

# MARKET CONSULTATION- SOLACTIVE CLEAN WATER INDUSTRY V2 INDEX

20 March 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 Index (the 'Index'):

NAME	RIC	ISIN
Solactive Global Clean Water Industry v2 Index PR	.SOAQWAP2	DE000SLOCZR1
Solactive Global Clean Water Industry v2 Index NTR	.SOAQWA2	DE000SLOCZS9
Solactive Global Clean Water Industry v2 Index GTR	.SOAQWAT2	DE000SLOCZT7

## Rationale for the Market Consultation

In order to align with the proposed ESMA regulations, funds linked to the Solactive Clean Water Industry v2 Index that are marketed to investors within Europe must comply with the new requirements for specific naming conventions of these funds. As an index provider, Solactive is not explicitly required to abide by these requirements but any products linked to our indices must comply by May 21<sup>st</sup>, 2025. As a result, Solactive is proposing an alignment with the new regulations to ensure that the regulatory transition of linked products remain smooth for the end users of the index.

## Proposed Changes to the Index Guideline

The following Methodology changes are proposed in the following points of the Index Guideline 2.2 Selection of the Index Components:

*From:*

Based on the INDEX UNIVERSE, the initial composition of the INDEX as well as any selection for an ordinary rebalance is determined on the SELECTION DAY in accordance with the following rules (the "**INDEX COMPONENT REQUIREMENTS**"):

The selection is done based on screening of publicly available information such as financial news, business profiles, and company publications using ARTIS®, SOLACTIVE's proprietary natural language processing algorithm.

Using keywords that describe the index theme, ARTIS® identifies companies that have or are expected to have significant exposure to the provision of products and/or services that contribute to the clean water industry.

The algorithm then ranks the companies according to the frequency with which the company is referenced in relation to the specific keywords ("Index Score"). Companies are only eligible if they generate at least



50% of their revenues from clean water industry related business operations. This may include companies involved in:

1. Industrial water treatment, recycling (including water reclamation), purification, and conservation
2. Water storage, transportation, metering, and distribution infrastructure
3. Production of household and commercial water purifier and heating products
4. Provision of consulting services identifying and implementing water efficiency strategies at the corporate and municipal levels.

The companies selected after completion of the above steps will be evaluated on the criteria outlined below. The evaluation is based on data provided by the DATA PROVIDER:

- UN Global Compact Principles
  - Non-Compliance with the UNGC
- Controversial Weapons
  - Companies involved in the production development or maintenance of Anti-personnel Mines, Biological or chemical weapons, Cluster munitions, Depleted uranium, Nuclear Weapons, or any other weapon that violate humanitarian principles through normal use
  - Companies that produce or develop key and dedicated components for controversial weapons
  - Companies involved in the production and/or services tailor made for the defence industry or the military
  - Companies that hold  $\geq 20\%$  stake in a company that is involved in controversial weapons
  - Companies currently  $\geq 50\%$  owned by a company that is involved in controversial weapons
- Small Arms
  - $>5\%$  of their revenue from the production or distribution of arms, both public and private
- Thermal Coal
  - 10% revenues from the exploration mining or refining of thermal coal
  - Companies that base 30% or more of their operations on thermal coal
  - Companies that produce  $>20$  million tons of thermal- coal annually and are actively expanding
- Conventional Oil & Gas
  - $>5\%$  revenue from conventional oil and gas production, including natural gas, petroleum, and crude oil
  - Companies building or operating pipelines that significantly facilitate export of conventional oil and gas
- Unconventional Oil & Gas
  - $>5\%$  revenues from unconventional oil and gas production, including revenues from oil sands, oil shale, shale gas and oil and gas production in the arctic regions



- Companies building or operating pipelines that significantly facilitate export of unconventional oil and gas
- Palm Oil
  - Companies that are involved in systematic unsustainable palm oil production
- Prisons
  - Private companies that are involved in management or ownership of prisons
- Adult Entertainment
  - >0% revenue from production of adult entertainment
  - >5% revenues from the distribution of adult entertainment
- Recreational Cannabis & Tobacco
  - >5% revenues from recreational cannabis
  - >0% revenues from tobacco manufacturing
  - >5% revenue from tobacco distribution and/or sale of tobacco products
- Alcohol
  - >0% revenues from the production of alcoholic beverages including ingredients solely used in alcoholic beverages
  - >5% revenues from the distribution of alcoholic beverages or alcoholic related services
- Gambling
  - >0% revenues from owning or operating gambling establishments
  - >5% revenues from providing supporting products/services to gambling operations

>5% revenues from manufacturing specialized equipment used exclusively for gambling

(...)

