

# INDEX GUIDELINE

## **Solactive Candriam Factors Sustainable Euro Bond Index Family**

*Version 1.2*

*17 June 2024*



## TABLE OF CONTENTS

Introduction .....	3
1. Index Specifications.....	3
1.1. Scope of the Index .....	3
1.2. Identifiers and Publication.....	4
1.3. Initial Level of the Index .....	4
1.4. Prices and calculation frequency.....	4
2. Index Selection .....	4
2.1. Selection of the Index Components .....	5
2.2. Weighting of the Index Components.....	7
3. Ordinary Rebalance.....	12
4. Corporate Actions .....	12
5. Definitions .....	12
6. History of Index Changes.....	17
Contact.....	18



## INTRODUCTION

This document (the “GUIDELINE”) is to be used as a guideline with regard to the composition, calculation and maintenance of the Solactive Candriam Factors Sustainable Euro Bond Index Family (the “INDEX”). Any amendments to the rules made to the GUIDELINE are approved by the OVERSIGHT COMMITTEE as specified in the Bond Index Methodology. The INDEX is owned, calculated, administered and published by Solactive AG (“SOLACTIVE”) assuming the role as administrator (the “INDEX ADMINISTRATOR”) under the Regulation (EU) 2016/1011 (the “BENCHMARK REGULATION” or “BMR”). The name “Solactive” is trademarked.

The GUIDELINE and the policies and methodology documents referenced herein contain the underlying principles and rules regarding the structure and operation of the INDEX. SOLACTIVE does not offer any explicit or tacit guarantee or assurance, neither pertaining to the results from the use of the INDEX nor the level of the INDEX at any certain point in time nor in any other respect. SOLACTIVE strives to the best of its ability to ensure the correctness of the calculation. There is no obligation for SOLACTIVE – irrespective of possible obligations to issuers of financial instruments or investment funds referencing the INDEX under a valid license – to advise third parties, including investors and/or financial intermediaries, of any errors in the INDEX. The publication of the INDEX by SOLACTIVE does not constitute a recommendation for capital investment and does not contain any assurance or opinion of SOLACTIVE regarding a possible investment in a financial instrument based on this INDEX.

## 1. INDEX SPECIFICATIONS

### 1.1. SCOPE OF THE INDEX

The Solactive Candriam Factors Sustainable Corporate Euro Bond Index aims to track the total performance of EUR denominated corporate debt securities using a non-conventional weighting scheme. The universe of eligible companies is derived by applying the sustainable and responsible investing (“SRI”) criteria developed by Candriam Belgium S.A. Only investment grade debt is considered.

The Solactive Candriam Factors Sustainable Sovereign Euro Bond Index aims to track the total performance of EUR denominated sovereign debt securities using a non-conventional weighting scheme. The universe of eligible countries is derived by applying the sustainable and responsible investing (“SRI”) criteria developed by Candriam Belgium S.A. Only investment grade debt of members of the European Economic Area (EEA) is considered.

Both indexes are rebalanced quarterly.



## 1.2. IDENTIFIERS AND PUBLICATION

The INDEX is published under the following identifiers:

Name	ISIN	Currency	Type	Calculation Formula*	RIC	BBG ticker
Solactive Candriam Factors Sustainable Corporate Euro Bond Index	DE000SLA3C16	EUR	TR	Direct	.SOLCACBE	SOLCACBE
Solactive Candriam Factors Sustainable Sovereign Euro Bond Index	DE000SLA3C08	EUR	TR	Direct	.SOLCASBE	SOLCASBE

\*The calculation formula refers to the index calculation's dependency on cash reinvestment, based on whether the cash reinvestment occurs on a daily/direct basis or periodically.

\* TR means that the INDEX is calculated as a Total Return index as described in the Bond Index Methodology, which is available on the SOLACTIVE website: <https://www.solactive.com/documents/bond-index-methodology/>

The INDEX is published on the website of the INDEX ADMINISTRATOR ([www.solactive.com](http://www.solactive.com)) and is, in addition, available via the price marketing services of Boerse Stuttgart GmbH and may be distributed to all of its affiliated vendors. Each vendor decides on an individual basis as to whether it will distribute or display the INDEX via its information systems.

