S&P Europe 350® ESG Index

Integrating ESG Values into the Core

The S&P Europe 350 ESG Index is designed to provide improved ESG representation and has historically maintained a risk and return profile similar to that of the S&P Europe 350. Using S&P DJI ESG Scores and various ESG exclusions, the index ranks and selects eligible companies, targeting 75% of the market capitalization in each S&P Europe 350 GICS® industry group. S&P DJI ESG Scores are unique in that they focus on the most financially material and relevant ESG signals within specific industries. The scores are derived from the S&P Global ESG Scores, which draw their data from the proprietary world-renowned Corporate Sustainability Assessment (CSA).

S&P Global Media & Stakeholder Analysis (MSA) provides ongoing ESG controversy monitoring, ensuring that any constituent that experiences a significant ESG incident between rebalances can quickly be removed from the S&P Europe 350 ESG Index.

Because the index methodology incorporates E&S characteristics (via S&P DJI ESG Scores) and proxies for good governance (via the exclusion of companies with low UNGC scores and controversies monitoring using the MSA), the index is therefore potentially Article 8-aligned as per the EU Sustainable Finance Disclosure Regulation.

S&P Europe 350

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Exclude companies involved in thermal coal, tobacco, and controversial weapons, as well as companies with low UNGC Scores, in addition to the bottom 25% of companies within global GICS industry groups, as ranked by S&P DJI ESG Scores.

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Rank companies by S&P DJI ESG Score. Select top-ranked constituents, targeting 75% of the market cap in each S&P Europe 350 GICS industry group, with the goal of achieving broadly sector neutral exposure relative to the S&P Europe 350.

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Weight companies by float-adjusted market capitalization.

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S&P Europe 350 ESG Index

S&P Europe 350 ESG Index Performance versus its Benchmark

	S&P Europe 350	S&P Europe 350 ESG
Number of Constituents	363	246
5-Year Annualized Returns (TR, %)	8.31	8.52
5-Year Standard Deviation (%)	14.26	14.24
5-Year Tracking Error (%)	-	1.04
Absolute ESG Score Improvement (%)	-	6.85
Realized ESG Score Improvement (%)	-	39.1

Source: S&P Dow Jones Indices LLC. Data as of April 30, 2021. Charts are provided for illustrative purposes. Past Performance is no guarantee of future results. The S&P Europe 350 ESG Index was launched on May 6, 2019. All data shown prior to the launch date is hypothetical back-tested performance, not actual performance. See the full disclaimer for more information. Past performance is no guarantee of future results. Chart is provided for illustrative purposes. Absolute ESG Score Improvement is calculated as the difference between the index-level ESG score of the ESG index and the index-level ESG score of its parent index. Realized ESG Score Improvement is calculated as the percentage difference between the index ESG scores of the S&P Europe 350 ESG Index and the S&P Europe 350, relative to the index's maximum potential improvement, based on only investing in the single highest-ranked ESG scoring company in the index.

S&P Europe 350 ESG Index: Measuring the Impact

Environmental

Climate Strategy:

9%

higher exposure to companies with established processes for identifying, assessing, and managing climate-related issues as part of their overall risk management.

Climate Strategy:

6%

higher exposure to companies that have estimated annual CO2e savings and anticipated annual cost savings from emissions reduction activities in the latest reporting year.

Climate Strategy:

8%

higher exposure to companies that have established science-based corporate-level climate-related targets combining Scope 1 and 2 GHG emissions, referring either to absolute or relative (intensity) targets.

Social

Labor Practice:

8%

higher exposure to companies that monitor and disclose female representation across their organization, as well as a breakdown of workforce based on other minority groups in the arenas of age, nationality, and disability.

Human Capital Development:

12%

higher exposure to companies with established employee development programs.

Human Rights:

6%

higher exposure to companies that have proactively conducted an assessment of potential human rights issues across their own operations, contractors and Tier 1 Suppliers, specifically covering local communities and migrant labor.

Governance

Corporate Governance:

6%

higher exposure to companies that have in place a publicly available independence statement for the board of directors.

Codes of Business Conduct:

5%

higher exposure to companies that have not incurred fines or settlements related to anti-competitive business practices in the past four fiscal years.

Supply Chain Management:

10%

higher exposure to companies that have identified ESG objectives for their supply chain management strategy, including their supplier selection and retention processes.