



# WisdomTree Global Sustainable Equity UCITS Index



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# Index Construction

The WisdomTree Global Sustainable Equity UCITS Index seeks to track the performance of companies from developed markets that positively contribute to social and/or environmental objectives according to defined sustainability criteria.

## 1. Define Universe

Stocks are selected from the Solactive GBS Developed Market Large & Mid Cap Index (Parent Index). The Index tracks the performance of the large and mid-cap segment covering approximately the largest 85% of the free-float market capitalisation in the developed markets.

## 2. Apply ESG Screen

Companies are excluded from the universe based on the following ESG criteria:

- Classified as “**non-compliant**” with international norms and standards, such as the United Nations Global Compact (UNGC) Principles, the UN Guiding Principles on Business and Human Rights (UNGPs), the Organization for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises and their underlying conventions.
- Deriving more than **0%** of revenue from controversial weapons, or tobacco activities, except companies deriving less than **5%** of revenue from tobacco distribution.
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- Deriving at least **1%** of revenue from thermal coal activities, including thermal coal extraction and tailor-made products and services supporting it.
- Deriving more than **50%** of revenue from electric power generation using thermal coal, oil, or natural gas, or generating more than **5%** of revenue specifically from thermal coal-based power generation.
- Deriving more than **5%** of revenue from unconventional oil and gas activities, including oil sands extraction, arctic oil and gas exploration, or shale energy extraction and production.

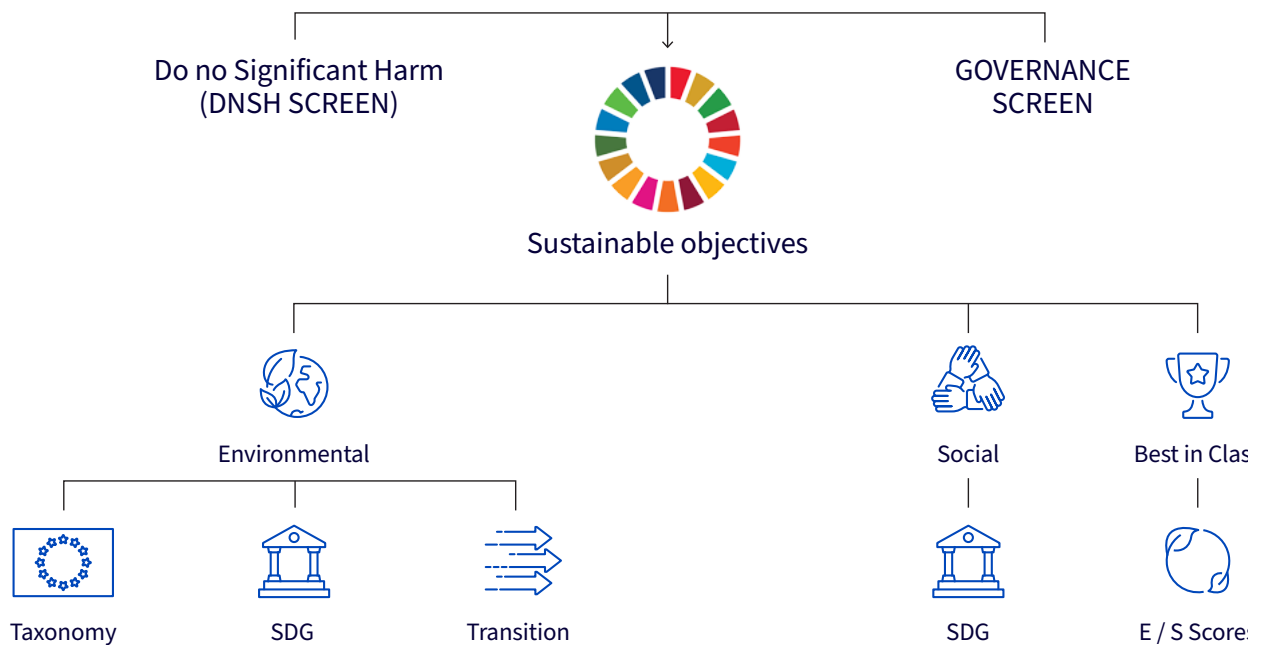
- Deriving more than **5%** of revenue from small arms activities
- The company has a Sustainalytics Controversy Rating of 5 or a Sustainalytics Controversy Rating of 4 with a negative outlook.

- The company has a Sustainalytics ESG Risk Score of greater than 30.

Additional criteria for company exclusion can be found in the [index methodology](#).

### 3. Stock Selection

Figure 1: Sustainability Framework



A company is evaluated across the following criteria before being selected:

## Taxonomy

The company has greater or equal to 20% of revenues **aligned with the EU taxonomy**<sup>1</sup> or is in the top quintile of its sector concerning the former aligned revenue.

## UN SDGs<sup>2</sup>

- + (Environmental) The company has **greater or equal to 20% of revenues aligned with contributing to the SDGs** 6, 7, 12, 13, 14, or 15. Alternatively, the company is in the top quintile of its sector concerning the former aligned revenue.
- + (Social) The company has greater or equal to 20% of revenues aligned with contributing to the SDGs 2, 3, 4, 10, or 11. Alternatively, the company is in the top quintile of its sector concerning the former aligned revenue.

## Transition:

- + The company's proportion of capital expenditure **that is EU taxonomy-aligned** exceeds the proportion of revenue that is EU taxonomy-aligned by at least 10%.
- + The company has **SBTi-approved<sup>3</sup> carbon emission reduction targets** and a positive “Carbon Trend” which is defined as a decline of at least 10% in Scope 1&2 GHG emissions over the last 3 years.

## Best-In-Class:

- + The company is at the intersection of the top quintiles of its sector concerning Sustainalytics’ Environmental Risk Management Score and Social Risk Management Score.
- + The company is at the intersection of the top quintiles of its sector concerning board gender diversity, workforce gender diversity, and senior management gender diversity.

### 4. Weighting

- + Weighted to maximize revenue proportion aligned with SDGs or EU Taxonomy.
- + Restricted diversion from the Parent Index.
- + The index is rebalanced semi-annually in May and November.



<sup>1</sup> **EU TAXONOMY** is the EU taxonomy for sustainable activities. For more information, please visit [finance.ec.europa.eu](https://finance.ec.europa.eu)

<sup>2</sup> **UN SDGs** are the United Nations Sustainable Development Goals. For more information, please visit [sdgs.un.org/goals](https://sdgs.un.org/goals)

<sup>3</sup> **SBTi** is short for Science Based Targets initiative. For more information, please visit [www.sciencebasedtargets.org](https://www.sciencebasedtargets.org)

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