Any publication in relation to the INDEX (e.g. notices, amendments to the GUIDELINE) will be available at the website of the INDEX ADMINISTRATOR: <https://www.solactive.com/news/announcements/>.

## 1.3. INITIAL LEVEL OF THE INDEX

The initial level of both INDEXES on 30<sup>th</sup> June 2017, is 100. Levels of the INDEX published for a period prior to this date have been back-tested. Historical values from 30<sup>th</sup> June 2017 will be recorded in accordance with Article 8 of the BMR.

## 1.4. PRICES AND CALCULATION FREQUENCY

The INDEX is calculated and distributed once every BUSINESS DAY based on the Evaluated Bid Price of the INDEX COMPONENTS. Bonds added in a rebalancing (see Section 3) are included the INDEX at the Last Evaluated Ask Price on the relevant REBALANCE DAY. Bonds which are excluded from the INDEX in a rebalance are reflected in the calculation of the level of the INDEX for the REBALANCE DAY at the Last Evaluated Bid Price on the relevant REBALANCE DAY. INDEX analytical values are calculated each BUSINESS DAY using the Last Evaluated Bid Price based on FIXING TIME.

## 2. INDEX SELECTION

On each SELECTION DAY, all bonds which meet the INDEX COMPONENT REQUIREMENTS are eligible for inclusion in the INDEX and will be added as INDEX COMPONENT on the REBALANCE DAY. Additionally, on each SELECTION DAY, it will be evaluated whether all current INDEX COMPONENTS still meet the INDEX



COMPONENT REQUIREMENTS. Each INDEX COMPONENT that does not meet the INDEX COMPONENT REQUIREMENTS will be removed from the INDEX on the next REBALANCE DAY.

## 2.1. SELECTION OF THE INDEX COMPONENTS

The initial composition of SOLCACBE, as well as any selection for a rebalance (as specified in Section 3) is determined using the following rules:

- The issuer is part of the Candriam Investors Group SRI universe. The universe is publicly accessible via <http://indexiq.candriam.com>. A further explanation of the Candriam Investors Group SRI universe.
- Denominated in EUR.
- Amount Outstanding of at least 500 m EUR .
- Time to maturity of at least 18 months for new issues entering the index. The minimum time to maturity for bonds in the Index is 12 months.
- Bonds that switch from fixed to floating rate coupons qualify provided they are callable within the fixed rate period and have at least one year prior to the date the bond transitions from a fixed to a floating rate coupon structure.
- A minimum rating of BBB- by Standard & Poor's or Baa3 by Moody's Investors Service is required. For the avoidance of doubt if one of the rating agencies rates the bond as Investment Grade it is eligible for inclusion in the Index.
- Fixed Coupon Bonds, Zero Coupon Bonds, Payment-In-Kind Bonds and Step-Up Coupon Bonds are eligible for inclusion in the Index.
- Bearer Bonds are eligible for inclusion in the Index.
- For a bond to be included in the Index, a price must be available from a recognized bond price provider as determined by the Index Committee.
- Sinking Fund Bonds, Floating Rate Bonds, Convertible Bonds, Inflation-linked Bonds, Contingent Capital Securities, Covered Bonds, Preferred Securities, Securitized or Collateralized Bonds or Collateralized Debt Obligations (CDOs) are not eligible for inclusion in the Index.
- Callable perpetual securities qualify for inclusion in the Index provided they are at least one year from the next call date.
- Bonds sold by supranational entities are not eligible for inclusion.
- Bonds sold by entities that are 100%-owned by national governments or their departments, or that are guaranteed by them are excluded from the Index. Bonds sold by entities which carry out government-sponsored roles, particularly in the public sphere, are also excluded.
- Private placements are not eligible for inclusion in the Index.



