

The S&P Europe 350[®] ESG Index: Defining Europe's Sustainable Core

Contributors

Reid Steadman

Managing Director
Global Head of ESG & Innovation
reid.steadman@spglobal.com

Michael Orzano, CFA

Senior Director
Global Equity Indices
michael.orzano@spglobal.com

The [S&P Europe 350 ESG Index](#) is designed to meet the needs of today's sustainability-minded investors. Launched in 2019, this index was designed to represent the large-cap European market while offering an improved sustainability profile by excluding those companies that do not align with basic environmental, social, and governance (ESG) principles. Further, this index is a potential solution for investment product providers seeking to adopt an index to meet the requirements of regulations, such as the European Union Sustainable Finance Disclosure Regulation (SFDR).¹

Rather than focusing on one aspect of ESG, the S&P Europe 350 ESG Index provides insights into a wide variety of sustainability issues, such as governance, gender diversity, the environment, human rights, risk culture, cyber security, tax strategy, and many others. The index integrates ESG scores made from 600 to 1,000 datapoints on individual issues at each company.

The S&P Europe 350 ESG Index is broad in its exposure, spanning the 11 GICS[®] sectors so that it is balanced in its sector composition like the underlying index, the [S&P Europe 350](#). This alignment is a powerful tool, ensuring that the S&P Europe 350 ESG Index faithfully represents the broad European market.

In this paper, we outline why the S&P Europe 350 ESG Index is a compelling choice for European investors and provide an overview of its methodology, sustainability attributes, and risk/return characteristics.

THE STARTING POINT: AN OVERVIEW OF THE S&P EUROPE 350

The first key to the S&P Europe 350 ESG Index is understanding the S&P Europe 350. Introduced by S&P DJI in 1998, the S&P Europe 350 represents the European portion of the [S&P Global 1200](#), which aggregates into one benchmark several other widely followed regional indices, including the [S&P 500[®]](#), [S&P/TSX 60](#), and other leading indices.

The S&P Europe 350 is a float-adjusted, market-capitalization-weighted index that includes the largest and most liquid stocks from developed Europe. The index is managed in the same way as the S&P 500, in that

¹ See Article 8 of the [Sustainable Finance Disclosure Regulation](#). The S&P Europe 350 ESG Index methodology incorporates E&S characteristics (via S&P DJI ESG Scores) and proxies for good governance (i.e., companies with low UNGC scores are excluded and controversies are monitored using the Media & Stakeholder Analysis) and therefore potentially aligns with Article 8 of the EU SFDR.

The S&P Europe 350 is a float-adjusted, market-capitalization-weighted index that includes the largest and most liquid stocks from developed Europe.

the 350 companies are selected by the Index Committee according to a clearly defined and transparent [set of rules](#). Constituents are selected for the index based on size and liquidity, as well as on country and sector representation. Like the S&P 500, the S&P Europe 350 does not simply include the largest 350 stocks in the region. Rather, the index includes leading companies from each of the 11 GICS sectors across the 16 markets in the region.

The primary objective of the S&P Europe 350 is to reflect the composition of the regional European equity market, while being efficient to replicate. To achieve this goal, the index covers a high percentage of the market, while including a limited number of constituents. The index also has investment characteristics, such as country and sector composition, that closely resemble those of the broader equity market (see Appendix).

Exhibit 1 provides a brief methodology overview with comparisons to MSCI Europe, STOXX Europe 600, and Euro STOXX 50, three widely used European equity indices.

Constituents are selected for the index based on size and liquidity, as well as on country and sector representation.

Exhibit 1: Rules-Based Methodology Comparison of the S&P Europe 350 to Peer Indices

CATEGORY	S&P EUROPE 350	MSCI EUROPE	STOXX EUROPE 600	EURO STOXX 50
Geographic Coverage	Developed Europe (16 Countries)	Developed Europe (15 Countries excluding Luxembourg)	Developed Europe (17 Countries including Poland)	Eurozone
Number of Components	363*	454	600	50
Index Selection Criteria	Committee determined based on size and liquidity and country and sector representation	Large- and mid-cap companies from developed Europe	The largest 600 stocks in universe, subject to minimum liquidity threshold	Largest 50 companies across 20 ICB Supersectors, subject to minimum liquidity threshold
Sector Classification System	GICS	GICS	ICB	ICB
Weighting	Float market cap	Float market cap	Float market cap	Float market cap with a 10% maximum single stock cap
Rebalancing Frequency	Quarterly review with additions typically only made when vacancies occur	Semiannual reviews	Quarterly review	Annual review with quarterly weighting adjustments

Source: S&P Dow Jones Indices LLC, MSCI, Qontigo. Data as of June 21, 2021. * Includes 350 companies but 363 securities due to the inclusion of multiple share classes. Table is provided for illustrative purposes.

The most important distinction among these indices is that the Euro STOXX 50 is focused exclusively on the eurozone, while the others include all developed European markets. This results in large differences in country composition, since non-eurozone countries such as the U.K., Switzerland, and Sweden account for about one-half of the regional equity market.

The comprehensiveness of the indices is also an important factor. The Euro STOXX 50 is a narrow index, including just 50 mega-cap stocks, while the STOXX Europe 600 is a broad index, including large-, mid-, and small-cap stocks. MSCI Europe and the S&P Europe 350 lie in the middle, with the latter designed to reflect the investment characteristics of broad market European equity benchmarks such as the STOXX Europe 600, while being more efficient to replicate.

The primary objective of the S&P Europe 350 is to reflect the composition of the European equity market, while being efficient to replicate.

