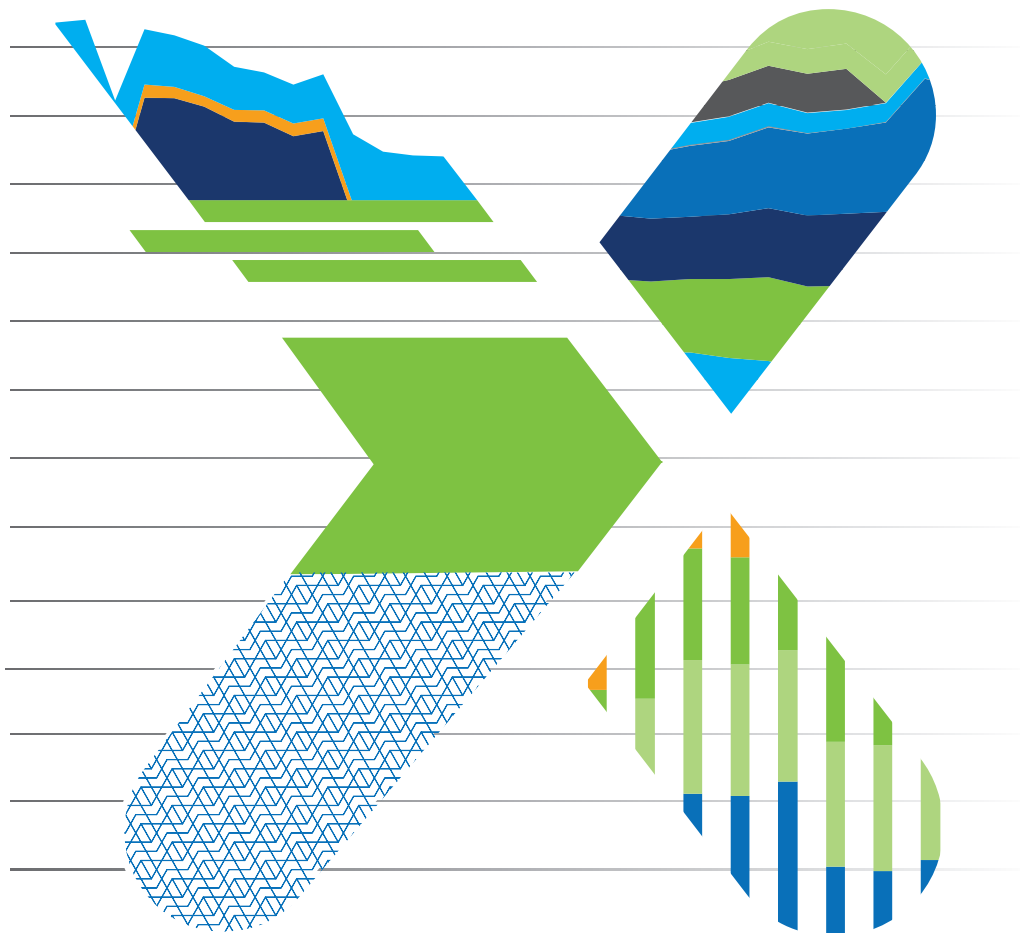


STOXX® GLOBAL ESG LEADERS 2020 ANNUAL INDEX REVIEW ANALYSIS

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INTRODUCTION

The STOXX® Global ESG Leaders Index was launched in 2011 and was an important step for providing visibility for companies which excel in sustainable operations and management. How companies score in terms of environmental, social and governance (ESG) criteria has become increasingly relevant for investors. Companies are expected to pay attention to the interests of society at large – for their own benefit and for that of their shareholders. In addition to the main index, the STOXX® Global ESG Leaders, there are three ESG sub-indices:

- » STOXX® Global ESG Environmental Leaders,
- » STOXX® Global ESG Social Leaders,
- » STOXX® Global ESG Governance Leaders.