- Per issuer, only 10 bonds are included in the Index. The issues are ranked in a descending order by amount outstanding, issue date, and Yield to Maturity.
- Only one bond per tranche with exactly the same parameters (coupon, maturity, etc.) will be selected for inclusion in the Index. If several tranches (with the same parameters) are available bonds that are issued domestically, and under Euro MTN program are preferred.

The initial composition of SOLCASBE, as well as any selection for a rebalance (as specified in Section 3) is determined using the following rules:

- The issuer (Issuing country) is a member of the European Economic Area (EEA) and part of the Candriam Investors Group SRI Country Report. Additionally issuing countries need to comply with the Revised Towards Sustainability Quality Standard criteria with regard to sovereign bonds, available under below link:  
[https://www.towardsustainability.be/sites/default/files/files/RevisedQS\\_Technical\\_20210531.pdf](https://www.towardsustainability.be/sites/default/files/files/RevisedQS_Technical_20210531.pdf)

Or are excluded:

- States that have not ratified or have not implemented in equivalent national legislation:
  - (1) the eight fundamental conventions identified in the International Labour Organisation's declaration on Fundamental Rights and Principles at Work
  - (2) at least half of the 18 core International Human Rights Treaties
- States which are not party to:
  - (1) the Paris Agreement
  - (2) the UN Convention on Biological Diversity
  - (3) the Nuclear Non-Proliferation Treaty
- States with particularly high military budgets (>4% GDP)
- States considered 'Jurisdictions with strategic AML/CFT deficiencies' by the FATF
- States with less than 40/100 on the Transparency International Corruption Perception Index
- States qualified as 'Not free' by the Freedom House 'Freedom in the World'-survey.

The universe is publicly accessible via <http://indexiq.candriam.com>.

- Sovereign issue
- Denominated in EUR
- Amount Outstanding of at least 1bn EUR
- Bullet, Callable, and Puttable bonds are eligible
- Time to maturity of at least 18 months for new issues entering the index. The minimum time to maturity for bonds in the index is 12 months.



- Bonds that switch from fixed to floating rate coupons qualify provided they are callable within the fixed rate period and have at least one year prior to the date the bond transitions from a fixed to a floating rate coupon structure.
- A minimum rating of BBB- by Standard & Poor’s or Baa3 by Moody’s Investors Service is required. For the avoidance of doubt if one of the rating agencies rates the bond as Investment Grade it is eligible for inclusion in the index.
- Fixed Coupon Bonds, Zero Coupon Bonds, Payment-In-Kind Bonds and Step-Up Coupon Bonds are eligible for inclusion in the index.
- Sinking Fund Bonds, Floating Rate Bonds, Inflation-linked Bonds are not eligible for inclusion in the index.
- Callable perpetual securities qualify for inclusion in the index provided they are at least one year from the next call date.
- For a bond to be included in the index, a price must be available from a recognized bond price provider as determined by the Index Committee.

(the “INDEX COMPONENT REQUIREMENTS”)]

The determination of the INDEX COMPONENTS is fully rule-based and the INDEX ADMINISTRATOR has no discretion.]

## 2.2. WEIGHTING OF THE INDEX COMPONENTS

On each SELECTION DAY each INDEX COMPONENT is weighted using the market value based on the Last Evaluated Bid Price and accrued interest as on the SELECTION DAY in order to achieve the aim of the INDEX. The weighting of SOLCACBE INDEX COMPONENTS will be as follows:

- Average Sales from the previous five years
- Average Operating Cash Flow from the previous five years (If Average < 0 then we consider Average = 0)
- Average Earnings from the previous five years (If Average < 0 then we consider Average = 0)
- Last Book Value

The weight for each factor is the company’s value divided by the sum of values for all Index Components. Each component’s Fundamental Weight is the average of the 4 factor weights for each component. If a field is missing, the factor is simply ignored from the calculations. If Sales factor is missing, the issuer is removed from universe.

