



WisdomTree Renewable Energy Index Methodology

June 2023

Index Construction



WisdomTree.eu
+44 (0) 207 448 4330

WisdomTree Renewable Energy: Index construction

The WisdomTree Renewable Energy Index seeks to track the price and yield performance, before fees and expenses, of companies primarily involved in the renewable energy value chain.

1. Define Universe

Wood Mackenzie's

200+

investment universe covers over 200 companies globally that are closely linked to the entire value chain of

renewable energy.

2. Identify and Classify

Companies that belong to the renewable energy value chain are identified and classified into 5 categories (and subsequently 32 sub-sectors – see the [WisdomTree rules-based methodology](#)):



Raw Materials



Manufacturing



Applications



Enablers



Emerging Technologies

3. Apply ESG Screen

Companies are excluded from the universe based on the following ESG criteria:

- Companies are classified as “**non-compliant**” or on the “**watchlist**” based on the ESG data providers’ Global Standards Screening (GSS)
- Companies deriving more than **0%** revenue from controversial weapons, small arms, or tobacco or more than **5%** revenue from tobacco distribution
- Companies deriving more than **0%** revenue from thermal coal extraction, or more than **5%** revenue or capacity from other thermal coal activities, such as the power generation
- Companies deriving more than **0%** revenue from unconventional oil & gas activities, including oil sands extraction, arctic oil & gas exploration, or shale energy extraction and production
- Companies deriving more than **5%** revenue from military contracting, or conventional oil & gas activities

4. Eligibility Screen

Companies in the universe are then screened for the following eligibility requirements:

Market capitalisation of at least

\$250m

3-month median daily traded volume of at least

\$1m

Listing of shares

on eligible stock exchanges in developed and emerging markets countries

China A-shares

In the case of China A-shares, they need to be eligible for the Hong Kong stock connect program

5. Determine Intensity Rating

Each sub-sector within the value-chain receives a score based on three factors:

Size (10%)

Exposure (50%)

Growth (40%)



Each company's Intensity Rating is assigned based on its revenue exposure to each sub-sector and each sub-sector's respective score.

A composite risk score based on Quality (e.g., Return on Equity (ROE), Return on Assets (ROA)) and Momentum (e.g. 6m and 12m risk adjusted total returns) is then also applied to each company.

6. Stock Selection and Weighting

Revenue



Companies with a minimum revenue exposure to the renewable energy value chain are selected (this is set at 50% for the application category and 20% for all other categories)

Risk Score

Companies that fall within the bottom 10% of the universe based on the Composite Risk Score will be removed from the selection



GHG Ranking



Companies' with GHG Intensity¹ rankings falling within the bottom 5% of the universe will be removed from the selection

50+ Stocks

At least 50 stocks are included in the final index



Intensity Rating



Each company is weighted based on its Intensity Rating and adjusted by the number of companies from the same sub-sector

% Cap

The maximum weight of any stock in the Index is capped at 3%. Country exposure is capped at 25% (except for US, which is capped at 50%)

The index is rebalanced semi-annually in April and October.

¹ GHG (Green House Gas) intensity is the total carbon dioxide equivalent GHG emissions per company's total revenues in million USD.

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