

MARKET CONSULTATION SOLACTIVE LLOYD GROWTH EQUITY INDEX

10 October 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 Lloyd Growth Equity Index CNTR	.SGEPNTRC	DE000SLOK310
Solactive Lloyd Growth Equity Index PR	.SGEPPRP	DE000SLOK302
Solactive Lloyd Growth Equity Index TR	.SGEPTRT	DE000SLOK328

Rationale for the Market Consultation

Solactive want to amend the methodology of the Indices to better serve its purpose: representing securities that show outstanding potential in growth of their earning power. We want to make the index technology intensive and adjust selection factors to give selection party better tools to serve the index purpose.

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:

1.1 Scope of the Index

Strategy:

From:

Representation of securities with strong and superior growth of their earning power trading at a price that provides a margin of safety over their intrinsic value.

To:



"Representation of securities with superior growth of their earning power."

2.1 Index Universe Requirements

From:

- The security must be a common stock listed on a regulated exchange.
- Securities are excluded if they fall into the following categories:
 - o Financial sectors, including Bank and Insurance.
 - o Countries of domicile classified as EMERGING MARKETS.
- The total fiscal year revenue over the five years must be equal to or larger than USD 10 million.
- The six-month average of weekly MARKET CAPITALIZATION must be equal to or larger than USD 3000 million.
- Profitability screen criteria:
 - o The median of fiscal year Operating Margin over the five to ten years must be larger than 7%.
 - o The minimum of the fiscal year EBITDA over the last five years must be larger than 0.
 - o The average of the Return on Investment (ROI) over the five to ten years must be larger than 10%. In case of missing ROI, the average of the Return on Asset over the five to ten years must be larger than 7%.
- Balance Sheet screen criteria:
 - o The long-term Debt over EBITDA (excluding operating lease activities) must be less than 2, except for DEFENSIVE BUSINESSES.
- Growth screen criteria:
 - o The average annual Cash Flow per Share growth over ten years must be greater than 0.

Any excluded security can be eligible for the inclusion in case of the following factors by the APPROVAL COMMITTEE within the SELECTION PARTY:

- Missing or distorted accounting data that needs adjustment.



- Large investments in new/growing markets, that makes the reported profit not representative of the underlying profitability of the core business.
- DEFENSIVE BUSINESSES that may carry high debt levels.
- Historical reported numbers that is non-representative of the current situation.
- Securities with above average Return on Tangible Equity, Solvency Ratio, and Credit Rating if they are in Financial sectors, including Bank and Insurance.
- Securities with country of domicile classified as EMERGING MARKETS that show outstanding COMBINED RATIO and MARGIN OF SAFETY.
- Securities classified as "Super Growers", defined as securities with an expected revenue growth of at least 20% over the next 5 years or at least 15% over the next 10 years, while demonstrating current positive Free Cash Flow (FCF).

[...]

To:

[...]

- The security must be a common stock listed on a regulated exchange.
- Securities are included if they fall into the following categories:
 - o Information Technology,
 - o Communication Services.
- Securities are excluded if they fall into the following categories:
 - o Countries of domicile classified as EMERGING MARKETS.
- The total fiscal year revenue in the last year must be equal to or larger than USD 1000 million.
- The six-month average of weekly MARKET CAPITALIZATION must be equal to or larger than USD 3000 million.
- Profitability screen criteria:
 - o The Free cash flow expected in the next 12 months must be larger than 0.

Any excluded security can be eligible for the inclusion in case of the following factors by the APPROVAL COMMITTEE within the SELECTION PARTY:

- Missing or distorted accounting data that needs adjustment.



- Historical reported numbers that is non-representative of the current situation.
- Securities with country of domicile classified as EMERGING MARKETS that show outstanding COMBINED RATIO and GROWTH SCORE.
- Securities that do not belong to the eligible sectors specified in Section 2.1 but are either digital platforms or that have proprietary high technologies as a core component of their business model and value creation.
- Securities that do not belong to the eligible sectors specified in Section 2.1 but that show both outstanding COMBINED RATIO and GROWTH SCORE

[...]

2.2 Selection of the Index Components

From:

[...]