In this note, we take a look at the methodology behind the index, explore how its composition has changed over time and assess the impact of the 2020 annual index review. The 2020 annual index review for the STOXX® Global ESG Leaders Index has resulted in a slightly improved average ESG score for the index (see Figure 5), with allocations to countries and sectors witnessing only marginal changes.

METHODOLOGY

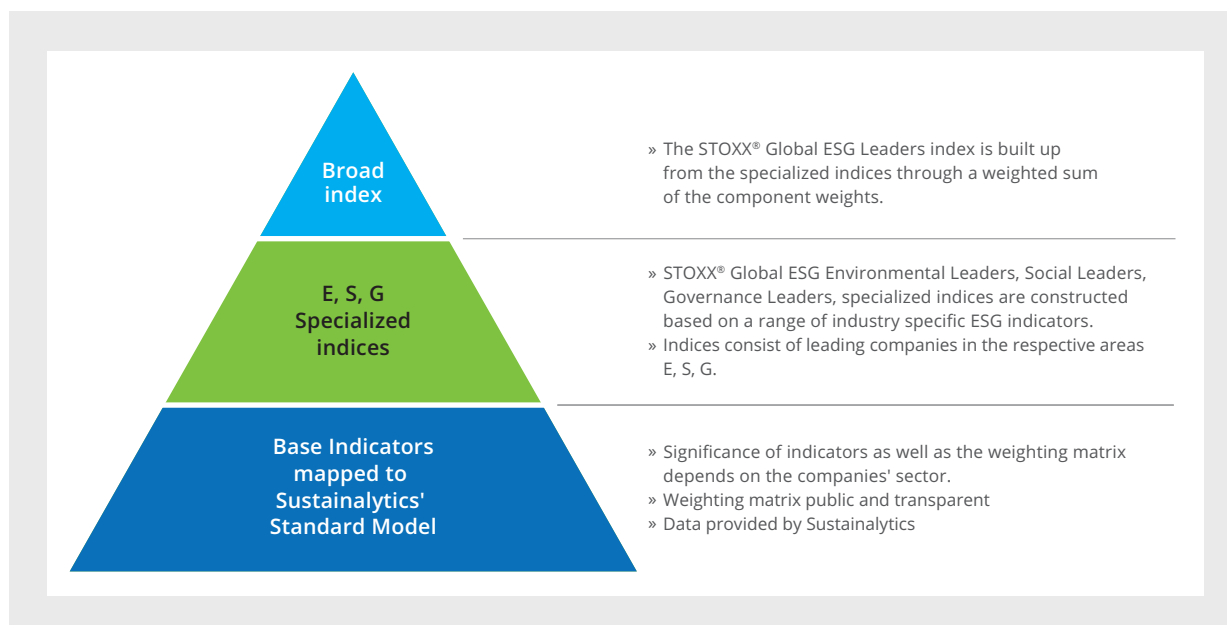
The STOXX® Global ESG Leaders indices consist of the top leading companies in terms of corporate sustainability, which is divided into three criteria: Environmental (E), Social (S) and Governance (G) sustainability. A specialized index is designed for each criterion, and, in addition, a roll up index of the three specialized indices is provided.

The four indices follow a bottom-up approach, which ensures a comprehensive component selection. The underlying ESG data is provided by Sustainalytics, a global leader in ESG and corporate governance research and ratings. Sourcing data from an independent, multi-award winning¹ ESG data provider such as Sustainalytics allows STOXX to systematically apply objective rules for securities selection.

¹ <https://www.sustainalytics.com/about-us/#awards>

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FIGURE 1: STOXX® Global ESG Leaders methodology²



Source: Qontigo

In order to measure corporate sustainability, a set of indicators which underlies each criterion is defined. A score ranging from 0 to 100 is assigned to each indicator. The ESG criteria ratings are defined as the weighted sum of the indicator scores, where the weighting scheme and the set of indicators used depend on the industry the company is classified into.