Exhibit 2: European Equity Benchmark Risk/Return Comparison

CATEGORY	PERIOD	S&P EUROPE 350	MSCI EUROPE	STOXX EUROPE 600	EURO STOXX 50
Return	1-Year	28.73	28.62	29.06	29.00
	3-Year	8.91	8.71	9.21	9.32
	5-Year	9.64	9.54	9.91	10.66
	10-Year	8.50	8.36	8.73	7.41
Risk	1-Year	16.60	16.33	16.20	21.78
	3-Year	16.95	16.92	17.02	20.06
	5-Year	14.06	14.03	14.10	16.95
	10-Year	13.70	13.63	13.69	16.83
RAR	1-Year	1.73	1.75	1.79	1.33
	3-Year	0.53	0.51	0.54	0.46
	5-Year	0.69	0.68	0.70	0.63
	10-Year	0.62	0.61	0.64	0.44
Tracking Error	1-Year	-	0.35	0.83	5.61
	3-Year	-	0.37	0.78	4.54
	5-Year	-	0.32	0.67	4.50
	10-Year	-	0.34	0.70	4.98
Correlation	1-Year	-	0.9999	0.9990	0.9936
	3-Year	-	0.9998	0.9989	0.9839
	5-Year	-	0.9997	0.9989	0.9751
	10-Year	-	0.9997	0.9987	0.9675

Source: S&P Dow Jones Indices LLC. Data as of June 21, 2021. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

The S&P Europe 350, MSCI Europe, and the STOXX Europe 600 have similar total returns and volatility over both the short and long term (see Exhibit 2). Likewise, the correlation among the three indices was effectively 1.0 while the tracking error was below 1%. This is not surprising given the high level of overlap in the indices' compositions.

The Euro STOXX 50 performed like the other three indices over the past few years. However, it significantly lagged over the past 10 years. It also experienced higher volatility, which is unsurprising considering its less diversified composition.

To achieve this goal, the index covers a high percentage of the market, while including a limited number of constituents.

S&P DJI ESG SCORES: BUILDING BLOCKS FOR THE S&P EUROPE 350 ESG INDEX

The second key to understanding the S&P Europe 350 ESG Index is the data that determines its composition, in particular the S&P DJI ESG Scores.

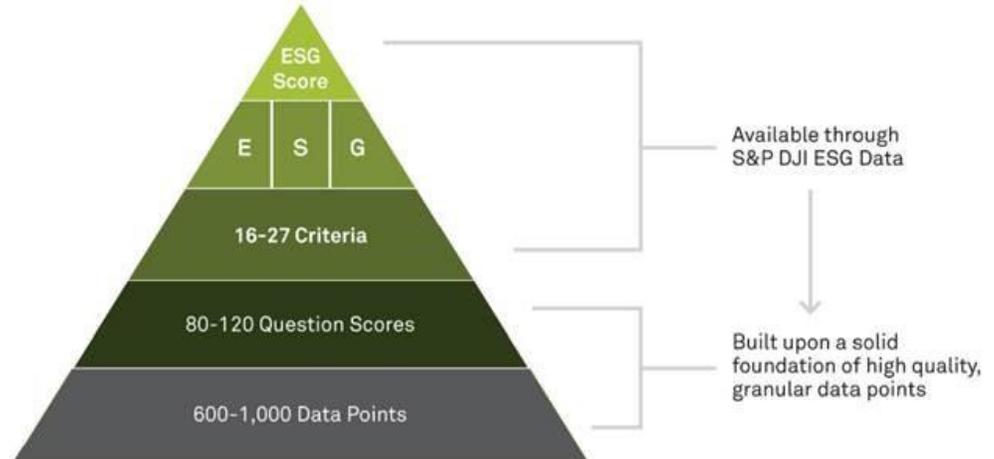
The S&P DJI ESG Scores are based on data gathered over two decades by S&P Global Sustainable1 through the S&P Global CSA.

The S&P DJI ESG Scores are based on data gathered over two decades by S&P Global Sustainable1,² which publishes ESG scores based on data collected through the S&P Global Corporate Sustainability Assessment (CSA). The CSA has become a leading standard in its own right as the definitive guidebook and grading system for corporations, quantifying their progress on sustainability topics and their ESG performance in relation to their peers.

The granular, industry-specific data S&P Global Sustainable1 gathers through the CSA directly from companies and from publicly available sources differentiates the S&P DJI ESG Scores from other ESG scores that rely only on data from public sources. Because S&P Global Sustainable1 directly interacts with companies, it is able to collect 600-1,000 data points per company. These data points are then transformed into four levels of scores, highlighted in Exhibit 3.

The data S&P Global Sustainable1 gathers directly from companies and from publicly available sources differentiates the S&P DJI ESG Scores from other ESG scores that rely only on data from public sources.

Exhibit 3: S&P DJI ESG Scores



Source: S&P Dow Jones Indices LLC. Chart is provided for illustrative purposes.

The scoring approach employed to derive the S&P DJI ESG Scores is rooted in the principle of financial materiality: that companies should be assessed according to the sustainability issues that are most likely to arise and to have the greatest impact on companies in their industry.

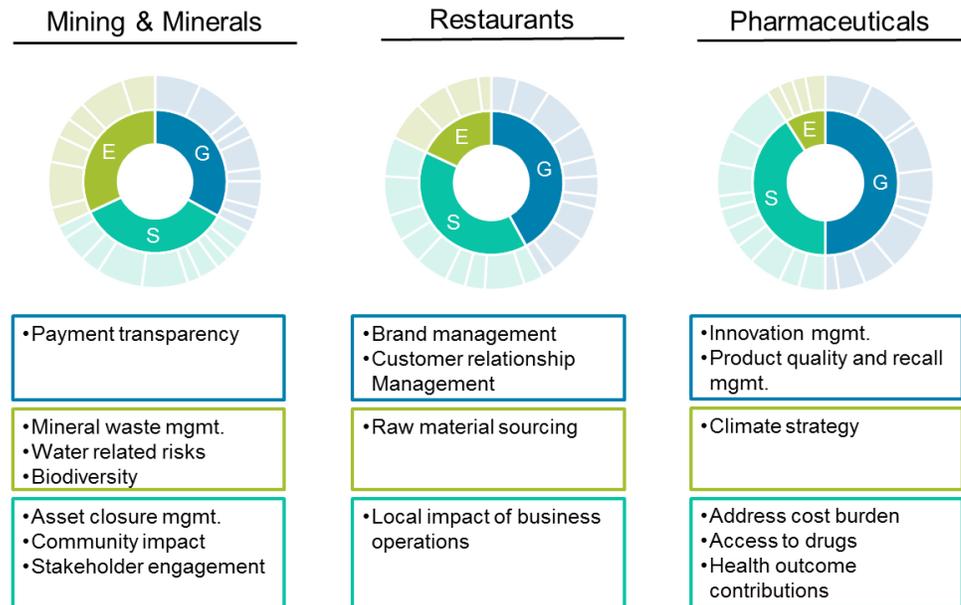
In the course of its long history and through investment experience using the granular data it collected, S&P Global Sustainable1 was able to identify