On the RECONSTITUTION DAY for a REBALANCE (as specified in Section 3):

I. Earning Power Risk Score

Using the components of the INDEX UNIVERSE, the COMBINED EARNING POWER RISK SCORE is calculated as the average of the following risk scores:

- BUSINESS STABILITY RISK SCORE. Initially, each INDEX component receives a score of 3 or below if the Free Cash Flow Volatility exceeds the average of the INDEX UNIVERSE Free Cash Flow Volatility. Subsequently, the APPROVAL COMMITTEE within the SELECTION PARTY considers factors such as the lumpiness of ordering for the final product, cyclicalities, and seasonality in conjunction with the initial score to calculate the final BUSINESS STABILITY RISK SCORE within the range of 1 to 5.
- BINARY RISK SCORE. Initially each INDEX component receives a score below 3 if its industry falls within the following list, otherwise it receives a score of 3:

Industry



Biotechnology, Casinos /Gaming, Precious Metals, Other Metals /Minerals, Oil & Gas Production, Semiconductors, Pharmaceuticals: Major, Electric Utilities, Water Utilities, Medical Specialties

Subsequently, the APPROVAL COMMITTEE within the SELECTION PARTY assesses narrow Products / market exposure, material exposure to tail risk, and the customers concentration in conjunction with the initial score to calculate the final BINARY RISK SCORE within the range of 1 to 5.

- **ACCOUNTING RISK SCORE.** Initially each INDEX component receives a score below 3 if its domicile country is not within the US, Western European countries, and Australia / New Zealand. The APPROVAL COMMITTEE within the SELECTION PARTY then evaluates factors such as the proportion of accruals compared to cash accounting, identified aggressive accounting practices, and disclosure level, considering the initial scores to determine the final ACCOUNTING RISK SCORE within the range of 1 to 5.
- **DISRUPTION AND COMPETITIVE POSITION RISK SCORE.** Each INDEX component receives a score above 3 if it has strong protection against outsider's entry and incumbent expansion, and a low chance of emerging competitors and alternative products. Conversely, it receives a score below 3 if it has weak protection against outsider's entry and incumbent expansion, and a high chance of emerging either competitors or alternative products.
- **PRODUCTS / SERVICES CRITICALITY RISK SCORE.** Initially each INDEX component receives a score below and above 3 if its industry falls within the following categories, otherwise it receives a score of 3:

score	Industry
Below 3	Beverages: Non-Alcoholic, Beverages: Alcoholic, Movies/Entertainment, Hotels/Resorts/Cruise lines, Restaurants, Other Consumer Services, Media Conglomerates, Apparel/Footwear
Above 3	Chemicals: Major Diversified, Chemicals: Specialty, Chemicals: Agricultural, Hospital/Nursing Management, Biotechnology, Pharmaceuticals: Major, Semiconductors, Medical Specialties

Subsequently, using the initial score, the APPROVAL COMMITTEE within the SELECTION PARTY assesses factors such as the degree of commoditization, level of criticality, and ease of replication for each security to calculate the final PRODUCTS / SERVICES CRITICALITY RISK SCORE within the range of 1 to 5.

Securities with a COMBINED EARNING POWER RISK SCORE above 3 qualify for inclusion.



On any SELECTION DAY for an ordinary rebalance:

II. Final Score

Using the remaining securities from the previous step on the RECONSTITUTION DAY, the COMBINED RATIO is calculated as the following formula:

$$\text{Combined Ratio} = 0.4 * (\text{Margin of Safety}) + 0.4 * (\text{4M Score}) + 0.2 * (\text{Risk Metric})$$

[...]

To:

[...]

