

# INDEX GUIDELINE

*Solactive Paris Aware Global Government Bond  
Index*

*Version 2.1*

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## INTRODUCTION

This document (the "GUIDELINE") is to be used as a guideline with regard to the composition, calculation and maintenance of the Solactive Paris Aware Global Government Bond Index (the "INDEX"). Any amendments to the rules made to the GUIDELINE are approved by the OVERSIGHT COMMITTEE specified in Section 5.5. The INDEX is owned, calculated, administered and published by Solactive AG ("SOLACTIVE") assuming the role as administrator (the "INDEX ADMINISTRATOR") under the Regulation (EU) 2016/1011 (the "BENCHMARK REGULATION" or "BMR"). The name "Solactive" is trademarked.

*The text uses defined terms which are formatted with "SMALL CAPS". Such Terms shall have the meaning assigned to them as specified in Section 6 (Definitions).*

The GUIDELINE and the policies and methodology documents referenced herein contain the underlying principles and rules regarding the structure and operation of the INDEX. SOLACTIVE does not offer any explicit or tacit guarantee or assurance, neither pertaining to the results from the use of the INDEX nor the level of the INDEX at any certain point in time nor in any other respect. SOLACTIVE strives to the best of its ability to ensure the correctness of the calculation. There is no obligation for SOLACTIVE – irrespective of possible obligations to ISSUERS – to advise third parties, including investors and/or financial intermediaries, of any errors in the INDEX. The publication of the INDEX by SOLACTIVE does not constitute a recommendation for capital investment and does not contain any assurance or opinion of SOLACTIVE regarding a possible investment in a financial instrument based on this INDEX.



# 1. INDEX SPECIFICATIONS

## 1.1. SCOPE OF THE INDEX

The INDEX aims to track the performance of global local currency government bonds. The index includes government bonds issued by INVESTMENT GRADE rated countries. The INDEX provides a climate awareness portfolio, whose average CO2 INTENSITY is below the BENCHMARK INDEX'S CO2 INTENSITY and will fulfill a SELF-DECARBONIZATION TRAJECTORY. The INDEX duration matches the BENCHMARK duration.

- Only local currency government bonds are eligible
- The INDEX currency is Euro
- The minimum EFFECTIVE TIME TO MATURITY is 1 month, bonds will be excluded from the index before maturity

CO2 INTENSITY data is updated in January. Each January the most up-to-date data is retrieved from the EDGAR database.

As the CO2 TARGET of the index is both dependent on the current BENCHMARK INDEX'S CO2 INTENSITY as well as the self-decarbonization trajectory other factors beyond the CO2 INTENSITY per country are affecting the country weights in the INDEX. The most important factors are:

- FX Rates
- Bond Issuance
- Yield Level

These important dependencies as well as potential other factors influence the weight of a country within the index. If – due to changes in FX rates, bond issuance or yield shifts – the weight of heavy polluting countries would strongly increase this will have implications on the INDEX due to the inclusion of the relative weight constraint in the optimization. The increase in the BENCHMARK INDEX'S country weights might lead to a breach of the relative weight constraint in the optimization as described in Section 2.2. To account for this the INDEX will have to increase the weight of a heavy polluting country compared to previous compositions of the INDEX.



## 1.2. IDENTIFIERS AND PUBLICATION

The INDEX is published under the following identifiers:

Name	ISIN	Currency	Type	RIC	BBG ticker
Solactive Paris Aware Global Government Bond Index	DE000SLOAY38	EUR	TR	.SOLGOVPAB	-
Solactive Paris Aware Global Government GBP Index	DE000SLODG94	GBP	TR	.SOLGOGPAB	-
Solactive Paris Aware Global Government USD Index	DE000SLOBTJ3	USD	TR	.SOLGOUPAB	

TR means that the INDEX is calculated as a total return index as described in the Bond Index Methodology, which is available on the SOLACTIVE website: <https://www.solactive.com/documents/bond-index-methodology/>

The INDEX is published on the website of the INDEX ADMINISTRATOR ([www.solactive.com](http://www.solactive.com)) and is, in addition, available via the price marketing services of BÖRSE STUTTGART GMBH and may be distributed to all of its affiliated vendors. Each vendor decides on an individual basis as to whether it will distribute or display the INDEX via its information systems.