² S&P Global acquired SAM in 2020. SAM was originally part of RobecoSAM, an active investment manager, and gathered ESG data to inform RobecoSAM’s portfolio managers’ investment decisions.

S&P Global Sustainable1 was able to identify financially material factors uniquely relevant to 61 different industries.

financially material factors uniquely relevant to 61 different industries. Collecting and scoring data according to these factors ensures that companies included in the S&P Europe 350 ESG Index have been measured based on the sustainability issues that are most relevant to them. This is done by weighting issues according to their relevance, industry by industry, as determined by how likely issues are to arise and their level of impact if they do. Exhibit 4 shows how weights assigned to issues in different industries can vary greatly based on financial materiality.

Exhibit 4: Financially Material Issues in Select Industries



Collecting and scoring data according to these factors ensures that companies included in the S&P Europe 350 ESG Index have been measured based on the sustainability issues that are most relevant to them.

Source: S&P Global. Chart is provided for illustrative purposes.

This is done by weighting issues according to their relevance, industry by industry, as determined by how likely issues are to arise and their level of impact if they do.

Once initial weights are assigned, two important refinements are made to ensure scores are suitable for use in an index.³ First, an adjustment is made to the weights of the scores in order to address information gaps that may exist for companies that do not participate directly in the CSA. If a company does not report on a given issue, but a standard for transparency has not been reached on this issue in its industry, the company is not penalized for this missing data by receiving a zero.⁴ Instead, the weight of the question is redistributed to other questions.

Second, the S&P DJI ESG Scores are standardized at the industry level to ensure that the scores of companies are comparable, as certain industries can have scores that are tightly grouped or skewed relative to the scores of companies in other industries measured against different criteria. This

³ The S&P Global ESG Scores, which are used in the Dow Jones Sustainability Indices, are similar to the S&P DJI ESG Scores but do not include an adjustment for transparency or undergo standardization.

⁴ S&P DJI’s transparency standard and other information regarding the S&P DJI ESG Scores can be found in [“Frequently Asked Questions: S&P DJI ESG Scores.”](#)

standardization ensures companies' relative positions are comparable for screening, sorting, and selecting index constituents.

These adjustments, in addition to direct access to data through the CSA and the identification of financially material factors, make the S&P DJI ESG Scores the most innovative scores used in indices today.

The S&P Europe 350 ESG Index leverages the S&P DJI ESG Scores and other data to define its constituents.

CONSTRUCTING A BROAD EUROPEAN ESG BENCHMARK

The S&P Europe 350 ESG Index leverages the S&P DJI ESG Scores and other data to define its constituents. Using the rules set forth in this section, the index is rebalanced on an annual basis, after the close of trading on the last business day of April.⁵

The S&P Europe 350 ESG Index was developed with two primary objectives:

- To maintain similar overall industry group weights as its benchmark, the S&P Europe 350; and
- To exclude companies that are not managing their businesses in line with ESG principles, according to their S&P DJI ESG Scores and other relevant ESG data, while including companies that are doing so.

These two objectives run somewhat counter to each other. Eliminating companies from the S&P Europe 350 ESG Index necessarily changes its performance. But with further methodological adjustments, the industry composition of the S&P Europe 350 ESG Index is brought back into general alignment with the S&P Europe 350, resulting in a benchmark-like risk-adjusted performance profile.

METHODOLOGY SUMMARY

Exclusions

Companies are eliminated that:

- Have an S&P DJI ESG Score that is in the bottom 25% of scores within their GICS industry group in the [S&P Global LargeMidCap](#) and S&P Global 1200;
- Extract or generate electricity from thermal coal accounting for greater than 5% of their revenue;
- Produce tobacco, derive more than 10% of their revenue from tobacco-related products and services, or hold more than a 25% stake in a company involved in these activities;

Exclusions from the index include involvement in thermal coal, tobacco, and controversial weapons.

⁵ Please see the [S&P ESG Index Series Methodology](#) for more information on the S&P Europe ESG Index.

- Are involved in controversial weapons, including cluster weapons, landmines, biological or chemical weapons, depleted uranium weapons, white phosphorus weapons, or nuclear weapons, or hold more than a 25% stake in a company involved in these activities; or
- Have a UN Global Compact (UNGC) score that is in the bottom 5% of scores in the eligible universe.^{6, 7}

When a material controversy unfolds between annual rebalances, S&P Global reviews it to consider whether a company's S&P DJI ESG Score should be reassessed.

The thermal coal exclusion was implemented in September 2020 following a formal consultation process to determine whether investors using the S&P Europe 350 ESG Index saw this exclusion as desirable and consistent with the index's objectives. S&P DJI consistently monitors market trends and conducts regular engagements with stakeholders to ensure the S&P Europe 350 ESG Index remains relevant and useful to a broad array of investors.

Controversies between Rebalances

When a material controversy unfolds between annual rebalances of the S&P Europe 350 ESG Index, S&P Global reviews it to consider whether a company's S&P DJI ESG Score should be reassessed. The S&P DJI Index Committee overseeing the index then determines whether the ESG controversy is sufficiently material for the company be removed. Controversies monitored by S&P Global include those related to economic crime and corruption, fraud, illegal commercial practices, human rights issues, labor disputes, workplace safety, catastrophic accidents, and environmental disasters. Once a company is removed from the index because of an ESG controversy, it is excluded for at least one full calendar year.

