



# ECPI GLOBAL ETHICAL INDEX

## RULE BOOK

June 2023

Version 3.0.1

ECPI Srl is a member of Confluence

## MARKET REALITY

The ECPI Global Ethical Index is a cap-weighted equity index, with single company capping at 4%<sup>1</sup> that selects the 300 top capitalized companies in the Global market which are eligible investments according to ECPI ESG Rating Methodology and Controversial Sectors Screening.

## INDEX FAMILY IDENTIFIERS

BLOOMBERG TICKER	REFINITIV RIC	INDEX NAME
ECAPGP Index	.EIGP	ECPI Global Ethical Price Index
ECAPGR Index	.EIGR	ECPI Global Ethical Total Return Index
ECAPGND Index	.EIGND	ECPI Global Ethical Net Return Index
ECAPGPH Index	---	ECPI Global Ethical Equity Hedged
ECAPGRH Index	---	ECPI Global Ethical Equity TR Hedged
ECAPGNH Index	---	ECPI Global Ethical Equity NTR Hedged

## INDEX REBALANCING

Quarterly, on the Selection Date immediately preceding the relevant Effective Rebalance Date, index constituents are selected in accordance with the “Index Eligibility Criteria” as new constituents of the index in order to ensure market representation.

If the review day falls on a holiday, the subsequent working day will be considered.

REBALANCING TIMETABLE		
TIME REFERENCE	ACTION	WHEN
T <sub>0</sub>	Selection Date of the new constituents	1st Friday of Dec, Mar, Jun, Sep
T <sub>1</sub>	Proforma Period	4 days of Proforma, starting 3rd Monday of Dec, Mar, Jun, Sep
T <sub>2</sub>	Effective Rebalance Date: the new index is effective	3rd Friday (closing) of Dec, Mar, Jun, Sep

<sup>1</sup> Capping at 4% is effective from June 2021 rebalancing. Before No capping was foreseen for the index

# EQUITY UNIVERSE

Every three months ECPI reviews the index constituents in order to ensure market representation.

The index construction process starts with the identification of the Equity Universe.

Equity securities listed in a Global Developed Market with a minimum market capitalization of € 400 million are eligible for inclusion in the Equity Universe.

Investment trust, mutual funds, Exchange Traded Funds (ETFs) and equity derivatives are not included in the Equity Universe. Convertible and preference shares and loan stocks are excluded until converted.

Where there are multiple lines of equity capital in a company, all are included and priced separately in the Equity Universe.

# INVESTABLE EQUITY UNIVERSE

Investable Equity Universe is derived by applying investability screens to securities in the Equity Universe.

The investability screens used to determine the Investable Equity Universe are:

- Minimum Market Capitalization
- Minimum Free Float Adjusted Market Capitalization
- Minimum Liquidity
- Minimum Free Float
- Geographic selection
- Sustainability Rating

## Minimum Market Capitalization

In order to be included in the Investable Equity Universe must have a required minimum full market capitalization.

The Minimum Market Capitalization is derived as follows:

- Companies in the Equity Universe are sorted in descending order of full market capitalization and the cumulative coverage of the free float adjusted market capitalization of the Equity Universe is calculated at each company.
- When the cumulative free float adjusted market capitalization coverage of 99% of the sorted Equity Universe is achieved, the full market capitalization of the company at that point defines the Equity Universe Minimum Market Capitalization Requirement.

- Companies with a full market capitalization lower than the Minimum Market Capitalization Requirement are excluded from the Investable Equity Universe.

### **Minimum Free Float Adjusted Market Capitalization**

The adjusted market capitalization is defined as the total market capitalization multiplied by a free float factor.

Companies with a free float adjusted market capitalization lower than the 150% of the Minimum Market Capitalization Requirement are excluded from the Investable Equity Universe.

### **Minimum Liquidity**

Securities which do not turnover at least, on an annual basis, 20% of their current capitalization (after the application of any free float factor) prior to selection as an index constituent, are excluded from the Investable Equity Universe.

In exceptional market conditions, if trading volumes are very low ECPI may reduce the percentage figure stated above in order to avoid a large amount of turnover in the Indices.

### **Minimum Free Float**

ECPI estimate of free float is based on publicly available information obtained from multiple information sources.

Estimated free float is rounded to the closest 5%.

If the free float is less than 15%, the company is excluded from the Investable Equity Universe.

