

# **INDEX RULE BOOK**

## **EURONEXT® Biodiversité Climat Conviction PAB**

Version 24-01

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# 1. GENERAL

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This document is applicable to the Euronext® Biodiversité Climat Conviction PAB ("Index Family"), which consists of all the Indices as mentioned in the Reference Table.

Euronext® Biodiversité Climat Conviction PAB is designed to reflect the price level trends in the trading of shares listed in the Eurozone. It includes companies that avoid negative activities, as measured by their biodiversity scores and SDG ratings.

Euronext Paris is the Administrator of this Index Family. For this Index Family no Independent Supervisor is appointed.

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## VERSION NOTES

Version	Effective date	New or changed parts	Reference/announcement
24-01	08-02-2024	Initial version	

## 2. INDEX REVIEWS

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### 2.1 REVIEW FREQUENCY AND RELEVANT DATES

**Review frequency:** Quarterly, March being the Annual review

**Review Effective Date:** After the market close of the last trading day of March, June, September and December.

**Review Cut-Off Date:** After the market close of the penultimate Friday of February, May, August and November.

**Review Announcement Date:** At least two trading days before the Review Effective Date.

**Review Weighting Date:** Three trading days before the Review Effective Date.

**Review Weighting Announcement Date:** Two trading days before the Review Effective Date.

### 2.2 INDEX METHODOLOGY PRINCIPLES

#### 2.2.1 General Methodology Objectives

The Index seeks compliance with Paris Aligned Benchmark (PAB) objectives.

Compliance with PAB is aimed via weight adjustments following core selection and preliminary weights.

The weights are constructed using an optimization process that aims to achieve the PAB decarbonization objectives while minimizing the weights' deviation relative to the equally weighted weights. (Cf section 2.4 for further details)

#### 2.2.2 Data Partners

- ISS ESG provides research datapoints related to Carbon exposure, and SDGs metrics.
- Sustainalytics provide datapoints related to Controversies and Activity involvement.

#### 2.2.3 Climate Impact sections

Grouping of companies based on NACE section classification (Annex I to EC Regulation No 1893/006) into two sections:

- High Climate Impact section
  - NACE Sections A to H and Section L
- Low Climate Impact section
  - NACE Sections that are not part of the High Climate Impact section

NACE Section	NACE Section Name	Climate Impact Section Group
A	AGRICULTURE, FORESTRY AND FISHING	High
B	MINING AND QUARRYING	High
C	MANUFACTURING	High
D	ELECTRICITY, GAS, STEAM AND AIR CONDITIONING SUPPLIES	High

E	WATER SUPPLY; SEWERAGE, WASTE MANAGEMENT AND REMEDIATION ACTIVITIES	High
F	CONSTRUCTION	High
G	WHOLESALE AND RETAIL TRADE; REPAIR OF MOTOR VEHICLES AND MOTORCYCLES	High
H	TRANSPORTATION AND STORAGE	High
I	ACCOMMODATION AND FOOD SERVICE ACTIVITIES	Low
J	INFORMATION AND COMMUNICATION	Low
K	FINANCIAL AND INSURANCE ACTIVITIES	Low
L	REAL ESTATE ACTIVITIES	High
M	PROFESSIONAL, SCIENTIFIC AND TECHNICAL ACTIVITIES	Low
N	ADMINISTRATIVE AND SUPPORT SERVICE ACTIVITIES	Low
O	PUBLIC ADMINISTRATION AND DEFENCE; COMPULSORY SOCIAL SECURITY	Low
P	EDUCATION	Low
Q	HUMAN HEALTH AND SOCIAL WORK ACTIVITIES	Low
R	ARTS, ENTERTAINMENT AND RECREATION	Low
S	OTHER SERVICE ACTIVITIES	Low
T	ACTIVITIES OF HOUSEHOLDS AS EMPLOYERS; UNDIFFERENTIATED GOODS- AND SERVICES-PRODUCING ACTIVITIES OF HOUSEHOLDS FOR OWN USE	Low
U	ACTIVITIES OF EXTRATERRITORIAL ORGANISATIONS AND BODIES	Low

## 2.3 REVIEW SELECTION

### Step 1: Index Universe

#### Index Universe definition

The Index Universe consists of the Constituents included in the Euronext® Eurozone 300 at review.

At review means included in the Index Starting Universe after the Review Effective Date.