Once a company is removed from the index because of an ESG controversy, it is excluded for at least one full calendar year.

⁶ The UNGC, which was established in 2000, commits its signatories—companies and nations from around the world—to abide by principles related to human rights, labor, the environment, and anti-corruption. For more information, see www.unglobalcompact.org.

⁷ Calculated by Arabesque.

Exhibit 5: The S&P Europe 350 ESG Index Methodology Summary

Objective: To target 75% of the market capitalization within each GICS industry group of the S&P Europe 350, using the S&P DJI ESG Score.

Index Construction Example

Step 1:

Exclude companies involved in thermal coal, tobacco, or controversial weapons, or with a low UNGC score.

Step 2:

Exclude companies with S&P DJI ESG Scores in the bottom 25% of their GICS industry group globally.

Step 3:

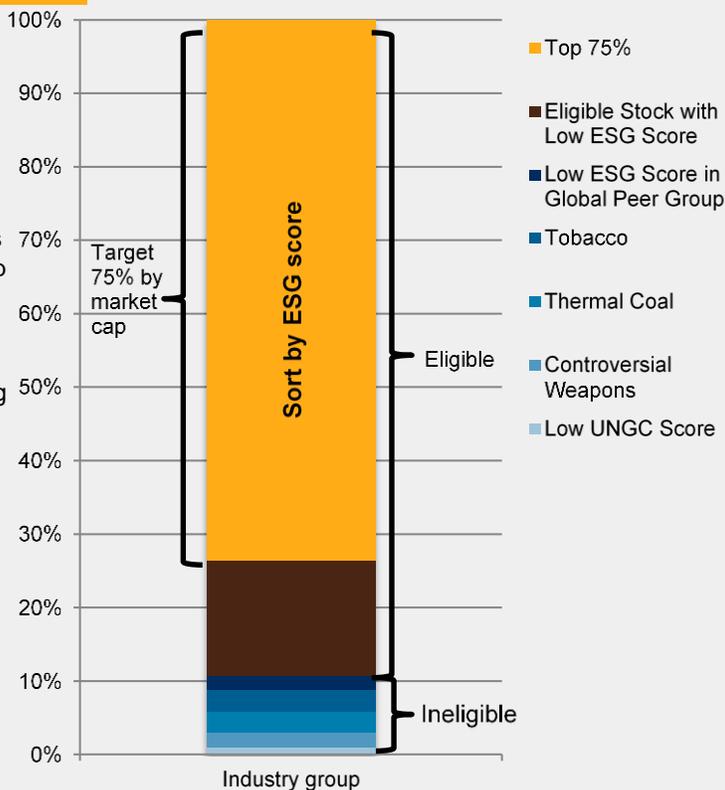
Within the S&P Europe 350, sort the remaining companies by their S&P DJI ESG Scores within each GICS industry group.

Step 4:

Starting from the company with the highest S&P DJI ESG Score, select companies for inclusion from the top down, targeting 75% of the GICS industry group.

Step 5:

Weight companies by float-adjusted market capitalization.



Source: S&P Dow Jones Indices LLC. Chart is provided for illustrative purposes.

Overall, 119 constituents of the S&P Europe 350 were excluded from the S&P Europe 350 ESG Index, totaling 26.07% of the S&P Europe 350 market capitalization as of June 30, 2021. Exhibit 6 ranks the reasons behind these exclusions.

Exhibit 6: Reasons for Exclusions from the S&P Europe 350 ESG Index

REASON FOR EXCLUSION	NUMBER OF EXCLUSIONS	WEIGHT IN S&P EUROPE 350 (%)
Not Part of the Top 75% of Industry Group Market Cap	88	18.96
Involved in Controversial Weapons	4	1.52
Involved in Thermal Coal	5	1.19
Involved in Tobacco Production or Sales	3	1.15
S&P DJI ESG Score in Bottom 25% of Industry Group Globally	6	1.11
Not Eligible Due to Prior Media & Stakeholder Analysis Case	3	1.08
Company Not Covered	6	0.73
Addition to S&P Europe 350 Following Rebalance Reference Date	4	0.32

Source: S&P Dow Jones Indices LLC. Data as of June 30, 2021. Table is provided for illustrative purposes. Constituents may be flagged according to multiple exclusion criteria; sums and weights may exceed totals.

RESULTS AND PERFORMANCE

By design, the S&P Europe 350 ESG Index maintains similar levels of risk and return to the S&P Europe 350.

Absolute S&P DJI ESG Score Improvement

By design, the S&P Europe 350 ESG Index maintains similar levels of risk and return to the benchmark S&P Europe 350, alongside numerous sustainability enhancements. At the index level, it achieved a 6.87% increase in its aggregate S&P DJI ESG Score as of the latest rebalance.

Realized ESG Potential

Another useful metric is the “realized ESG potential” of the index. This depicts how much of an S&P DJI ESG Score improvement was achieved by the ESG index, relative to the maximum possible improvement that could have been attained by investing solely in the single highest-ranked company in terms of S&P DJI ESG Score. While diversification requirements would make this approach undesirable in practice, it is nevertheless an interesting metric to contextualize the absolute S&P DJI ESG Score improvement relative to the starting characteristics of the benchmark universe. For example, in markets where companies are generally sustainable to begin with, it is harder to obtain a substantial increase in absolute S&P DJI ESG Score without incurring a loss of diversification and higher levels of tracking error. According to this measure, the S&P Europe 350 ESG Index realized more than 38.8% of the ESG potential of the benchmark, representing a meaningful boost for an ESG index that still has historically provided benchmark-like returns.⁸

The realized ESG potential of the index depicts how much of an S&P DJI ESG Score improvement was achieved by the index...

