

Market Consultation Solactive J.P. Morgan Asset Management China Carbon Transition Index

27 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 Indices

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| **NAME** | **RIC** | **ISIN** |
| Solactive J.P. Morgan Asset Management China Carbon Transition Index PR | .SJPMCCTP | DE000SL0GMQ2 |
| Solactive J.P. Morgan Asset Management China Carbon Transition Index NTR | .SJPMCCTN | DE000SL0GMR0 |
| Solactive J.P. Morgan Asset Management China Carbon Transition Index GTR | .SJPMCCTT | DE000SL0GMS8 |

**Rationale for the Market Consultation**

Solactive J.P. Morgan Asset Management China Carbon Transition Index is a rules-based, Carbon transition benchmark index that targets subset of the Solactive GBS China Large & Mid Cap USD Index that meet minimum exclusions standards for EU Climate Transition Benchmarks. Selected securities are weighted based on a multi-stage process which takes into consideration relative market capitalization weights, constraints on individual stock liquidity, Carbon Transition Percentiles and concentration risks while trying to minimize turnover and meet EU Climate Transition Benchmark rules.

Proposed changes add Re-allocate to High Carbon Transition Score Equities sub section in Section 2.3 (Weighting of Index components)

In addition to achieving the target WACI (weighted average Carbon Intensity) this step adds the Carbon Transition Score target for Rebalance which is minimum target CTS for the Index.In this step If the current Carbon Transition Score 𝐶𝑇𝑆𝑝 is <𝐶𝑇𝑆𝑡, then the Index re-allocates weights from Equities with low Carbon Transition Score to Equities with higher Carbon Transition Score until the Index CTS in Rebalance greater than or equal to the target 𝐶𝑇𝑆𝑡.

With the above changes added the step Increase Factor Exposure from section 2.3 which increased the average Carbon Transition Percentile of the Index until minimum Turnover of 6% is reached is removed as it is not required to be implemented.

**Proposed Changes to the Index Guideline**

The following Methodology changes are proposed in the following points of the Index Guideline.

*Add 2.3.11.1 Re-allocate to High Carbon Transition Score Equities*

Section 6 defines the Carbon Transition Score target for the Rebalance period 𝐶𝑇𝑆𝑡, which is the minimum target CTS of the index

If the current Carbon Transition Score 𝐶𝑇𝑆𝑝 is <𝐶𝑇𝑆𝑡, then the Index re-allocates away from Equities with low Carbon Transition Score to Equities with higher Carbon Transition Score until the Index CTS matches the target 𝐶𝑇𝑆𝑡.

To achieve this goal, the Index attempts to minimize the number of transactions by finding the pair trade that will yield the largest impact on Index Carbon Transition Score given all trading constraints from previous steps and no negative impact on Index WACI. In addition to isolating the trades to a particular Bucket so previously implemented constraints are not breached; the Index also ensures the allocation to high impact sub-sectors is always higher than or equal to the Investable Universe throughout the iteration.

𝛾𝑚𝑎𝑥 is the Maximum Turnover Threshold= 20%

For each iteration j, measure the Index Carbon Transition Score CTS.

For each iteration, compute each Equity’s capacity to increase weight cb𝑖 and capacity to reduce weight cs𝑖.

Additionally, for Equities where the Index currently has no allocation, 𝑤6𝑖=0, it must also ensure that new allocations are above the Minimum New Investment Threshold 𝑤min.

Next, compute the top pair in each combination of Bucket and high/low impact by finding the Equity with the lowest Carbon Transition Score that has capacity to reduce weight and the Equity with the highest Carbon Transition Score with capacity to increase weight, making sure the CI of the name to reduce weight is higher or equal to the CI of the name to increase weight or the maximum weighted CI of the name to increase weight is lower than the difference between the current Index WACI and Target WACI, ensuring the Target WACI cannot be breached:

The difference in Carbon Transition Score between the Equity with the lowest Carbon Transition Score and the Equity with the highest Carbon Transition Score is noted as . The trade size is the lower of the capacity to increase weight cb𝑖 and capacity to reduce weight cs𝑖.

For security to reduce weight.

For security to increase weight.

*Add Carbon Transition Score Target in Section 6 Definitions*

“Carbon Transition Score Target” A Carbon Transition score is calculated at the benchmark level to be used in the calculation of the Carbon Transition Score target of the index.

The Carbon Transition Score target is calculated to ensure there is a minimum increase in CT score in the portfolio versus the benchmark:

Where:

is the minimum adjustment and is set to 0.4.

***Remove sub section Increase Factor Exposure in Section 2.3. WEIGHTING OF THE INDEX COMPONENTS***

**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.

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| --- | --- |
| 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 J.P. Morgan Asset Management China Carbon Transition 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 2025-04-09.

Please send your feedback via email to [marketconsultation@solactive.com](mailto:marketconsultation@solactive.com), specifying “**Market Consultation** Solactive J.P. Morgan Asset Management China Carbon Transition 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

Solactive AG

German Index Engineering

Platz der Einheit 1

60327 Frankfurt am Main

Germany

Tel.: +49 (0) 69 719 160 00

Fax: +49 (0) 69 719 160 25

Email: [info@solactive.com](mailto:info@solactive.com)

Website: [www.solactive.com](http://www.solactive.com)

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