

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

Solactive Candriam Factors Sustainable Japan Equity Index



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 Candriam Factors Sustainable Japan Equity Index (DE000SLA3LY4)
<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; Companies are assessed based on the the following environmental macro factors, measuring exposure to global sustainability trends: Climate Change (renewable energy producers are enjoying growing markets); Resource Depletion (as rational resource use becomes inevitable, companies offering efficient resource utilization technologies stand to benefit)</li> <li>&gt; Companies are assessed based on the the following environmental micro factors, measuring their stakeholder management: Environment (new environmental legislation may require a significant investment for some companies while others that already observe higher standards can focus on increasing market share.)</li> <li>&gt; Exclusion of companies generating revenues &gt;30% from nuclear power.</li> <li>&gt; Exclusion of companies generating revenues &gt;1% from coal extraction, &gt;1% in supporting products/services to the coal industry, &gt;5% revenues from coal power generation, developing new projects in coal extraction, coal power generation or coal transportation, coal power generation capacity above 5GW</li> <li>&gt; Exclusion of companies generating revenues &gt;5% from extraction, refining and transportation of conventional or unconventional O&amp;G.</li> <li>&gt; Exclusion of companies generating revenues &gt;25% from O&amp;G related activities such as supporting products/services, distribution, retail, petrochemicals and equipments.</li> <li>&gt; Exclusion of companies with expansion or exploration plans for new oil and gas products.</li> <li>&gt; Exclusion of companies in electricity generation with new coal or nuclear-based projects, carbon intensity above 279g CO<sub>2</sub>/kWh, deriving 50% or more of revenues from electricity generation sources with a carbon intensity above 100gCO<sub>2</sub>e/kWh<sub>4</sub>.</li> </ul>
<b>List of social factors considered</b>	<ul style="list-style-type: none"> <li>&gt; Companies are assessed based on the the following social macro factors:</li> </ul>



Developing Economies (companies providing infrastructure services will benefit from growing and developing populations); Demographic Evolutions (as people grow older, the need for tailor made service and products will be in string demand); Health & Wellness (healthy products offered by companies have a beneficial effect on health.); Interconnectivity (as people interact across borders, companies offering videoconferencing tools address a genuine need.)

- > Companies are assessed based on the the following social micro factors: Suppliers (abuse of labor rights in the supply chain has a considerable impact on reputation and brand image of companies.); Society (in developing countries, integrating the expectations of the local population with the company's activities is a real asset.)
- > Exclusion of companies violating the Principles of the UN Global Compact.
- > Exclusion of companies without a responsible policy of no legal requirement or breaches to legislation for animal testing.
- > Exclusion of companies involved in the production / sale of controversial weapons (including anti- personnel landmines, cluster bombs, depleted uranium, and/or chemical/nuclear/biological/white phosphorous weapons).
- > Exclusion of companies generating turnover >3% from the production / sale of conventional weapons.
- > Exclusion of companies generating revenues >1% in highly oppressive regimes.
- > Exclusion of companies generating revenues >5% from adult content.
- > Exclusion of companies generating revenues >10% from alcohol without having any responsible policy.
- > Exclusion of companies generating revenues >5% from gambling.
- > Exclusion of companies generating revenues >1% from genetic modification.
- > Exclusion of companies generating revenues >0% from production of tobacco.
- > Exclusion of companies generating revenues >5% from distribution of tobacco.
- > Exclusion of companies generating revenues >1% from pesticides activities linked to agriculture.
- > Exclusion of companies that are producers/distributors who are not RSPO members and derive between 0% and 5% of their revenues from palm oil with less than 20% of this oil being RSPO-certified palm oil, and that have no deforestation policy.
- > Exclusion of companies that are producers/distributors who are not RSPO members and derive more than 5% of their revenues from palm oil with less than 50% of this oil being RSPO-certified palm oil, and that have no deforestation policy.
- > Exclusion of companies that are buyers who are not RSPO members and whose revenues are dependent on palm oil for more than 5%, with less than 50% of this oil being RSPO-certified palm oil, and that have no deforestation policy.



<b>List of governance factors considered</b>	> Companies are assessed based on the the following governance micro factors: Customers (after sales services impact customer loyalty); Employees (the quality of employee contracts, training and career management are all positive factors in attracting, developing and retaining talent); Investors (the effective management of corporate governance issues is vital to maintain investor's confidence in a company.)
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## Data and Standards used

<b>Data Input</b>	The data used to construct the index is sourced externally from Candriam.
<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>	18/12/2025
<b>Reason for update:</b>	Initial document creation

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