

**S&P Dow Jones
Indices**

A Division of **S&P Global**

**S&P ESG Equity Target
Risk Index Series**
Methodology

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Table of Contents

| | |
|---|-----------|
| Introduction | 2 |
| Index Objective and Highlights | 2 |
| Supporting Documents | 2 |
| Eligibility Criteria | 3 |
| Index Eligibility | 3 |
| Index Construction | 4 |
| Approach | 4 |
| Index Calculations | 5 |
| Index Maintenance | 6 |
| Rebalancing | 6 |
| Currency of Calculation and Additional Index Return Series | 6 |
| Base Dates and History Availability | 6 |
| Index Data | 7 |
| Calculation Return Types | 7 |
| Index Governance | 8 |
| Index Committee | 8 |
| Index Policy | 9 |
| Holiday Schedule | 9 |
| Rebalancing | 9 |
| Unexpected Exchange Closures | 9 |
| Recalculation Policy | 9 |
| Contact Information | 9 |
| Index Dissemination | 10 |
| Tickers | 10 |
| Index Data | 10 |
| Web site | 10 |
| Disclaimer | 11 |
| Performance Disclosure/Back-Tested Data | 11 |
| Intellectual Property Notices/Disclaimer | 12 |
| ESG Indices Disclaimer | 14 |

Introduction

Index Objective and Highlights

The S&P ESG Equity Target Risk Index Series measures the performance of stock-bond allocations including ESG equity and green bond fixed income indices as component indices. The index series is composed of three indices, each one measuring the performance of specific allocations to ESG equities and fixed income across a risk spectrum from moderate, to growth, to aggressive.

- S&P ESG Equity Target Risk Moderate Index.** The index seeks to provide a larger representation of fixed income, while also representing capital growth opportunities through the inclusion of ESG equities.
- S&P ESG Equity Target Risk Growth Index.** The index seeks to provide a larger representation of ESG equities, while also representing limited inclusion of fixed income to diversify risk.
- S&P ESG Equity Target Risk Aggressive Index.** The index seeks to emphasize representation of ESG equities, increasing its representation of long-term capital accumulation opportunities while maintaining a modest inclusion of fixed income.

Please refer to Index Construction for details on each index’s allocation to equity and fixed income.

Supporting Documents

This methodology is meant to be read in conjunction with supporting documents providing greater detail with respect to the policies, procedures and calculations described herein. References throughout the methodology direct the reader to the relevant supporting document for further information on a specific topic. The list of the main supplemental documents for this methodology and the hyperlinks to those documents is as follows:

| Supporting Document | URL |
|--|--|
| S&P Dow Jones Indices’ Equity Indices Policies & Practices Methodology | Equity Indices Policies & Practices |
| S&P Dow Jones Indices’ Fixed Income Policies & Practices Methodology | Fixed Income Policies & Practices |
| S&P Dow Jones Indices’ Index Mathematics Methodology | Index Mathematics Methodology |
| S&P Dow Jones Indices’ Fixed Income Index Mathematics Methodology | Fixed Income Index Mathematics Methodology |

This methodology was created by S&P Dow Jones Indices to achieve the aforementioned objective of measuring the underlying interest of each index governed by this methodology document. Any changes to or deviations from this methodology are made in the sole judgment and discretion of S&P Dow Jones Indices so that the index continues to achieve its objective.

Eligibility Criteria

Index Eligibility

The universe of eligible asset classes, and the component indices used to represent each, is:

| Asset Class | Component Index | Ticker |
|--------------|--|----------|
| Equity | S&P 500 ESG Index TR | SPXESUT |
| | S&P Canada LargeMidCap ESG Index TR | SPCALMUT |
| | S&P Europe Developed LargeMidCap ESG Index TR | SPEDLMUT |
| | S&P Mid-East and Africa Developed LargeMidCap ESG Index TR | SPMADLUT |
| | S&P Asia Pacific Developed LargeMidCap ESG Index TR | SPAPDLUT |
| | S&P Emerging LargeMidCap ESG Index TR | SPELMUT |
| Fixed Income | S&P Green Bond Select Index | SPGRNSL |
| | S&P U.S. Aggregate Bond Index | SPUSAGG |

Index Construction

Approach

At the semi-annual rebalancing in April and October, the following steps are followed to determine the weights of various component indices.

