

CONSULTATION SUMMARY

Consultation subject: Rule changes MIB ESG
Consultation started: December 2024
Summary published: 22 January 2025

Summary:

A consultation took place for the proposed changes to the methodology of the MIB ESG.

The following proposed changes were covered:

- Change of ESG data provider from Moody's ESG to Sustainalytics
- Addition of two new exclusion criteria in order to align the Index Methodology with ESMA's ESG Fund naming guidelines
- Change of weighting methodology in favor of an optimization method instead of the current iterative approach

Number of Responses:

Between 5 – 10 Responses were received to the consultation.

Feedback received in the consultation:

The feedback received was largely in favour of the proposed changes.

Follow up

Euronext decided to update the index methodology of the Index in line with the proposed changes in the consultation as per the March 2025 Review of the Index.

Detailed new Rules:

The following new rules are implemented as of the March 2025 Review of the Index:

1) Change of ESG data provider:

Continuous eligibility screening

Companies that are assessed to be Non-Compliant with the UN Global Compact principles, UN Guiding Principles on Business and Human Rights (UNGPs), OECD Guidelines for Multinational Enterprises and ILO Conventions as determined by Sustainalytics are not eligible for inclusion in the index.

Exclusion type	Description	Sustainalytics Field Id
Global Standards Screening	Companies flagged "Non-compliant" are excluded	231112111799

New eligibility screening criteria at reviews:

The index universe is screened on 2 sets of criteria: norm based (Global Standards Screening) and Activity exclusions.

Global Standards Screening

Companies that are assessed to be Non-Compliant with the UN Global Compact principles, UN Guiding Principles on Business and Human Rights (UNGPs), OECD Guidelines for Multinational Enterprises and ILO Conventions as determined by Sustainalytics are not eligible for inclusion in the index.

Exclusion type	Description	Sustainalytics Field Id
Global Standards Screening	Companies flagged "Non-compliant" are excluded	231112111799

Product involvement Screening

Companies that are involved in the following products, and related thresholds as assessed by Sustainalytics are not eligible:

Exclusion type	Description	Revenues	Sustainalytics Field Id
Tobacco	- Companies with any revenue involvement in the Production of Tobacco.	>0%	172911112999
	- Companies with revenues larger or equal to 10% derived from Retail of Tobacco are excluded.	≥10%	172915112999
Thermal Coal	- Companies with any revenue involvement in Thermal Coal Extraction are excluded.	>0%	172811112999
	- Companies with revenues larger or equal to 5% from Thermal Coal Power Generation are excluded.	≥5%	172813112999
Oil Sands	- Companies with any revenue involvement in Oil Sands Extraction are excluded	>0%	173012171899
Shale Energy	- Companies with any revenue involvement in Shale Energy Extraction are excluded.	>0%	173211112999
Small Arms	- Companies with revenues larger or equal to 5% from Civilian customers (Assault weapons) are excluded.	≥5%	171711112999
	- Companies with revenues larger or equal to 5% from Civilian customers (Non- Assault weapons) are excluded.	≥5%	171721112999
Controversial Weapons	- Companies with specific involvement in tailor-made and essential controversial weapons are excluded. ¹	N/A	171611102999
	- Companies with specific involvement in non-tailor-made or non-essential controversial weapons are excluded. ¹	N/A	171613102999

New Selection Ranking rules:

Companies within the Index Universe that fulfil the eligibility requirements are ranked based on the ESG risk rating as assessed by Sustainalytics, Companies with less ESG risk (lower risk rating) will rank higher. In case of equal ESG risk rating, the Company with the highest Free Float Market Capitalisation on the Review-Cut Off Date will rank higher.

¹ * This includes: Anti Personnel Mines; Biological and Chemical Weapons; Cluster Weapons; Depleted Uranium and White Phosphorus

2) Addition of two new exclusion criteria in order to align the Index Methodology with ESMA's ESG Fund naming guidelines

The below requirements will be added to the methodology:

Exclusion type	Description	Revenues	Sustainalytics Field Id
Fossil Fuel	- Oil & Gas Production	≥10%	173311112999
Fossil power generation	- Thermal Coal Power Generation-Revenue Percentage - Oil & Gas Generation-Revenue Percentage	Sum of both ≥50%	171025141199 171114141199

3) Change of weighting methodology towards an optimization method instead of the current iterative approach

Capping factor

A Capping Factor is calculated based on the Review Weightings Announcement Date such that the Companies included in the index have a maximum weight of 10%, and such that the index Weighted Average Carbon intensity is improved compared to the Index Universe.

Weighted Average Carbon Intensity (WACI) is defined as company-level Scope 1+2 last known emission divided by the revenues (same year), multiplied by each company's weight in the index and then aggregated by summing.

Weighted Carbon Intensity (WCI) is defined as company-level Scope 1+2 last known emission divided by the revenues (same year), multiplied by each company's weight in the index.

A capping factor is calculated using an optimization method that satisfies the following objective function:

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

With:

- w_i = Weight of constituent i in the portfolio
- w_i^{FFMC} = Free Float Market Cap Weight of constituent i in the portfolio
- P = Number of constituents in the portfolio

The constraints imposed are the following (unchanged compared to current methodology):

- All weights are positive and sum to 1
- All weights are capped at 10%
- A reduction in WACI relative to Parent index (Scope 1+2)