### **Geographic selection**

The country markets included in the indices are:

COUNTRY TABLE		
Australia	Hong Kong	Portugal
Austria	Ireland	Singapore
Belgium	Israel	Spain
Canada	Italy	Sweden
Denmark	Japan	Switzerland
Finland	Luxembourg	United Kingdom
France	Netherlands	United States
Germany	New Zealand	
Greece	Norway	

## Sustainability Rating

Companies which have:

- an ECPI ESG rating less than E-
- and/or involved in controversial activities as defined in the table below

are not included in the Investable Equity Universe (minimum ESG Rating).

Companies involved in systematic violations of the UN Global Compact attain a negative ESG rating (F).

Sector or exclusion criteria	Description	Rule
<b>Alcohol</b>	The production and/or the promotion of alcoholic products and its use.	The company is <b>"Not Eligible"</b> if revenues originated from the sector are greater than 2% of total sales (threshold considered for "Distributors" is 5%)
<b>Gambling</b>	Horse betting, betting centres, gambling and casinos, gambling machine manufacturing.	The company is <b>"Not Eligible"</b> if revenues originated from the sector are greater than 2% of total sales
<b>Military</b>	The company manufactures or supplies goods and services to the consumer market or military sector and to the Ministry of Defense and its offices for the purpose of military objectives.	The company is <b>"Not Eligible"</b> if revenues originated from the sector are greater than 2% of total sales;
<b>Nuclear &amp; Biological Weapons, Cluster Bombs &amp; Antipersonnel Landmines</b>	The company manufactures nuclear and biological weapons, cluster bombs and antipersonnel landmines.	The company is <b>"Not Eligible"</b> regardless of the amount of revenues generated by the sale of these products.
<b>Tobacco</b>	The production and/or the promotion of tobacco products and its use.	The company is <b>"Not Eligible"</b> if revenues originated from the sector are greater than 2% of total sales (threshold considered for "Distributors" is 5%)
<b>Pornography</b>	In the media, telecom and entertainment industries, the production of pornographic material.	The company is <b>"Not Eligible"</b> regardless of percentage of revenues originated from the sector
<b>Nuclear energy</b>	The exclusion of companies operating in the nuclear energy sector is related to the lack of economic preparation to address problems in case of nuclear accident or disaster, the lack of resolution to address radioactivity issues, the awareness that nuclear energy production generates plutonium (the most important raw material used in nuclear armament production).	The company is <b>"Not Eligible"</b> if revenues originated from the sector are greater than 2% of total sales;
<b>Contraceptives</b>	In the pharmaceutical industry, companies producing contraceptives, medicines and equipment related to abortion or birth control methods.	The company is <b>"Not Eligible"</b> regardless of percentage of revenues originated from the sector
<b>Biotechnology and Genetically Modified Organisms (GMOs)</b>	In the food and agriculture industries, those companies actively involved in the research, development and production of biotechnologies, manipulation and genetic modification and production of species, produce and other organisms.	Regardless of the percentage of revenues originated from the sector, we mark <b>"Not Eligible"</b> if the Company uses GMO for food products

# SELECTION ALGORITHM

After identifying the universe of securities, ECPI sorts securities according to their adjusted market capitalization.

The adjusted market capitalization is defined as the total market capitalization multiplied by a free float factor.

The following rules are applied to the updated investment universe.

The number of constituents is kept constant at

- 300 constituents

A company is eligible for inclusion at the quarterly review if it rises above the inclusion, when the eligible companies are ranked by adjusted market value. The inclusion threshold is:

- 200th position

A company is eligible for inclusion at the quarterly review if it rises above the inclusion, when the eligible companies are ranked by adjusted market value. The inclusion threshold is:

- 400th position

The expected number of constituents' changes is the minimum between the number of securities that rises above the inclusion threshold and the number of securities that falls under the exclusion threshold ensuring market representation and maintaining the turnover under a target of about 6%.

