SOLACTIVE
German Index Engineering

# EXPLANATION OF HOW KEY ELEMENTS OF THE BENCHMARK METHODOLOGY REFLECT ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG) FACTORS

## Solactive ISS Emerging Markets Carbon Reduction & Climate Improvers Index PR

This document provides an explanation of how the key elements of the benchmark methodology reflect ESG factors. It is compiled in accordance with the requirements of point (d) of Article 13 (1) of Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 (the "Benchmarks Regulation") and of the Commission Delegated Regulation (EU) 2020/1817.

## General Information

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| **Name of the benchmark administrator** | Solactive AG |
| **Type of benchmark or family of benchmarks** | Equity |
| **Name of the benchmark or family of benchmarks** | Solactive ISS Emerging Markets Carbon Reduction & Climate Improvers Index PR |
| **Does the benchmark methodology for the benchmark or family of benchmarks take into account ESG factors?** | Yes |

## ESG Factors Applied in the Benchmark Methodology

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| **List of environmental factors considered** | > This index is derived from the Solactive ISS ESG Screened Emerging Markets Index PR (ISIN: DE000SLA7XD4) ("underlying index"). Therefore, Environmental, Social, Governance Methodological Considerations applied for the underlying index are also applied to this index. Link to the underlying index: https://www.solactive.com/indices/?se=1&index=DE000SLA7XD4<br><br>> Securities not included in the Index Universe of the Solactive ISS ESG Screened Emerging Markets Index PR but part of the Index Universe of the Solactive GBS Emerging Markets Large & Mid Cap USD Index PR (ISIN: DE000SLA75V2) are selected if they are committed to set Science-Based Targets while not violating any of the criteria outlined below: - Exclusion of companies with verified ongoing failure to respect established international norms. The core normative framework consists of the Principles of the UN Global Compact, the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles for Business and Human Rights. - Exclusion of companies with verified ongoing involvement in the area of controversial weapons (including chemical, biological and nuclear weapons (both under and outside the Treaty on the Non-Proliferation of Nuclear Weapons), depleted uranium munitions, cluster munitions, and anti-personnel mines).<br><br>> On each Selection Day each Index Component is assigned an initial weight according to Free Float Market Capitalization. This initial weight is then tilted based on the Carbon Risk Rating of the Index Component. The tilting is applied as follows: Climate Leader (Tilt = 1.5), Climate Performer (Tilt = 1.25), Climate Underperformer (Tilt = 0.75), Climate Laggard (Tilt = 0.5). All companies for which an evaluation is not possible due to insufficient and/or missing information or data are not tilted<br><br>> Additionally, on each Selection Day the Carbon Intensity of each Index Component is calculated. Final weights are the derived by applying an optimization based on the tilted weights (in line with Carbon Risk Rating) to achieve a carbon reduction of 60% compared to the Solactive GBS Emerging Markets Large & Mid Cap USD Index PR and an annual minimum Carbon Intensity reduction of 7% compared to the Carbon Intensity of the Index on the Base Day in a geometric progression. |

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| **List of social factors considered** | > This index is derived from the Solactive ISS ESG Screened Emerging Markets Index PR (ISIN: DE000SLA7XD4) ("underlying index"). Therefore, Environmental, Social, Governance Methodological Considerations applied for the underlying index are also applied to this index. Link to the underlying index: https://www.solactive.com/indices/?se=1&index=DE000SLA7XD4<br><br>> Securities not included in the Index Universe of the Solactive ISS ESG Screened Emerging Markets Index PR but part of the Index Universe of the Solactive GBS Emerging Markets Large & Mid Cap USD Index PR (ISIN: DE000SLA75V2) are selected if they are committed to set Science-Based Targets while not violating any of the criteria outlined below: - Exclusion of companies with verified ongoing failure to respect established international norms. The core normative framework consists of the Principles of the UN Global Compact, the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles for Business and Human Rights. - Exclusion of companies with verified ongoing involvement in the area of controversial weapons (including chemical, biological and nuclear weapons (both under and outside the Treaty on the Non-Proliferation of Nuclear Weapons), depleted uranium munitions, cluster munitions, and anti-personnel mines). |
| **List of governance factors considered** | > This index is derived from the Solactive ISS ESG Screened Emerging Markets Index PR (ISIN: DE000SLA7XD4) ("underlying index"). Therefore, Environmental, Social, Governance Methodological Considerations applied for the underlying index are also applied to this index. Link to the underlying index: https://www.solactive.com/indices/?se=1&index=DE000SLA7XD4<br><br>> Securities not included in the Index Universe of the Solactive ISS ESG Screened Emerging Markets Index PR but part of the Index Universe of the Solactive GBS Emerging Markets Large & Mid Cap USD Index PR (ISIN: DE000SLA75V2) are selected if they are committed to set Science-Based Targets while not violating any of the criteria outlined below: - Exclusion of companies with verified ongoing failure to respect established international norms. The core normative framework consists of the Principles of the UN Global Compact, the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles for Business and Human Rights. - Exclusion of companies with verified ongoing involvement in the area of controversial weapons (including chemical, biological and nuclear weapons (both under and outside the Treaty on the Non-Proliferation of Nuclear Weapons), depleted uranium munitions, cluster munitions, and anti-personnel mines). |

## Data and Standards used

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| **Data Input** | The data used to construct the index is sourced externally from Institutional Shareholder Services Inc. |
| **Verification and quality of data** | The provider of ESG-related data input is selected by the Administrator based on an assessment of its existing processes in order to ensure the reliability and representativeness of the ESG-related data. The data provider has established processes in accordance with accepted and established market standards that ensure the permanent quality and reliability of the ESG-data provided. |

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| **Reference standards** | International standards referenced by the index methodology are listed in the respective section above. |
| **Information updated on** | 23/02/2024 |
| **Reason for update:** | Initial creation of the report. |

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