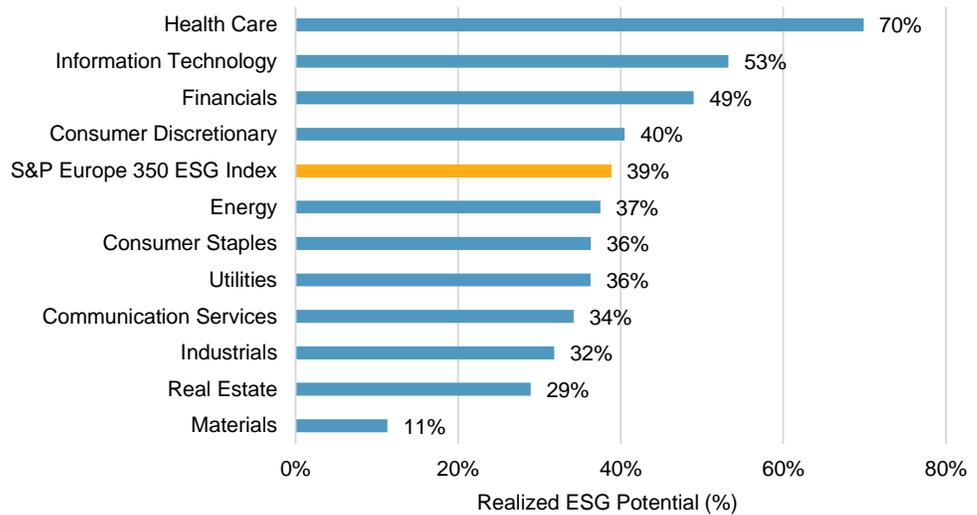
However, while these metrics provide a good snapshot of the overall benefits, the industry-specific nature of S&P DJI ESG Scores—driven by a materiality-weighted scoring framework—means such index-level measures may miss the true benefits captured within each sector. Therefore, Exhibit 7 highlights the realized ESG potential across sectors and demonstrates how several sectors achieved a much bigger boost in their sustainability profiles than the S&P Europe 350 ESG Index achieved overall. Further research is required to understand what might be driving this dispersion in sector-level improvements.

...relative to the maximum possible improvement that could have been attained by investing solely in the single highest-ranked company in terms of S&P DJI ESG Score.

⁸ This realized ESG potential is calculated as the percentage difference between the aggregate S&P DJI ESG Scores of the S&P Europe 350 ESG Index and the S&P Europe 350, relative to the strategy's maximum potential ESG improvement based on investing only in the single highest-ranked ESG scoring company in the benchmark. The S&P Europe 350 ESG Index represents 38.8% $((6.87)/(99.41-81.69))$ of the possible ESG improvement that the index could achieve (99.41 is the highest score in the S&P Europe 350).

Exhibit 7: Realized ESG Potential of the S&P Europe 350 ESG Index versus the S&P Europe 350

The S&P DJI ESG Scores account for myriad underlying sustainability metrics.



Source: S&P Dow Jones Indices LLC. Data as of June 30, 2021. Chart is provided for illustrative purposes.

Real-World Benefits

The numerous, measurable, and positive ESG impacts of the S&P Europe 350 ESG Index relative to the S&P Europe 350 underpin the true value of this index.

Perhaps more interesting still are the real-world benefits represented by the enhanced sustainability profile. Indeed, the S&P DJI ESG Scores account for myriad underlying sustainability metrics, driven by up to 1,000 real-world data points per company assessed. The sustainability benefits of the S&P Europe 350 ESG Index are thus simply too numerous to convey in a single white paper. Nevertheless, a small sampling of these enhancements is highlighted in Exhibit 8. This small subset of the numerous, measurable, and positive ESG impacts of the S&P Europe 350 ESG Index relative to the S&P Europe 350 underpin the true value of this index. These benefits, coupled with historically benchmark-like returns, thereby enable market participants to comfortably align their investments with their values, without necessarily compromising their overall investment objectives.

Exhibit 8: Benefits of the S&P Europe 350 ESG Index versus the S&P Europe 350**Environmental**

9% Higher exposure to companies which have established processes for identifying, assessing, and managing climate-related issues integrated into their over-all risk management, i.e. climate change is integrated into the company's centralized enterprise risk management program covering all types/sources of risks and opportunities

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

8% Higher exposure to companies which have established science-based corporate-level climate-related targets combining Scope 1 & 2 GHG emissions, referring either to absolute or relative (intensity) targets

**Social**

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 group(s), e.g. age, nationality, disability, etc.

12% Higher exposure to companies which have developed employee development programs that have been implemented to upgrade and improve employee skills. This includes the description of business benefits for each program and quantitative measures of the positive impact that these programs have had on their business.

6% Higher exposure to companies that proactively conducted an assessment of potential human rights across their own operations, contractors and Tier 1 Suppliers, specifically covering local communities and migrant labour

**Governance**

6% Higher exposure to companies which have a publicly available independence statement for the board of directors in place

5% Higher exposure to companies which did not incur any fines or settlements related to anti-competitive business practices in the past four fiscal years

10% Higher exposure to companies which have identified ESG objectives for their supply chain management strategy, including supplier selection and retention process

Source: S&P Dow Jones Indices LLC. These are just a few examples of the numerous ways in which the S&P Europe 350 ESG Index offers enhanced ESG representation. Increased index exposure to each ESG theme in the metrics above is calculated using the question-level data in the CSA (2020 methodology year). These metrics are calculated using index data as of April 30, 2021, as the percentage difference between the performance of the S&P Europe 350 ESG Index and the S&P Europe 350 constituents across these metrics, on a weighted average basis.

Risk-Adjusted Performance Profiles

The objective of the S&P Europe 350 ESG Index is to enhance allocation to companies with improved sustainability characteristics while maintaining broad and diversified exposure, in an effort to provide benchmark-like returns. As the risk/return metrics over a one-, three-, five-, and ten-year time horizon demonstrate (see Exhibit 9), the index has indeed delivered on its objective—with realized tracking errors between 1.01%-1.09%, and almost identical volatility.