1. The equity and fixed income weights are pre-determined for each index as indicated in the table below.

| Allocation to Equity and Fixed Income | | |
|---------------------------------------|--------|--------------|
| Index | Equity | Fixed Income |
| Moderate | 40% | 60% |
| Growth | 60% | 40% |
| Aggressive | 80% | 20% |

2. The determination of the weights of the equity component indices is done based on a review of the relative market capitalization of certain benchmark indices as of the rebalancing reference date. The weights of the bond components are fixed. These reference indices and target weights are represented in the table below.

| Asset Class | Component Index | Reference Index or Target Weight | |
|--------------|---|----------------------------------|--|
| Equity | S&P 500 ESG Index | S&P Developed BMI | S&P United States BMI |
| | S&P Canada LargeMidCap ESG Index | | S&P Canada BMI |
| | S&P Europe Developed LargeMidCap ESG Index | | S&P Europe BMI |
| | S&P Mid-East and Africa Developed LargeMidCap ESG Index | | S&P Developed Middle East & Africa BMI |
| | S&P Asia Pacific Developed LargeMidCap ESG Index | | S&P Asia Pacific BMI |
| | S&P Emerging LargeMidCap ESG Index | | S&P Emerging BMI |
| Fixed Income | S&P Green Bond Select Index | 20% | |
| | S&P U.S. Aggregate Bond Index | 80% | |

The following steps are then taken to determine weights for each constituent:

- a. The float-adjusted market capitalization of the U.S. dollar versions of the S&P Developed BMI and S&P Emerging BMI are used to determine the relative weighting of the developed and emerging market allocations to the equity sleeve of each index.
- b. Within developed markets, the relative weighting of the U.S. market is determined based on the relative proportions of the float-adjusted market capitalization of the U.S. dollar versions of the S&P United States BMI, and S&P Developed Ex-U.S. BMI within the S&P Developed BMI.
- c. The weight of the ex-U.S. market determined in step (b) is split among Canada, Europe, Mid-East, Africa, and Asia Pacific in relative proportion of the float-adjusted market capitalization of the S&P Canada BMI, S&P Europe BMI, S&P Developed Middle East & Africa BMI, and S&P Asia Pacific BMI.
- d. Finally, 20% of the total fixed income allocation within each index is allocated to the S&P Green Bond Select Index with the remaining 80% allocated to the S&P U.S. Aggregate Bond Index.

Index Calculations

On any trading date, t , each index is calculated as follows:

$$Index_t = Index_{PB} * (1 + Index Return_t) \quad (1)$$

$$Index Return_t = W_{PB}^{Equity} * Cum Return^{Equity} + W_{PB}^{Bond} * Cum Return^{Bond} \quad (2)$$

where:

$Index_{PB}$ = Index value on the previous rebalancing date.

W_{PB}^{Equity} = Weight of the equity component as of the previous rebalancing date.

$Cum Return^{Equity}$ = Cumulative return of the representative equity index at t from the previous rebalancing date.

W_{PB}^{Bond} = Weight of the bond component as of the previous rebalancing date.

$Cum Return^{Bond}$ = Cumulative return of the representative bond index at t from the previous rebalancing date.

Index Maintenance

Rebalancing

| Rebalancing Schedule | |
|-----------------------|--|
| Rebalancing Frequency | Semi-Annual |
| Rebalancing Date | Last Business Day of April & October (T) |
| Reference Date | Last Business Day of March & September |

As part of the rebalancing process, the weights of the various asset class components are determined based on the asset class weights in the benchmarks as described in *Index Construction*.

Component indices are not expected to change between rebalancing periods. If a constituent is discontinued, the Index Committee may elect to discontinue representation of the affected asset class within the index or designate a successor component index.

Currency of Calculation and Additional Index Return Series

The indices calculate in U.S. dollars.

In addition to the indices detailed in this methodology, additional return series versions of the indices may be available, including, but not limited to: currency, currency hedged, decrement, fair value, inverse, leveraged, and risk control versions. For a list of available indices, please refer to the [S&P DJI Methodology & Regulatory Status Database](#).

