_{i,t}$  means the Price (in the Index Base Currency) of Index Constituent  $i$  on Index Calculation Date  $t$

$Q_{i,t}$  means the number of Shares of Index Constituent  $i$  on Index Calculation Date  $t$

The **Index Divisor** for the **Net Total Return Index** is adjusted as follows:

$$D_{ntr,t} = \frac{\sum_i APC_{i,t} Q_{i,t}}{\text{Index(NTR)}_{t-1}}$$

Where:

$t$  means Index Calculation Date  $t$

$D_{ntr,t}$  means the Net Total Return Index Divisor on Index Calculation Date  $t$

$APC_{i,t}$  means the Adjusted Previous Close Price (for net dividends going ex-dividend on Index Calculation Date  $t$  and corporate actions, and, denominated in the Index Base Currency) of Index Constituent  $i$  on Index Calculation Date  $t$

$Q_{i,t}$  means the number of shares of Index Constituent  $i$  on Index Calculation Date  $t$

$\text{Index(NTR)}_{t-1}$  means the Net Total Return Index Level from Date  $t-1$

The formula for the **Net Dividend** of an Index Constituent is:

$$\text{Div}_{net,i,t} = \text{Div}_{gross,i,t} \times (1 - \text{WTR}_{i,t})$$

Where:

$\text{Div}_{net,i,t}$  means the Net Dividend for Index Constituent  $i$  on Index Calculation Date  $t$

$\text{Div}_{gross,i,t}$  means the Gross Dividend for Index Constituent  $i$  on Index Calculation Date  $t$

$\text{WTR}_{i,t}$  means the Tax Withholding Rate being utilized for the respective country of incorporation for Index Constituent ( $i$ )

The schedule of applicable tax rates can be found in the Dividend Withholding Tax Table which can be found at <https://www.theice.com/market-data/Indices/equity-Indices/methodologies>.

The following formula is utilized to calculate additional **currency variants** of an Index:

$$\text{Index}_{t,\text{cur}} = \text{Index}_t \times \text{ForeignExchangeRate}$$

Where:

*Index<sub>t,cur</sub>* means the Index level at time t denominated in the currency of the Index currency variant

*Index<sub>t</sub>* means the Index level at time t denominated in the base currency of the Index

*ForeignExchangeRate* means the applicable cross spot currency rate expressed as units of Index variant currency per Index base currency.

By default, any currency conversion required for the closing calculation of the Index, including the conversion of any foreign currency dividends, utilizes the WM/Reuters Closing Rate Fix from 4 PM London time. Currency rates utilized in the real-time calculation of the Index are sourced from ICE Data Services. If applicable, each individual Index methodology would clarify the currency rate type utilized in the Index calculation if different.

## 6. Index construction

### 6.1 Index universe and selection principles

#### Index Universe

The starting universe from which Index constituents are selected (“Index Universe”) is comprised of all common stocks that are listed on the Taiwan Stock Exchange or Taipei Exchange. This determination is made using publicly available information on individual security issuers.

#### Selection of constituents

At each semi-annual reconstitution, constituent securities are selected from the Index Universe based on the following criteria, as calculated as of the 20th calendar day of May and November, or if that day is a Taiwan equity market holiday or weekend, the previous Business Day (“Reference Date”).

1. The ESG Risk Score from Sustainalytics must be greater than or equal to medium.
  - a. The ESG Risk Score measures the degree to which a company’s economic value (enterprise value) is at risk driven by ESG factors or, more technically speaking, the magnitude of a company’s unmanaged ESG risks.
  - b. An ESG Risk Score that is greater than or equal to medium includes all companies with an ESG Risk Score less than 30.
  - c. Companies with no available ESG Risk Score are excluded from the Index.
  - d. If there are less than 150 companies that have an ESG Risk Score less than 30, then the rule is not relaxed and the number of companies that do qualify are utilized for the subsequent steps.
2. Companies must have a positive trailing 12-month return on equity (ROE).
  - a. If there are less than 70 companies that qualify based on this rule, then the requirement for a company to have a positive trailing 12-month ROE is relaxed and the companies with the highest trailing 12-month ROE who qualify based on the ESG criteria are included in order to yield a maximum universe of 70 companies for subsequent steps.
3. Companies must meet the following liquidity criteria:
  - a. A company must have a liquidity level of greater than 100 million TWD based on the lower of the average daily traded value (ADTV) over the (a) previous one full month and (b) previous three full months. For example, for the November reconstitution, the ADTV is assessed over (a) October and (b) August, September, and October.
  - b. A company is required to trade for at least one day during each of the previous three full months in order to qualify under the liquidity rules. For example, if a company trades in September and October but not in August, then it would not qualify in the November reconstitution.
  - c. If there are less than 150 companies that qualify following application of the liquidity criteria, the companies with the next highest minimum ADTVs (over either one full month or three full months) are included up to a maximum of 150 companies.