### Step 2: Eligibility screening at reviews

#### Annual review

The list of Companies is reduced by a series of screens. The Companies with any of the following characteristics are not eligible:

- Companies with a **3-months Average Daily Traded Value lower than 30 Million €**.
- Companies not covered by ISS-ESG's Scope 1 Climate Emissions data
- Companies not covered by ISS-ESG's Scope 2 Climate Emissions data
- Companies not covered by ISS-ESG's Scope 3 Climate Emissions data
- **United Nation Global Compact:**

Exclusion topic	Exclusion criteria	Sustainalytics Field Id
United Nations Global Compact	Flagged "Non-compliant"	231112111799

- **Controversies:**

Exclusion topic	Exclusion criteria	Sustainalytics Field Id
Highest Controversy Level- Answer Category	Score level >4	121010112599

- **Tobacco production or distribution:**

Exclusion topic	Exclusion criteria	Sustainalytics Field Id
Tobacco Products Production	Any involvement	172911112999
Tobacco Products Retail	Derived turnover $\geq$ 5%	172915112999

- **Controversial Weapons:**

Exclusion topic	Exclusion criteria	Sustainalytics Field Id
Controversial Weapons Tailor-made and essential	Any involvement	171611102999
Controversial Weapons Non tailor-made or non-essential	Any involvement	171613102999

- **Thermal Coal:**

Exclusion topic	Exclusion criteria	Sustainalytics Field Id
Thermal Coal Extraction	Any involvement	172811102999
Thermal Coal Power Generation	Revenue Percentage > 50%	172813112999

- **Conventional Oil & Gas:**

Exclusion topic	Exclusion criteria	Sustainalytics Field Id
Oil & Gas Production	Any involvement	173311102999
Oil & Gas Generation	Derived turnover > 0%	173316171899

- **Unconventional Oil & Gas:**

Exclusion topic	Exclusion criteria	Sustainalytics Field Id
Oil Sands Extraction	Any involvement	173011102999
Shale Energy Extraction	Any involvement	173211102999

- **SDG Impact Rating:**

Exclusion topic	Exclusion criteria	ISS-ESG Field Name
SDG Impact Rating - Climate Action	Rating < 0	SDGRClimateAction
SDG Impact Rating - Life On Land	Rating < 0	SDGRLifeOnLand

SDG Impact Rating - Life Below Water	Rating < 0	SDGRLifeBelowWater
SDG Impact Rating - Responsible Consumption and Production	Rating < 0	SDGRRespCons

### Biodiversity impact:

Companies among the worst 35% "MSA per Million EUR EVIC" scores as assessed by ISS-ESG from the index universe are excluded as follows:

- In case of equal "MSA per Million EUR EVIC" Scores, companies will rank in such a way that companies with lower Free float market capitalization will be excluded
- In case of an eligible universe with less than 40 companies, we include the best companies verifying all exclusions above until we have 40 companies in the eligible universe. In case of equal "MSA per Million EUR EVIC", companies will rank in such a way that companies with lower Free float market capitalization will be excluded

The remaining Companies are eligible for inclusion.

The Euronext ESG Providers Methodologies document gives a detailed background on various scoring methodologies, controversial activities and controversies assessments.

### Quarterly review

From the current components of the index, the Companies with any of the following characteristics are excluded:

- **United Nation Global Compact:**

Exclusion topic	Exclusion criteria	Sustainalytics Field Id
United Nations Global Compact	Flagged "Non-compliant"	231112111799

- **Controversies:**

Exclusion topic	Exclusion criteria	Sustainalytics Field Id
Highest Controversy Level- Answer Category	Score level >4	121010112599

### Step 3: Selection ranking

#### Annual review

The eligible Constituents are ranked by free float market capitalization.

#### Quarterly Review

The ranking is not applicable for the quarterly review

### Step 4: Selection of constituents at the reviews

#### Annual review

The 40 highest ranking companies will be selected in the index.

#### Quarterly review

The following changes will be applied at the Quarterly Reviews:



- Current constituents that fail to meet the eligibility screenings as defined at the Quarterly Review will be removed from the Index.
- If the number of Companies in the index will become less than 40, the highest ranking eligible Companies based on the ranking established at the Annual Review will be added till the Index consists of 40 Companies.

## 2.4 PERIODICAL WEIGHTING UPDATE

### Weighting method

The Index is Non-Market Capitalisation weighted, based on an optimization approach.

The Weighting Factors are explained in the following paragraphs.

### Number of Shares

The Number of Shares are calculated such that each constituent will have the weight in accordance with the outcome of the weighting procedure detailed in 2.5.

The Number Of Shares are determined based on the closing prices of the Constituents to be included in the Index on the Review Weighting Date.

### Free Float Factor

The Free Float Factor is not applied for this Index family.

