



ECPI GLOBAL ESG HEALTCARE INNOVATION INDEX

RULE BOOK

June 2023

Version 3.0.1

ECPI Srl is a member of Confluence

MARKET REALTY

The ECPI Global ESG Healthcare Innovation Index is an equally weighted equity index designed to offer investors exposure to listed companies in global developed markets characterized by a positive ESG profile active in the fields of Health Care, Health Care Technology, New Pharmaceutical solutions, Biotechnology, and life expectancies and senior population care needs as better described below:

INDEX FAMILY IDENTIFIERS

BLOOMBERG TICKER	REFINITIV RIC	INDEX NAME
GALPHHIP Index	.GALPHHIP	ECPI Global ESG Healthcare Innovation Price Index
GALPHHIR Index	.GALPHHIR	ECPI Global ESG Healthcare Innovation Total Return Index
GALPHHIN Index	.GALPHHIN	ECPI Global ESG Healthcare Innovation Net Return Index

INDEX REBALANCING

Semi-Annually, 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 Jan, Jul
T ₁	Equal Weight Reference Date	3rd Monday of Jan, Jul
T ₂	Proforma Period	4 days of Proforma, starting 3rd Monday of Jan, Jul
T ₃	Effective Rebalance Date: the new index is effective	3rd Friday (closing) of Jan, Jul

EQUITY UNIVERSE

Every six months ECPI reviews the index constituents to ensure correct market representation.

The Index selects companies best placed to seize the opportunities arising from the growing need for and importance of healthcare Innovation and healthcare needs in a fast-changing world characterized by impetuous advances in the field of genomic science, in telemedicine and digital health, prevention and early diagnosis of diseases, and consequential extension of life expectancies and growing importance of cohort of senior population:

To be eligible for inclusion in the ECPI Global ESG Healthcare Innovation Index, a stock must satisfy the following criteria (in which case, it will be an “eligible stock”):

1. Involvement in the themes listed below:
 - **Health Care:** Prevention, early diagnosis and treatment, and cure of diseases including as an example oncological, neurological, and cardiovascular diseases.
 - **Health Care Technology:** telemedicine and digital health, health care analytics, connected health care devices, robotics, artificial intelligence-based solutions, administrative digitization, sensors, and wearable technologies.
 - **New Pharma:** innovative pharmaceutical solutions based on knowledge gained from the study of genetics and proteins to create new molecules also using information technology
 - **Biotechnology:** genomic science, such as gene editing, genomic sequencing, genetic medicine/therapy, computational genomics, precision, and regenerative medicine
 - **Longevity:** solutions addressed to respond to life expectancy increase and aging population, including senior living facilities, residential districts and/or hospices.

2. It is listed on a Global Developed Market

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	

3. It has a positive ECPI ESG Rating (from E+ to EEE). Companies involved in systematic violations of the UN Global Compact attain a negative ESG rating (F).
4. It is not involved in armaments production.

5. Does not derive more than 5% of its revenues from the production of tobacco, products that contain tobacco or the wholesale trading of these products.
6. Companies involved in extraction of thermal coal or unconventional oil & gas extractions for more than 10% of their revenues are excluded from the investable universe.
7. Companies involved in conventional oil & gas extraction are eligible only if more than 40% of their revenues derives from natural gas extraction or renewable energy sources.
8. Companies belonging to UTILITY sector (GICS) are included in the investable universe if their carbon intensity is aligned with a below 2 degrees scenario.
In case carbon data are not available, utility companies are included in the investable universe if the production of energy:
 - based on coal does not exceed 10% of the power production
 - based on oil & gas does not exceed 30% of the power production
 - based on nuclear sources does not exceed 30% of the power production
9. The issuer of the stock must have a minimum market capitalization of € 500 million.
10. The average daily traded value of the stock over the last 6 months shall be equivalent to a minimum of € 5 million.

INDEX SELECTION

The index selects 100 stocks under the diversification constraints specified below:

- a. **Stock Exposure Criteria** – at least 20% of corporate revenues are generated in the businesses previously defined.
- b. **Thematic Diversification Criteria** – constituents shall be classified by theme (thematic clusters):
 - Health Care
 - Health Care Technologies
 - New Pharma
 - Biotechnology
 - Longevity
- c. **Capitalization Criteria** – within each thematic cluster, constituents are sorted according to their market capitalization and 20 constituents for each one of the five clusters are selected.
- d. **Geographic Diversification Criteria** – within each thematic cluster, the maximum exposure to a single Country cannot exceed 50 percent of cluster composition (i.e., 10 securities).

When 50 percent single country exposure is reached, the remaining securities are selected from the one belonging to other Countries in descending order of market capitalization.

BUFFER RULE

For all current constituents, a tolerance of 20% is applied to the market capitalization and 6-months daily average value traded limits. Therefore, a constituent will be allowed to remain in the index if it has a minimum market cap of € 400 million and a minimum liquidity of € 4 million.

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 Global ESG Healthcare Innovation 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>Selection:</p> <ul style="list-style-type: none"> Overall ECPI ESG Rating must be E- or higher <p>Exclusion:</p> <ul style="list-style-type: none"> Companies involved in systematic violations of the UN Global Compact are excluded (ESG Rating = F) Companies involved in extraction of thermal coal or unconventional oil & gas extractions for more than 10% of their revenues Companies involved in conventional oil & gas extraction are eligible only if more than 40% of their revenues derives from natural gas extraction or renewable energy sources. Companies belonging to UTILITY sector (GICS) are included in the investable universe if their carbon intensity is aligned with a below 2 degrees scenario. In case carbon data are not available, utility companies are included in the investable universe if the production of energy: <ul style="list-style-type: none"> based on coal does not exceed 10% of the power production based on oil & gas does not exceed 30% of the power production based on nuclear sources does not exceed 30% of the power production
(b) List of social factors considered:	<p>Selection:</p> <ul style="list-style-type: none"> Overall ECPI ESG Rating must be E- or higher <p>Exclusion:</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>Selection:</p> <ul style="list-style-type: none"> Overall ECPI ESG Rating must be E- or higher <p>Exclusion:</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/GALPHHIP_Benchmark_Statement.pdf

Item 7. Data and standards used

<p>(a) Data input. <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"> • Company annual reports • Company sustainability reports, environmental reports, CSR reports or similar • Company websites • 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 <p>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</p>
<p>(b) Verification and quality of data. <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.</p> <p>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 (<i>maker-checker</i>).</p>
<p>(c) Reference standards <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 (www.unglobalcompact.org), the Global Reporting Initiative (www.globalreporting.org) and UN PRI (www.unpri.org).</p>
<p>Date on which information has been last updated and reason for the update:</p>	<p>30 June 2023</p>

CONTACTS

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Bloomberg: ECPS

Reuters: ECAPITAL

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