For information on the calculation of different types of indices, please refer to S&P Dow Jones Indices' Index Mathematics Methodology.

For the inputs necessary to calculate certain types of indices, including decrement, dynamic hedged, fair value, and risk control indices, please refer to the Parameters documents available at www.spglobal.com/spdji/.

Base Dates and History Availability

Index history availability, base dates, and base values are shown in the table below.

| Index | Launch Date | First Value Date | Base Date | Base Value |
|---|-------------|------------------|------------|------------|
| S&P ESG Equity Target Risk Moderate Index | 12/29/2020 | 10/31/2011 | 10/31/2011 | 1000 |
| S&P ESG Equity Target Risk Growth Index | 12/29/2020 | 10/31/2011 | 10/31/2011 | 1000 |
| S&P ESG Equity Target Risk Aggressive Index | 12/29/2020 | 10/31/2011 | 10/31/2011 | 1000 |

Index Data

Calculation Return Types

S&P Dow Jones Indices calculates multiple return types which vary based on the treatment of regular cash dividends. The classification of regular cash dividends is determined by S&P Dow Jones Indices.

- Price Return (PR) versions are calculated without adjustments for regular cash dividends.
- Total Return (TR) versions reinvest regular cash dividends at the close on the ex-date without consideration for withholding taxes.
- Gross Total Return (Gross TR) versions reinvest regular cash dividends at the close on the ex-date without consideration for withholding taxes while applying a fixed fee reduction. A fixed fee reduction multiplies the index level by a daily portion of an annual fee with no regard for day counts.

For a complete list of indices available, please refer to the daily index levels file (“.SDL”).

For more information on the classification of regular versus special cash dividends as well as the tax rates used in the calculation of net return, please refer to S&P Dow Jones Indices’ Equity Indices Policies & Practices Methodology.

For more information on the calculation of return types, please refer to S&P Dow Jones Indices’ Index Mathematics Methodology.

Index Governance

Index Committee

An Index Committee maintains the indices. The Index Committee meets regularly. All committee members are full-time professional members of S&P Dow Jones Indices' staff. At each meeting, the Committee reviews matters that may affect index constituents, statistics comparing the composition of the indices to the market, and any significant market events. In addition, the Index Committee may revise index policy covering rules for selecting constituents, treatment of dividends, share counts or other matters.

S&P Dow Jones Indices considers information about changes to its indices and related matters to be potentially market moving and material. Therefore, all Index Committee discussions are confidential.

S&P Dow Jones Indices' Index Committees reserve the right to make exceptions when applying the methodology if the need arises. In any scenario where the treatment differs from the general rules stated in this document or supplemental documents, clients will receive sufficient notice, whenever possible.

In addition to the daily governance of indices and maintenance of index methodologies, at least once within any 12-month period, the Index Committee reviews the methodology to ensure the indices continue to achieve the stated objectives, and that the data and methodology remain effective. In certain instances, S&P Dow Jones Indices may publish a consultation inviting comments from external parties.

For information on Quality Assurance and Internal Reviews of Methodology, please refer to S&P Dow Jones Indices' Equity Indices Policies & Practices Methodology.

Index Policy

Holiday Schedule

The index series is calculated on all business days.

A complete holiday schedule for the year is available at www.spglobal.com/spdji/.

Rebalancing

The Index Committee may change the date of a given rebalancing for reasons including market holidays occurring on or around the scheduled rebalancing date. Any such change will be announced with proper advance notice where possible.

Unexpected Exchange Closures

For information on Unexpected Exchange Closures, please refer to S&P Dow Jones Indices' Equity Indices Policies & Practices Methodology.

Recalculation Policy

For information on the recalculation policy, please refer to S&P Dow Jones Indices' Equity Indices Policies & Practices Methodology.

For information on Calculations and Pricing Disruptions, Expert Judgment and Data Hierarchy, please refer to S&P Dow Jones Indices' Equity Indices Policies & Practices Methodology.

Contact Information

For questions regarding an index, please contact: index_services@spglobal.com.