The index constituents are selected from the STOXX® Global 1800 Index. In order to keep up with key requirements of responsible investors, a set of exclusion criteria is applied to the universe.

EXCLUSION CRITERIA

Controversial Weapons

Companies that Sustainalytics identifies as being involved with controversial weapons, comprise anti-personnel mines, biological and chemical weapons, cluster weapons, depleted uranium, nuclear weapons and white phosphorus weapons.

The criteria for determining involvement are (any of):

- » Internal production or sale of controversial weapons
- » The ultimate holding company owns more than 10% of the voting rights of an involved company
- » More than 10% of the voting rights of a company are owned by an involved company

Global Standards Screening

Companies that are non-compliant based on the Sustainalytics Global Standards Screening (GSS) assessment. GSS identifies companies that violate or are at risk of violating commonly accepted international norms and standards, enshrined in the United Nations Global Compact (UNGC) Principles,

² Summary, full index methodology: https://www.stoxx.com/document/Indices/Common/Indexguide/stoxx_index_guide.pdf

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the Organization for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights (UNGPs), and their underlying conventions.

SELECTION CRITERIA

The selection of leading companies in terms of sustainability is based on the following steps.

Minimum Filter (Top 50%):

Based on the normalized scores, a minimum filter that selects all companies which have a score greater than or equal to the 50th percentile (i.e. above average) in all three criteria is applied.

Leadership Filter (Best 25%):

Based on the previously performed selection, a leadership filter is applied to each of the criterion individually. The selected companies have a score that is greater than or equal to the 75th percentile (i.e. in the top quartile) in at least one field of corporate sustainability, i.e. environmental, social, or governance sustainability.

The Specialized Indices:

- » The STOXX® Global ESG Environmental Leaders Index consists of all companies that passed the leadership filter environmental criteria and the top 50% in the social and governance criteria.
- » The STOXX® Global ESG Social Leaders Index comprises all companies that passed the leadership filter in the social criteria and are among the top 50% in the governance and environmental criteria.
- » The STOXX® Global ESG Governance Leaders Index consists of all companies that passed the leadership filter governance corporate criteria and rank under the top 50% in the social and environmental criteria.

The indices are constructed such that a company can enter more than one specialized index if it belongs to the top quartile in more than one of the ESG-criteria.

The Roll-up Index:

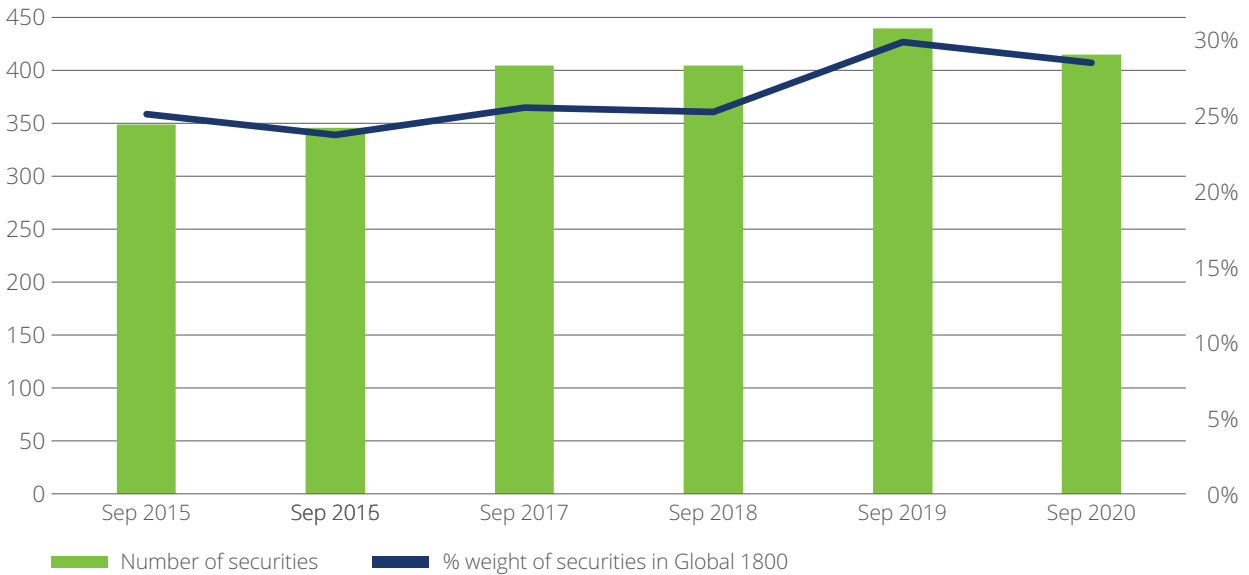
The STOXX® Global ESG Leaders Index comprises all components that are eligible for at least one of the specialized indices. This means, that components of the broad index must belong to the top quartile in at least one criterion and to the top 50% in all three criteria. In addition, a minimum liquidity of EUR 1 million is required. The liquidity is measured using 3-month average daily trading value (ADTV).

