

Market Consultation | SOLACTIVE EUROPEAN EQUITY INDEX

01 February 2022

**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 ‘Affected Indices’):

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| **NAME** | **RIC** | **ISIN** |
| Solactive European Equity Net Total Return Index | .TEETNR | DE000SLA3S26 |
| Solactive European Equity Price Index | .TEET | DE000SLA3V13 |
| Solactive European Equity Total Return Index | .TEETTR | DE000SLA3V21 |

**Rationale for the Market Consultation**

The Affected Indices track the performance of a selection of the top 100 shares from European developed markets. The selection model filters the shares according to a liquidity threshold of EUR 10 million 6-month ADV and includes subsequently the top ranked shares based on free-float adjusted market capitalization. Due to substantially increasing demand for sustainable investment products, Solactive has decided to enhance the ESG screening currently implemented in the Affected Indices. Additional ESG filters will be included to the index rules, as detailed by the proposed changes below. Further, to maintain a good ESG screening quality and a higher sustainable impact throughout the year, quarterly ESG reviews will be conducted for the Affected Indices in addition to the March annual rebalance. Finally, the March rebalance date will also be modified to be consistent with the annual rebalance schedule of other sustainable strategies in the same index category.

**Proposed Changes to the Index Guideline**

The following Methodology changes are proposed in the following points of the Index Guideline (ordered in accordance with the numbering of the affected sections):

**Changes in Section 2.1 to enhance the ESG screening**

From:

[…]

On the Pool of Stocks resulting from above a light ESG screening is applied based on indications from Vigeo EIRIS. This screening is based in a first step on Cluster Munition activities and secondly on the UNGC Scores, where the top 5 companies performing worst in terms of environment, human rights, labor rights and anticorruption are removed.

[…]

To:

[…]

On the Pool of Stocks resulting from above an ESG sustainability screening is applied based on indications from Vigeo EIRIS. This screening is based on the ten principles of the UN Global Compact as well as specific exclusions related to controversial sectors. Companies in violations of UN Global Compact principles or going beyond predefined thresholds for controversial sectors will be removed from the index.  The extensive list of the controversial sectors that are screened out include: Alcohol, Animal Welfare, Controversial weapons, Firearms, Gambling, Genetic engineering, Hazardous chemicals, Intensive farming, Nuclear, Military production, Production of fur, Pornography, Tobacco.

In addition, there is also a second screening level based on Cluster Munition activities and secondly on the UNGC Scores, where the top 5 companies performing worst in terms of environment, human rights, labor rights and anticorruption are removed.

[…}

**Changes in Section 2.1 to include quarterly ESG reviews**

From:

[…]

Should there be less or more than 100 stocks in this selection pool after the capping mechanism was applied, the constituents will be added or removed based on their ranking until the required count is reached, whilst respecting capping restrictions.

To:

[…]

Should there be less or more than 100 stocks in this selection pool after the capping mechanism was applied, the constituents will be added or removed based on their ranking until the required count is reached, whilst respecting capping restrictions.

In addition to the yearly index reconstitution, there is a quarterly index review, where the composition of the index is screened for any ESG sustainability breaches. In case a current index component does not fulfill those requirements anymore, it will be replaced by (and its weight will be attributed to) the immediately following stock ranked on free float market capitalization. In case there are more stocks to be removed, then the exchange will take place in pairs: the weight of the largest current index component will be attributed to the highest ranked non-component, based on free float market capitalization, and so on to determine each pair. The country capping restriction of 20% is still to be applied.

**Changes in Section 2.2 to update the rebalance schedule**

From:

[…]

The composition of the Index is reviewed every year on the Selection Date (last Business Day of February) and all necessary changes are announced. The Index is adjusted on the Adjustment Day (third Tuesday of March), after COB, provided that all relevant stock exchanges are trading on that day. Each member of the new composition is weighted equally 5 Business Days before the Adjustment Day, when the number of shares is fixed.

[…]

To:

[…]

The composition of the Index is reviewed every year on the Selection Date (last Business Day of February) and all necessary changes are announced. The Index is adjusted on the Adjustment Day (fourth Tuesday of March), after COB, provided that all relevant stock exchanges are trading on that day. Each member of the new composition is weighted equally 5 Business Days before the Adjustment Day, when the number of shares is fixed.

For the quarterly sustainability review, the Review Date is the last Business Day of May, August and November. The effective date is the third Tuesday of June, September and December.

[…]

**Changes in Section 4 to update definitions regarding the rebalance schedule**

From:

“**Adjustment Day**” is the third Tuesday of March. If this is not a Trading Day, then the Adjustment will be delayed until the following Trading Day.

To:

“**Adjustment Day**” is the fourth Tuesday of March, for the yearly reconstitution and third Tuesday of June, September and December for the quarterly review. If this is not a Trading Day, then the Adjustment will be delayed until the following Trading Day.

**Addition of “Review Day” definition in Section 4 to update the rebalance schedule**

**“Review Day”** is the last Business Day in May, August and November.

**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.

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| --- | --- |
| Name |  |
| Function |  |
| Organization |  |
| Email |  |
| Phone |  |
| Confidentiality (Y/N) |  |

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

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**Consultation Procedure**

Stakeholders and third parties who are interested in participating in this Market Consultation, are invited to respond until *February 15, 2022 (cob)*.

Subject to feedback received on this Market Consultation, the changes mentioned above are intended to become effective on *February 18, 2022*.

Please send your feedback via email to [marketconsultation@solactive.com](mailto:marketconsultation@solactive.com), specifying “**Market Consultation | SOLACTIVE EUROPEAN EQUITY INDEX**” as the subject of the email, or

via postal mail to: **Solactive AG**

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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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