Any publication in relation to the INDEX (e.g. notices, amendments to the GUIDELINE) will be available at the website of the INDEX ADMINISTRATOR: <https://www.solactive.com/news/announcements/>.

## 1.3. INITIAL LEVEL OF THE INDEX

The initial level of the INDEX on the LIVE DATE is 1000. Historical values from the LIVE DATE will be recorded in accordance with Article 8 of the BMR.

## 1.4. PRICES AND CALCULATION FREQUENCY

The INDEX is calculated and distributed once every BUSINESS DAY based on the LAST EVALUATED BID PRICE of the INDEX COMPONENTS. Bonds added in a rebalancing (see Section 3) are included the INDEX at the LAST EVALUATED ASK PRICE on the relevant REBALANCE DAY (as specified in Section 3.3). Bonds which are excluded from the INDEX in a rebalance are reflected in the calculation of the level of the INDEX for the REBALANCE DAY at the LAST EVALUATED BID PRICE on the relevant REBALANCE DAY. INDEX analytical values are calculated each BUSINESS DAY using the LAST EVALUATED BID PRICE based on FIXING TIME. Prices of INDEX COMPONENTS not listed in the INDEX CURRENCY are converted using the 4 PM London Fixing quoted by Reuters.

Should there be no current 4 PM London Fixing available on Reuters the most recent 4 PM London Fixing on Reuters for the preceding BUSINESS DAY is used in the calculation.



## 1.5. LICENSING

Licenses to use the INDEX as the underlying value for financial instruments, investment funds and financial contracts may be issued to stock exchanges, banks, financial services providers and investment houses by Solactive AG

## 1.6. CONFLICTS OF INTEREST

There are no conflicts of interest identified for this index.



## 2. INDEX SELECTION

On each SELECTION DAY, all bonds which meet the INDEX COMPONENT REQUIREMENTS are eligible for inclusion in the INDEX and will be added as INDEX COMPONENT on the REBALANCE DAY. Additionally, on each SELECTION DAY, it will be evaluated whether all current INDEX COMPONENTS still meet the INDEX COMPONENT REQUIREMENTS. Each INDEX COMPONENT that does not meet the INDEX COMPONENT REQUIREMENTS will be removed from the INDEX on the next REBALANCE DAY.

### 2.1. SELECTION OF THE INDEX COMPONENTS

The initial composition of each INDEX, as well as any selection for a rebalance (as specified in Section 3) is determined using the following rules:

- A price from the PRICING PROVIDER must be available for each INDEX COMPONENT on each SELECTION DAY
- INDEX COMPONENTS must be a member of one of the following indices:
  - Solactive Broad Global Developed Government Bond TR IG EUR Index
  - Solactive Developed Government Bond 0-1 Year Index
  - Solactive China Government Bond TR CNY Index
  - Solactive LCY EM Government TR Index
  - Solactive LCY EM Government 0-1 Year TR Index
- All issuing countries must be rated INVESTMENT GRADE. For the avoidance of doubt if a country is rated as INVESTMENT GRADE by at least one of the rating agencies (Moody's Investors Service or S&P Global Ratings) the country is eligible for the index.
- INDEX COMPONENTS should not mature while being an index member

The determination of the INDEX COMPONENTS is fully rule-based and the INDEX ADMINISTRATOR has no discretion.

