

Market Consultation Solactive Equileap Gender Equality Family

06 March 2020

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’):

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| **NAME** | **RIC** | **ISIN** |
| Solactive Equileap Europe Gender Equality GTR Index | .EQUALEG | DE000SLA3KN9 |
| Solactive Equileap Europe Gender Equality NTR Index | .EQUALEN | DE000SLA3KM1 |
| Solactive Equileap Europe Gender Equality PR Index | .EQUALEP | DE000SLA3KL3 |
| Solactive Equileap Global Gender Equality GTR Index | .EQUALG | DE000SLA3KG3 |
| Solactive Equileap Global Gender Equality NTR Index | .EQUALN | DE000SLA3KF5 |
| Solactive Equileap Global Gender Equality NTR Index (EUR) | .EQUALNEUR | EQUALNEUR111 |
| Solactive Equileap Global Gender Equality PR Index | .EQUALP | DE000SLA3KE8 |
| Solactive Equileap US Gender Equality GTR Index | .EQUALUG | DE000SLA3KK5 |
| Solactive Equileap US Gender Equality NTR Index | .EQUALUN | DE000SLA3KJ7 |
| Solactive Equileap US Gender Equality PR Index | .EQUALUP | DE000SLA3KH1 |

**Rationale for Market Consultation**

In order to ensure that the indices include the most liquid listed securities and transaction costs remain manageable, Solactive is proposing the following changes:

* Using Solactive benchmark indices as starting universe. These have a liquidity control and turnover constraint implemented,
* Limiting the direct index turnover on each annual rebalancing to 20%.

Additionally, to confer the index a better exposure to the ESG space, the ESG filter is proposed to become more comprehensive.

**Proposed Change to the Index Guideline**

The following Methodology changes are proposed in the following point of the Index Guideline:

**Section 2.1 Selection of the Index Components:**

**Old Wording:**

The initial composition of the Indices as well as any ongoing adjustment is based on the following rules:

On the Selection Day (10 Business Days before the last Business Day of September), Solactive receivesthe starting universe and the Gender Diversity Scores from Equileap.

The starting universe is determined by Equileap based on the rules described below:

1. Include only the companies with their primary listing in a Developed Markets Economy
2. Include only companies with an Average Market Capitalization over the past 12 months of at least USD 2 billion

All companies meeting the above rules, are awarded a score between 1 and 3 based on each of the criteria.

[...]

In addition to the score awarded, Equileap uses the following ESG criteria to exclude some more companies from the Indices.



The following procedure is then applied by Solactive:

1. All stocks with a 3-month ADV below USD 5 million are removed.
2. All remaining active stocks are then ranked according to the Equileap Gender Diversity Score. In cases where more securities have the same score, priority is assigned first to existing constituents, then these are ordered based on Full Market Capitalization.
3. For the Global Index, the top 150 shares are included in the index, making sure, at the same time, that the following weighting floors/caps are respected: 50% floor for US companies, 10% cap for any other country and a 25% sector cap applied on each of the two baskets: US vs non-US.

For the European and US Indices the top 75 securities with primary listing in any developed European country or US, respectively, are selected for the final composition, while respecting the 25% sector cap.

There will also take place a review process, the Review Day will fall 10 Business Days before the last Business Day of December, March and June.

On each Review Day, the ongoing composition of the Indices is reviewed for any possible conflicts with the index scope. If any security has had a substantial drop in its Gender Diversity Score, as provided by Equileap, this security will be removed in the process of the following upcoming quarterly Adjustment Date, and its weight will be redistributed to the highest ranked share not yet included in the index as determined at the last yearly rebalancing date.

**New Wording:**

The initial composition of the Indices as well as any ongoing adjustment is based on the following rules:

On the Selection Day (10 Business Days before the last Business Day of September), Solactive receivesthe Gender Scores from the Gender Data Provider which is covering the Solactive GBS Developed Markets Large & Mid Cap index and the Solactive Europe 600 Index.

All companies meeting the above rules, are awarded a score between 1 and 3 based on each of the criteria.

[...]

The following procedure is then applied by Solactive:

1. All stocks with a 3-month ADV below USD 5 million are removed.
2. All securities are then screened for involvement in the below controversial activities as provided by the ESG Data Provider:
   1. Fossil fuels: securities will be excluded if they have a significant ownership or an exposure of 5% and above to fossil fuels, considering extraction and/or power generation.
   2. Nuclear energy: securities will be excluded they have a significant ownership or an exposure of 5% and above to the production, distribution or support of products related to Nuclear Energy.
   3. Controversial Businesses: securities will be excluded if they have a significant ownership or an exposure of 5% or above to controversial businesses such as Gambling or Adult Entertainment. Retail companies should not have a revenue exposure to Alcoholic Beverages and Tobacco Products of 10% or greater. Issuers with any exposure to Military Contracting and Weapons, including Controversial Weapons and Small Arms will be excluded.
   4. Global Compact Compliance: securities will be excluded if non-compliant following the Data Provider’s classification.
3. All remaining active stocks are then ranked according to the Equileap Gender Diversity Score. In cases where more securities have the same score, these are sorted according to their Full Market Capitalization.
4. Within each regional index, first the top 80% of securities currently in the index are selected based on the rank of their Gender Equality Scores. This is done such as to keep the turnover below at 20% or less and would lead to selecting at least 120 securities from the current composition in the Global Index and at least 60 securities in the European and US one.
5. The composition of each index is then filled as described below:
   1. For the Global Index, until we reach 150 securities, making sure, at the same time, that the following weighting floors/caps are respected: 50% floor for US companies and 10% cap for any other country.
   2. For the European and US Indices until we reach 75 securities with primary listing in any developed European country or US, respectively. In addition, none of the 10 Factset Economies may represent more than 25% of the index composition.

There will also take place a review process, the Review Day will fall 10 Business Days before the last Business Day of December, March and June.

On each Review Day, the ongoing composition of the Indices is reviewed for any changes in their controversial involvement or gender related controversies. If any security has been involved in a gender related controversy, as provided by Equileap, or has made it on the controversial activity exclusion list, this security will be removed in the process of the following upcoming quarterly Adjustment Date, and its weight will be redistributed to the highest ranked share not yet included in the index as determined at the last yearly rebalancing date.

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 to the Methodology for the Solactive Equileap Gender Equality Family 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 13th of March 2020 (12:00 CET).

Please send your feedback via email to [compliance@solactive.com](mailto:compliance@solactive.com), specifying “Market Consultation Solactive Equileap Gender Equality Family” 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. |  |



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