

# MARKET CONSULTATION | SOLACTIVE CLEAN WATER INDEX

06 February 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 Clean Water Index PR  | SOLWATRP  | DE000SLA8HB9 |
| Solactive Clean Water Index NTR | .SOLWATR  | DE000SLA6Z81 |
| Solactive Clean Water Index TR  | .SOLWATRT | DE000SLA8HC7 |

## Rationale for the Market Consultation

The market consultation is driven by the need to align the index with new ESMA regulations on fund naming by introducing PAB exclusions, ensuring compliance given its Clean Water designation. Additionally, the methodology is being refined to provide a more granular breakdown of expertise groups within the clean water sector, offering a clearer classification while maintaining the existing revenue thresholds used in the selection process. An IPO inclusion clause is being introduced to allow for the earlier inclusion of IPOs, which may occasionally impact index composition when newly eligible companies meet the criteria. Furthermore, the starting universe will now be sourced from the data provider (GWI) at each selection date rather than relying on a single annual selection in March, enabling a more dynamic and responsive approach to index construction while maintaining its thematic focus.

## 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):

### 1.1.0 INDEX UNIVERSE

*From:*

On each Selection Day that occurs in the month of March, the Index Universe shall be determined based on the data provided by Global Water Intelligence as described below. On each Selection Day that occurs in the month of September, the Index Universe shall remain unchanged from the Index Universe determined on the immediately preceding Selection Day.

*To:*

On each Selection Day that occurs in the month of March and September, the Index Universe shall be determined based on the data provided by Global Water Intelligence as described below.



## 2.1 SELECTION OF THE INDEX COMPONENTS

*From:*

(...)

In respect of each Selection Day, the Calculation Agent shall determine the Index Components in accordance with the methodology described below:

1. If such Selection Day occurs in the month of March, the Calculation Agent shall determine the securities that constitute the Index Universe in accordance with the methodology described in Section 1.10 Index Universe. And, if such Selection Day occurs in the month of September, the Index Universe shall be the same as the Index Universe determined on the immediately preceding Selection Day.

2. On each SELECTION DAY, any company included in the ESG Exclusions Index as determined by SOLACTIVE is then excluded from the INDEX UNIVERSE. To clarify, due to the methodology of the ESG Exclusions index, which only consists of companies that are covered by the DATA PROVIDER II and are fulfilling the set of ESG criteria, companies that do not have full ESG data coverage and are therefore not represented in the ESG Exclusions Index might be included in the INDEX UNIVERSE and could be selected as INDEX COMPONENTS, This could be the case for, but is not limited to, companies that went public recently and for which no ESG data coverage as provided by the DATA PROVIDER II is immediately available.

The ESG Exclusions Index is reconstituted by SOLACTIVE on a semi-annual basis and the methodology by reference to which the ESG Exclusions Index is constructed, together with the most recent applicable categories and inclusion criteria, is available on the Solactive website. The applicable categories and inclusion criteria of the ESG Exclusions Index as of 28th February 2022 are set out in ANNEX B of this document.

(...)

its Three Month Average Daily Value Traded, as of the Selection Day, is at least USD 1,000,000. In order to be eligible for inclusion a Security needs to have a trading history of at least six month before the Selection Day.

(...)

4. On each Selection Day, each Eligible Security shall be deemed to be an Index Component, if in respect of such Eligible Security:

a. the company is determined to have Expertise in "Utilities" or its FactSet Economy classification is "Utilities", and

i. has a minimum Water Revenue Share of 90%; unless such Eligible Security is an existing Index Component in which case it shall have a minimum Water Revenue Share of 88%;

OR

b. the company is determined not to have Expertise in "Utilities" and its FactSet Economy classification is not "Utilities", and

i. the company is determined to have Expertise in "Engineering" and



1. has a minimum Water Revenue Share of 50%; unless such Eligible Security is an existing Index Component in which case it shall have a minimum Water Revenue Share of 48%;

OR

ii. the company is determined not to have Expertise in "Engineering", and

1. has Expertise in "Technology" or "Digital"; and a minimum Water Revenue Share of 10%; unless such Eligible Security is an existing Index Component which previously had a Water Revenue Share of greater than or equal to 10%, in which case it shall only be excluded when its Water Revenue Share falls below 8%;

For the avoidance of doubt:

a) If the company in respect of a Security is determined to have Expertise only in "Chemicals", "Finance" and/or "Services", then such Security shall not be deemed to be an Index Component.

(...)

To:

(...)

In respect of each Selection Day, the Calculation Agent shall determine the Index Components in accordance with the methodology described below:

1. On each SELECTION DAY, any company included in the ESG Exclusions Index as determined by SOLACTIVE is then excluded from the INDEX UNIVERSE. To clarify, due to the methodology of the ESG Exclusions index, which only consists of companies that are covered by the DATA PROVIDER II and are fulfilling the set of ESG criteria, companies that do not have full ESG data coverage and are therefore not represented in the ESG Exclusions Index might be included in the INDEX UNIVERSE and could be selected as INDEX COMPONENTS, This could be the case for, but is not limited to, companies that went public recently and for which no ESG data coverage as provided by the DATA PROVIDER II is immediately available.