On the RECONSTITUTION DAY for a REBALANCE (as specified in Section 3):

I. Combined Risk Score

Using the components of the INDEX UNIVERSE, the COMBINED RISK SCORE is calculated as the average of the following risk scores:

- LOW-GROWTH RISK SCORE. Initially, each INDEX component receives a score of 3 or below if the Revenue growth is below 5%. Subsequently, the APPROVAL COMMITTEE within the SELECTION PARTY considers factors such as the acceleration/deceleration (recent past and near future) of the growth rate for the securities and/or its peers to calculate the final LOW GROWTH RISK SCORE within the range of 1 to 5.
- DISRUPTION RISK SCORE. Each INDEX component receives a score above 3 if no alternative currently exists to the securities' product and service, if no innovation can credibly replace the securities product and service in the 10 years and/or can materially weaken the growth rate of the securities within the next 5 years.
- ACCOUNTING RISK SCORE. Initially each INDEX component receives a score below 3 if its domicile country is not within the US, Western European countries, and Australia / New Zealand. The APPROVAL COMMITTEE within the SELECTION PARTY then evaluates factors such as the proportion of accruals compared to cash accounting, identified aggressive accounting practices, and disclosure level, considering the initial scores to determine the final ACCOUNTING RISK SCORE within the range of 1 to 5.
- POLITICAL & REGULATORY RISK SCORE. Initially, each INDEX component receives a score below 3 if its the securities or its sectors peers have seen their business practices heavily modified



by the political and regulatory authorities or if heavy fines have been imposed. The APPROVAL COMMITTEE within the SELECTION PARTY then assesses the elements that could change past regulatory practices and affect exposure to political risk in order to determine the final POLITICAL & REGULATORY RISK SCORE.

- **COMPETITIVE POSITION RISK SCORE.** Each INDEX component receives a score above 3 if it has strong protection against outsiders' entry and incumbent expansion, and a low chance of emerging competitors and alternative products. Conversely, it receives a score below 3 if it has weak protection against outsider's entry and incumbent expansion, and a high chance of emerging either competitors or alternative products.
- **PRODUCTS / SERVICES CRITICALITY RISK SCORE.** Initially each INDEX component receives a score below and above 3 if its industry falls within the following categories, otherwise it receives a score of 3:

score	Industry
Below 3	Entertainment, Hotels, Restaurants & Leisure Media
Above 3	Communications Equipment, Health Care Technology, Semiconductors & Semiconductor Equipment, Electronic Equipment, Instruments & Components, Telecommunication

Subsequently, using the initial score, the APPROVAL COMMITTEE within the SELECTION PARTY assesses factors such as the degree of commoditization, level of criticality, and ease of replication for each security to calculate the final PRODUCTS / SERVICES CRITICALITY RISK SCORE within the range of 1 to 5. The APPROVAL COMMITTEE will also assess on a case-by-case basis the degree of product and service criticality for the securities belonging to categories other than the one listed above.

Securities with a COMBINED RISK SCORE above 3 are eligible for potential inclusion in the INDEX.

On any SELECTION DAY for an ordinary rebalance:

II. Final Score

Using the remaining securities from the previous step on the RECONSTITUTION DAY, the COMBINED RATIO is calculated as the following formula:

$$\text{Combined Ratio} = 0.2 * (\text{Margin of Safety}) + 0.6 * (\text{4M Score}) + 0.2 * (\text{Risk Metric})$$

[...]

2.3 WEIGHTING OF THE INDEX COMPONENTS



From:

[...]

Newly introduced INDEX COMPONENTS are assigned a weight by the APPROVAL COMMITTEE according to the following rules:

Securities with a COMBINED RATIO larger than 4 and a MARGIN OF SAFETY larger than 30%, are eligible to the HIGH WEIGHT SECURITIES SLIVER and receive a weight between 3% and 10% by the APPROVAL COMMITTEE.

Securities with a COMBINED RATIO equal to 3 and a MARGIN OF SAFETY equal to 20%, are considered eligible to the LOW WEIGHT SECURITIES SLIVER and receive a weight between 1% and 4% by the APPROVAL COMMITTEE.

[...]

To:

[...]

Securities with a COMBINED RATIO larger than 4 or a GROWTH SCORE RATIO equal to or above 3.5 are eligible to the HIGH WEIGHT SECURITIES SLIVER and receive a weight between 3% and 10% by the APPROVAL COMMITTEE.

Securities with a COMBINED RATIO equal to 3 or a MARGIN OF SAFETY equal to 20%, are considered eligible to the LOW WEIGHT SECURITIES SLIVER and receive a weight between 1% and 4% by the APPROVAL COMMITTEE.