Exhibit 9: Performance Characteristics of the S&P Europe 350 versus the S&P Europe 350 ESG Index

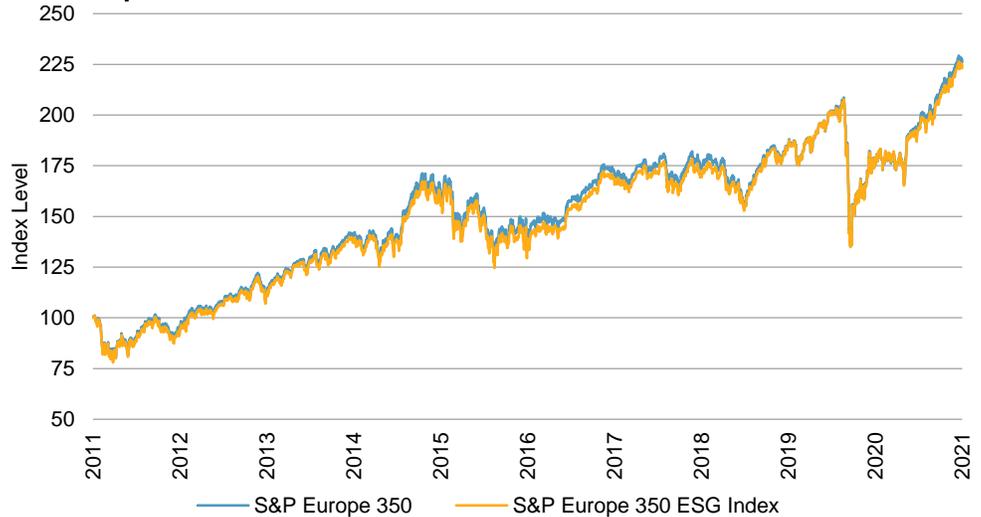
CATEGORY	S&P EUROPE 350	S&P EUROPE 350 ESG INDEX
Number of Constituents	363	244
Float-Adjusted Market Cap (USD Billions)	10,650	7,874
ANNUALIZED TOTAL RETURNS (%)		
10-Year	8.49	8.36
5-Year	9.63	10.07
3-Year	8.90	9.33
1-Year	28.75	27.20
ANNUALIZED RISK (%)		
10-Year	13.70	13.73
5-Year	14.10	14.07
3-Year	16.98	16.84
1-Year	16.66	16.97
ANNUALIZED RISK-ADJUSTED RETURNS (%)		
10-Year	0.62	0.61
5-Year	0.68	0.72
3-Year	0.52	0.55
1-Year	1.73	1.60
REALIZED TRACKING ERROR (%)		
10-Year	-	1.04
5-Year	-	1.01
3-Year	-	1.03
1-Year	-	1.09

The benefits of the index enable market participants to comfortably align their investments with their values, without necessarily compromising their overall investment objectives.

Source: S&P Dow Jones Indices LLC. Data as of June 30, 2021. Past performance is no guarantee of future results. Index performance based on total return in EUR. Table is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance.

Exhibits 10 and 11 further illustrate the return profile of the S&P Europe 350 ESG Index relative to the S&P Europe 350 over the 10-year and 1-year timeframes. The latter time period shows some of the live performance record, given that the S&P Europe 350 ESG Index launched in 2019. Despite excluding more than 26% of the constituents according to rules-based eligibility and selection criteria, the S&P Europe 350 ESG Index achieved a similar return profile to the S&P Europe 350, along with a myriad of sustainability enhancements.

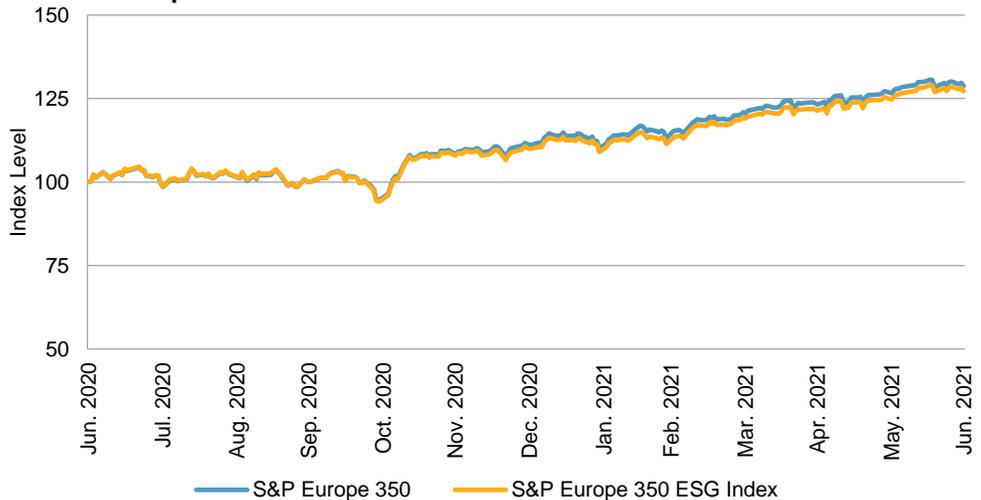
Exhibit 10: 10-Year Historical Performance of the S&P Europe 350 versus the S&P Europe 350 ESG Index



The S&P Europe 350 ESG Index fulfills the most important requirements of market participants seeking a broad, European benchmark incorporating sustainability values.

Source: S&P Dow Jones Indices LLC. Data as of June 30, 2011. Past performance is no guarantee of future results. Index performance based on total return in EUR. Chart is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance.

Exhibit 11: One-Year Historical Performance of the S&P Europe 350 versus the S&P Europe 350 ESG Index



Source: S&P Dow Jones Indices LLC. Data as of June 30, 2011. Past performance is no guarantee of future results. Index performance based on total return in EUR. Chart is provided for illustrative purposes.

