

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

Solactive ISS ESG Japan Net Zero Pathway 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

<b>Name of the benchmark administrator</b>	Solactive AG
<b>Type of benchmark or family of benchmarks</b>	Equity
<b>Name of the benchmark or family of benchmarks</b>	Solactive ISS ESG Japan Net Zero Pathway Index PR
<b>Does the benchmark methodology for the benchmark or family of benchmarks take into account ESG factors?</b>	Yes

## ESG Factors Applied in the Benchmark Methodology

<b>List of environmental factors considered</b>	<ul style="list-style-type: none"><li>&gt; 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 and the OECD Guidelines for Multinational Enterprises.</li><li>&gt; Exclusion of companies generating revenues (in proportion to their total revenues) &gt;1% from Coal Mining and Power Generation.</li><li>&gt; Exclusion of companies generating revenues (in proportion to their total revenues) &gt;10% from Fossil fuel Production, Exploration, Distribution, and Services.</li><li>&gt; Exclusion of companies generating revenues (in proportion to their total revenues) &gt;50% from Electric Power Generation from Fossil Fuel Sources.</li><li>&gt; Exclusion of companies with significant negative impact on the Sustainable Development Goal 12: Responsible Consumption and Production, i.e. SDG Impact Rating of <math>\leq -5.1</math>.</li><li>&gt; Exclusion of companies with significant negative impact on the Sustainable Development Goal 13: Climate Action, i.e. SDG Impact Rating of <math>\leq -5.1</math>.</li><li>&gt; Exclusion of companies with significant negative impact on the Sustainable Development Goal 14: Life Below Water, i.e. SDG Impact Rating of <math>\leq -5.1</math>.</li><li>&gt; Exclusion of companies with significant negative impact on the Sustainable Development Goal 15: Life on Land, i.e. SDG Impact Rating of <math>\leq -5.1</math>.</li><li>&gt; Exclusion of companies with an overall ESG Performance Score of D-.</li><li>&gt; Exclusion of companies generating revenues (in proportion to their total revenues) &gt;5% from Oil Sands Production.</li><li>&gt; Each Index Component is assigned an initial weight according to Free Float Market Capitalization. This initial weight is then tilted. The tilting is applied based on Science-based Targets (Ambitious Target or Approved Science-based Target: Tilt = 1; Committed Science-based Target or Non-Ambitious</li></ul>
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	<p>Target: Tilt = 0.5; No Target: Tilt = 0), Climate Disclosure Standards (Exemplifying Standard: Tilt = 1; Meeting Standard: Tilt = 0.67; Partial Alignment: Tilt = 0.33; Standard Unmet: Tilt = 0), and Green Revenue (i.e. Revenues from activities significantly positively contributing to SDG 13: Mitigating Climate Change; Tilt is proportional to relative green revenue, i.e. 0 - 1). All companies for which an evaluation is not possible due to insufficient and/or missing information or data receive a tilt of "0" for the respective Theme. For each Index Component, the tilts for each Theme are added up and added to "1". For the sake of clarity, the resulting maximum overall tilt is "4", the minimum overall tilt is "1".</p> <ul style="list-style-type: none"> <li>&gt; Index Components with an overall tilt &gt; 2.67, as calculated above, shall increase compared to the respective weight in the Parent Index.</li> </ul>
<p><b>List of social factors considered</b></p>	<ul style="list-style-type: none"> <li>&gt; 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 and the OECD Guidelines for Multinational Enterprises.</li> <li>&gt; 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).</li> <li>&gt; Exclusion of companies generating revenues (in proportion to their total revenues) &gt;0% from Tobacco Cultivation and Production.</li> <li>&gt; Exclusion of companies generating revenues (in proportion to their total revenues) &gt;5% from Tobacco.</li> <li>&gt; Exclusion of companies generating revenues (in proportion to their total revenues) &gt;10% from Military Weapons (overall including services and primary use components).</li> <li>&gt; Exclusion of companies generating revenues (in proportion to their total revenues) &gt;0% from Civilian Firearms Production.</li> <li>&gt; Exclusion of companies generating revenues (in proportion to their total revenues) &gt;5% from Civilian Firearms Distribution.</li> <li>&gt; Exclusion of companies with an overall ESG Performance Score of D-.</li> </ul>
<p><b>List of governance factors considered</b></p>	<ul style="list-style-type: none"> <li>&gt; 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 and the OECD Guidelines for Multinational Enterprises.</li> <li>&gt; Exclusion of companies with an overall ESG Performance Score of D-.</li> </ul>

## Data and Standards used

<p><b>Data Input</b></p>	<p>The data used to construct the index is sourced externally from Institutional Shareholder Services Inc.</p>
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<b>Verification and quality of data</b>	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.
<b>Reference standards</b>	International standards referenced by the index methodology are listed in the respective section above.
<b>Information updated on</b>	10/08/2022
<b>Reason for update:</b>	Initial document creation.

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