Index Dissemination

Index levels are available through S&P Dow Jones Indices' Web site at www.spglobal.com/spdji/, major quote vendors (see codes below), numerous investment-oriented Web sites, and various print and electronic media.

Tickers

The table below lists headline indices covered by this document. All versions of the below indices that may exist are also covered by this document. Please refer to the [S&P DJI Methodology & Regulatory Status Database](#) for a complete list of indices covered by this document.

| Index | Return Type | BBG | RIC |
|---|--------------|----------|-----------|
| S&P ESG Equity Target Risk Moderate Index | Price Return | SPETRMUP | .SPETRMUP |
| | Total Return | SPETRMUT | .SPETRMUT |
| S&P ESG Equity Target Risk Aggressive Index | Price Return | SPETRAUP | .SPETRAUP |
| | Total Return | SPETRAUT | .SPETRAUT |
| S&P ESG Equity Target Risk Growth Index | Price Return | SPETRGUP | .SPETRGUP |
| | Total Return | SPETRGUT | .SPETRGUT |

Index Data

Daily constituent and index level data are available via subscription.

For product information, please contact S&P Dow Jones Indices, www.spglobal.com/spdji/en/contact-us.

Web site

For further information, please refer to S&P Dow Jones Indices' Web site at www.spglobal.com/spdji/.

Disclaimer

Performance Disclosure/Back-Tested Data

Where applicable, S&P Dow Jones Indices and its index-related affiliates (“S&P DJI”) defines various dates to assist our clients by 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 DJI 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.

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.

Information presented prior to an index’s launch date is hypothetical back-tested performance, not actual performance, and is based on the index methodology in effect on the 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. In addition, forks have not been factored into the back-test data with respect to the S&P Cryptocurrency Indices. For the S&P Cryptocurrency Top 5 & 10 Equal Weight Indices, the custody element of the methodology was not considered; the back-test history is based on the index constituents that meet the custody element as of the Launch Date. Also, the treatment of corporate actions in back-tested performance may differ from treatment for live indices due to limitations in replicating index management decisions. 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.

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 certain 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 DJI maintains the index and calculates the index levels and performance shown or discussed but does not manage any 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).

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S&P DJI provides indices that seek to select, exclude, and/or weight index constituents based on, but not limited to, certain environmental, social or governance (ESG) indicators, or a combination of those indicators, including the following: environmental indicators (including the efficient use of natural resources, the production of waste, greenhouse gas emissions, or impact on biodiversity); social indicators (such as, inequality and investment in human capital); governance indicators (such as sound management structures, employee relations, remuneration of staff, tax compliance, respect for human rights, anti-corruption and anti-bribery matters), specific sustainability or values-related company involvement indicators (for example, production/distribution of controversial weapons, tobacco products, or thermal coal), or controversies monitoring (including research of media outlets to identify companies involved in ESG-related incidents).

S&P DJI ESG indices use ESG metrics and scores in the selection and/or weighting of index constituents. ESG scores or ratings seek to measure or evaluate a company's, or an asset's, performance with respect to environmental, social and corporate governance issues.

The ESG scores, ratings, and other data used in S&P DJI ESG indices is supplied directly or indirectly by third parties (note these parties can be independent affiliates of S&P Global or unaffiliated entities) so an S&P DJI ESG index's ability to reflect ESG factors depends on these third parties' data accuracy and availability.

ESG scores, ratings, and other data may be reported (meaning that the data is provided as disclosed by companies, or an asset, or as made publicly available), modelled (meaning that the data is derived using a proprietary modelling process with only proxies used in the creation of the data), or reported and modelled (meaning that the data is either a mix of reported and modelled data or is derived from the vendor using reported data /information in a proprietary scoring or determination process).

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objectives. Furthermore, the legal and/or market position on what constitutes an 'ESG', 'sustainable', 'good governance', 'no adverse environmental, social and/or other impacts', or other equivalently labelled objectives may change over time, especially as further regulatory or industry rules and guidance are issued and the ESG sustainable finance framework becomes more sophisticated.

Prospective users of an S&P DJI ESG Index are encouraged to read the relevant index methodology and related disclosures carefully to determine whether the index is suitable for their potential use case or investment objective.