

MARKET CONSULTATION  
SOLACTIVE CANDRIAM  
FACTORS SUSTAINABLE  
FAMILY | METHODOLOGY  
CHANGE

26 September 2019



## Content of the Market Consultation

Solactive AG has decided to conduct a Market Consultation with regard to changing the Index Methodology of the following Indices (the 'Indices'):

Indexname	Index RIC	Index ISIN
Solactive Candriam Factors Sustainable EMU Equity Index	.SOLCAFSU	DE000SLA3LX6
Solactive Candriam Factors Sustainable Europe Equity Index	.SOLCAFSE	DE000SLA3LW8
Solactive Candriam Factors Sustainable Japan Equity Index	.SOLCAFSJ	DE000SLA3LY4

### Rationale for Proposed Changes

The changes are intended to improve the way in which the objective pursued by of each of the Indices is represented. The objective is specified in the Index guideline as follows (the text in squared brackets reflects the three Indices of the index family):

*„The Index is intended to deliver exposure to equity securities of a selection of large and medium capitalized [**Japanese/EMU/European**] companies meeting sustainable and responsible investing (“SRI”) criteria developed by Candriam and weighted using a non-market capitalization methodology.“*

### Proposed Changes to the Index Guideline

The following Methodology changes are proposed in the definition “Component Universe” in Section 4 of the respective Index Guideline

#### **Current Wording:**

##### ““Component Universe”

[...]

Companies ranked in the top 70% of the Eligible Universe (per sector) 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 or are deemed to be high risk:

- Controversial Activities:
  - Armament: are involved in the production or sale of anti-personnel landmines, cluster bombs, depleted uranium, and/or chemical/nuclear/biological weapons, 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% without any responsible policy
- 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%

[...]

Companies that are not excluded based on the preceding criteria form the basis of the Index ("Index Components").

The list of Index Components is available free of charge on Candriam's website located at <http://indexiq.candriam.com>."

**New Wording** (additions compared to the current wording are presented in bold italics):

""**Component Universe**"

[...]

Companies ranked in the top 70% of the Eligible Universe (per sector) 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 or are deemed to be high risk:

- Controversial Activities:
  - Armament: are involved in the production or sale of anti-personnel landmines, cluster bombs, depleted uranium, and/or chemical/nuclear/biological weapons, regardless of the revenues involved and/or generate more than 3% of their turnover from the production or the sale of conventional weapons and/or ***generate more than 5% of their sales/revenues from the production, manufacturing, trade, testing or maintenance of white phosphorous***
  - Activities in oppressive regimes: large presence (Revenues > 1%) in highly oppressive regimes
  - Adult content: Revenues > 5%



- Alcohol: Revenues > 10% without any responsible policy
- 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 > 10%***
- ***Unconventional Oil & Gas: Revenues > 10%***
- ***Conventional Oil & Gas: Revenues based on natural gas or renewable energy < 40%***
- ***Electricity Generation\*: Carbon Intensity > 429 (GCO2/kWh)***
- ***If carbon emission intensity data is not available:***
  - ***% power production based on coal >10%***
  - ***% power production based on oil & gas > 30%***
  - ***% power production based on nuclear sources > 30%***

***\*In 2020, the following new threshold will be applicable: Carbon intensity > 408 (gCO2/kWh)***

[...]

Companies that are not excluded based on the preceding criteria form the basis of the Index ("Index Components").

The list of Index Components is available free of charge on Candriam's website located at <http://indexiq.candriam.com>."

Subject to feedback received on this Market Consultation, the changes are intended to become effective October 28, 2019. Final changes and the ultimate effective date will be announced in accordance with the Solactive Methodology Policy.



Feedback on the proposed changes

If you would like to share your thoughts with Solactive, please use this consultation form and provide us with your personal details and those of your organization.

Name	
Function	
Organization	
Email	
Phone	
Confidentiality (Y/N)	

Solactive is inviting all stakeholders and interested third parties to evaluate the proposed changes to the Methodology for the **Solactive Candriam Factors Sustainable Family** and welcomes any feedback on how this may affect and/or improve their use of Solactive indices.

Consultation Procedure

Stakeholders and third parties who are interested in participating in this Market Consultation, are invited to respond until **October 14, 2019**.



Please send your feedback via email to [compliance@solactive.com](mailto:compliance@solactive.com), specifying "Market Consultation SOLACTIVE CANDRIAM FACTORS SUSTAINABLE FAMILY | METHODOLOGY CHANGE" as the subject of the email, or

via postal mail to:     **Solactive AG**  
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60327 Frankfurt am Main  
Germany

Should you have any additional questions regarding the consultative question in particular, please do not hesitate to contact us via above email address.

# CONTACT

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