

Ground Rules for the TPEX FactSet Smart Climate Index Series

Chapter 1 Introduction

The TPEX FactSet Index Series are compiled by Taipei Exchange (hereafter TPEX) and FactSet UK LIMITED (hereafter FactSet). The Index Universe is the constituents of the TPEX 200 Index, and the T-Risk calculated by Entelligent Company's climate model is employed to select or adjust the weights of the constituent stocks in order to reflect the climate resilience of TPEX 200 constituent companies in response to climate change.

Chapter 2 Eligible Securities

2.1 Sampling scope

TPEX 200 constituents.

2.2 Qualification Criteria

2.2.1 For “TPEX FactSet Climate Resilience Index”, the universe is the TPEX 200 index.

2.2.2 For “TPEX FactSet Semiconductor Climate Resilience Index”, constituents are selected from FactSet RBICS Semiconductor Equipment and Services & Semiconductor Manufacturing (L3) of the TPEX 200 constituents, and the number of constituents are not fixed.

2.2.3 Qualification Criteria of “TPEX FactSet Semiconductor Climate Net Zero Elite Total Return Index” is as below :

2.2.3.1 Average daily trading value for the latest 3 month is more than 10 million NT dollars.

2.2.3.2 Prospective constituents must belong to FactSet RBICS Semiconductor Equipment and Services & Semiconductor Manufacturing (L3).

2.2.3.3 Ranked Prospective constituents from 2.2.3.2 by T-Risk, and delete companies with ranks below or equal to 40%.

2.2.3.4 Delete companies with F-score less than 5.

2.2.3.5 The top 10 companies are selected in descending order by market

capitalization.

2.3 Weighting Method

- 2.3.1 For "TPEX FactSet Climate Resilience Index" and "TPEX FactSet Semiconductor Climate Resilience Index", the weight of the individual constituent is determined by the Entelligent's T-Risk and the free-float adjusted market capitalization.
- 2.3.2 For "TPEX FactSet Semiconductor Climate Net Zero Elite Total Return Index", the weight of the individual constituent is determined by the free float-adjusted market capitalization of each constituent in the index.
- 2.3.3 The weight of each constituent is capped with 30%, and the total weight of top 5 constituents is capped with 65%.

Chapter 3 Index Calculation Method

3.1 Calculation Frequency

- 3.1.1 "TPEX FactSet Climate Resilience Index" and "TPEX FactSet Semiconductor Climate Resilience Index" are calculated in real-time and disseminated every 5 seconds using last trade prices from the Taipei Exchange stock market during trading hours from September 25, 2023. The end-of-day (EOD) indices are calculated once a day after the market. The Total Return (TR) Indices include income based on cash dividend adjustments. The TR Indices are calculated and disseminated at the same frequency as the price indices.
- 3.1.2 "TPEX FactSet Semiconductor Climate Net Zero Elite Total Return Index" considers the cash dividend to reflect the returns including the cash dividend. Starting September 25, 2023, the real-time TR Index is calculated and disseminated every 5 seconds during the trading hours of the TPEX, based on the latest trading prices of the constituents. The EOD index is calculated once a day after the market.

3.2 Calculation Formula

The index is calculated using the algorithm described below

$$\sum_{i=1}^n \frac{(p_i \times s_i \times f_i \times w_i)}{d} \times 5,000$$

i = The number of stocks in the Index

p = The latest trade price of the constituent

s = Shares in issue for the constituent

f = Free Float Factor

w = Weight Adjustment Factor

d = Index base value, a figure that represents the total issued share capital of the index at the base date

Chapter 4 Review of Constituents

- 4.1** For "TPEX FactSet Climate Resilience Index" and "TPEX FactSet Semiconductor Climate Resilience Index", the reviews of the constituents take place in February and August. The procedure to review the constituents will be held on the Thursday after the first Friday of February and August using data from the close of the last trading day in January and July. Any constituent changes will be implemented on the next trading day following the third Friday of the review month.
- 4.2** For "TPEX FactSet Semiconductor Climate Net Zero Elite Total Return Index", the quarterly reviews take place in February, May, August, and November. The procedure to review the constituents will be held on the Thursday after the first Friday of February, May, August, and November using data from the close of the last trading day in January, April, July and October. Any constituent changes will be implemented on the next trading day following the third Friday of the review month.

Chapter 5 Constituent Adjustment and Index Maintenance

Other than reviewing constituents and their weights, issuing shares and free-float adjustments of constituents will be maintained by the code of "TPEX Corporate Actions and Events Guide for Narrow-Band Stock Indices."