On each following SELECTION DAY each INDEX COMPONENT is assigned a weight by the APPROVAL COMMITTEE subject to the following rules:

Any INDEX COMPONENT that has not been an INDEX COMPONENT on the previous SELECTION DAY and meets the requirement to be in the HIGH WEIGHT SECURITIES SLIVER or LOW WEIGHT SECURITIES SLIVER groups, receive weights according to their group by the APPROVAL COMMITTEE.

Current INDEX COMPONENT weights remain unchanged, unless:

- The COMBINED RATIO of any current INDEX COMPONENT within the HIGH WEIGHT SECURITIES SLIVER falls below 2.5 or if its GROWTH SCORE decreases below 3, it will be eligible to be excluded or downgraded to LOW WEIGHT SECURITIES SLIVER with a weight ranging from 1% to 4% by the APPROVAL COMMITTEE.
- The COMBINED RATIO of any INDEX COMPONENT within the LOW WEIGHT SECURITIES SLIVER rises above 4 or if its GROWTH SCORE RATIO rises above 3.5, it will be eligible to be included or



upgraded to the HIGH WEIGHT SECURITIES SLIVER with a weight between 3% and 10% by the APPROVAL COMMITTEE.

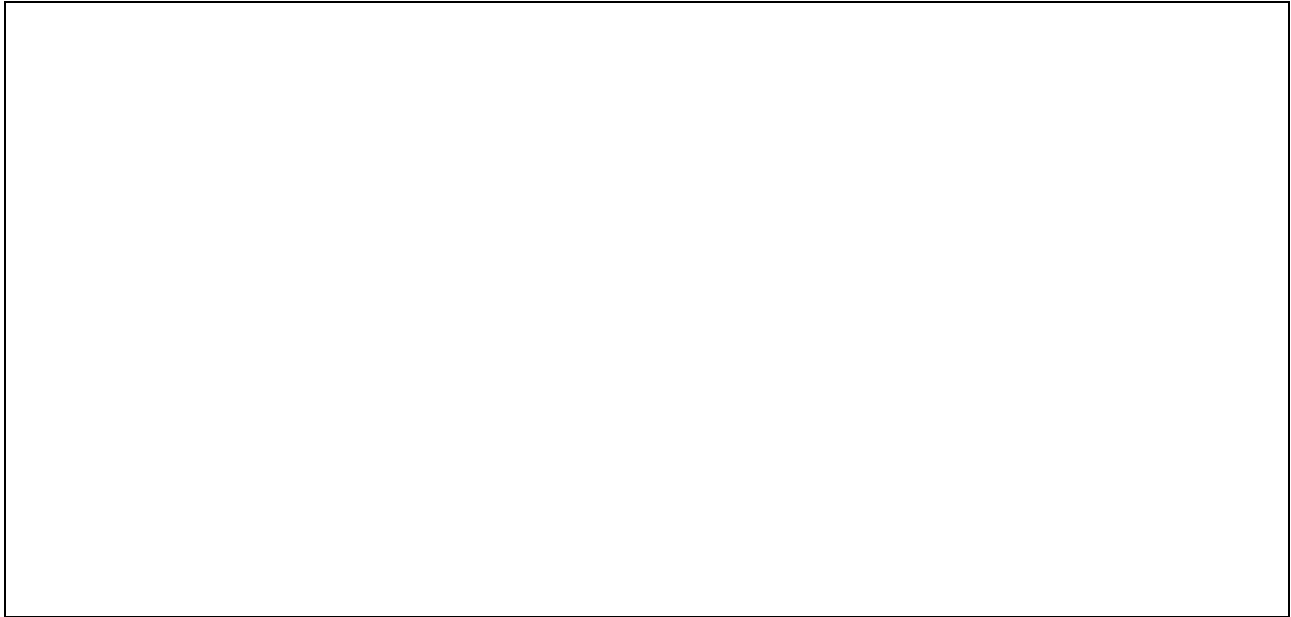
[...]

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 Lloyd Growth Equity 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 *2025-10-24*.

[Subject to feedback received on this Market Consultation, the changes mentioned above are intended to become effective on *2025-11-07*.

Please send your feedback via email to marketconsultation@solactive.com, specifying "Market Consultation Solactive Lloyd Growth Equity 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.