4. The indicated dividend yield for each company is calculated based on dividends announced by the company divided by the latest price.
  - a. Special cash dividends are not counted in this calculation. As per Section 7.4, a dividend paid in line with a company's normal results and dividend reporting cycle as an element that is additional to the company's regular cash dividend is not considered special.
  - b. Dividends are annualized if they do not pay on an annual basis.
  - c. The following steps are followed in the May reconstitution as of the Reference Date:
    - i. Dividends whose ex-dividend dates have been announced and fall after the effective date of the reconstitution are included in the calculation regardless of the payment frequency.
      1. For example, if the reconstitution effective date is June 1, then any announced dividend with an ex-date of June 2 or later is included.
      2. There may be situations where a dividend has been announced and while the specific ex-date has not been confirmed, it is known that the date will fall after the effective date of the reconstitution. Those dividends will be included in the calculation.
    - ii. Dividends whose ex-dividend dates fall on or before the effective date of the reconstitution and are paid annually are excluded from the calculation.
      1. In the same example, any annual dividend with an ex-date on or before June 1 is excluded.
    - iii. Dividends whose ex-dividend dates fall on or before the effective date of the reconstitution and are paid either quarterly or semi-annually are only included in the calculation if their announcement date was on or after January 1 of the current calendar year.
      1. For example, in the same situation, any quarterly or semi-annual dividend with an ex-date on or before June 1 and an announcement date on or after January 1 is included.
      2. Any quarterly or semi-annual dividend with an ex-date on or before June 1 and an announcement date before January 1 is excluded.
  - d. In the November reconstitution, if there is no new announced dividend after the May reconstitution Reference Date and before the November reconstitution Reference Date, then the actual dividend that was paid during the interim period is incorporated into the calculation.
5. The indicated dividend yield for each company is multiplied by the unadjusted market capitalization for that company.
  - a. The top 70 companies based on a ranking of this indicated dividend yield adjusted market capitalization metric are selected.
6. From these 70 companies, the top 36 companies based on a ranking of their indicated dividend yields are selected.
  - a. From these top 36 companies, any current Index constituents are selected for inclusion in the reconstitution.
  - b. If there are less than 30 companies after the last step, then the next highest ranked stocks in the top 36 companies based on indicated dividend yields are added until the 30 company Index constituent count is met.

7. The final 30 companies in the Index are weighted based on their indicated dividend yields.
  - a. A single security weighting cap of 10% is implemented.

## **6.2 Periodical updates of constituent holdings and weightings**

Every six months after the close of trading of the last Business Day of May and November, the Index constituents and shares are adjusted based on the criteria in Section 6.1. These semi-annual reconstitutions are designed to ensure that the Index constituent selections and weightings continue to reflect the Index objective.

The newly adjusted constituent shares are the basis for the Index calculation and level effective as of the open of the first Business Day of June and December. A divisor adjustment is made to ensure continuity of the Index's level.

The Index Administrator reserves the right, at any time, to change the number of stocks comprising the Index by adding or deleting one or more stocks, or replacing one or more stocks contained in the Index with one or more substitute stocks of its choice, if in the Index Administrator's judgement, such addition, deletion or substitution is necessary and appropriate to maintain the quality and/or character of the Index. Such Index constituent changes are subject to review and approval by the Governance Committee.

The semi-annual Index reconstitutions become effective after the close of the last Business Day of May and November. The Reference Date for all company-specific data and information utilized in the reconstitution process, including prices, is the 20th calendar day of May and November, or if the Reference Date is a Taiwan equity market holiday or weekend, the previous Business Day. This includes all data incorporated into the constituent selection process and the calculation of new shares from target percentage weights. The announcement of the reconstitution to the public is made after the close of the first Business Day following the Reference Date.

## **6.3 Special considerations for Index backtest**

Corporate actions were adjusted for in the Index backtest, however, the exact treatment in the backtest and live Index may differ due to differences in timing and knowledge of those actions.