### Capping Factor

The Capping Factor is technically set at 10%, per-stock caps and other capping mechanisms are part of the weight optimization and therefore taken into account when calculating the final Constituents weights and the derived number of shares; Cf section 2.5.2

## 2.5 WEIGHT CALCULATION

### 2.5.1 Decarbonization objectives

#### 2.5.1.1 Carbon Intensity calculation

Euronext will calculate the Carbon Intensity (CI) for each of the Constituents in the Index as well as for each Constituents in the Index Starting Universe.

The Carbon intensities are calculated as follows:

$$CI = \frac{\text{Sum of Emissions}}{\text{Enterprise Value including Cash}}$$

- Emissions are Scope 1+2+3 carbon emission, provided by ISS-ESG <sup>1</sup>
  - Enterprise Value including Cash = Market capitalization + Debt
- For Index:
    - Stock-level weighted CI = CI \* Index weight<sup>2</sup>
  - For Index Starting Universe:
    - Stock-level weighted CI = CI \* FFMC weight<sup>3</sup>

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<sup>1</sup> In case ISS-ESG does not provide Carbon Emissions then the carbon intensity is calculated as the median of the ICB Supersector carbon intensities.

<sup>2</sup> The calculation of the Index Weights are described in the section 2.5.2

<sup>3</sup> Free Float Market Cap Weights of the components in the index starting universe

The Weighted Average Carbon Intensity (WACI) of the Index and the Index Starting Universe are established as follows:

- WACI of Portfolio =  $\sum$  Stock-level weighted CI

### 2.5.1.2 Decarbonization targets

The target metric for decarbonization objectives is the WACI. The following two objectives need to be respected at the same time – they form the **PAB Double Cap**.

#### i) Carbon Intensity reduction of the Index vs the Index Starting Universe of at least 50%

- The WACI of the Index each year will be compared to the WACI of the Index Starting Universe

#### ii) Year-on-year self-decarbonization trajectory of the Index<sup>4</sup>

- During the review in base year Euronext will calculate the WACI of the Index and calculate a decreasing trajectory of carbon intensity target for future years, with 7% annual geometrical decrease as below:

$$WACI_{T+1} \leq (1 - 0.07) * WACI_T$$

- This self-decarbonization trajectory will be made public

Ex:	Index WACI Trajectory	Trajectory Formula
Base Year T	1000	$WACI_T$
Year T+1	930	$(1 - 0.07) * WACI_T$
Year T+2	864.9	$(1 - 0.07)^2 * WACI_T$

### 2.5.2 Weight adjustments to achieve decarbonization objectives:

The index weights are constructed using an optimization process that aims to achieve the decarbonization objectives while minimizing the sectorial weights' deviation relative to the Index Starting Universe.

The objective function to minimize is the following:

$$f(w_1, w_2, \dots, w_p) = \sum_{i=1}^p (w_i - w_i^{univ})^2$$

With:

- $w_i$  = Weight of supersector i in the portfolio
- $w_i^{univ}$  = Weight of supersector i in universe
- $P$  = Number of supersector in the portfolio

The constraints imposed are the following:

- All weights are positive and sum to 1
- All weights are capped at 15%
- All Supersectors are capped at 15%

<sup>4</sup> Trajectory calculation only applicable since the publication of the Index

- High Stake NACE Section weight in the Index  $\geq$  High Stake NACE Section weight in the Index Starting Universe
- Minimum reduction in WACI relative to Parent index of 50% (Scope 1+2+3)<sup>5</sup>
- Minimum average reduction (per annum) in WACI relative to WACI at the base year of 7%
- The weight in the Index should satisfy the two below inequalities:
  - $\left\{ \begin{array}{l} \text{Weight}_{EW} \\ \text{factor1} \end{array} \right\} \leq \text{Weight in the Index} \leq \text{Weight}_{EW} \times \text{factor1}$
  - The initial value of the factors are:
    - factor1 = 2

During the annual Index review, in the event that there is no optimal solution that satisfies all the optimization constraints, the following constraints will be alternatively relaxed, until an optimal solution is found:

- Relax the factor1 in steps of 0.1 up to a maximum factor of 20

If no optimal solution is found after all constraint relaxations have been exhausted, the following steps will be taken:

- **Replace High Carbon Intensity Constituents:** The constituent with the highest carbon intensity in the selection will be replaced by an eligible company with the lowest carbon intensity. This process will be repeated iteratively until an optimal solution is found.
- **Lower Liquidity Filter:** If a solution is still not found after iterating on the replacement of the highest carbon intensity constituent, the liquidity filter will be lowered to 20M Average Daily Volume (ADV) to expand the eligible pool of companies, and the replacement process will be reiterated.