The weight of each factor is determined by putting a company’s factor value relative to the sum of all factor values of a specific factor. Expressed as formula a fundamental weight is determined:

$$UFW_{j,i} = \frac{x_{j,i}}{\sum_{j=1}^n x_{j,i}} \text{ with } i = 1,2,3,4$$

where

$UFW_{j,i}$  is the Unadjusted Fundamental Weight of factor  $i$  of company  $j$



$x_{j,i}$  is the factor value  $i$  of company  $j$   
 $n$  is the total number of companies

The Unadjusted Fundamental Weight of each company is then the average of the four factors:

$$UFW_j = \frac{\sum_{i=1}^4 UFW_{j,i}}{4}$$

The Fundamental Weight of an issue is derived by dividing the Unadjusted Fundamental Weight by the number of eligible bonds. A cap of 0.5% (50 bps) is applied:

$$FW_j = \text{MIN} \left( \frac{UFW_j}{b_j}, 0.5\% \right)$$

where

$UFW_j$  is the Unadjusted Fundamental Weight of company  $j$   
 $FW_j$  is the Fundamental Weight of all issues of company  $j$   
 $b_j$  is the number of eligible bonds of company  $j$

Please note that whenever all sales figures of the previous five years are not available, the issuer is not eligible for the Index.

The Fundamental Weight is then adjusted by issue specific characteristics. For each issue four factors are determined:

- Size: Aggregate Amount outstanding of eligible bonds per issuer (Credit parent level: see 4.2 Further Definitions).
- Value: The percentage difference between the current Option Adjusted Spread (OAS) and the fitted OAS using the following cross-sectional regression model:

$$OAS_{l,t} = \beta_1 * TTM_{l,t} + \sum_{i=1}^{10} (\beta_i * R_{ti}) + \beta_3 * (OAS_{l,t-3M} - OAS_{l,t}) + \varepsilon$$

where

$OAS_{l,t}$  is the Option Adjusted Spread of issue  $l$  on the Selection Day  $t$   
 $OAS_{l,t-3M}$  is the Option Adjusted Spread of issue  $l$  three months prior to the Selection Day  $t$   
 $TTM_l$  is the remaining Time to Maturity (in years) of issue  $l$  on the Selection Day  $t$   
 $R_{ti}$  is a dummy variable which takes the value of 1 if the issue belongs on the selection day to this rating class and 0 otherwise (There are 10 investment grade rating categories). The rating used is the average rating of Moody's and S&P Ratings. In the case the average is between two rating categories, the better rating is used.  
 $\alpha$  is the regression intercept  
 $\beta_1, \beta_2, \beta_3$  are the regression coefficients and  
 $\varepsilon$  is the error term





If one of the necessary input parameters is not available, the specific factor is not being calculated for this bond. However, this does not mean the bond is not eligible for the Index anymore. (If the Rating is not available, the value factor is not being calculated).

The fitted OAS of each issue is calculated using the estimated coefficients (there is no constant to avoid multi-collinearity with binary variable):

$$\overline{OAS}_{l,t} = \widehat{\beta}_1 * TTM_{l,t} + \sum_{i=1}^{10} (\beta_i * R_{ti}) + \widehat{\beta}_3 * (OAS_{l,t-3M} - OAS_{l,t})$$

The Value Factor is then calculated as the difference of the actual OAS and the fitted OAS:

$$VAL_{l,t} = \left( \frac{\overline{OAS}_{l,t} - OAS_{l,t}}{\overline{OAS}_{l,t}} \right)$$

- Momentum: the six-month credit return of the security (versus the duration match Euro Interest Swap Rate). The calculation expressed as a formula is:

$$MOM_{l,t} = \left( 1 + \left( -ED_{l,t} * (OAS_{l,t} - OAS_{l,t-6}) + OAS_{l,t-6} * \frac{180}{365} \right) \right)^{-1}$$

where

$MOM_{l,t}$  is the Momentum Factor of issue  $l$  on the Selection Day  $t$  (measured as the Credit Return + Spread Carry)

$ED_{l,t}$  is the Effective Duration of issue  $l$  on the Selection Day  $t$

$OAS_{l,t}$  is the Option Adjusted Spread of issue  $l$  on the Selection Day  $t$

$OAS_{l,t-6M}$  is the Option Adjusted Spread of issue  $l$  six months prior to the Selection Day  $t$

If one of the necessary input parameters is not available, the specific factor is not being calculated for this bond. However, this does not mean the bond is not eligible for the Index anymore.