## 7. Corporate Actions

### 7.1 General

There can be situations other than those enumerated in the Index Rules, where the Index constituents and respective weights may need to be adjusted in order to maintain the continuity of the Index level and the composition. Such adjustments will be undertaken, as needed, to ensure that the Index continues to achieve its objective of tracking the performance of a high quality, high dividend and sustainable segment of the Taiwan equity markets.

Adjustments take place in reaction to events that occur with constituents in order to mitigate or eliminate the effect of that event on the Index performance.

### 7.2 Removal of Constituents

Any constituent that is deleted from the Index as a result of a corporate action such as a merger, acquisition, spin-off, delisting or bankruptcy is not replaced by a new stock. Thus, the total number of stocks in the Index may decrease between reconstitutions. If a constituent is removed from the Index, the divisor is adjusted to maintain the Index level.

#### 7.2.1 Mergers and Acquisitions

Merger or acquisition between members of the Index: In the event a merger or acquisition occurs between members of the Index, the acquired constituent is deleted, and the acquiring constituent's Index weighting is not adjusted.

Merger or acquisition between a member and a non-member: A non-member is defined as a constituent that is not a current constituent of the Index. A merger or acquisition between one member of the Index and one non-member can take two forms:

- (1) The acquiring constituent is a member of the Index and the acquired constituent is not. The acquiring constituent's shares is not adjusted at the time of acquisition.
- (2) The acquiring constituent is not a member, but the acquired constituent is a member. The acquired constituent is removed from the Index and its Index market capitalization is redistributed proportionately across the remaining constituents via a divisor adjustment.

#### 7.2.2 Suspensions and constituent distress

Immediately upon a company filing for bankruptcy, an announcement will be made to remove the constituent from the Index effective for the next trading day. If the constituent is trading on an over-the-counter (OTC or non-exchange) market, the last trade or price on that market is utilized as the deletion price on that day.

If the constituent does not trade on a relevant exchange or OTC market between the bankruptcy announcement and point of deletion from the Index, the constituent may be

deleted from the Index in that corporate action treatment with a presumed market value of \$0.00.

### **7.2.3 Price sources**

In the event that the trading in shares is suspended or halted, the last known price established during regular daytime trading on the primary exchange is used. Depending on the particular situation, the Index Administrator may choose to value the security at a price of \$0.00 for purposes of Index calculation and/or Index corporate action. This would be applicable for certain extreme cases such as a constituent bankruptcy or severe distress.

### **7.3 Split-up /spin off**

The closing price of the Index constituent is adjusted by the value of the spin-off. The shares of the Index constituent are increased to maintain the constituent weight in the index before and after the corporate action. Since the event won't change the market value of the constituent included in the Index, the divisor is not changed.

### **7.4 Dividends**

The Price Return Index is adjusted for dividends that are special in nature, typically through a price adjustment and share change in the constituent paying the dividend to maintain the constituent weight in the index before and after the corporate action. Since the event won't change the market value of the constituent included in the Index, the divisor is not changed.

To decide whether a dividend should be considered a special cash dividend the Index Administrator will use the following criteria:

- a) The declaration by a company of a dividend additional to those dividends declared as part of the company's normal results and dividend reporting cycle would be considered special.
- b) An adjustment solely to the timing of the declaration of a company's expected dividend would not be considered as a special cash dividend circumstance.
- c) A dividend paid in line with a company's normal results and dividend reporting cycle as an element that is additional to the company's regular cash dividend is not considered special.

For the purpose of clarification, the Index Administrator will not make a special cash dividend adjustment for the following situations, specifically in the Price Return Index:

- 1. Payment of ordinary dividends, irrespective of how they are financed;
- 2. Issue of redeemable shares or any other entitlement in lieu of an ordinary dividend; or
- 3. Unexpected increase or decrease, resumption or cessation, or change in frequency to an ordinary dividend.

## **7.5 Rights issues and other rights**

In the event of a rights issue, the price is adjusted for the value of the right before the open on the ex-date. The shares are also adjusted to maintain the constituent weight in the index before and after the corporate action.

The adjustment assumes that the rights issue is fully subscribed. The amount of the price adjustment is determined from the terms of the rights issue, including the subscription price, and the price of the underlying security. The Index Administrator shall only enact adjustments if the rights represent a positive value, or are in-the-money, or alternatively, represent or can be converted into a tangible cash value.

Rights issues or offerings may also lead to changes in the constituent shares outstanding as a result of the offering. Such changes would not be adjusted for in the Index.

