

MARKET CONSULTATION SOLACTIVE CANDRIAM FACTORS
SUSTAINABLE EQUITY INDICES

07 February 2025



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 Candriam Factors Sustainable Europe Equity Index	.SOLCAFSE	DE000SLA3LW8
Solactive Candriam Factors Sustainable Japan Equity Index	.SOLCAFSJ	DE000SLA3LY4

Rationale for the Market Consultation

The indices follow Candriam's controversial activity policy to determine eligibility of potential index constituents. Candriam's controversial activity policy is the concrete expression of Candriam's sustainability leadership. It defines which activities, due to their widely recognized ethical and economic unsustainability, are to be excluded from Candriam's investments. Therefore, updates to the exclusion policy reflect its commitment to sustainability and alignment with evolving market expectations, regulatory standards, and sustainability leadership.

In addition, we are also proposing a change in the weighting sections to facilitate the tracking ETF's ongoing compliance with UCITs regulations.

Overall, the proposed changes are expected to improve the sustainability qualities and investability of the indices

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)

Section 1.5 Weighting

From:

- The Final Weight of an Index Component is capped at 10%. Furthermore, the Final Weights of the Index Components that have a Final Weight of greater than 5% shall not exceed 40% in aggregate. Any excess weight will be redistributed among the other Index Components in accordance with the above.



To:

- The Final Weight of an Index Component is capped at 9%. Furthermore, the Final Weights of the Index Components that have a Final Weight of greater than 4.5% shall not exceed 38% in aggregate. Any excess weight will be redistributed among the other Index Components in accordance with the above.

Section 4. Definitions:

From:

Reference of "Macro and Micro factors" throughout the section

To:

Replaced by "Business Activities and Stakeholders" throughout the section

From:

- Sector Specific criteria for the following Macro factors (Exposure to Global Sustainability Trends):

To:

- Sector specific criteria for the following Business Activities factors (Exposure to Key Sustainability Challenges):

From:

- Controversial Activities:
 - Armament: are involved in the production or sale of anti-personnel landmines, cluster bombs, depleted uranium, and/or chemical/nuclear/biological/white phosphorous weapons, regardless of the revenues involved and/or generate more than 3% of their turnover from the production or the sale of conventional weapons

To:

- Controversial Activities:
 - Controversial armaments are involved in the production or sale of anti-personnel landmines, cluster bombs, depleted uranium, and/or chemical/nuclear/biological/white phosphorous weapons, blinding lasers, non-detectable fragments, regardless of the revenues involved
 - Conventional armaments:
 - generate more than 3% of their turnover from the production, manufacturing, trade, testing or maintenance of conventional armaments and/or of critical components / services for conventional armaments
 - own a stake (shareholding) of more than 50% in any company that is directly involved either in conventional armaments or in controversial armament

From:



- Activities in oppressive regimes: large presence (Revenues > 1%) in highly oppressive regimes

To:

- Activities in oppressive regimes: large presence (Revenues > 10%) in oppressive regimes

From:

"N/A"

To:

- State Owned Enterprises: Owned by 'not sustainable' countries

From:

- Genetic modification: Revenues > 10%

To:

- Genetic modification: Revenues > 1%

From:

- Tobacco: Revenues > 5%

To:

- Tobacco:
 - Production: any involvement (0% > revenues)
 - Distribution and retail: Revenues > 5%

From:

"N/A"

To:

- Pesticides: 1% revenue threshold from Pesticides activities linked to Agriculture
- Palm Oil:
 - Producers/Distributors that:
 - are not RSPO members and derive between 0% and 5% of their revenues from palm oil with less than 20% of this oil being RSPO-certified palm oil, and that have no deforestation policy; or
 - are not RSPO members and derive more than 5% of their revenues from palm oil with less than 50% of this oil being RSPO-certified palm oil, and that have no deforestation policy.
 - Buyers that:
 - are not RSPO members and whose revenues are dependent on palm oil for more than 5%, with less than 50% of this oil being RSPO-certified palm oil, and that have no deforestation policy.

From:

- Thermal Coal:



- (1) Revenues > 5% and
- (2) no SBTi target set at well-below 2°C or 1.5°C, or have a SBTi 'Business Ambition for 1.5°C' commitment and
- (3) more than 10% of CapEx dedicated to thermal coal-related activities or less than 10% with the objective of increasing revenue and
- (4) have less than 50% of CapEx dedicated to contributing activities

To:

- Thermal Coal:
 - Companies with >1% revenues from coal extraction
 - Companies with >1% revenues in supporting products and services to the coal industry
 - Companies with >5% revenues from coal power generation
 - Companies developing new projects in coal extraction, coal power generation or coal transportation
 - Companies with a coal power generation capacity above 5 GW

From:

- Unconventional Oil & Gas:
 - (1) Revenues > 5% and
 - (2) no SBTi target set at well-below 2°C or 1.5°C, or have a SBTi 'Business Ambition for 1.5°C' commitment and
 - (3) have less than 50% of CapEx dedicated to contributing activities