# Versions

VERSION	EFFECTIVE DATE	CHANGES
3.0.1	30 June 2023	Ungrouping Index Family

## EXPLANATION OF HOW ESG FACTORS ARE REFLECTED IN THE KEY ELEMENTS OF THE BENCHMARK METHODOLOGY

<b>Item 1.</b> Name of the benchmark administrator.	StatPro
<b>Item 2.</b> Type of benchmark or family of benchmarks.	Equity
<b>Item 3.</b> Name of the benchmark or family of benchmarks.	ECPI Global Ethical Equity
<b>Item 4.</b> Does the benchmark methodology for the benchmark or family of benchmarks take into account ESG factors?	<input checked="" type="checkbox"/> <b>YES</b> <input type="checkbox"/> <b>NO</b>
<p><b>Item 5.</b> Where the response to Item 4 is positive, please list below, for each family of benchmarks, those ESG factors that are taken into account in the benchmark methodology, taking into account the ESG factors listed in Annex II to Delegated Regulation (EU) 2020/1816.</p> <p>Please explain how those ESG factors are used for the selection, weighting or exclusion of underlying assets.</p> <p>The ESG factors shall be disclosed at an aggregated weighted average value at the level of the family of benchmarks.</p>	
(a) List of environmental factors considered:	<p><b>Selection:</b></p> <ul style="list-style-type: none"> <li>Overall ECPI ESG Rating must be E- or higher</li> </ul> <p><b>Exclusion:</b></p> <ul style="list-style-type: none"> <li>Companies involved in systematic violations of the UN Global Compact are excluded (ESG Rating = F)</li> </ul>
(b) List of social factors considered:	<p><b>Selection:</b></p> <ul style="list-style-type: none"> <li>Overall ECPI ESG Rating must be E- or higher</li> </ul> <p><b>Exclusion:</b></p> <ul style="list-style-type: none"> <li>Companies involved in systematic violations of the UN Global Compact are excluded (ESG Rating = F)</li> <li>Alcohol</li> <li>Gambling</li> <li>Military</li> <li>Nuclear &amp; Biological Weapons, Cluster Bombs &amp; Antipersonnel Landmines</li> <li>Tobacco</li> <li>Pornography</li> <li>Nuclear energy</li> <li>Contraceptives</li> <li>Biotechnology and Genetically Modified Organisms (GMOs)</li> </ul>
(c) List of governance factors considered:	<p><b>Selection:</b></p> <ul style="list-style-type: none"> <li>Overall ECPI ESG Rating must be E- or higher</li> </ul> <p><b>Exclusion:</b></p> <ul style="list-style-type: none"> <li>Companies involved in systematic violations of the UN Global Compact are excluded (ESG Rating = F)</li> </ul>
Hyperlink to the information on ESG factors for each benchmark:	<a href="https://ecpigroup.com/wp-content/uploads/rules/ECAPGP_Benchmark_Statement.pdf">https://ecpigroup.com/wp-content/uploads/rules/ECAPGP_Benchmark_Statement.pdf</a>

**Item 7.** Data and standards used



<p><b>(a) Data input.</b>  <i>(i) Describe whether the data are reported, modelled or sourced internally or externally.</i>  <i>(ii) Where the data are reported, modelled or sourced externally, please name the third party data provider.</i></p>	<p>Company analyses draw on a range of reliable and publicly available sources to create a transferable, equitable and auditable approach. Where possible, ECPI aims to use objective information that is easily measured and quantified and less subject to bias and opinion. In cases where an indicator is important to capture, but not easily quantifiable, ECPI process works to reduce bias, by identifying clear and unambiguous rules for assigning scores.</p> <p>Sources include:</p> <ul style="list-style-type: none"> <li>• Company annual reports</li> <li>• Company sustainability reports, environmental reports, CSR reports or similar</li> <li>• Company websites</li> <li>• Regulatory data (from the regulators in the country/countries where the company is incorporated and/or listed)</li> <li>• Information providers and search engines</li> <li>• Media and news services (including newsletters from local and international institutions and NGOs).</li> <li>• Screening of company's participation in international institutions</li> <li>• Screening of company's certifications</li> <li>• Screening of company's awards</li> <li>• Thematic websites promoted by international non-profit organizations</li> <li>• Company Investor Relations departments, when necessary. In such cases, we try to obtain written answers in order to be able to store them in the company's records</li> </ul>
<p><b>(b) Verification and quality of data.</b>  <i>Describe how data are verified and how the quality of those data is ensured.</i></p>	<p>The ECPI ESG methodology combines an academic and scientific approach to appraise and monitor a company's long-term strategic position, operational management and actual behavior when it comes to society, the environment and markets.</p> <p>ECPI analysis based on non-traditional, quantitative and qualitative non-financial indicators has the goal to develop a synthetic measure of the non-financial risk-opportunity profile of a company: the ECPI ESG Rating Assessments are based on the review of a broad range of publicly available sources including sustainability reports, annual reports and company websites. The ESG Evaluation covers eight categories, each one addressing a number of different aspects:</p> <ol style="list-style-type: none"> <li>1. Environmental Strategy and Policy</li> <li>2. Environmental Management System</li> <li>3. Products (industry specific)</li> <li>4. Production Process (industry specific)</li> <li>5. Community Relations</li> <li>6. Employees</li> <li>7. Markets</li> <li>8. Corporate Governance</li> </ol> <p>A company must be assessed against all the ESG categories and aspects in order to achieve the final ESG score and rating.</p> <p>Quality of the assessment is ensured by a rule-based approach, where each indicator has a multiple-choice answer with a pre-defined set of scores that can be positive or negative depending on the aspect under scrutiny, thereby reducing analyst's discretionary reading of the assessed dimension. The quality of the assessment is also insured by a two-tier validation mechanism (maker-checker).</p>
<p><b>(c) Reference standards</b>  <i>Describe the international standards used in the benchmark methodology.</i></p>	<p>The rating criteria have been developed in accordance with ICCR's "Principles for Global Corporate Responsibility: Benchmarks for Measuring Business Performance" and is inspired by the principles developed by International Bodies dedicated to Responsible Investment such as UN Global Compact (<a href="http://www.unglobalcompact.org">www.unglobalcompact.org</a>), the Global Reporting Initiative (<a href="http://www.globalreporting.org">www.globalreporting.org</a>) and UN PRI (<a href="http://www.unpri.org">www.unpri.org</a>).</p>
<p><b>Date on which information has been last updated and reason for the update:</b></p>	<p>30 June 2023</p>