## **7.6 Bonus issues, stock splits and reverse stock splits**

For bonus issues, stock splits and reverse stock splits, the price and number of shares included in the Index are adjusted in accordance with the ratio given in the corporate action. Since the event won't change the market value of the constituent included in the Index, the divisor is not changed.

## **7.7 Share repurchases, tenders and offerings**

Primary and secondary share repurchases, tenders, and offerings do not lead to an adjustment in the constituent shares as a result of the corporate action.

## 8. Disclaimer

The products and services mentioned herein solely in relation to the Indices (each an “Index”) may not be available in all jurisdictions. This document does not constitute an offer of services in jurisdictions or circumstances where ICE Data Indices, LLC (“IDI”) does not have the necessary or appropriate licenses or approvals for the offering of the products and services described herein. Each Index provides a general investment strategy, does not take into account any of the specific needs or financial circumstances of any person, entity or group of persons and should not be considered investment advice. All information provided by IDI, including without limitation, any materials that describe any Index, is of general nature only.

The development or creation of any financial product that is based on, developed in connection with, or uses directly or indirectly any Index of IDI, including any bi-lateral contract, fund, investment vehicle or issue of securities (an “Investable Product”), is prohibited without the prior written consent of IDI. IDI is not obligated to enter into or promote Investable Products or other transactions or investments that are linked to any ICE Index or any of its constituents.

IDI receives compensation in connection with the licensing of its Indices to third parties.

It is not possible to invest in an Index directly. Exposure to an asset class or sector represented by an Index or an interest the Index seeks to measure may be available through Investable Products based on that Index. IDI does not sponsor, endorse, sell, promote or manage, and has not reviewed or passed on the legality or suitability with respect to any person of, any Investable Product that is offered by third parties or any associated document, literature or publication, including without limitation, any prospectus or offering memorandum. IDI makes no assurance that Investable Products based on any Index will accurately track Index performance or provide positive investment returns or not result in a loss of some or all of any investment in such Investable Products. IDI makes no representation regarding the advisability or suitability of investing in or assuming any risk in connection with any such Investable Products.

The products and services described herein may not be suitable for all purposes and for all investors and IDI makes no representation regarding (a) the level at which any Index stands at any particular time on any particular date, (b) the ability of any Index to track corresponding market performance (c) the results to be obtained by any party from the use of any Index or any data included in it for the purposes of issuing securities or carrying out any financial transaction or (d) any other matter.

A decision to invest in any Investable Product should not be made in reliance on any of the statements set forth in this document. Prospective investors should carefully consider, prior to making a decision to invest in any Investable Product, the risks associated with investing in such Investable Product, as detailed in an offering memorandum or similar document that is prepared by or on behalf of the issuer or obligor of the Investable Product and whether it is appropriate for their purposes and circumstances. Prospective investors should consult with an attorney, tax advisor, or accounting professional regarding any specific legal, tax, or accounting situation, or the impact of making any particular investment decision. Inclusion of a security within an

Index is not a recommendation by IDI to buy, sell, or hold such security, nor is it considered to be investment advice.

IDI is under no obligation to maintain or calculate any Index and may cancel or cease to calculate any Index without notice, subject to applicable regulation and its policies and procedures.

IDI does not assume any obligation or duty to any party in relation to any Index and under no circumstances does IDI assume any relationship of agency or trust or of a fiduciary nature for or with any party. Any calculations or determinations in respect of any Index or any part thereof will be made by IDI in accordance with the terms of its methodology at the relevant time and acting reasonably and in good faith.

Unless otherwise indicated, these materials have been prepared solely for informational purposes based upon information generally available to the public from source(s) believed to be reliable and are subject to change without notice. No content contained in these materials (including Index data, ratings, credit-related analyses and data, model, software or other application or output therefrom) or any part thereof (“Content”) may be modified, reverse-engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of IDI. The Content shall not be used for any unlawful or unauthorized purposes. In no event shall IDI have any liability (whether in negligence or otherwise) to any person in connection with such person's unauthorized use of any Index or Content.

Unless otherwise indicated, for the purpose of calculating any Index, IDI has relied on publicly available sources and has not independently verified the information extracted from these sources and accepts no responsibility or liability in respect thereof. IDI, its affiliates and its third-party providers and licensors and co-branding partners (where applicable) (collectively “IDI Parties”) do not guarantee that the Content is accurate, complete, timely or error free and it should not be relied upon as such. IDI Parties are not responsible for any errors, omissions, or interruptions regardless of the cause, or for the results obtained from the use of the Content. THE CONTENT IS PROVIDED ON AN “AS IS” BASIS. IDI PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES AND CONDITIONS, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM VIRUSES, BUGS, WORMS, OTHER HARMFUL COMPONENTS OR OTHER PROGRAM LIMITATIONS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT’S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall IDI Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of the Index and/or Content even if advised of the possibility of such damages.