### 2.2. WEIGHTING OF THE INDEX COMPONENTS

On each SELECTION DAY each INDEX COMPONENT is weighted using the following mechanism:

The overall aim of the INDEX is to create a global government portfolio which is aligned with a self-decarbonization trajectory as well as a minimum reduction in Carbon Intensity versus the market cap weighted BENCHMARK INDEX. The following optimization routine sets the final country weights:



$$\min_{w_c, tpw_c} \sum_{c=1}^C (w_c - tpw_c)^2$$

subject to the following constraints:

$$CO2_{Target} - \sum_{c=1}^C (w_c * CO2_c) = 0$$

$$1 - \sum_{c=1}^C w_c = 0$$

$$(mvw_c * relative\ deviation_{pos}) - w_c \geq 0$$

$$w_c - (mvw_c * relative\ deviation_{neg}) \geq 0$$

where:

$w_c$  = weight of country  $c$

$mvw_c$  = market cap weight of country  $c$

$tpw_c$  = weight of country  $c$  in target portfolio

$CO2_{Target}$  = CO2 target set by decarbonization trajectory or minimum reduction vs. benchmark index

*relative deviation<sub>pos</sub>*

= maximum relative deviation by which a optimized country weight can exceed the market cap weight of country  $c$ . Initially this set to 5

*relative deviation<sub>neg</sub>*

= maximum relative deviation by which a optimized country weight can trail the market cap weight of country  $c$ . Initially this set to 0.2

In case no feasible solution can be found using the above mentioned algorithm, the index committee will decide on the most suitable solution for the further maintenance of the index.

The target portfolio is an unconstrained proportionally weighted portfolio which is aligned with the CO2 INTENSITY target. The country weights of the target portfolio are computed as follows:

$$Country\ Weight\ Target\ Portfolio_c = Market\ Cap\ Weight_c * Tilting\ Factor_c$$

$$Tilting\ Factor_c = (0.5 + Percentile\ CO2\ Intensity\ Rank_c)^x$$





Where the exponent  $x$  is determined in a numerical procedure which ensures the weighted CO2 INTENSITY is equal to the CO2 TARGET.

Once optimal country weights have been determined, it is ensured that the duration of the INDEX is equal to the duration of a market-cap weighted benchmark index rounded to two decimals. This is achieved in a two-step process. In a first step it is determined for which countries the duration contribution has to be increased or lowered. In a second step bond weights within each country are adjusted.

For the duration adjustment the index is split into two parts: Countries whose duration contribution will stay stable, and countries whose duration contribution will be adjusted.

If the duration of the optimized index is higher than the market-cap weighted duration, duration contributions of polluting countries (whose CO2 INTENSITY is larger than the CO2 TARGET) is reduced ( $Duration_{Adjusted\ Countries}$ ). The duration contribution of all other countries stays the same ( $Duration_{Stable\ Countries}$ ).

If the duration of the optimized index is lower than the market-cap weighted duration, duration contribution of less polluting countries (whose CO2 INTENSITY is smaller than the CO2 TARGET) is increased ( $Duration_{Adjusted\ Countries}$ ). The duration contribution of all other countries stays the same ( $Duration_{Stable\ Countries}$ ).

The adjustment of country durations is done via an adjustment factor.

$$Adjustment\ Factor = \frac{(Target\ Duration - Duration_{Stable\ Countries})}{Duration_{Adjusted\ Countries}}$$

For each country where a duration adjustment is made, the new target country duration is computed as follows:

$$Country\ Duration_{Target} = Country\ Duration_{Optimized} * Adjustment\ Factor$$

To achieve the desired duration contribution per country the following mechanism is implemented on a bond level: In case  $Country\ Duration_{Target} < Country\ Duration_{Optimized}$  weights from the longest bond is shifted into the shortest maturing bond. With the restriction bonds cannot have negative weights. This process is iterated until  $Country\ Duration_{Target} = Country\ Duration_{Optimized}$ . In the case of  $Country\ Duration_{Target} > Country\ Duration_{Optimized}$  the opposite iteration takes place.



## 3. REBALANCE

### 3.1. ORDINARY REBALANCE

In order to reflect the new selection of the INDEX COMPONENTS determined on the SELECTION DAY (in accordance with Section 2.1) the INDEX is adjusted on the REBALANCE DAY after CLOSE OF BUSINESS.

For more information on the rebalance procedure please refer to the Bond Index Methodology, which is incorporated by reference and available on the SOLACTIVE website: <https://www.solactive.com/documents/bond-index-methodology/>.