- Low Volatility: The volatility of each issue is approximated via:

$$VOL_{l,t} = ED_{l,t} * OAS_{l,t}$$

where

$VOL_{l,t}$  is the approximated volatility of issue  $l$  on Selection Day  $t$

$ED_{l,t}$  is the Effective Duration of issue  $l$  on the Selection Day  $t$

$OAS_{l,t}$  is the Option Adjusted Spread of issue  $l$  on the Selection Day  $t$

Each issue is ranked on each factor. For each issue, an average of all factor percentile ranks is calculated. Based on this average all issues are sorted into quintiles. Issues whose average percentile ranks within the lowest 20% will be assigned to the first quintile. Issues whose average ranks within the next lowest 20% will



be assigned to the second quintile and so on. Depending on the quintile an issue is assigned to, an adjustment to the fundamental weight is done:

Quintile	1	2	3	4	5
Adjustment	+10bps	+5bps	+/-0	-5bps	-10bps

The Final Weight of each issue is the sum of the Fundamental Weight and the Adjustment:

$$Final\ Weight_{l,t} = FW_j + Adjustment$$

Finally, the calculated weights are scaled so that the sum of them equals 1.

**The weighting of SOLCASBE INDEX COMPONENTS will be as follows:**

For each issuer the Fundamental Weight is derived from two macroeconomic factors<sup>1</sup>. The factors are:

- Gross Domestic Product (GDP)\*
- Population\*

The weight of each factor is determined by putting an issuer’s factor value relative to the sum of all factor values of a specific factor. Expressed as formula a factor weight is determined:

$$UFW_{j,i} = \frac{x_{j,i}}{\sum_{j=1}^n x_{j,i}} \text{ with } i = 1,2$$

where

$UFW_{j,i}$  is the Unadjusted Fundamental Weight of factor  $i$  of issuer  $j$   
 $x_{j,i}$  is the factor value  $i$  of issuer  $j$   
 $n$  is the total number of issuers

The Fundamental Weight of each issuer is the average of the two factors:

$$FW_j = \frac{\sum_{i=1}^2 UFW_{j,i}}{2}$$

where

$FW_j$  is the Fundamental Weight of issuer  $j$

For each issuer (Issuing country) the Factor Tilt is derived from three factors:

- Low Volatility: The weighted average Modified Duration of all eligible issues of the respective issuer

---

<sup>1</sup> The data is retrieved from the IMF World Economic Outlook database. The most recent data is used. <http://www.imf.org/external/ns/cs.aspx?id=28>

\* Value is a moving average of monthly observations from the previous 36 months



- Quality: Real GDP Growth and Net lending (+)/ net borrowing (-) balance\* of the issuer
- Value: The percentage difference of Yield to Maturity (YTM) to the fitted YTM estimated via the cross-sectional regression model:

$$YTM_{j,t} = \alpha + \beta_1 * \frac{Debt_j}{GDP_j} + \beta_2 * mDur_{j,t} + \varepsilon$$

where

$YTM_{j,t}$  is the weighted average YTM of all eligible issues of issuer  $j$  on the Selection Day  $t$

$\frac{Debt_j}{GDP_j}$  is the Debt to GDP ratio\* of issuer  $j$

$mDur_{j,t}$  is the weighted average Modified Duration of all issues of issuer  $j$  on the Selection Day  $t$

$\alpha$  is the regression intercept

$\beta_1$  and  $\beta_2$  are the regression coefficients and

$\varepsilon$  is the error term

The fitted YTM of each issuer is calculated using the estimated coefficients:

$$\overline{YTM}_{j,t} = \hat{\alpha} + \hat{\beta}_1 * \frac{Debt_j}{GDP_j} + \hat{\beta}_2 * mDur_{j,t}$$