CONCLUSION

The S&P Europe 350 ESG Index has historically fulfilled the most important requirements of market participants seeking a broad, European benchmark incorporating sustainability principles. By employing leading ESG scores and the most common ESG exclusions, and having historically provided benchmark-like performance characteristics, the S&P Europe 350 ESG Index is an index that could serve as a common starting point for the growing market focused on sustainability.

APPENDIX

Exhibit 12: Market Coverage of the S&P Europe 350						
COUNTRY	FLOAT ADJUSTED MARKET CAP (EUR BILLIONS)		% OF S&P EUROPE BMI	NO. OF STOCKS		
	S&P EUROPE 350	S&P EUROPE BMI		S&P EUROPE 350	S&P EUROPE BMI	
U.K.	2,060.9	2,527.4	81.5	85	354	
France	1,547.4	1,714.1	90.3	52	169	
Switzerland	1,395.6	1,557.1	89.6	37	132	
Germany	1,297.3	1,522.9	85.2	49	213	
Netherlands	634.2	707.5	89.6	20	64	
Sweden	464.6	736.8	63.1	32	218	
Spain	347.3	408.2	85.1	17	76	
Italy	340.5	461.7	73.8	19	113	
Denmark	344.7	413.7	83.3	15	56	
Finland	184.2	242.6	76.0	11	49	
Belgium	122.2	183.4	66.6	7	50	
Ireland	114.9	147.8	77.7	7	26	
Norway	76.2	160.5	47.4	7	87	
Luxembourg	18.0	39.9	45.0	1	12	
Portugal	16.6	31.3	52.9	2	15	
Austria	16.1	62.7	25.6	2	33	
Total	8,980.7	10,917.7	82.3	363	1,667	

Source: S&P Dow Jones Indices LLC, FactSet. Data as of June 30, 2021. Table is provided for illustrative purposes.

Exhibit 13: S&P Europe 350 Country and Sector Composition Compared to Broad European Equity Market			
COUNTRY	WEIGHT (%)		VARIANCE (%)
	S&P EUROPE 350	S&P EUROPE BMI	
U.K.	22.9	23.1	-0.2
France	17.2	15.7	1.5
Switzerland	15.5	14.3	1.3
Germany	14.4	13.9	0.5
Netherlands	7.1	6.5	0.6
Sweden	5.2	6.7	-1.6
Spain	3.9	3.7	0.1
Italy	3.8	4.2	-0.4
Denmark	3.8	3.8	0.0
Finland	2.1	2.2	-0.2
Belgium	1.4	1.7	-0.3
Ireland	1.3	1.4	-0.1
Norway	0.8	1.5	-0.6
Luxembourg	0.2	0.4	-0.2
Portugal	0.2	0.3	-0.1
Austria	0.2	0.6	-0.4
Sector			
Energy	4.4	4.0	0.4
Materials	8.2	7.9	0.3
Industrials	15.1	16.2	-1.2
Consumer Discretionary	12.2	12.1	0.0
Consumer Staples	12.7	11.5	1.2
Health Care	14.1	13.6	0.6
Financials	15.7	15.2	0.5
Information Technology	8.5	8.5	0.0
Communication Services	3.7	4.4	-0.7
Utilities	4.2	4.0	0.2
Real Estate	1.3	2.6	-1.3

Source: S&P Dow Jones Indices LLC, FactSet. Data as of June 30, 2021. Table is provided for illustrative purposes.

PERFORMANCE DISCLOSURE/BACK-TESTED DATA

The S&P Europe 350 ESG Index was launched May 6, 2019. All information presented prior to an index's Launch Date is hypothetical (back-tested), not actual performance. The back-test calculations are based on the same methodology that was in effect on the index Launch Date. However, when creating back-tested history for periods of market anomalies or other periods that do not reflect the general current market environment, index methodology rules may be relaxed to capture a large enough universe of securities to simulate the target market the index is designed to measure or strategy the index is designed to capture. For example, market capitalization and liquidity thresholds may be reduced. Complete index methodology details are available at www.spglobal.com/spdji. Past performance of the Index is not an indication of future results. Back-tested performance reflects application of an index methodology and selection of index constituents with the benefit of hindsight and knowledge of factors that may have positively affected its performance, cannot account for all financial risk that may affect results and may be considered to reflect survivor/look ahead bias. Actual returns may differ significantly from, and be lower than, back-tested returns. Past performance is not an indication or guarantee of future results. Please refer to the methodology for the Index for more details about the index, including the manner in which it is rebalanced, the timing of such rebalancing, criteria for additions and deletions, as well as all index calculations. Back-tested performance is for use with institutions only; not for use with retail investors.

S&P Dow Jones Indices defines various dates to assist our clients in providing transparency. The First Value Date is the first day for which there is a calculated value (either live or back-tested) for a given index. The Base Date is the date at which the index is set to a fixed value for calculation purposes. The Launch Date designates the date when the values of an index are first considered live: index values provided for any date or time period prior to the index's Launch Date are considered back-tested. S&P Dow Jones Indices defines the Launch Date as the date by which the values of an index are known to have been released to the public, for example via the company's public website or its data feed to external parties. For Dow Jones-branded indices introduced prior to May 31, 2013, the Launch Date (which prior to May 31, 2013, was termed "Date of introduction") is set at a date upon which no further changes were permitted to be made to the index methodology, but that may have been prior to the Index's public release date.

Typically, when S&P DJI creates back-tested index data, S&P DJI uses actual historical constituent-level data (e.g., historical price, market capitalization, and corporate action data) in its calculations. As ESG investing is still in early stages of development, certain datapoints used to calculate S&P DJI's ESG indices may not be available for the entire desired period of back-tested history. The same data availability issue could be true for other indices as well. In cases when actual data is not available for all relevant historical periods, S&P DJI may employ a process of using "Backward Data Assumption" (or pulling back) of ESG data for the calculation of back-tested historical performance. "Backward Data Assumption" is a process that applies the earliest actual live data point available for an index constituent company to all prior historical instances in the index performance. For example, Backward Data Assumption inherently assumes that companies currently not involved in a specific business activity (also known as "product involvement") were never involved historically and similarly also assumes that companies currently involved in a specific business activity were involved historically too. The Backward Data Assumption allows the hypothetical back-test to be extended over more historical years than would be feasible using only actual data. For more information on "Backward Data Assumption" please refer to the [FAQ](#). The methodology and factsheets of any index that employs backward assumption in the back-tested history will explicitly state so. The methodology will include an Appendix with a table setting forth the specific data points and relevant time period for which backward projected data was used.

