

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

Solactive Japan ESG Core Index NTR



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

Name of the benchmark administrator	Solactive AG
Type of benchmark or family of benchmarks	Equity
Name of the benchmark or family of benchmarks	Solactive Japan ESG Core Index NTR
Does the benchmark methodology for the benchmark or family of benchmarks take into account ESG factors?	Yes

ESG Factors Applied in the Benchmark Methodology

List of environmental factors considered	<ul style="list-style-type: none">> 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.> Exclusion of companies exposed to Stranded Assets.> Exclusion of companies generating revenues (in proportion to their total revenues) >0% from Thermal Coal Extraction or >0% from electricity generation from Thermal Coal.> Exclusion of companies generating revenues (in proportion to their total revenues) $\geq 10\%$ from Oil & Gas exploration, production, refining, transportation and/or storage or $\geq 10\%$ from provision of tailor-made products and services that support oil and gas exploration, production, refining, transportation and storage or $\geq 10\%$ from generation of electricity from Oil and/or Gas.> Exclusion of companies generating revenues (in proportion to their total revenues) >0% from Oil and Gas exploration in Arctic regions.> Exclusion of companies generating revenues (in proportion to their total revenues) >0% from Oil Sands Extraction.> Exclusion of companies generating revenues (in proportion to their total revenues) >0% from Shale Energy exploration and/or production.> The index consists of the largest companies from certain defined sectors. Additionally, all companies not selected as one of the largest companies from one of the defined sectors, and not classified as one of those sectors, are ranked by their ESG Risk Rating. For clarification, the security with the lowest ESG Risk Rating receives the highest rank. Afterwards, the 35 securities with the highest rank are selected. In case two or more securities have the same rank, the security with the larger Free Float MARKET Capitalization is assigned the higher rank.
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- > Each Index Component is assigned an initial weight according to an ESG adjusted Free Float Market Capitalization. Afterwards, each index Component is assigned to a Selection Group, according to the selection criterion that was passed during the selection process. Each Selection Group is assigned a Target Weight. Within each Selection Group, the initial weights according to the ESG adjusted Free Float Market Capitalization are re-distributed pro-rata to yield weights per Selection Group that match the respective Target Weight.
- > Finally, the Carbon Intensity of the Index Universe is calculated by weighting the Carbon Intensity of the components of the Index Universe by the weight of the respective components of the Index Universe. In addition, the Carbon Intensity of the Index is calculated by weighting the Carbon Intensity of the Index Components by the weight of the respective Index Component. If the Carbon Intensity of the Index is more than 50% of the Carbon Intensity of the Index Universe, the Index Component with the largest Carbon Intensity is removed from the Index. Subsequently, the selection and weighting steps are applied in an iterative process, until the Index has a Carbon Intensity smaller than or equal to 50% the Carbon Intensity of the Index Universe.

List of social factors considered

- > 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.
- > 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).
- > Exclusion of companies generating revenues (in proportion to their total revenues) $\geq 25\%$ from Tobacco products manufacturing or $\geq 25\%$ from supply for Tobacco-related products/services or $\geq 25\%$ from distribution and/or retail sale of Tobacco products.
- > The index consists of the largest companies from certain defined sectors. Additionally, all companies not selected as one of the largest companies from one of the defined sectors, and not classified as one of those sectors, are ranked by their ESG Risk Rating. For clarification, the security with the lowest ESG Risk Rating receives the highest rank. Afterwards, the 35 securities with the highest rank are selected. In case two or more securities have the same rank, the security with the larger Free Float Market Capitalization is assigned the higher rank.
- > Each Index Component is assigned an initial weight according to an ESG adjusted Free Float Market Capitalization. Afterwards, each index Component is assigned to a Selection Group, according to the selection criterion that was passed during the selection process. Each Selection Group is assigned a Target Weight. Within each Selection Group, the initial weights according to the ESG adjusted Free Float Market Capitalization are re-distributed pro-rata to yield weights per Selection Group that match the respective Target Weight.



List of governance factors considered

- > 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.
- > The index consists of the largest companies from certain defined sectors. Additionally, all companies not selected as one of the largest companies from one of the defined sectors, and not classified as one of those sectors, are ranked by their ESG Risk Rating. For clarification, the security with the lowest ESG Risk Rating receives the highest rank. Afterwards, the 35 securities with the highest rank are selected. In case two or more securities have the same rank, the security with the larger Free Float Market Capitalization is assigned the higher rank.
- > Each Index Component is assigned an initial weight according to an ESG adjusted Free Float Market Capitalization. Afterwards, each index Component is assigned to a Selection Group, according to the selection criterion that was passed during the selection process. Each Selection Group is assigned a Target Weight. Within each Selection Group, the initial weights according to the ESG adjusted Free Float Market Capitalization are re-distributed pro-rata to yield weights per Selection Group that match the respective Target Weight.

Data and Standards used

Data Input	The data used to construct the index is sourced externally from Sustainalytics GmbH
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.
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 document creation.

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