

MARKET CONSULTATION SOLACTIVE EQUILEAP NORTH AMERICAN GENDER EQUALITY INDEX

26 August 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 North American Gender Equality Index	.EQUALNA	DE000SLA30L8
Solactive Equileap North American Gender Equality Index NTR	.EQUALNAN	DE000SLA30M6

Rationale for Market Consultation

The Indices provide exposure to companies listed and domiciled in Canada or the United States that have demonstrated a commitment to gender diversity as part of their corporate responsibility strategy. The respective Indices have a very strong ESG filter, mainly with their focus on the "G" – Governance aspect of the companies in the universe. Solactive has deemed appropriate to propose an extension of the rather rudimentary product involvement filter to include a few additional criteria.

Additionally, since the launch of the index, the registered turnover was significant and larger than the average turnover during the back-tested period. In order to limit the turnover in the Indices, Solactive is suggesting an amendment to the methodology.

Proposed Changes to the Index Guideline

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

In Section 2.1 "Selection of the Index Components":

OLD Text:

[...]

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

[...]



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, these are sorted according to their 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 and 10% cap for any other country. 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. 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 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 Text:

[...]

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 below Solactive benchmarks:

- Solactive GBS Developed Markets Large & Mid Cap index



- Solactive Europe 600 Index
- Solactive GBS United States 1000 Index

[...]

G.	Exclusion	Description	Data provider
Exclusion Criteria	A Companies that do not adhere to basic ESG Standards	Derive more than 10% of their revenues from the following product involvement ' -Weapons (- Gambling - Tobacco - Adult Entertainment - Alcoholic Beverages - Nuclear Energy (production, distribution or support of related products) Derive more than 5% of their revenues from the following product involvement: - Unconventional Fossil Fuels (Considering extraction and power generation from Coal Mining and Power Generation, Hydraulic Fracturing, Oil Sands as well as any involvement in Deep Water Drilling) Have any exposure to Controversial Weapons (includes Anti-personnel mines, Biological and Chemical Weapons, Cluster Munitions, Depleted Uranium as well as Nuclear Weapons) Are failing the ISS ESG Norms Based Screening (verified infringement of established international initiatives and guidelines such as UN Principles and OECD Guidelines).	ISS ESG
	B Companies that have engaged in known unethical business practices for the past 2 years	Exclude companies, for one year, that have been involved in these unethical practices regarding their employees or customers: 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	Equileap

[...]

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, these are sorted according to their Full Market Capitalization.
3. 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.



4. 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.

In Section 4., "Definitions"

New Definitions:

The "Gender Data Provider" is Equileap.

The "ESG Data Provider" is ISS ESG.

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 North American Gender Equality 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 *September 7th, 2020*.

Subject to feedback received on this Market Consultation, the changes mentioned above are intended to become effective on *September 15th, 2020*.

Please send your feedback via email to compliance@solactive.com, specifying "Market Consultation Solactive Equileap North American Gender Equality Index" as the subject of the email, or

via postal mail to: Solactive AG
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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.

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