SOLACTIVE will publish any changes made to the INDEX COMPONENTS with sufficient notice before the REBALANCE DAY on the SOLACTIVE webpage under the section "[Announcement](https://www.solactive.com/news/announcements/)", which is available at <https://www.solactive.com/news/announcements/>

### 3.2. EXTRAORDINARY REBALANCE

In addition to the ordinary rebalance, the INDEX is also rebalanced extraordinarily. These adjustments take place outside the rebalancing schedule and follow different rules than the ordinary rebalances. The extraordinary rebalance is triggered by the mechanism described below:

The INDEX is not rebalanced extraordinarily.



## 4. CALCULATION OF THE INDEX

### 4.1. INDEX FORMULA

The INDEX is calculated as a total return index.

The calculation is performed according to the Bond Index Methodology, which is available on the SOLACTIVE website: <https://www.solactive.com/documents/bond-index-methodology/>.

A gross total return index seeks to replicate the overall return from holding an index portfolio, thus considering both coupon payments and Corporate Action proceeds in addition to the price changes adjusted for any accrued interest. Coupon and other cash payments will be reinvested on a monthly basis.

The periodic reinvestment formula implies a periodic reinvestment in the INDEX of proceeds resulting from corporate actions and coupon payments] in respect of the INDEX COMPONENTS on the next regular REBALANCE DAY following such events. For the period until reinvestment the proceeds are held in a cash component. On the REBALANCE DAY the proceeds are reinvested in the INDEX proportionately to the weights of the INDEX COMPONENTS. The periodic reinvestment formula tracks the performance of the INDEX COMPONENTS relative to their market value on the immediately preceding REBALANCE DAY. The market value for an individual INDEX COMPONENT on a REBALANCE DAY is based on the price for the respective bond and its face value on the SELECTION DAY associated with the REBALANCE DAY.

A more detailed description of the mechanics of the periodic reinvestment formula can be found in the Bond index Methodology under Section 1.2.2, which is available on the SOLACTIVE website: <https://www.solactive.com/documents/bond-index-methodology/>.

### 4.2. ACCURACY

The level of the INDEX will be rounded to 2 decimal places.

### 4.3. ADJUSTMENTS

Under certain circumstances, an adjustment of the INDEX may be necessary between two regular REBALANCE DAYS. Basically, such adjustment needs to be done if a corporate action (as specified in Section 4.4 below) in relation to an INDEX COMPONENT occurs. Such adjustment may need to be done in relation to an INDEX COMPONENT and/or may also affect the number of INDEX COMPONENTS and/or the weighting of certain INDEX COMPONENTS and will be made in compliance with the Bond Index Methodology, which is available which is available on the SOLACTIVE website: <https://www.solactive.com/documents/bond-index-methodology/>.

### 4.4. CORPORATE ACTIONS

As part of the INDEX maintenance SOLACTIVE will consider various events – also referred to as corporate actions – which result in an adjustment to the INDEX between two regular REBALANCE DAYS. Such events have



a material impact on the price, weighting or overall integrity of INDEX COMPONENTS. Therefore, they need to be accounted for in the calculation of the INDEX. Corporate actions will be implemented from the cum-day to the ex-day of the corporate action, so that the adjustment to the INDEX coincides with the occurrence of the price effect of the respective corporate action.

Adjustments to the INDEX to account for corporate actions will be made in compliance with the Bond Index Methodology, which is available which is available on the SOLACTIVE website: <https://www.solactive.com/documents/bond-index-methodology/>. This document contains for each corporate action a brief definition and specifies the relevant adjustment to the INDEX variables.

While SOLACTIVE aims at creating and maintaining its methodology for treatment of corporate actions as generic and transparent as possible and in line with regulatory requirements, it retains the right in accordance with the Bond Index Methodology to deviate from these standard procedures in case of any unusual or complex corporate action or if such a deviation is made to preserve the comparability and representativeness of the INDEX over time.

