



ECPI EMERGING MARKETS ESG INDEX

RULE BOOK

June 2023

Version 3.0.1

ECPI Srl is a member of Confluence

MARKET REALITY

The ECPI Emerging Markets ESG Index is a cap-weighted equity index, with single company capping at 4%¹ designed to be a broad benchmark representative of emerging market companies that satisfy ECPI ESG criteria.

INDEX FAMILY IDENTIFIERS

BLOOMBERG TICKER	REFINITIV RIC	INDEX NAME
GALPHEMP Index	.GALPHEMP	ECPI Emerging Markets ESG Price Index
GALPHEMR Index	.GALPHEMR	ECPI Emerging Markets ESG Total Return Index
GALPHEMN Index	.GALPHEMN	ECPI Emerging Markets ESG Net Return Index

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 ₀	Selection Date of the new constituents	1st Friday of Dec, Mar, Jun, Sep
T ₁	Proforma Period	4 days of Proforma, starting 3rd Monday of Dec, Mar, Jun, Sep
T ₂	Effective Rebalance Date: the new index is effective	3rd Friday (closing) of Dec, Mar, Jun, Sep

¹ 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 at the country level, considering all the listed companies in the reference markets. Equity securities listed in Emerging Markets are eligible for inclusion in the Equity Universe.

COUNTRY TABLE	
Brazil	Mexico
Chile	Morocco
China	Peru
Colombia	Phillipines
Czech Republic	Poland
Egypt	Russia
Hungary	South Africa
India	Taiwan
Indonesia	Thailand
Malaysia	Turkey

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.

In general, companies and their respective securities are classified as belonging to the country in which they are incorporated.

SELECTION ALGORITHM

The selection process for the ECPI Emerging Markets ESG Index is organized according to the following steps:

First, companies in each country are sorted in descending order of full market capitalization. For each security, the adjusted market capitalization is defined as the full market capitalization multiplied by a free float factor. The free float factor represents the percentage of shares that do not belong to strategic shareholdings and so are deemed to be available for purchase in the public equity markets by investors. ECPI estimate of free float is based on publicly available information obtained from multiple information sources.

The cumulative coverage of the free float-adjusted market capitalization of the country universe is calculated at each company.

Second, when the cumulative free float-adjusted market capitalization coverage of 90% of the sorted country universe is achieved, the full market capitalization of the company at that point defines the Country Universe Minimum Size Requirement.

Third, to be eligible for inclusion in the index, a security must have:

- a full market capitalization equal to or higher than the Country Universe Minimum Size Requirement;
- a free float-adjusted market capitalization equal to or higher than 0.5 times the Country Universe Minimum Size Requirement;
- a turnover (trading volume/free float adjusted market cap) equal to or higher than 20%. 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.

Last, all eligible securities in each Country Universe are aggregated into the index composition, after the exclusion of those companies which have:

- an ECPI ESG rating less than E-
- and/or involved in controversial weapons (Nuclear, Biological, Chemical, Cluster Munitions, Mines) production
- and/or involved in the production of tobacco or products that contain tobacco

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

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

Item 1. Name of the benchmark administrator.	StatPro
Item 2. Type of benchmark or family of benchmarks.	Equity
Item 3. Name of the benchmark or family of benchmarks.	ECPI Emerging Markets ESG Equity
Item 4. Does the benchmark methodology for the benchmark or family of benchmarks take into account ESG factors?	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
<p>Item 5. 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><u>Selection:</u></p> <ul style="list-style-type: none"> Overall ECPI ESG Rating must be E- or higher <p><u>Exclusion:</u></p> <ul style="list-style-type: none"> Companies involved in systematic violations of the UN Global Compact are excluded (ESG Rating = F)
(b) List of social factors considered:	<p><u>Selection:</u></p> <ul style="list-style-type: none"> Overall ECPI ESG Rating must be E- or higher <p><u>Exclusion:</u></p> <ul style="list-style-type: none"> Companies involved in systematic violations of the UN Global Compact are excluded (ESG Rating = F) Production of controversial weapons (Nuclear, Biological, Chemical, Cluster Munitions, Mines) and/or their essential components Production of tobacco, products that contain tobacco
(c) List of governance factors considered:	<p><u>Selection:</u></p> <ul style="list-style-type: none"> Overall ECPI ESG Rating must be E- or higher <p><u>Exclusion:</u></p> <ul style="list-style-type: none"> Companies involved in systematic violations of the UN Global Compact are excluded (ESG Rating = F)
Hyperlink to the information on ESG factors for each benchmark:	https://ecpigroup.com/wp-content/uploads/rules/GALPHEMP_Benchmark_Statement.pdf
Item 7. Data and standards used	
<p>(a) Data input.</p> <p>(i) Describe whether the data are reported, modelled or sourced internally or externally.</p> <p>(ii) Where the data are reported, modelled or sourced externally, please name the third party data provider.</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"> Company annual reports Company sustainability reports, environmental reports, CSR reports or similar Company websites

	<ul style="list-style-type: none"> • Regulatory data (from the regulators in the country/countries where the company is incorporated and/or listed) • Information providers and search engines • Media and news services (including newsletters from local and international institutions and NGOs). • Screening of company's participation in international institutions • Screening of company's certifications • Screening of company's awards • Thematic websites promoted by international non-profit organizations • 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
(b) Verification and quality of data. <i>Describe how data are verified and how the quality of those data is ensured.</i>	<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"> 1. Environmental Strategy and Policy 2. Environmental Management System 3. Products (industry specific) 4. Production Process (industry specific) 5. Community Relations 6. Employees 7. Markets 8. Corporate Governance <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>
(c) Reference standards <i>Describe the international standards used in the benchmark methodology.</i>	<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 (www.unglobalcompact.org), the Global Reporting Initiative (www.globalreporting.org) and UN PRI (www.unpri.org).</p>
Date on which information has been last updated and reason for the update:	30 June 2023

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