



ECPI GLOBAL ESG SMART CITIES INDEX

RULE BOOK

December 2023

Version 3.0.2

ECPI Srl is a member of Confluence

MARKET REALTY

The ECPI Global ESG Smart Cities 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 Smart Buildings & Homes, Smart Urban Management, Smart Urban Living and Enabling Technologies.

INDEX FAMILY IDENTIFIERS

BLOOMBERG TICKER	REFINITIV RIC	INDEX NAME
GALPHSCP Index	.GALPHSCP	ECPI Global ESG Smart Cities Price Index
GALPHSCR Index	.GALPHSCR	ECPI Global ESG Smart Cities Total Return Index
GALPHSCN Index	.GALPHSCN	ECPI Global ESG Smart Cities 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 in order to ensure market representation.

ECPI maintains a research universe of investable instruments construed according the ECPI ESG Screening Methodology ([ECPI ESG Rating Methodology - Companies](#)).

Starting from the research universe, ECPI has built a thematic selection of companies according to the following criteria (**Thematic Universe**):

- **Smart Cities - Building Development:** Companies that help to design, build, finance and manage resource-efficient urban areas, enabling for safe and environmentally friendly communities: e.g. building automation, smart grid connectivity, smart energy storage, energy efficiency, green building developers and maintenance, smart household appliances, access systems, household robots, alarm systems, Internet of Things (IoT).
- **Smart Cities - Urban Management:** Companies that allow for the efficient and reliable operation of cities' and are the main pillars for the sustainable day-to-day functioning of urban areas: e.g. waste management and recycling services, strategic waste collection methods, waste-to-energy solutions, improved use of packaging, water utilities, transportation, infrastructure consulting and design services, energy infrastructure, smart grids and smart meters, leakage and pollution detection, predictive maintenance planning, hosting and data centers management, self-storage properties.
- **Smart Cities - Urban Living:** Companies that provide and promote communities with sustainable and modern urban living solutions and environments: e.g. e-commerce, e-payment, food delivery, alternative energy car manufacturers, car-sharing, smart mobility, co-working solutions, Safety and Security solutions, mobile application providers.
- **Smart Cities - Enabling Technology:** Companies that provide the means and technologies that constitute the backbone for products, solutions and services in the other three dimensions, helping to drive the evolution of Smart Cities: e.g. mobile communication, wireless infrastructure services, 5G, AI, cloud, and edge computing; hardware, software, and services; high speed connectivity, cybersecurity and back-up systems, monitoring and control sensor/instrument, semiconductors.

The thematic selection aims at identifying those companies best placed to harness the potential of urbanization, which is gathering pace worldwide, while contributing to the development of sustainable, better-connected, and liveable cities of tomorrow.

The constituents of the index provide solutions to the challenge of tackling growing urban populations while reducing environmental impacts as well as meeting the needs and improve the quality of life of city residents.

The Smart Cities Index focuses on companies in the energy, transportation, buildings, water and waste management, mobility and information technology sectors, among others.

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

Index Initial Universe:

1. The Company belongs to the **Thematic Universe** described above
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. The issuer of the stock must have a minimum market capitalization of € 500 million
4. The average daily traded value of the stock over the last 6 months shall be equivalent to a minimum of € 5 million

ESG Investable Universe:

5. The following Normative & Controversy Screening is applied:
 - Companies with a poor ESG profile are excluded (ESG Rating = F)
 - Companies involved in structural, repetitive, and severe controversies or violations of the:
 - UN Global Compact
 - UN Guiding Principles on Business and Human Rights (UNGPs)
 - OECD Guidelines for Multinational Enterprises (as far as relevant)
 - ILO Conventions
 are excluded
6. The following ESG Best in Universe Strategy rule is applied:
 - Overall ESG Rating must be E or higher

The following Sector Exposure criteria are applied:

7. The company does not derive more than 5% of its revenues from: the production of tobacco, products that contain tobacco or e-cigarettes; the wholesale trading of these products; or their enabling activities.