Solactive considers following, but not conclusive, list of corporate actions as relevant for INDEX maintenance:

- > Early Redemption (an event that leads to a redemption of a bond before the regular maturity date)
- > Flat Trading (e.g. a bond ISSUER fails to meet its coupon payment obligation)
- > Bond Default (e.g. when the ISSUER fails to meet its coupon payment obligation or repay the principal at maturity)
- > Tender Offers (a holder of a bond is invited to tender the bond for a specific price at a specific time before the regular maturity date)
- > Exchange Offers (type of a tender offer where the ISSUER offers its bondholders to exchange their existing bonds for an asset other than cash)
- > Distressed Debt Exchange (form of debt exchange when bondholders agree to reduce the principal amount of debt securities in order to obtain higher payment priority in the form of secured debt)
- > Bond Funge (bond issue that is attached to an existing one (parent bond). On a defined date the parent bond absorbs the funged bond)
- > Payment-in-Kind Bonds (a situation where a bond pay interest in additional bonds rather than in cash)
- > Conversion of CoCo Bonds
- > Debt Issuance
- > Bond Maturity



## 4.5. RECALCULATION

SOLACTIVE makes the greatest possible efforts to accurately calculate and maintain its indices. However, errors in the determination process may occur from time to time for variety reasons (internal or external) and therefore, cannot be completely ruled out. SOLACTIVE endeavors to correct all errors that have been identified within a reasonable period of time. The understanding of “a reasonable period of time” as well as the general measures to be taken are generally depending on the underlying and is specified in the Solactive Correction Policy, which is incorporated by reference and available on the SOLACTIVE website: <https://www.solactive.com/documents/correction-policy/>.

## 4.6. MARKET DISRUPTION

Market stress can arise due to a variety of reasons, but generally results in inaccurate or delayed prices for one or more INDEX COMPONENTS. The determination of the INDEX may be limited or impaired at times of illiquid or fragmented markets and market stress.

# 5. MISCELLANEOUS

## 5.1. DISCRETION

Any discretion which may need to be exercised in relation to the determination of the INDEX (for example the determination of the INDEX COMPONENTS or any other relevant decisions in relation to the INDEX) shall be made in accordance with strict rules regarding the exercise of discretion or expert judgement established by the INDEX ADMINISTRATOR.

## 5.2. METHODOLOGY REVIEW

The methodology of the INDEX is subject to regular review, at least annually. In case a need of a change of the methodology has been identified within such review (e.g. if the underlying market or economic reality has changed since the launch of the INDEX, i.e. if the present methodology is based on obsolete assumptions and factors and no longer reflects the reality as accurately, reliably and appropriately as before), such change will be made in accordance with the Methodology Policy, which is incorporated by reference available on the SOLACTIVE website: <https://www.solactive.com/documents/methodology-policy/>.

Such change in the methodology will be announced on the SOLACTIVE webpage under the Section “Announcement”, which is available at <https://www.solactive.com/news/announcements/>. The date of the last amendment of this INDEX is contained in this GUIDELINE.



### 5.3. CHANGES IN CALCULATION METHOD

The application by the INDEX ADMINISTRATOR of the method described in this document is final and binding. The INDEX ADMINISTRATOR shall apply the method described above for the composition and calculation of the INDEX. However, it cannot be excluded that the market developments like the actual country decarbonizations, supervisory, legal, financial or tax reasons may require changes to be made to this method. The INDEX ADMINISTRATOR may also make changes to the terms and conditions of the INDEX and the method applied to calculate the INDEX that it deems to be necessary and desirable in order to prevent obvious or demonstrable error or to remedy, correct or supplement incorrect terms and conditions. The INDEX ADMINISTRATOR is not obliged to provide information on any such modifications or changes. Despite the modifications and changes, the INDEX ADMINISTRATOR will take the appropriate steps to ensure a calculation method is applied that is consistent with the method described above.

### 5.4. TERMINATION

SOLACTIVE makes the greatest possible efforts to ensure the resilience and continued integrity of its indices over time. Where necessary, SOLACTIVE follows a clearly defined and transparent procedure to adapt index methodologies to changing underlying markets (see Section 5.2 “Methodology Review”) in order to maintain continued reliability and comparability of the indices. Nevertheless, if no other options are available the orderly cessation of the INDEX may be indicated. This is usually the case when the underlying market or economic reality, which the INDEX is set to measure or to reflect, changes substantially and in a way not foreseeable at the time of inception of the INDEX, the INDEX rules, and particularly the selection criteria, can no longer be applied coherently or the INDEX is no longer used as the underlying value for financial instruments, investment funds and financial contracts.

