

# MARKET CONSULTATION SOLACTIVE ISS ESG GLOBAL LOW CARBON CUSTOM INDEX

10 June 2024



## 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 ISS ESG Global Low Carbon Custom Index PR	.SOGLOWCP	DE000SLOBPX2
Solactive ISS ESG Global Low Carbon Custom Index NTR	.SOGLOWCN	DE000SLOBPY0
Solactive ISS ESG Global Low Carbon Custom Index TR	.SOGLOWCT	DE000SLOBPZ7

## Rationale for the Market Consultation

The index receives its value proposition from the identification of sustainability leaders out of a Global Market Universe.

Due to the evolving market standards for sustainability, Solactive proposes to align the index methodology by strengthening its ESG focus by adding additional ESG screens. The additional screens can be distinguished between Sector-Based and Diversity, Equity and Inclusion screens. An exhaustive breakdown can be found below.

Based on the data as of the last selection day 2024-04-04, the intended change would reduce the number of constituents in the index from 1243 to 400.

To ensure sufficient diversification of the index despite the reduced number of constituents, a relative weight cap of 5% compared to the weights in the Index Universe is intended.

## 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):

### 2.2 SELECTION OF THE INDEX COMPONENTS

From:

Based on the INDEX UNIVERSE, the initial composition of the INDEX as well as any selection for an ordinary rebalance is determined on the SELECTION DAY in accordance with the following rules:

1. Companies classified in the sector "ENERGY" or in the industries "Chemicals: Agricultural", "Chemicals: Major Diversified", or "Chemicals: Specialty" are removed.
2. China A Shares are removed.



3. Select securities with carbon emissions intensity, calculated as sum of scope 1, scope 2, and scope 3 carbon emissions divided by revenue, lower than the median carbon emissions intensity in the respective sector. The median carbon emissions intensities per sector are calculated based on the securities remaining after step 1. Carbon emissions intensities are provided by the DATA PROVIDER. All companies for which an evaluation of this selection step is not possible due to insufficient and/or missing information or data are excluded.

(the "INDEX COMPONENT REQUIREMENTS") The selection of the INDEX COMPONENTS is fully rule-based and the INDEX ADMINISTRATOR cannot make any discretionary decision.

To:

Based on the INDEX UNIVERSE, the initial composition of the INDEX as well as any selection for an ordinary rebalance is determined on the SELECTION DAY in accordance with the following rules:

1. Companies classified in the sector "ENERGY" or in the industries "Chemicals: Agricultural", "Chemicals: Major Diversified", or "Chemicals: Specialty" are removed.
2. China A Shares are removed.
3. SOLACTIVE evaluates all companies in the respective INDEX UNIVERSE based on the criteria outlined in the table below. The evaluation is based on data provided by the DATA PROVIDER:

Theme	Exclusion criterion	
Sector-Based Screening	Tobacco	>= 1% Overall
	Civilian Firearms	>= 1% Overall
	Gambling	>= 1% Overall
	Pornography	>= 1% Overall
	Private Prisons	>= 1% Overall
	Bio Sensitivity	Companies negatively affecting biodiversity-sensitive areas
Diversity, Equity and Inclusion (DEI)	Women on board	<=25% women on the company's board of directors
	Ethnic Minorities	<=25% diverse directors, calculated as the number of diverse directors divided by the number of people in the board
	Women in C-suite/Executive Leadership	<=25% women in C-suite/Executive Leadership, calculated as the number of women as executive officers + the number of women as directors, divided by the number of people in the board + the number of executive officers

Explanation: % figures refer to revenue threshold (for degree of involvement) above which criterion is




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breached;

All companies violating any of the criteria in the Sector-Based Screening are excluded. US companies violating any of the criteria in the Diversity, Equity and Inclusion Screening are excluded. Non-US companies violating the women in C-suite/Executive Leadership criteria in the Diversity, Equity and Inclusion Screening are excluded. The country allocation is based on the GBS country classification. All companies for which an evaluation of these exclusion criteria is not possible due to insufficient and/or missing information or data are excluded.

(the "**INDEX COMPONENT REQUIREMENTS**")

The selection of the INDEX COMPONENTS is fully rule-based and the INDEX ADMINISTRATOR cannot make any discretionary decision.

### 2.3 Weighting of the Index Components

From:

On each SELECTION DAY each INDEX COMPONENT is assigned a weight according to FREE FLOAT MARKET CAPITALIZATION.

To:

On each SELECTION DAY each INDEX COMPONENT is assigned a weight according to FREE FLOAT MARKET CAPITALIZATION. The maximum weight deviation from the weight in the INDEX UNIVERSE is capped at 5%. The excess weight is distributed across INDEX COMPONENTS with a weight below 5% pro-rata in an iterative manner until all the remaining INDEX COMPONENTS have a maximum weight of 5%

### 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 ISS ESG Global Low Carbon Custom Index 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 *2024-06-24*

[Subject to feedback received on this Market Consultation, the changes mentioned above are intended to become effective on 2024-07-08.

Please send your feedback via email to [marketconsultation@solactive.com](mailto:marketconsultation@solactive.com), specifying "Market Consultation Solactive ISS ESG Global Low Carbon Custom Index" 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.