The Value Factor is then calculated as the difference of the fitted YTM and the actual YTM:

$$VAL_{j,t} = \overline{YTM}_{j,t} - YTM_{j,t}$$

Each issuer (Issuing country) is ranked on each factor. For each issuer an average of all factor percentile ranks is calculated. Based on this average all issuers are sorted into quintiles. Depending on the quintile an issuer is assigned to, an adjustment to the Fundamental Weight is done:

Quintile	1	2	3	4	5
Adjustment	+10%	+5%	+/-0%	-5%	-10%

The Final Weight of each issuer is the sum of the Fundamental Weight and the Adjustment:

$$Final\ Weight_{j,t} = FW_j + \left( \frac{Adjustment_i}{n_{Q_i}} \right) \text{ with } i = \{1,2,3,4,5\}$$

where

$n_{Q_i}$  is the number of countries in quintile  $i$  to which issuer  $j$  is assigned.

Finally, the calculated weights are scaled so that the sum of them equals 1. Each issuer is subject to a cap, which depends on the number eligible bonds:

$$Capped\ Final\ Weight_{j,t} = MIN(Final\ Weight_{j,t}, b_j * 1\%)$$

where



$b_j$  is the number of eligible bonds of issuer  $j$ .

Each issue is weighted by its market value (amount outstanding). If the sum of all issue weights of a single issuer exceeds the Capped Final Weight, the issuer weight is capped. In that case, the capped weight is redistributed proportionally among the remaining issuers.

### 3. ORDINARY REBALANCE

In order to reflect the new selection of the INDEX COMPONENTS determined on the SELECTION DAY (in accordance with Section 2.1) the INDEX is adjusted on the REBALANCE DAY after CLOSE OF BUSINESS.

For more information on the rebalance procedure please refer to the Bond Index Methodology, which is incorporated by reference and available on the SOLACTIVE website: <https://www.solactive.com/documents/bond-index-methodology/>.

SOLACTIVE will publish any changes made to the INDEX COMPONENTS with sufficient notice before the REBALANCE DAY on the SOLACTIVE webpage.

### 4. CORPORATE ACTIONS

As part of the INDEX maintenance SOLACTIVE will consider various events – also referred to as corporate actions – which result in an adjustment to the INDEX between two regular REBALANCE DAYS. Such events have a material impact on the price, weighting or overall integrity of INDEX COMPONENTS. Therefore, they need to be accounted for in the calculation of the INDEX. Adjustments to the INDEX to account for corporate actions will be made in compliance with the Bond Index Methodology.

### 5. DEFINITIONS

**“BENCHMARK REGULATION”** shall have the meaning as defined in Section “Introduction”.

**“BMR”** shall have the meaning as defined in Section “Introduction”.

**“BUSINESS DAY”** is with respect to the INDEX each day Monday to Friday except the following sets of days:

**“CLOSE OF BUSINESS”** is a time stamp when an INDEX is calculated.

**“CLOSING PRICE”** in respect of an INDEX COMPONENT and a TRADING DAY is a security's final regular-hours TRADING PRICE published by the EXCHANGE and determined in accordance with the EXCHANGE



regulations. If the EXCHANGE has no or has not published a CLOSING PRICE in accordance with the EXCHANGE rules for an INDEX COMPONENT, the last TRADING PRICE will be used.

**“COMPONENT UNIVERSE”** The list of Index Components is available free of charge on Candriam’s website located at <http://indexiq.candriam.com>.

For information, the “Component Universe” in respect of a Selection Day are companies that fulfill the following criteria:

- They are covered by the following ESG analysis based on Macro and Micro socially responsible criteria:
  - o Sector Specific criteria for the following Macro factors (Exposure to Global Sustainability Trends):
    - Climate Change-renewable energy producers are enjoying growing markets
    - Resource Depletion-as rational resource use becomes inevitable, companies offering efficient resource utilization technologies stand to benefit
    - Developing Economies-companies providing infrastructure services will benefit from growing and developing populations
    - Demographic Evolutions-as people grow older, the need for tailor made service and products will be in string demand
    - Health & Wellness-healthy products offered by companies have a beneficial effect on health
    - Interconnectivity-as people interact across borders, companies offering video-conferencing tools address a genuine need
  - o Sector Specific criteria for the following Micro factors (Stakeholders Management):
    - Customers-after sales services impact customer loyalty
    - Employees-the quality of employee contracts, training and career management are all positive factors in attracting, developing and retaining talent
    - Environment-new environmental legislation may require a significant investment for some companies while others that already observe higher standards can focus on increasing market share
    - Suppliers-abuse of labor rights in the supply chain has a considerable impact on reputation and brand image of companies
    - Investors-the effective management of corporate governance issues is vital to maintain investor’s confidence in a company
    - Society-in developing countries, integrating the expectations of the local population with the company’s activities is a real asset

Companies that are not ranked “High Risk” based on their Combined Macro and Micro scores are then further reviewed to see if they violate the Controversial Activities criteria or the United Nations Global Compact as detailed below:

- o Controversial Activities:



- Armament: are involved in the production or sale of anti-personnel landmines, cluster bombs, depleted uranium, and/or chemical/nuclear/biological weapons/white phosphorous, regardless of the revenues involved and/or generate more than 3% of their turnover from the production or the sale of conventional weapons
- Activities in oppressive regimes: large presence (Revenues > 1%) in highly oppressive regimes
- Adult content: Revenues > 5%
- Alcohol: Revenues > 10%
- Animal Testing: Responsible policy of no legal requirement or breaches to legislation
- Gambling: Revenues > 5%
- Genetic modification: Revenues > 10%
- Nuclear: Revenues > 30%
- Tobacco: Revenues > 5%
- Thermal Coal:
  - Revenues > 5% and
  - no SBTi target set at well-below 2°C or 1.5°C, or have a SBTi 'Business Ambition for 1.5°C' commitment and
  - more than 10% of CapEx dedicated to thermal coal-related activities or less than 10% with the objective of increasing revenue and
  - have less than 50% of CapEx dedicated to contributing activities,

If the issuer does respect at least one of these criteria, it is in compliance with Febelfin requirements

- Unconventional Oil & Gas:
  - revenues > 5% and
  - no SBTi target set at well-below 2°C or 1.5°C, or have a SBTi 'Business Ambition for 1.5°C' commitment and
  - have less than 50% of CapEx dedicated to contributing activities

If the issuer does respect at least one of these criteria, it is in compliance with Febelfin requirements

- Conventional Oil & Gas:
  - revenues > 5% and
  - no SBTi target set at well-below 2°C or 1.5°C, or have a SBTi 'Business Ambition for 1.5°C' commitment and
  - more than 15% of CapEx dedicated to thermal coal-related activities or less than 15% with the objective of increasing revenue and
  - have less than 15% of CapEx dedicated to contributing activities



If the issuer does respect at least one of these criteria, it is in compliance with Febelfin requirements

- Electricity Generation\*:
  - Carbon Intensity > 393 (GCO<sub>2</sub>/kWh)
  - no SBTi target set at well-below 2°C or 1.5°C, or have a SBTi 'Business Ambition for 1.5°C' commitment and
  - derive less than 50% of its revenues from contributing activities
  - have less than 50% of CapEx dedicated to contributing activities

If the issuer does respect at least one of these criteria, it is in compliance with Febelfin requirements