The ESG Exclusions Index is reconstituted by SOLACTIVE on a semi-annual basis and the methodology by reference to which the ESG Exclusions Index is constructed, together with the most recent applicable categories and inclusion criteria, is available on the Solactive website. The applicable categories and inclusion criteria of the ESG Exclusions Index as of 28th February 2022 are set out in ANNEX B of this document.

In addition, any company shall be removed from the index universe if it is excluded as per the Exclusions for EU Paris-Aligned Benchmarks (PAB). The Exclusions for EU Paris-aligned Benchmarks are the following:

- a. Companies involved in any activities related to controversial weapons;
- b. Companies involved in the cultivation and production of tobacco
- c. Companies that benchmark administrators find in violation of the United Nations Global Compact (UNGC) principles or the Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises;



- d. Companies that derive 1 % or more of their revenues from exploration, mining, extraction, distribution or refining of hard coal and lignite;
- e. Companies that derive 10 % or more of their revenues from the exploration, extraction, distribution or refining of oil fuels;
- f. Companies that derive 50 % or more of their revenues from the exploration, extraction, manufacturing or distribution of gaseous fuels;
- g. Companies that derive 50 % or more of their revenues from electricity generation with a GHG intensity of more than 100 g CO<sub>2</sub> e/kWh.

(...)

its Three Month Average Daily Value Traded, as of the Selection Day, is at least USD 1,000,000. In order to be eligible for inclusion a Security needs to have a trading history of at least six month before the Selection Day. If an IPO / spin-off has less than 3 months trading history on a Selection Day, then it should have at least 20 business days of trading history and each day with at least USD 1mn daily value traded in order to be eligible for inclusion into the index. In case a security was removed from the index on the immediately preceding Selection Day, its underlying liquidity must have substantially and sustainably improved in order to qualify for inclusion on such following Selection Day as measured by the following: On a Selection Day and each of the 59 trading days preceding the Selection Day, the security must have a five-day average daily traded value of at least USD 1,000,000. Otherwise such security does not qualify for inclusion into the index on such Selection Day.

(...)

4. On each Selection Day, each Eligible Security shall be deemed to be an Index Component based on a 2-step approach:

Step 1: Assign an Eligible Security to the following water expertise groups: Water Utility, Water Technology, Digital Water, and Water Engineering.

- a. If an Eligible Security is identified as having Expertise in "Utilities" and its FactSet Economy classification is also "Utilities", and it does not have Expertise in "Engineering", "Technologies" and/or "Digital", then the Eligible Security shall be classified as a Water Utility.
- b. For the remaining Eligible Securities, if an Eligible Security is identified as having Expertise in "Technologies", and its "Engineer type" does not only have "EPC contractor", the Eligible Security shall be classified as Water Technology.
- c. For the remaining Eligible Securities, if an Eligible Security is identified as having Expertise in "Digital", and no "Engineer type", the Eligible Security is classified as Digital Water.
- d. For the remaining Eligible Securities, an Eligible Security shall be classified as Water Engineering.

Step 2: Apply Water Revenue Share thresholds to each water expertise group:



a. If the company is classified as Water Utility, the Eligible Security shall have a minimum Water Revenue Share of 90%; unless such Eligible Security is an existing Index Component in which case it shall have a minimum Water Revenue Share of 88%;

OR

b. If the company is classified as Water Technology, the Eligible Security shall have a minimum Water Revenue Share of 10%; unless such Eligible Security is an existing Index Component which previously had a Water Revenue Share of greater than or equal to 10%, in which case it shall only be excluded when its Water Revenue Share falls below 8%;

OR

c. If the company is classified as Digital Water, the Eligible Security shall have a minimum Water Revenue Share of 10%; unless such Eligible Security is an existing Index Component which previously had a Water Revenue Share of greater than or equal to 10%, in which case it shall only be excluded when its Water Revenue Share falls below 8%;

OR

d. If the company is classified as Water Engineering, the Eligible Security shall have a minimum Water Revenue Share of 50%; unless such Eligible Security is an existing Index Component in which case it shall have a minimum Water Revenue Share of 48%

For the avoidance of doubt:

a) If the company in respect of a Security is determined to have Expertise only in "Chemicals", "Finance" and/or "Services", then such Security shall not be deemed to be an Index Component.

b) If an Eligible Security is determined to have Expertise in "Engineering" but does not have Expertise in "Technologies" and/or "Digital", then such Eligible Security shall not be deemed to be an Index Component.

(...)

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 Clean Water 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 2025-02-20.

[Subject to feedback received on this Market Consultation, the changes mentioned above are intended to become effective on 2025-03-07.

Please send your feedback via email to [marketconsultation@solactive.com](mailto:marketconsultation@solactive.com), specifying "Market Consultation | Solactive Clean Water 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)

© Solactive AG