### 3. REFERENCES

Index name	Isincode	Mnemo	Bloom- berg Code	Reuters code	Base date	Base value	Publication since	Index Type
Euronext Biodiversité Climat Conviction PAB	FRESG0002583	BIOCP	BIOCLI40	.BIOCLI40	31-12- 09	1000	03-07-24	Price
Euronext Biodiversité Climat Conviction PAB NR	FRESG0002591	BIOCN	BIOCLINR	.BIOCLINR	31-12- 09	1000	03-07-24	Net Return
Euronext Biodiversité Climat Conviction PAB GR	FRESG0002609	BIOCG	BIOCLIGR	.BIOCLIGR	31-12- 09	1000	03-07-24	Gross Return
Euronext Biodiversité Climat Conviction PAB Decrement 3.5%	FRESG0002617	BIOC3	BIOCLID3	.BIOCLID3	31-12- 09	1000	03-07-24	Decrement Return 3.5% on NR
Euronext Biodiversité Climat Conviction PAB Decrement 5%	FRESG0002765	BIOC5	BIOCLID5	.BIOCLID5	31-12- 09	1000	03-07-24	Decrement Return 5% on NR

#### 3.1 BASE CURRENCY

The Base Currency of this index family is EUR.

#### 3.2 PUBLICATION

The opening index level is disseminated at the same time as the first Index level.

The index is calculated based on the most recent prices of transactions concluded on the main markets in each of the countries that are included in the index. The level of the index is in principle published every 15 seconds. The index is calculated from 09:00 hours until Euronext Markets stop regular daytime trading on the days when the Euronext Markets are open for trading.

The closing level is the last level disseminated on the trading day.

## 4. ESG DISCLOSURES

EXPLANATION OF HOW ESG FACTORS ARE REFLECTED IN THE KEY ELEMENTS OF THE BENCHMARK METHODOLOGY	
<b>Item 1.</b> Name of the benchmark administrator.	Euronext Paris
<b>Item 2.</b> Type of benchmark	Equity Benchmark
<b>Item 3.</b> Name of the benchmark or family of benchmarks.	<b>Euronext Biodiversité Climat Conviction PAB</b>
<b>Item 4.</b> Does the benchmark methodology for the benchmark or family of benchmarks take into account ESG factors?	Yes
<b>Item 5.</b> If the response to Item 4 is positive, please find below the ESG factors that are taken into account in the benchmark methodology and how they are used for selection, weighting and exclusion	
a) List of environmental factors considered:	<ul style="list-style-type: none"> <li>• GHG Emissions</li> <li>• UNGC factors</li> <li>• Thermal Coal mining factors</li> <li>• Thermal Coal Power generation factors</li> <li>• Fossil Fuel Involvement factors</li> <li>• SDG Impact rating – Climate Action</li> <li>• SDG Impact rating – Life on Land</li> <li>• SDG Impact rating – Life Below Water</li> <li>• SDG Impact rating – Responsible Consumption and Production</li> </ul>
b) List of social factors considered:	<ul style="list-style-type: none"> <li>• Controversial weapons factors</li> <li>• UNGC factors</li> <li>• Tobacco Involvement factors</li> </ul>
c) List of governance factors considered:	<ul style="list-style-type: none"> <li>• UNGC factors</li> </ul>
<b>Item 6.</b> Data and standards used.	
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>The data are based on company self-reported data on emissions reduction targets which are then applied to climate models to produce temperature alignment scores.</p> <p><b>Sustainalytics:</b></p> <p>Sustainalytics applies several measures to ensure consistency in application of the methodology. Firstly, all analysis is conducted in line with our methodology and guidelines. This ensures that research, particularly when qualitative in nature, remains consistent. The data we use includes publicly disclosed, Artificial Intelligence (AI) and assessments by our experienced analysts.</p> <p>Artificial Intelligence: Sustainalytics sources issuer disclosures through the use of artificial intelligence. Once the sources have been identified, they are thoroughly assessed by our</p>