SOLACTIVE has established and maintains clear guidelines on how to identify situations in which the cessation of the INDEX is unavoidable, how stakeholders are to be informed and consulted and the procedures to be followed for a termination or the transition to an alternative index. Details are specified in the Solactive Termination Policy, which is incorporated by reference and available on the SOLACTIVE website: <https://www.solactive.com/documents/termination-policy/>.

### 5.5. OVERSIGHT

An oversight committee composed of staff from SOLACTIVE and its subsidiaries (the “OVERSIGHT COMMITTEE”) is responsible for decisions regarding any amendments to the rules of the INDEX. Any such amendment, which may result in an amendment of the GUIDELINE, must be submitted to the OVERSIGHT COMMITTEE for prior approval and will be made in compliance with the Methodology Policy, which is available on the SOLACTIVE website: <https://www.solactive.com/documents/methodology-policy/>.



## 6. DEFINITIONS

"BENCHMARK INDEX" is the Solactive Global Government Bond Index (SOLGGIG)

"BENCHMARK REGULATION" shall have the meaning as defined in Section "Introduction".

"BMR" shall have the meaning as defined in Section "Introduction".

"BUSINESS DAY" in relation to the index is each day, Monday to Friday, except banking holidays as defined by the New York Stock Exchange (NYSE), SIFMA, European Banking Holidays and the 24<sup>th</sup> and 31<sup>st</sup> of December.

"CLOSE OF BUSINESS" is a time stamp when an INDEX is calculated.

"CO2 Intensity" is a metric which normalized the CO2 emissions of each country by the country's capita. This data is taken from the EDGAR database, more information can be found here: <https://edgar.jrc.ec.europa.eu/>

"CO2 TARGET" is the average CO2 INTENSITY, the index should achieve on each SELECTION DAY. The CO2 Target is the minimum between a 14% reduction versus the BENCHMARK INDEX or an annual self-decarbonization according to the SELF-DECARBONIZATION TRAJECTORY

"EFFECTIVE TIME TO MATURITY" is the minimum of the next call or put date and the final maturity date.

"FIXING TIME" is the time when the prices for the INDEX COMPONENTS are fixed for index calculation. [This is specified in the Bond Index Methodology, which is available on the SOLACTIVE website: <https://www.solactive.com/documents/bond-index-methodology/>].

"GUIDELINE" shall have the meaning as defined in Section "Introduction".

"INDEX" shall have the meaning as defined in Section "Introduction".

"INDEX ADMINISTRATOR" shall have the meaning as defined in Section "Introduction".

"INDEX CALCULATOR" is SOLACTIVE or any other appropriately appointed successor in this function.

"INDEX COMPONENT" is each bond reflected in the INDEX.

"INDEX COMPONENT REQUIREMENTS" shall have the meaning as defined in Section 2.1.

"INDEX CURRENCY" is the currency specified in the column "Currency" in the table in Section 1.2.

"INVESTMENT GRADE" are all ratings of at least BBB- by Standard & Poor's or Baa3 by Moody's Investors Service.

"ISSUER" is the issuing entity of the respective bond.

"LAST EVALUATED ASK PRICE" the last available evaluated ask price by the designated PRICING PROVIDER.

"LAST EVALUATED BID PRICE" the last available evaluated bid price by the designated PRICING PROVIDER.

"LIVE DATE" is 2020-11-19

"OVERSIGHT COMMITTEE" shall have the meaning as defined in Section 5.5.