HISTORIC INDEX PROFILE

The STOXX® Global ESG Leaders (ESG Leaders) Index, by construction, is a subset of the STOXX® Global 1800 (Global 1800) Index. The ESG Leaders Index represents nearly a quarter of the Global 1800 Index by weight, with the number of eligible securities increasing from around a low of 339 five years ago to a high of 439, which coincided with the highest percentage weight of securities in the Global 1800 Index. However, this relationship has not necessarily been linear historically.

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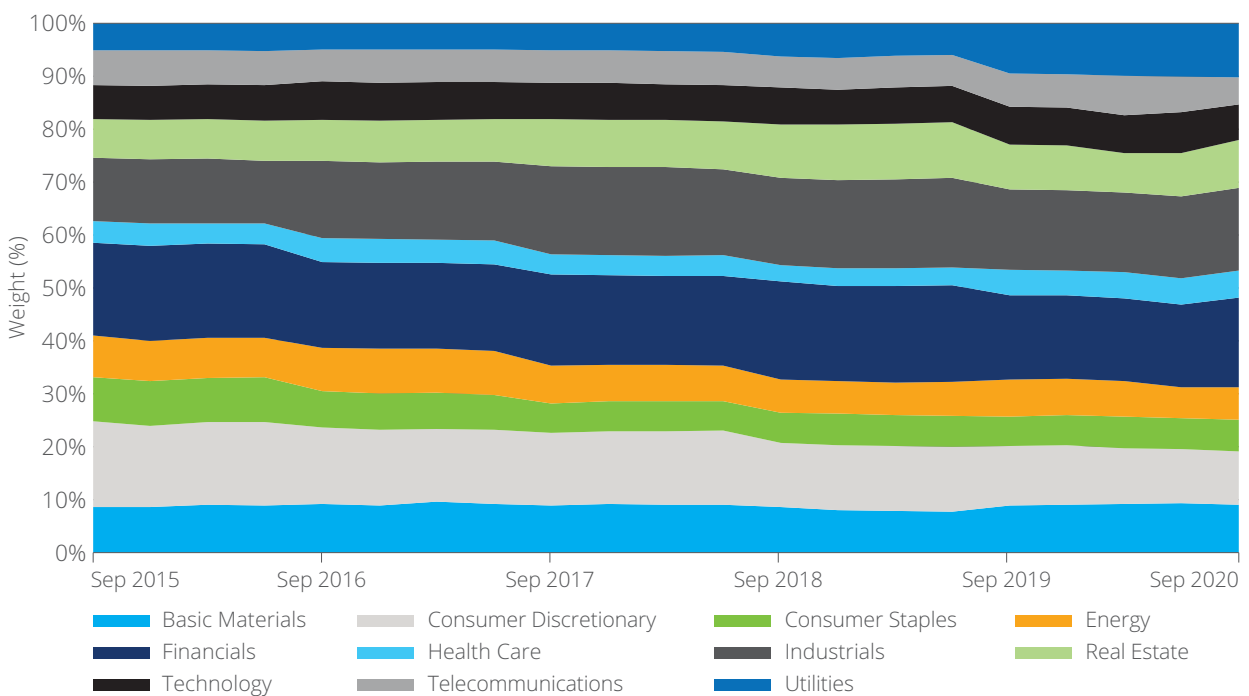
FIGURE 2: Historical common securities between the STOXX® Global ESG Leaders Index and the STOXX® Global 1800 Index



