

Market Consultation: SOLE5BBE/N ESG Screener Addition

02 June 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 ‘Indices’):

|  |  |  |
| --- | --- | --- |
| **NAME** | **RIC** | **ISIN** |
| Solactive Euro High Yield BB 1-5 Year ex. Financials EUR TR Index | .SOLE5BBE | DE000SLA8SK7 |
| Solactive Euro High Yield BB 1-5 Year ex. Financials NOK TR Index | .SOLE5BBN | DE000SLA8SL5 |

**Rationale for the Market Consultation**

The Indices are designed to mirror the unhedged performance of the euro denominated high yield debt market with a rating between BB+ and BB- and a maturity of up 5 years in NOK and EUR. Specifically, the Indices exclude all bonds issued by financial corporations according to the sector classification of FactSet.

In line with the recent market developments, Solactive is proposing to add an Environmental, Social, and Governance (ESG) screen to the selection process of the Indices. The ESG screener would be added onto the existing selection criteria. This would enable Solactive to successfully add an ESG element to the Indices, while keeping a similar risk/return profile currently seen in the Indices.

**Proposed Change to the Index Guideline**

The following Methodology changes are proposed to be added to the bottom of Section 2.1 (after selection criteria o.) of the Index Guideline (ordered in accordance with the numbering of the affected sections):

“[…]

All eligible bonds must comply with the following ESG screening criteria in order to be included into the index on rebalance date

|  |  |  |
| --- | --- | --- |
| Theme | | Exclusion criterion |
| Norm-Based Research | Environment | Verified ongoing failure to respect established norms |
| Human Rights |
| Corruption |
| Labour Rights |
| Controversial Weapons Research | Chemical weapons | Verified ongoing involvement |
| Biological weapons |
| Nuclear weapons |
| Depleted Uranium |
| Nuclear weapons outside the NPT |
| Cluster munitions |
| Anti-personnel mines |
| Sector-Based Screening | Fossil Fuel | 50% Services, 5% Production, 5% Distribution or 5% Exploration |
| Oil sands | 0% Production, 0% Exploration |
| Military | 50% Services, 5% Production or 5% Distribution |
| Pornography | 5% overall, 0% Production |
| Tobacco | 50% Services, 0% Production or 5% Distribution |
| Gambling | 50% Services, 5% Production or 5% Distribution |
| Alcohol | 50% Services, 5% Production or 5% Distribution |
| Cannabis | 50% Services, 5% Production or 5% Distribution |
| Explanation: % figures refer to revenue threshold (for degree of involvement) above which criterion is breached | | |

The ESG data is provided by ISS.

[…].”

**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 Euro High Yield BB 1-5 Year ex. Financials EUR TR Index and Solactive Euro High Yield BB 1-5 Year ex. Financials NOK TR Index. We welcome 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 June 16th, 2022.

Subject to feedback received on this Market Consultation, the changes mentioned above are intended to become effective on June 24th, 2022.

Please send your feedback via email to [marketconsultation@solactive.com](mailto:marketconsultation@solactive.com), specifying “**Market Consultation:** **SOLE5BBE/N ESG Screener Addition**” as the subject of the email, or

via postal mail to: **Solactive AG**

Platz der Einheit 1

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

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)

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