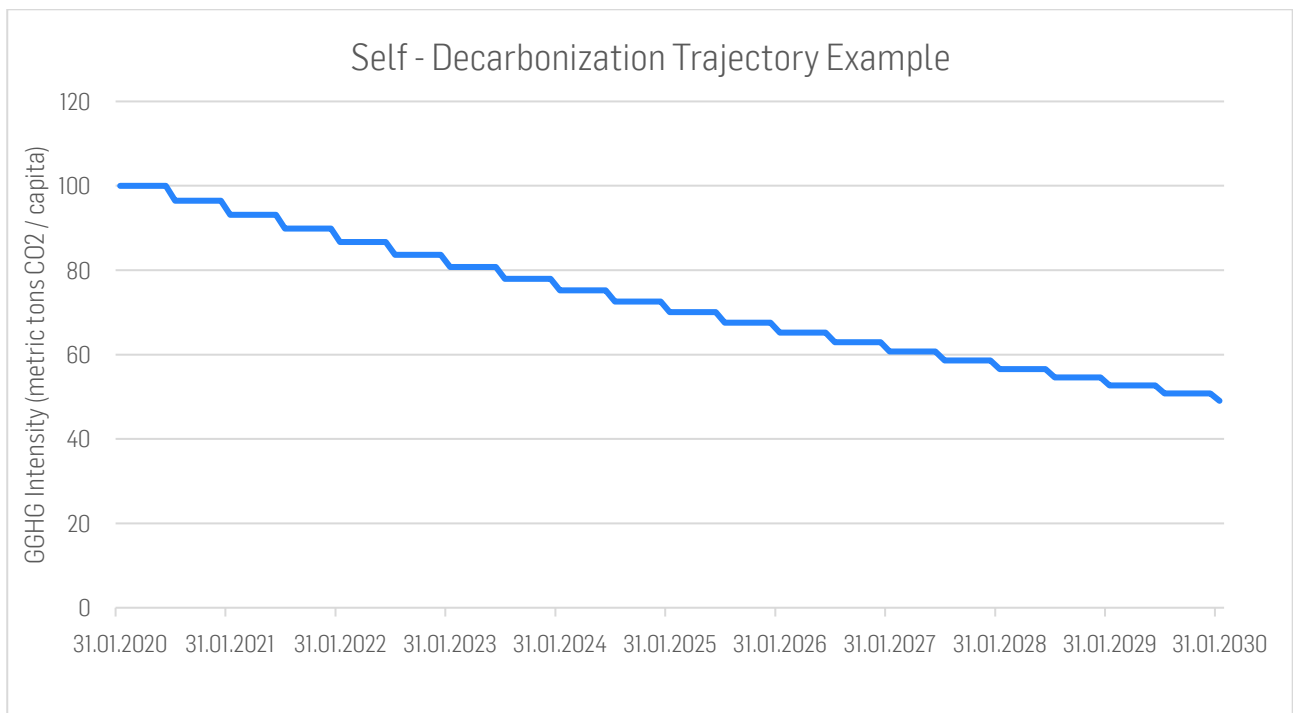
“PRICING PROVIDER” is ICE.

“REBALANCE DAY” is the last BUSINESS DAY of the month.

“SELECTION DAY” day for the selection of the INDEX COMPONENTS is specified in the Guidelines of the sub-indices. Selection Day for the INDEX is 4 BUSINESS DAYS before the scheduled REBALANCE DAY.

“SELF-DECARBONIZATION-TRAJECTORY ”: The INDEX follows a self-decarbonization trajectory of at least 7% annually. The decarbonization trajectory is defined by an annual minimum GHG Intensity reduction of 7% compared to the GHG INTENSITY of the INDEX on the BASE DATE in a geometric progression. The 7% annual reduction is split into two 3.5% semi-annual reductions which become effective in the end of January and end of July.

In the following chart you can see an hypothetical self-decarbonization trajectory for an Paris-aligned index with GROSS GHG EMISSIONS of 100 at the BASE DATE 31.01.2020 . To be compliant with the self-decarbonization trajectory the Gross GHG Emissions of the hypothetical index must always on or below the self-decarbonization trajectory.



“SOLACTIVE” shall have the meaning as defined in Section “Introduction”.





## 7. HISTORY OF INDEX CHANGES

Version*	Date	Description
2*	23 June 2021	Introducing the optimized weighting scheme for the selection
2.1	27 July 2023	Adding currency version (GBP)

*\*Versions prior to the first entry are historical.*

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