

Methodology of SSE STAR ESG Index

SSE STAR ESG Index selects 50 constituents with the highest ESG scores among securities of listed companies on SSE Science and Technology Innovation Board. It aims to reflect the performance of securities with high ESG evaluations on STAR board.

1. Index Name and Index Code

- Index Name: SSE STAR ESG Index
- Shortened Name: STAR ESG
- Index Code: 000691

2. Base Date and Base Index

The base date is December 31, 2019. The base value is 1000.

3. Index Eligibility

3.1 Index Universe

The index universe includes stocks and CDRs issued by red-chip enterprises listed on SSE Science and Technology Innovation Board satisfying the following conditions.

(1) Listing period is more than six months. For securities with the daily average total market value since its initial listing ranked top 5 on SSE Science and Technology Innovation Board, the listing time is more than three months.

(2) Non-ST and *ST securities.

3.2 Eligible Securities

Liquidity Criteria: securities ranked in the top 90% in the index universe in terms of average daily trading value over the past year in descending order are eligible for inclusion.

3.3 Constituents Selection

(1) For the eligible securities, select securities of listed companies with total market capitalization ranked top 150 of the universe as the candidate securities;

(2) Among the samples above, 50 securities with the highest CSI ESG scores are selected as index constituents.

4. Index Calculations

The index is weighted as the following calculation formula:

Current Index = Current Total Adjusted Market-Cap / Divisor × Base Value

Where Current Total Adjusted Market-Cap = \sum (Stock Price × Number of Free Float Adjusted Shares × Weight Factor)

For the calculation of number of free float adjusted shares, please refer to Index Calculation and Maintenance Methodology for further details. The value of Weight Factor is between 0 and 1, which is calculated at each rebalancing date, so that the weight of each constituent is calculated by free float market value adjusted by ESG tilting factors and the weight of each constituent is capped at 10%.

ESG tilting factors are calculated as follows,

$$\text{ESG tilting factor} = \begin{cases} 1 + \lambda * Z_{ESG}, & Z_{ESG} > 0 \\ \frac{1}{1 - \lambda * Z_{ESG}}, & Z_{ESG} \leq 0 \end{cases}$$

Z_{ESG} is the Z-score of CSI ESG scores and λ is the scaling factor which is 3.

5. Constituents and Index Weights Adjustment

5.1 Constituent's Periodical Review

The index is adjusted and rebalanced quarterly and the adjustment will be effective as of the next trading day after the 2nd Friday of March, June, September and December.

Weight Factor is assigned to each constituent at each rebalancing date. The effective date is the same as that of the constituent adjustment. The Weight Factor stays the same until next rebalancing date.

5.2 Ongoing Review

When special events occur, CSI will review the index accordingly. Delisted securities and securities with ESG ratings downgraded to C or below will be deleted from the constituents. Please refer to Index Calculation and Maintenance Methodology for further details.