If the issuer does respect at least one of these criteria, it is compliant with Febelfin requirements.
- Conventional Oil & Gas:
 - Revenues > 5% and
 - no SBTi target set at well-below 2°C or 1.5°C, or have a SBTi 'Business Ambition for 1.5°C' commitment and
 - more than 15% of CapEx dedicated to thermal coal-related activities or less than 15% with the objective of increasing revenue and
 - have less than 15% of CapEx dedicated to contributing activities

If the issuer does respect at least one of these criteria, it is compliant with Febelfin requirements

To:

- Unconventional and Conventional Oil & Gas:
 - Companies with >5% revenues from extraction, refining and transportation of conventional or unconventional O&G
 - Companies with >25% revenues from O&G related activities such as supporting products/services, distribution, retail, petrochemicals and equipments

Companies with expansion or exploration plans for new oil and gas projects



From:

- Electricity Generation*:
 - (1) no SBTi target set at well-below 2°C or 1.5°C, or have a SBTi 'Business Ambition for 1.5°C' commitment and
 - (2) Derive less than 50% of its revenues from contributing activities
 - (3) have less than 50% of CapEx dedicated to contributing activities
 If the issuer does respect at least one of these criteria, it is compliant with Febelfin requirements.
- (4) Carbon Intensity > 393 (gCO2/kWh)*
- *In 2022, 2023, 2024 & 2025, the following new thresholds will be applicable: Carbon intensity > 374, 354, 335 & 315 (gCO2/kWh)

To:

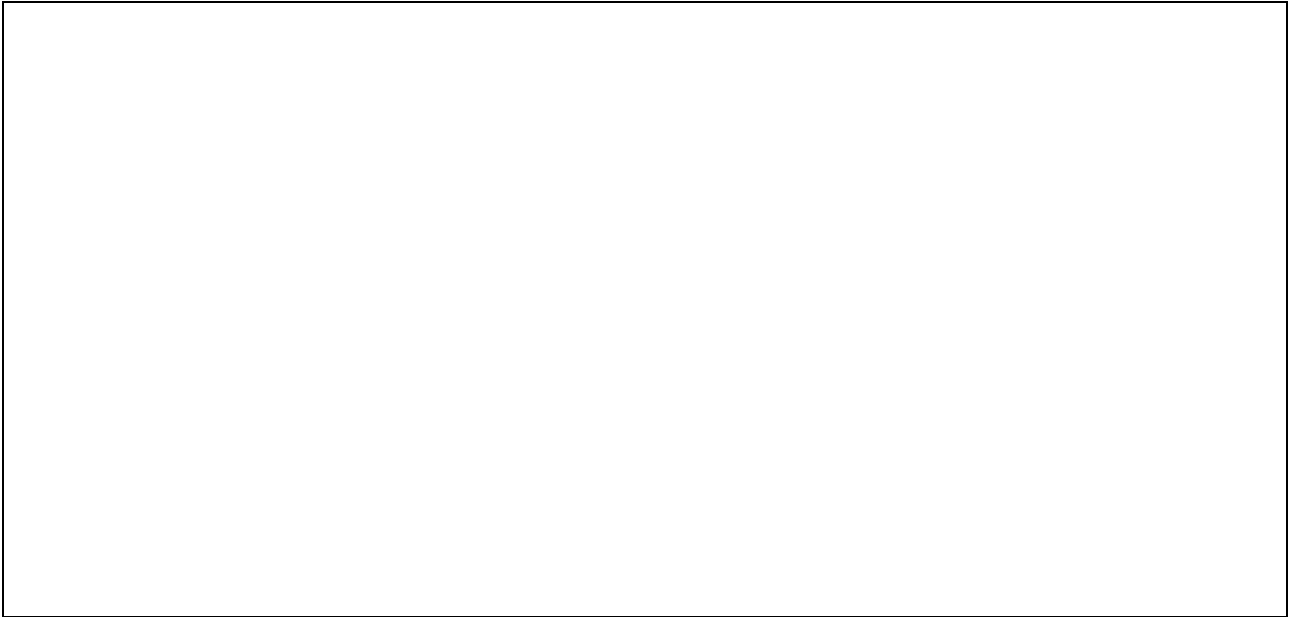
- Electricity Generation:
 - Companies with new coal or nuclear-based projects
 - Carbon intensity above 279gCO2/kWh
 - Companies deriving 50% or more of their revenues from electricity generation sources with a carbon intensity above 100 gCO2e/kWh⁴

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 Candriam Factors Sustainable Equity Indices 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 *2025-02-21*

[Subject to feedback received on this Market Consultation, the changes mentioned above are intended to become effective on *2025-03-07*.

Please send your feedback via email to marketconsultation@solactive.com, specifying "Market Consultation Solactive Candriam Factors Sustainable Equity Indices" the subject of the email, or

via postal mail to: Solactive AG
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60327 Frankfurt am Main
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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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