- \*In 2022, 2023, 2024, 2025, the following new thresholds will be applicable: Carbon intensity > 374, 354, 335, 315 (gCO<sub>2</sub>/kWh)
- For more details regarding the Revised Towards Sustainability Quality Standards eligibility and thresholds with regard to controversial activities: [https://www.towardsustainability.be/sites/default/files/files/RevisedQS\\_Technical\\_20210531.pdf](https://www.towardsustainability.be/sites/default/files/files/RevisedQS_Technical_20210531.pdf)
- In case where above criteria are stricter than the applied criteria by the Revised Towards Sustainability Quality Standard, the most strict criteria will be applicable.
- The United Nations Global Compact consists of 10 principles covering:
  - Human rights-businesses should:
    - Support and respect the protection of internationally proclaimed human rights; and
    - Make sure that they are not complicit in human rights abuses
  - Labor rights-businesses should:
    - Uphold the freedom of association and the effective recognition of the right to collective bargaining;
    - Eliminate all forms of forced and compulsory labor;
    - Abolish the child labor;
    - Eliminate discrimination in respect of employment and occupation.
  - Environment-businesses should:
    - Support a precautionary approach to environmental challenges;
    - Undertake initiatives to promote greater environmental responsibility; and
    - Encourage the development and diffusion of environmentally friendly technologies.
  - Corruption-businesses should:
    - Work against corruption in all its forms, including corruption and bribery
- The United Nations Guiding Principles on Business and Human Rights (UNGPs)
- The OECD Guidelines for Multinational Enterprises (as far as relevant)



- The ILO Conventions

Companies that are not excluded based on the preceding criteria form the basis of the SOLCACBE Index (“**Index Components**”).

“**CURRENCY HEDGE INDEX**” represent the return resulting from the sum of an underlying index performance and the performance of the hedge of this index using currency forward contracts.

“**GUIDELINE**” shall have the meaning as defined in Section “Introduction”.

“**INDEX**” shall have the meaning as defined in Section “Introduction”.

“**INDEX ADMINISTRATOR**” shall have the meaning as defined in Section “Introduction”.

“**INDEX CALCULATOR**” is SOLACTIVE or any other appropriately appointed successor in this function.

“**INDEX COMPONENT**” is each bond reflected in the INDEX.

“**INDEX COMPONENT REQUIREMENTS**” shall have the meaning as defined in Section 2.1.

“**INDEX CURRENCY**” is the currency specified in the column “Currency” in the table in Section 1.2.

“**INDEX CURRENCY COMPONENTS**” is each currency on which UNDERLYING INDEX COMPONENT trades in the market.

“**INDEX CURRENCY COMPONENT WEIGHT**” is value resultant from the sum of all the UNDERLYING INDEX COMPONENT’S weights quoted in the respective currency.

“**INDEX CURRENCY UNIVERSE**” is the sum of all currencies which fulfill the INDEX CURRENCY UNIVERSE REQUIREMENTS.

“**INDEX CURRENCY UNIVERSE REQUIREMENTS**” shall have the meaning as defined in Section 2.1.1

“**ISSUER**” is the issuing entity of the respective bond.

“**OVERSIGHT COMMITTEE**” shall have the meaning as defined in the Bond Index Methodology.

“**PRICING PROVIDER**” is Intercontinental Exchange (ICE).

“**REBALANCE DAY**” is the last business day of March, June, September, and December.

“**SELECTION DAY**” is the second Friday of March, June, September, and December.

“**SOLACTIVE**” shall have the meaning as defined in Section “Introduction”.

“**SPOT**” is the spot foreign exchange rate to convert the currency of the INDEX COMPONENT into the denomination of the INDEX CURRENCY.

“**TRADING PRICES**” in respect of an INDEX COMPONENT and a TRADING DAY is the most recent published price at which the INDEX COMPONENT was traded on the respective EXCHANGE.

“**UNDERLYING INDEX COMPONENTS**” is each security reflected in the composition of the UNDERLYING INDEX.

**Please note that the definitions included in the Bond Index Methodology apply to this guideline. In case of a discrepancy, the definition presented in the guidelines should prevail.**





## 6. HISTORY OF INDEX CHANGES

Version	Date	Description
1.0	30 June 2017	Index Guideline creation ( <i>initial version</i> )
1.1	18 January 2022	Update Component Universe specifications
1.2	17 June 2024	Format Update

# CONTACT

Solactive AG  
German Index Engineering  
Platz der Einheit 1  
60327 Frankfurt am Main  
Germany

Tel.: +49 (0) 69 719 160 00

Fax: +49 (0) 69 719 160 25

Email: [info@solactive.com](mailto:info@solactive.com)

Website: [www.solactive.com](http://www.solactive.com)

© Solactive AG