

Methodology of CSI ICBCWM Carbon Neutral Asset Allocation Index

1. Index Name and Index Code

- Index Name: CSI ICBCWM Carbon Neutral Asset Allocation Index
- Shortened Name: ICBCWM Carbon Neutral Asset Allocation
- Index Code: 931742

2. Base Date and Base Value

3. Index Eligibility

Asset Class	Asset Portfolio	Weight
		W_t^1
		W_t^2

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(1) the Universe of CSI All Share Index, securities meet the following requirements are eligible for inclusion:

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- Belong to the ICBCWM investment pool



(3) For the securities in the deep low-carbon field, select all as constituents; for the securities in the high-carbon reduction field, calculate respectively the ranking of the average daily market capitalization over the past year and the ranking of carbon emission score in CSI ESG rating of each security and overall ranking equals the average of these two rankings, select the top 10% securities in terms of overall ranking from each industry as constituents.

(4) The constituents are weighted by free-float market capitalization and the total weight of deep low-carbon field is no less than 70%. Besides, the weight of each constituent in the deep low-carbon field is capped at 10% and that in the high-carbon reduction field is capped at 5%.



(1) Securities meet the following requirements are eligible for inclusion:



(4) The constituents are weighted by market capitalization.

4. Weights Calculations

Set the upper weight limit of stock asset W_{max}^1 to 10%, the weight target of stock asset W_{target}^1 to 8%, and the target of portfolio volatility σ_{target} to 1.8%.

On any rebalancing day t_0 , the estimated volatility of the portfolio is defined as $\sigma_{t_0} = \sqrt{W_{target}^T \Sigma W_{target}}$, where W_{target} is the weight targets and Σ is the covariance matrix of the portfolio. Then, the adjusted weight of stock asset is calculated as:

$$W_{t_0}^1 = \min(W_{max}^1, \frac{\sigma_{target}}{\sigma_{t_0}} \times W_{target}^1)$$

$$W_{t_0}^2 = 1 - W_{t_0}^1$$

5. Index Calculations

The index is calculated as the following formula:

$$\text{Index}_t = \text{Index}_{t_0} \times \sum_{i=1}^N [W_{t_0}^i \times (1 + \text{Asset Portfolio Return Rate}_{[t_0,t]}^i)]$$

Where Asset Portfolio Return Rate $_{[t_0,t]}^1$ and Asset Portfolio Return Rate $_{[t_0,t]}^2$ represent cumulative return rates from effective date of regular adjustment t_0 to any future trading day t of Carbon Neutral Stock Portfolio and Carbon Neutral Bond Portfolio, respectively.

6. Constituents and Index Weights

5.1 Constituent's Periodical Review

The index is adjusted and rebalanced monthly and the adjustment will be effective as of the 3rd trading day each month. The Carbon Neutral Stock Portfolio is adjusted and rebalanced semi-annually and the adjustment will be effective as of the next trading day after the 2nd Friday in June and December. The Carbon Neutral Bond Portfolio is adjusted and rebalanced quarterly. The effective date of quarterly adjustment is the next trading day after the 2nd Friday in March, June, September and December.

5.2 Ongoing Review

When special events occur, CSI will review the index accordingly. For the Carbon Neutral Stock Portfolio, delisted securities will be deleted from the constituents. Please refer to Equity Indices Calculation and Maintenance Methodology for further details. For the Carbon Neutral Stock Portfolio, in the

event of delisting, the constituents will be removed from the index on the event effective date as appropriate. As for other events, please refer to Bond Indices Calculation and Maintenance Methodology for further details.