# CONTACTS

**Index Dept.**

[ecpi.indices@confluence.com](mailto:ecpi.indices@confluence.com)

[www.ecpigroup.com](http://www.ecpigroup.com)

**Bloomberg: ECPS**

**Reuters: ECAPITAL**

## Disclaimer

This document has been prepared ECPI S.r.l., a company organized and existing under the laws of Italy, with registered office at Piazzale Biancamano, 8 - 20121 Milan, Italy ("ECPI") as part of their internal research activity. ECPI Srl is a member of Confluence.

The information provided herein and, in particular, the data contained in this document are taken from information available to the public. All information contained herein is obtained from sources believed by it to be accurate and reliable. While the opinions and information contained in this document are based on public sources believed to be reliable and in good faith, ECPI have not independently verified the accuracy of such public sources. Because of the possibility of human, technical or whatsoever kind of similar error, however, such information is provided "as is" without warranty of any kind and ECPI, in particular, makes no representation or warranty, whether express or implicit, as to the fairness, accuracy, timeliness, completeness, merchantability and/or fitness of any such information and opinions contained in this document.

Accordingly, neither ECPI nor any of their respective directors, managers, officers or employees shall be held liable for whatever reason (including, without limitation, liability in negligence) for any loss (including consequential loss), expense, consequential, special, incidental, direct or indirect or similar damage, whether or not advised of the possibility of such damage, in connection with the fairness, accuracy, timeliness, completeness, merchantability and/or fitness of the information and opinions contained in this document and/or arising from any use or performance of this document or its contents or otherwise arising in connection with this document.

Any opinions, forecasts or estimates contained herein constitute a high-level information statement only valid as at the date of its release. There can be no assurance that the evolution of the information contained herein and/or any future events will be consistent with such opinions, forecasts or estimates. Any information herein is at any time subject to change, update or amendment subsequently to the date of this document, with no undertaking by ECPI to notify such change, update or amendment.

This document is not, nor may it be construed as to constitute a recommendation to make any kind of investment decision or an offer for sale or subscription of or a solicitation of any offer to buy or subscribe for any financial instrument. Accordingly, this document may not be used as a solicitation or an offer for sale or subscription, and any solicitation or offer shall be made only in accordance with all applicable laws and regulation, including, whenever applicable, the filing of a prospectus with the relevant authorities. ECPI is not a financial advisor subject to special authorization and thus do not provide formal financial advice in the area of investment nor perform any asset management activity. ECPI recommends to potential investors wishing to be provided with formal financial advice in the area of investment to contact a financial advisor duly authorized by the competent regulatory authority of its country.

ECPI publishes researches on a regular basis. This publication has been prepared on behalf of ECPI solely for information purposes. All the information contained herein is copyrighted in the name of ECPI, and none of such information may be copied or otherwise reproduced, except for personal use only, further transmitted, transferred, published, disseminated, redistributed or resold, in whole or in part, in any form or manner or by any means whatsoever, by any person without ECPI's prior written consent.