Source: Qontigo, proforma weights based on prices as of September 11, 2020

Over the years Industrials and Utilities have increased their representation in the ESG Leaders index, at the expense of other sectors such as Consumer Discretionary and Consumer Staples that have seen their weights drop significantly.

FIGURE 3: Historical industry (ICB) weights for the STOXX® Global ESG Leaders Index

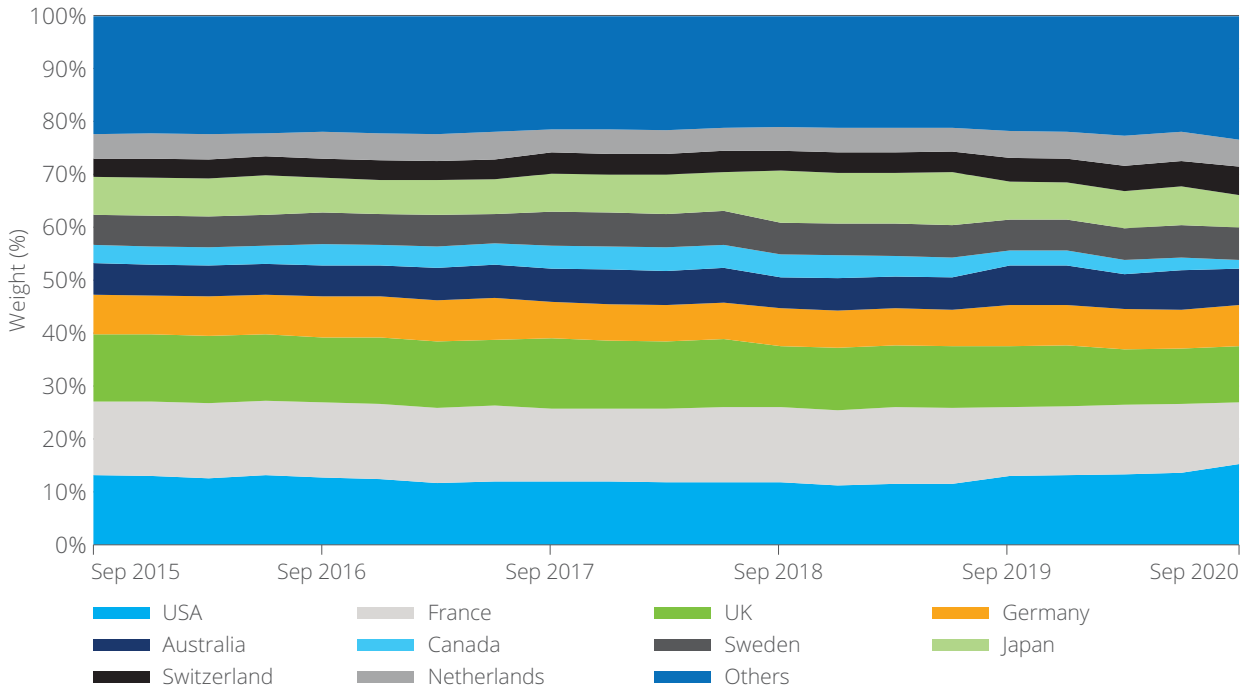


Source: Qontigo

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In the last five years the top three countries, USA, France and UK have collectively accounted for more than a third of the ESG Leaders index weight. They have each held the number one position, in terms of weights in the index, at different points in time, with USA coming out in front over the last year.

