

# ECPI WORLD ESG INDEX

RULE BOOK

January 2025  
Version 3.0.3

**ECPI Srl is part of STOXX**

## MARKET REALITY

The ECPI World ESG Index is a cap-weighted equity index, with single company capping at 4%<sup>1</sup> designed to be a broad benchmark representative of developed market companies that satisfy ECPI ESG criteria.

## INDEX FAMILY IDENTIFIERS

BLOOMBERG TICKER	REFINITIV RIC	INDEX NAME
GALPHPWP Index	.GALPHPWP	ECPI World ESG Price Index
GALPHPWR Index	.GALPHPWR	ECPI World ESG Total Return Index
GALPHPWN Index	.GALPHPWN	ECPI World ESG Net Return Index
GALPHEWP Index	---	ECPI World ESG Hedged Price Index
GALPHEWR Index	---	ECPI World ESG Hedged Total Return Index
GALPHEWN Index	---	ECPI World ESG Hedged 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 <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
- 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 that do not achieve an annual turnover of at least 20% of their current capitalization (after applying any free float factor) will be 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.

### Sustainability Rating

- Companies must have a positive ECPI ESG Rating (from E- to EEE).
- The following Normative & Controversy Screening is applied:
  - a. Companies with a poor ESG profile (ESG Rating = F) are excluded.
  - b. Companies involved in structural, repetitive, and severe controversies or violations of the:
    - i. UN Global Compact
    - ii. UN Guiding Principles on Business and Human Rights (UNGPs)
    - iii. OECD Guidelines for Multinational Enterprises (as far as relevant)
    - iv. ILO Conventionsare excluded.
- Companies involved in "baseline" controversial activities as defined below are excluded from the Investable Equity Universe:
  - a. **Controversial Weapons** (Cluster Bombs, Antipersonnel Landmines, Nuclear Weapons, Biological Weapons): a company producing controversial weapons is considered "Not Eligible" regardless of the amount of revenues generated by

the sale of these products.

- b. **Tobacco:** a company producing tobacco products or products that are instrumental for the sale of tobacco products, or distributing tobacco products, is considered "Not Eligible" if revenues originated from this business activity are greater than 2% of total sales (threshold considered for "Distributors" is 5%).
- c. **Coal Extraction:** company involved in the mining of coal is considered "Not Eligible" if revenues originated from this business activity are greater than 5% of total sales.
- d. **Coal Power Generation:** company involved in coal-based electricity generation is considered "Not Eligible" if revenues originated from this business activity are greater than 50% of total sales.

## SELECTION ALGORITHM

- Once the Investable Equity Universe is defined, the selection process for the ECPI World ESG Index continues according to the following steps:
- For each Country, companies are sorted in descending order of full market capitalization and the cumulative coverage of the free float-adjusted market capitalization of the Country Universe is calculated at each company. European Countries are aggregated in just one region.

EUROPEAN COUNTRIES		
Austria	Greece	Norway
Belgium	Italy	Portugal
Denmark	Ireland	Spain
Finland	Israel	Sweden
France	Luxembourg	Switzerland
Germany	Netherlands	United Kingdom

- Stocks - already included in the index current composition - comprised in the cumulative free float-adjusted market capitalization coverage of 95% of the sorted country universe are eligible for inclusion in the index.  
New Stocks - not included in the index current composition - comprised in the cumulative free float-adjusted market capitalization coverage of 70% of the sorted country universe are eligible for inclusion in the index.
- All eligible securities in each Country Universe are aggregated into the new index composition.

# Versions

VERSION	EFFECTIVE DATE	CHANGES
3.0.1	30 June 2023	Ungrouping Index Family
3.0.2	1 May 2024	Verification and quality of data
3.0.3	1 January 2025	Exclusion criterion: Coal

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

Item 1. Name of the benchmark administrator.	STOXX
Item 2. Type of benchmark or family of benchmarks.	Equity
Item 3. Name of the benchmark or family of benchmarks.	ECPI World ESG Equity
Item 4. 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>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. Please explain how those ESG factors are used for the selection, weighting or exclusion of underlying assets. 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> <li>• Mining of thermal coal, and coking coal; generation of electricity from coal</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>• Production of controversial weapons (Nuclear, Biological, Chemical, Cluster Munitions, Mines) and/or their essential components</li> <li>• Production of tobacco, products that contain tobacco</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/GALPHPWP_Benchmark_Statement.pdf">https://ecpigroup.com/wp-content/uploads/rules/GALPHPWP_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 ESG data is sourced externally, from ECPI, the ESG research provider. ECPI delivers ESG scores and ratings information as well as involvement in controversial sectors of activity and an assessment regarding the UNGC principles. For details on ECPI ESG research, please refer to <a href="#">ECPI ESG Methodology Document</a>.</p> <p>The provider has been selected by the Administrator based on an assessment of its existing processes 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.</p> <p>The verification and quality of data are checked both externally and internally by automated and manual quality assurance processes.</p> <p>The quality assurance process includes:</p> <ul style="list-style-type: none"> <li>• Systematic peer review for all issuers that are newly assessed</li> <li>• Systematic peer review for all significant changes during the annual update</li> <li>• Periodic spot checks for certain high-risk industries/issue areas by research leads</li> <li>• Periodic data comparison with third-party sources, including government and industry databases</li> </ul>
<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>1 January 2025</p>

# CONTACTS

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Bloomberg: ECPS

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