Index returns shown do not represent the results of actual trading of investable assets/securities. S&P Dow Jones Indices maintains the index and calculates the index levels and performance shown or discussed but does not manage actual assets. Index returns do not reflect payment of any sales charges or fees an investor may pay to purchase the securities underlying the Index or investment funds that are intended to track the performance of the Index. The imposition of these fees and charges would cause actual and back-tested performance of the securities/fund to be lower than the Index performance shown. As a simple example, if an index returned 10% on a US \$100,000 investment for a 12-month period (or US \$10,000) and an actual asset-based fee of 1.5% was imposed at the end of the period on the investment plus accrued interest (or US \$1,650), the net return would be 8.35% (or US \$8,350) for the year. Over a three-year period, an annual 1.5% fee taken at year end with an assumed 10% return per year would result in a cumulative gross return of 33.10%, a total fee of US \$5,375, and a cumulative net return of 27.2% (or US \$27,200).

GENERAL DISCLAIMER

© 2021 S&P Dow Jones Indices. All rights reserved. S&P, S&P 500, S&P 500 LOW VOLATILITY INDEX, S&P 100, S&P COMPOSITE 1500, S&P 400, S&P MIDCAP 400, S&P 600, S&P SMALLCAP 600, S&P GIVI, GLOBAL TITANS, DIVIDEND ARISTOCRATS, S&P TARGET DATE INDICES, S&P PRISM, S&P STRIDE, GICS, SPIVA, SPDR and INDEXOLOGY are registered trademarks of S&P Global, Inc. ("S&P Global") or its affiliates. DOW JONES, DJ, DJIA, THE DOW and DOW JONES INDUSTRIAL AVERAGE are registered trademarks of Dow Jones Trademark Holdings LLC ("Dow Jones"). These trademarks together with others have been licensed to S&P Dow Jones Indices LLC. Redistribution or reproduction in whole or in part are prohibited without written permission of S&P Dow Jones Indices LLC. This document does not constitute an offer of services in jurisdictions where S&P Dow Jones Indices LLC, S&P Global, Dow Jones or their respective affiliates (collectively "S&P Dow Jones Indices") do not have the necessary licenses. Except for certain custom index calculation services, all information provided by S&P Dow Jones Indices is impersonal and not tailored to the needs of any person, entity or group of persons. S&P Dow Jones Indices receives compensation in connection with licensing its indices to third parties and providing custom calculation services. Past performance of an index is not an indication or guarantee of future results.

It is not possible to invest directly in an index. Exposure to an asset class represented by an index may be available through investable instruments based on that index. S&P Dow Jones Indices does not sponsor, endorse, sell, promote or manage any investment fund or other investment vehicle that is offered by third parties and that seeks to provide an investment return based on the performance of any index. S&P Dow Jones Indices makes no assurance that investment products based on the index will accurately track index performance or provide positive investment returns. S&P Dow Jones Indices LLC is not an investment advisor, and S&P Dow Jones Indices makes no representation regarding the advisability of investing in any such investment fund or other investment vehicle. A decision to invest in any such investment fund or other investment vehicle should not be made in reliance on any of the statements set forth in this document. Prospective investors are advised to make an investment in any such fund or other vehicle only after carefully considering the risks associated with investing in such funds, as detailed in an offering memorandum or similar document that is prepared by or on behalf of the issuer of the investment fund or other investment product or vehicle. S&P Dow Jones Indices LLC is not a tax advisor. A tax advisor should be consulted to evaluate the impact of any tax-exempt securities on portfolios and the tax consequences of making any particular investment decision. Inclusion of a security within an index is not a recommendation by S&P Dow Jones Indices to buy, sell, or hold such security, nor is it considered to be investment advice.

These materials have been prepared solely for informational purposes based upon information generally available to the public and from sources believed to be reliable. No content contained in these materials (including index data, ratings, credit-related analyses and data, research, valuations, model, software or other application or output therefrom) or any part thereof ("Content") may be modified, reverse-engineered, reproduced or distributed in any form or by any means, or stored in a database or retrieval system, without the prior written permission of S&P Dow Jones Indices. The Content shall not be used for any unlawful or unauthorized purposes. S&P Dow Jones Indices and its third-party data providers and licensors (collectively "S&P Dow Jones Indices Parties") do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Dow Jones Indices Parties are not responsible for any errors or omissions, regardless of the cause, for the results obtained from the use of the Content. THE CONTENT IS PROVIDED ON AN "AS IS" BASIS. S&P DOW JONES INDICES PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Dow Jones Indices Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of the Content even if advised of the possibility of such damages.

S&P Global keeps certain activities of its various divisions and business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain divisions and business units of S&P Global may have information that is not available to other business units. S&P Global has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

In addition, S&P Dow Jones Indices provides a wide range of services to, or relating to, many organizations, including issuers of securities, investment advisers, broker-dealers, investment banks, other financial institutions and financial intermediaries, and accordingly may receive fees or other economic benefits from those organizations, including organizations whose securities or services they may recommend, rate, include in model portfolios, evaluate or otherwise address.

The Global Industry Classification Standard (GICS®) was developed by and is the exclusive property and a trademark of S&P and MSCI. Neither MSCI, S&P nor any other party involved in making or compiling any GICS classifications makes any express or implied warranties or representations with respect to such standard or classification (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of such standard or classification. Without limiting any of the foregoing, in no event shall MSCI, S&P, any of their affiliates or any third party involved in making or compiling any GICS classifications have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.