8. The company is not involved in production of controversial weapons (Nuclear, Biological, Chemical, Cluster Munitions, Mines) and/or their essential components.
9. The company does not derive more than 5% of its revenues from: the production and/or distribution of conventional weapons/armaments (including handguns and civilian firearms); the production of their essential tailor-made components; or their enabling activities.
10. A company involved in prospection, exploration, extraction/mining, processing, or transportation of thermal coal is eligible if:
 - the company is not involved in coal exploration and exploitation of new coal mines, AND
 - the absolute production of thermal coal has not increased over the past three years AND
 - the company has a SBTi target set at well-below 2°C or 1.5°C, or has a SBTi 'Business Ambition for 1.5°C' commitment, OR
 - it derives less than 5% of its revenues from thermal coal production related activities; or less than 10% of its revenues from thermal coal transportation related activities; or less than 25% of its revenues from their enabling activities.
11. A companies involved in prospection, exploration or extraction of unconventional oil and gas is eligible if:
 - the company is not involved in exploration and exploitation of new unconventional oil or gas fields, AND
 - the absolute production of unconventional oil and gas has not increased over the past three years AND
 - the company has a SBTi target set at well-below 2°C or 1.5°C or has a SBTi 'Business Ambition for 1.5°C' commitment, OR
 - it derives less than 5% of its revenues from unconventional oil & gas activities; or less than 25% of its revenues from their enabling activities.
12. A company involved in prospection, exploration, extraction, processing, refining or transportation of conventional oil & gas is eligible if:
 - it is not involved in exploration and exploitation of new oil or gas fields, AND
 - it has a SBTi target set at well-below 2°C or 1.5°C, or have a SBTi 'Business Ambition for 1.5°C' commitment, OR
 - it derives less than 5% of its revenues from oil and gas-related activities; or less than 25% of its revenues from their enabling activities.
13. A company involved in the generation of power/heat from non-renewable energy sources (Electric Utilities, Gas Utilities, Multi-Utilities, Independent Power Producers & Energy Traders) is eligible if:
 - it is not involved in building new coal-fired power stations, AND
 - the company's absolute production of coal-based energy shall not be structurally increasing (+5% over the past three years).

AND

- it has a SBTi target set at well-below 2°C or 1.5°C, or has a SBTi 'Business Ambition for 1.5°C' commitment, OR
- it derives less than 5% of its revenues from non-renewable energy generation, OR
- it derives more than 50% of its revenues from contributing activities.

INDEX SELECTION

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

a. Thematic Diversification Criterion:

Constituents shall be classified by theme (thematic clusters):

- Smart Cities Enabling Technology
- Smart Urban Management
- Smart Building Development
- Smart Urban Living

In order to ensure a fair representation of the Industrial Sectors in the index, the selection process ensures that, within each thematic cluster, constituents are proportionate to those in the Industries in the Investable Universe.

b. Capitalization Criterion:

Within each thematic cluster, constituents are sorted according to their market capitalization and 25 constituents for each one of the four clusters are selected.

c. Geographic Diversification Criterion:

Within each thematic cluster, the maximum exposure to a single Country cannot exceed 50 percent of cluster composition (i.e., 12 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
3.0.2	31 December 2023	Updated screening criteria (International norms adherence, GHG intensity Criterion, Gender diversity Criterion, Sector Exposure Criteria, Selectivity Criterion)

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 Smart Cities 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"> • ECPI Environmental Rating must be E- or higher • Overall ECPI ESG Rating must be E+ or higher • thermal coal-related products/services absolute production not increased over the past three years and revenues below 15% AND SBTi target set at well-below 2°C or 1.5°C, or SBTi 'Business Ambition for 1.5°C' commitment OR thermal coal-related revenues less than 5% • production of unconventional oil & gas products/services not increased over the past three years AND SBTi target set at well-below 2°C or 1.5°C, or SBTi 'Business Ambition for 1.5°C' commitment • conventional oil & gas extraction less than 5% of total revenues OR SBTi target set at well-below 2°C or 1.5°C, or SBTi 'Business Ambition for 1.5°C' commitment • Companies that own or operate pipelines transporting unconventional oil or gas, and/or LNG export terminals supplied with unconventional gas are eligible if they don't derive a significant share of their revenues from these businesses • Companies involved in coal-based power generation (Electric Utilities, Multi-Utilities, Independent Power Producers & Energy Traders) are eligible if they derive less than 15% of their revenues from the activity • Companies involved in the generation of power/heat from non-renewable energy sources (Electric Utilities, Gas Utilities, Multi-Utilities, Independent Power Producers & Energy Traders) are eligible if: <ul style="list-style-type: none"> • The company's absolute production of coal-based or nuclear-based energy-related products/services shall not be structurally increasing (+5% over the past three years), AND • The company's absolute production of contributing products/services shall be increasing, AND • Have a SBTi target set at well-below 2°C or 1.5°C, or have a SBTi 'Business Ambition for 1.5°C' commitment, OR • Derive more than 50% of its revenues from contributing activities <p>Exclusion:</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>Selection:</p> <ul style="list-style-type: none"> • ECPI Social Rating must be E- or higher • 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 and/or distribution of conventional weapons/armaments (including handguns and civilian firearms) and/or the production of their essential tailor-made components - more than 5% of total revenues Production of tobacco, products that contain tobacco or the wholesale trading of these products - more than 5% of total revenues
(c) List of governance factors considered:	<p>Selection:</p> <ul style="list-style-type: none"> ECPI Governance Rating must be E- or higher 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/GALPHSCP_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 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
<p>(b) Verification and quality of data.</p> <p>Describe how data are verified and how the quality of those data is ensured.</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"> Environmental Strategy and Policy Environmental Management System Products (industry specific) Production Process (industry specific) Community Relations Employees Markets 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>31 December 2023</p>

CONTACTS

Index Dept.

ecpi.indices@confluence.com

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.