To:

Based on the INDEX UNIVERSE, the initial composition of the INDEX as well as any selection for an ordinary rebalance is determined on the SELECTION DAY in accordance with the following rules (the "**INDEX COMPONENT REQUIREMENTS**"):

The selection is done based on screening of publicly available information such as financial news, business profiles, and company publications using ARTIS®, SOLACTIVE's proprietary natural language processing algorithm.

Using keywords that describe the index theme, ARTIS® identifies companies that have or are expected to have significant exposure to the provision of products and/or services that contribute to the clean water industry.

The algorithm then ranks the companies according to the frequency with which the company is referenced in relation to the specific keywords ("Index Score"). Companies are only eligible if they generate at least 50% of their revenues from clean water industry related business operations. This may include companies involved in:



5. Industrial water treatment, recycling (including water reclamation), purification, and conservation
6. Water storage, transportation, metering, and distribution infrastructure
7. Production of household and commercial water purifier and heating products
8. Provision of consulting services identifying and implementing water efficiency strategies at the corporate and municipal levels.

The companies selected after completion of the above steps will be evaluated on the criteria outlined below. The evaluation is based on data provided by the DATA PROVIDER:

- UN Global Compact Principles
  - Non-Compliance with the UNGC.
- Controversial Weapons
  - Companies involved in the production development or maintenance of Anti-personnel Mines, Biological or chemical weapons, Cluster munitions, Depleted uranium, Nuclear Weapons, White Phosphorous weapons or any other weapon that violate humanitarian principles through normal use.
  - Companies that produce or develop key and dedicated components for controversial weapons.
  - Companies that hold  $\geq 20\%$  stake in a company that is involved in controversial weapons.
  - Companies currently  $\geq 50\%$  owned by a company that is involved in controversial weapons.
- Conventional Weapons
  - Companies involved in the production and/or maintenance of conventional weapons or military products designed for lethal use.
  - Companies that hold  $\geq 20\%$  stake in a company that is involved in conventional weapons or military products designed for lethal use.
  - Companies currently  $\geq 50\%$  owned by a company that is involved in conventional weapons or military products designed for lethal use.
- Small Arms
  - $>5\%$  of their revenue from the production or distribution of arms, both public and private.
- Thermal Coal
  - $>1\%$  revenues from exploration, mining, extraction, distribution or refining of hard coal and lignite
  - Companies that base 30% or more of their operations on thermal coal.
  - Companies that produce  $>20$  million tons of thermal coal annually and are actively expanding.
- Conventional & Unconventional Oil
  - $>5\%$  revenue from exploration, extraction, distribution or refining of conventional & unconventional oil.



- Companies building or operating pipelines that significantly facilitate export of conventional & unconventional oil.
- Fossil-Based Gaseous Fuel
  - >5% revenues from exploration, extraction, manufacturing or distribution of fossil-based gaseous fuels.
  - Companies building or operating pipelines that significantly facilitate export of fossil-based gaseous fuels.
- Power Generation
  - >5% revenue from electricity production with a greenhouse gas intensity exceeding 100 g CO2e/kWh, including but not limited to generation from thermal coal, conventional and unconventional oil, natural gas, peat, and non-sustainable biomass and biofuels.
- Palm Oil
  - Companies that are involved in systematic unsustainable palm oil production
- Prisons
  - Private companies that are involved in management or ownership of prisons
- Adult Entertainment
  - >0% revenue from production of adult entertainment
  - >5% revenues from the distribution of adult entertainment
- Recreational Cannabis & Tobacco
  - >5% revenues from recreational cannabis
  - >0% revenues from tobacco manufacturing
  - >5% revenue from tobacco distribution and/or sale of tobacco products
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  - >0% revenues from the production of alcoholic beverages including ingredients solely used in alcoholic beverages
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  - >0% revenues from owning or operating gambling establishments
  - >5% revenues from providing supporting products/services to gambling operations
  - >5% revenues from manufacturing specialized equipment used exclusively for gambling

(...)

### 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 Clean Water Industry v2 Index 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 *2025-04-03*.

[Subject to feedback received on this Market Consultation, the changes mentioned above are intended to become effective on *2025-04-18*.



## Market Consultation- Solactive Clean Water Industry v2 Index

Please send your feedback via email to [marketconsultation@solactive.com](mailto:marketconsultation@solactive.com), specifying "Market Consultation- Solactive Clean Water Industry v2 Index" as the subject of the email, or

via postal mail to: Solactive AG  
Platz der Einheit 1  
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.

# CONTACT

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