	<p>analyst team for completeness and consistency, and for interpretation. In addition, before publication of the ESG Risk Ratings and Research, issuers are contacted for feedback. Issuers are also contacted in case of a significant or severe Controversy. When issuers can provide sufficient proof for management indicators, this will be taken into consideration.</p> <p>Publicly disclosed information: Sustainalytics' issuer research is based on publicly disclosed information. On a daily basis we screen over 80,000 media sources using artificial intelligence, sourced by LexisNexis. As part of our research cycle, we do give issuers the opportunity to give feedback on our findings. If they can provide sufficient proof, we will take this into consideration. The response rate of issuers has increased substantially over the recent years, reflecting the recognition of corporates that ESG issues are material and affect their ability to attract investors.</p> <p>Analyst Research: Sustainalytics have over 650 data analysts and specialists focused on fund collection and processing, quality assurance, fund company relationships, and client support which is a significantly larger team than our closest competitor. This team is situated across our global offices in 27 countries and the local presence ensures that we understand the distinct nuances of the underlying content and our customer needs in every country and region.</p> <p>To maximize our data processing speed and efficiency, we take advantage of our geographical dispersion to collect the most relevant data by country and investment type and to keep our "data factory" working 24 hours a day.</p>
<p>b) Verification of data and guaranteeing the quality of those data.</p> <p><i>Describe how data are verified and how the quality of those data is ensured.</i></p>	<p><b>ISS</b></p> <p>ISS ESG represents and warrants that to the best of its knowledge the Methodology is robust and reliable, rigorous and capable of validating and verifying including, but not limited to, the following:</p> <ul style="list-style-type: none"> <li>• shall promptly correct any errors made in its computations of the Data and inform Euronext thereof, immediately.</li> <li>• periodically review the Methodology</li> <li>• has clear written rules identifying how and when discretion may be exercised when deviating from the methodology</li> <li>• will inform Euronext prior to making any material change to the Methodology and will provide Euronext with the rationale for such change.</li> </ul>

	<p><b>Sustainalytics:</b></p> <p>Data Quality</p> <ul style="list-style-type: none"> <li>- Operational Management: Business processes and tools are in place for universe maintenance, research planning, monitoring of timely publication and tracking of production targets.</li> </ul> <p>Productivity Tools: Our internal research platforms and databases are continuously enhanced to ensure research data integrity as well as efficient data collection and processing.</p> <ul style="list-style-type: none"> <li>- Data Management: Systems are in place for the periodic collection and verification of non-research data (e.g. company identifiers) and ensuring the integrity of all data points from backend to front-end.</li> <li>- Automated end-of-gate quality checks: Daily automated quality control systems are in place to ensure the accuracy and integrity of ESG Ratings pre-publication, flagging outliers and unusual patterns to avoid unwarranted rating volatility.</li> <li>- Data Delivery Systems: Our online client portal (Global Access) and data services are maintained daily and continuously improved to give a comprehensive and accurate representation of our products.</li> <li>- Data Deliverables: Automated and manual quality assurance checks are run on all periodic and on-off custom client deliverables.</li> </ul> <p>Product/Service Quality</p> <ul style="list-style-type: none"> <li>- Research Product Innovation: As we continuously expand and improve our offering, the client impact of any structural product changes is thoroughly assessed prior to implementation.</li> <li>- Service Innovation: As we continuously expand and improve our digital services to clients, any new features are thoroughly tested before being released to clients.</li> <li>- New Product Launches: A well-defined Stage-Gate process has been put in place to carefully manage product launches and ensure quality, at the launch and beyond.</li> </ul>
<p>c) Reference standards</p> <p><i>Describe the international standards used in the benchmark methodology.</i></p>	<p><b>ISS</b></p> <p>ISS ESG Norm-Based Research is aligned with the Principles of the U.N. Global Compact and the OECD Guidelines for Multinational Enterprises. These globally endorsed standards translate obligations established in international norms into expectations of what constitutes Responsible Business Conduct. Principles of international law referenced and translated for business in leading global frameworks for Responsible Business Conduct include the following:</p> <ul style="list-style-type: none"> <li>• Human rights (among others):</li> </ul>

	<ul style="list-style-type: none"> <li>○ The International Covenant on Civil and Political Rights (ICCPR)</li> <li>○ The International Covenant on Economic, Social and Cultural Rights (ICESCR)</li> <li>○ The Geneva Conventions</li> <li>• Labour rights: <ul style="list-style-type: none"> <li>○ International Labour Organization (ILO) Conventions</li> </ul> </li> <li>• Environmental standards (among others): <ul style="list-style-type: none"> <li>○ The Rio Declaration on Environment and Development</li> <li>○ The Convention on Biological Diversity</li> <li>○ The UN Framework Convention on Climate Change</li> <li>○ The Paris Agreement</li> </ul> </li> <li>• Anti-corruption standards: <ul style="list-style-type: none"> <li>○ The UN Convention against Corruption</li> </ul> </li> </ul> <p><b>Sustainalytics:</b>  Through our norms based screening, Global Standard Screening, we cover a broad range of international norms and standards including; UN Global Compact Principles (UNGC), UN Guiding Principles on Business and Human Rights (UNGPs), OECD Guidelines for Multinational Enterprises and Related Conventions.</p>
	<p><b>Information updated on:</b> 11-06-2024</p>