Any available Index returns are hypothetical and do not represent the results of actual trading of Investable Products, and as such, do not represent actual past performance and are not indicative of any specific investment. The Content (including any of the output derived from any analytic tools or models) is not intended to predict actual

results, which may differ substantially from those reflected. Past performance is not necessarily indicative of future results.

Historical returns and weights before the launch date of an Index are based upon backtested data. For the period prior to the launch date of an Index, simulated performance data has been provided as an illustration of how the Index would have performed during the relevant period had the Index been calculated by IDI using the current Index methodology. Such simulated performance data has inherent limitations, as the simulated data is produced by the retroactive application of the methodology. Simulated performance data is based on criteria applied retroactively with the benefit of hindsight and knowledge of factors that may have positively affected its performance and may reflect a bias toward strategies that have performed well in the past.

Intercontinental Exchange, Inc., the ultimate parent company of IDI, keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of Intercontinental Exchange, Inc. may have information that is not available to other business units. IDI has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process. There is no obligation on IDI to disclose information held by it in relation to any Index to other parties.

The various businesses of Intercontinental Exchange, Inc. provide a wide range of products and services to a diverse group of clients and, as such, Intercontinental Exchange, Inc. faces potential conflicts of interest in the ordinary course of its business. Intercontinental Exchange, Inc. may be acting in a number of capacities in connection with Investable Products or other transactions entered into in relation to IDI. Intercontinental Exchange, Inc., acting in such capacities in connection with such transactions, shall have only the duties and responsibilities expressly agreed to by it in its relevant capacity and shall not, by virtue of its acting in any other capacity, be deemed to have other duties or responsibilities or be deemed to hold a standard of care other than as expressly provided with respect to each such capacity. IDI has established policies and procedures designed to identify and address conflicts of interest.

In addition, Intercontinental Exchange, Inc. provides a wide range of services to, or relating to, many organizations, including issuers of securities, investment advisers, broker-dealers, investment banks, other financial institutions and financial intermediaries, and accordingly may receive fees or other economic benefits from those organizations, including organizations whose securities may form part of any Index or other evaluation IDI carries out.

**ABOUT INTERCONTINENTAL EXCHANGE** Intercontinental Exchange, Inc. (NYSE:ICE) operates a leading network of exchanges and clearing houses. ICE's exchanges and clearing houses, which include the New York Stock Exchange, serve global commodity and financial futures and equities markets. The New York Stock Exchange is the world leader in capital raising and equities trading. ICE is a leading provider of data services across global markets. Trademarks of ICE and/or its affiliates include Intercontinental Exchange, ICE, ICE block design, NYSE, New York Stock Exchange, and Interactive Data. Information regarding additional trademarks and intellectual property rights of

Intercontinental Exchange, Inc. and/or its affiliates is located at <https://www.intercontinentalexchange.com/terms-of-use>. Other products, services or company names mentioned herein are the property of, and may be the service mark or trademark of, their respective owners.

The information provided by Sustainalytics is provided “as is” and Sustainalytics assumes no responsibility for errors or omissions. Sustainalytics cannot be held liable for damage arising from the use of the Index or information contained herein in any manner whatsoever. Nothing contained in the Index shall be construed as to make a representation or warranty, express or implied, regarding the advisability to invest in or include companies in investable universes and/or portfolios.

<https://www.sustainalytics.com/>

**ABOUT ICE DATA SERVICES** ICE Data Services is part of Intercontinental Exchange (NYSE: ICE) and offers end-to-end solutions for information, analytics Index services and connectivity, with a range of proprietary data and tools for global markets across fixed income, equities, commodities, FX and options.

ICE Data Services is the marketing name used for ICE Data Services, Inc. and its subsidiaries globally, including ICE Data Pricing & Reference Data, LLC, ICE Data Services Europe Limited and ICE Data Services Australia Pty Ltd. ICE Data Services is also the marketing name used for ICE Data Derivatives, Inc. and its subsidiaries globally, ICE Data Indices, LLC and certain other data products and services offered by other subsidiaries of Intercontinental Exchange, Inc. (NYSE:ICE).