

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'):

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 receives the 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.

G. Exclusion Criteria				
Exclusion Criteria	A	Companies that do not adhere to basic ESG Standards	Is not engaged in unethical business practices.	Signatory companies who derive the majority of their revenues from the below industries have been excluded entirely and NOT awarded a score - Weapons Industry - Gambling Industry - Tobacco Industry as well as the companies on the Norwegian Ethics Council List
	B	Companies that have engaged in known unethical business practices for the past 2 years	Exclude companies, for one year, that have had: a) A legal judgement or an official ruling regarding discrimination against any employees, or b) Two or more legal cases brought against them regarding discrimination against any employees, or c) A legal judgement or an official ruling regarding unethical practices in its marketing and advertisement	

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 receives the 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:
 - a. 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.
 - b. 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.



- c. 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.
 - d. 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:
 - a. 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.
 - b. 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.

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.

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).



Market Consultation Solactive Equileap Gender Equality Family

Please send your feedback via email to 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.

CONTACT

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