FIGURE 4: Historical country weights for the STOXX® Global ESG Leaders Index



Source: Qontigo

UK weights have however been decreasing in recent years despite an increasing number of securities in the index, which may be partly attributable to the weakening currency. France’s weights witnessed an increasing trend earlier but have been on a downward trajectory in recent years despite a steady increase in the number of constituents in the index.

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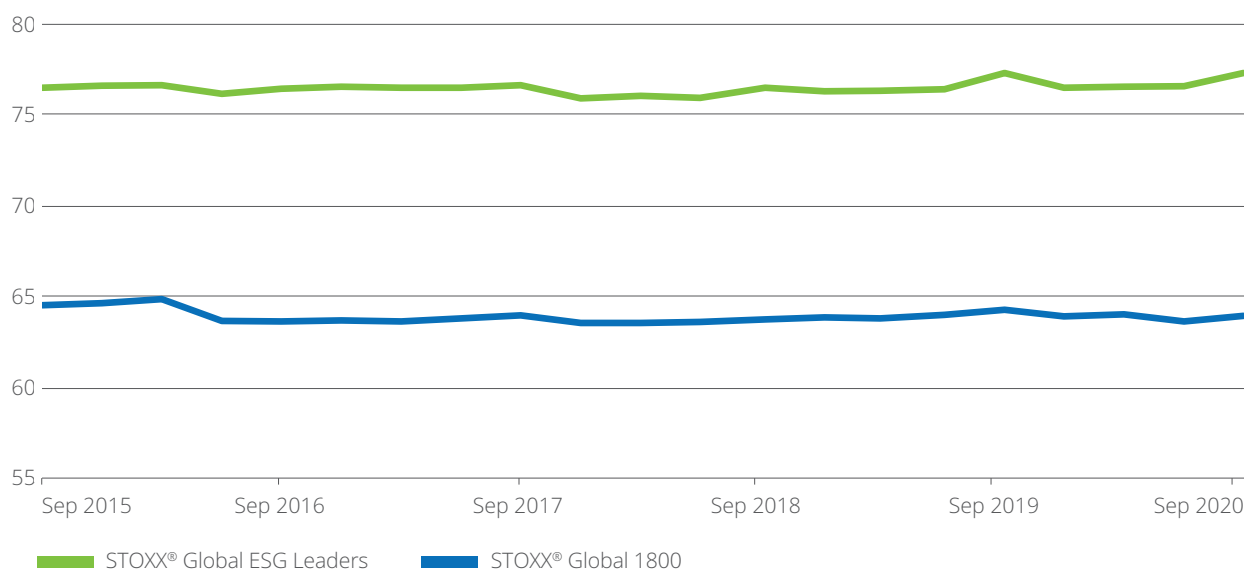
FIGURE 5: Historical number of securities for the STOXX® Global ESG Leaders Index selected at each annual review

Country	Sep 2015	Sep 2016	Sep 2017	Sep 2018	Sep 2019	Sep 2020
USA	56	55	59	60	71	74
UK	45	46	56	52	56	45
France	43	43	48	47	50	46
Japan	35	28	36	46	38	30
Australia	19	18	23	23	31	27
Germany	23	24	25	28	33	33
Sweden	19	20	26	23	24	26
Netherlands	14	14	16	15	20	18
Switzerland	12	11	14	13	17	20
Canada	13	16	19	18	14	7
Others	70	70	82	79	85	89
Total	349	345	404	404	439	415

Source: Qontigo

The ESG Leaders Index has consistently had a higher average ESG score than that of the Global 1800 Index, which would be expected given the index objective and construction. The average ESG score of both indices has however remained more or less stable over time.

FIGURE 6: Historical ESG Scores for the STOXX® Global ESG Leaders Index and the STOXX® Global 1800 Index



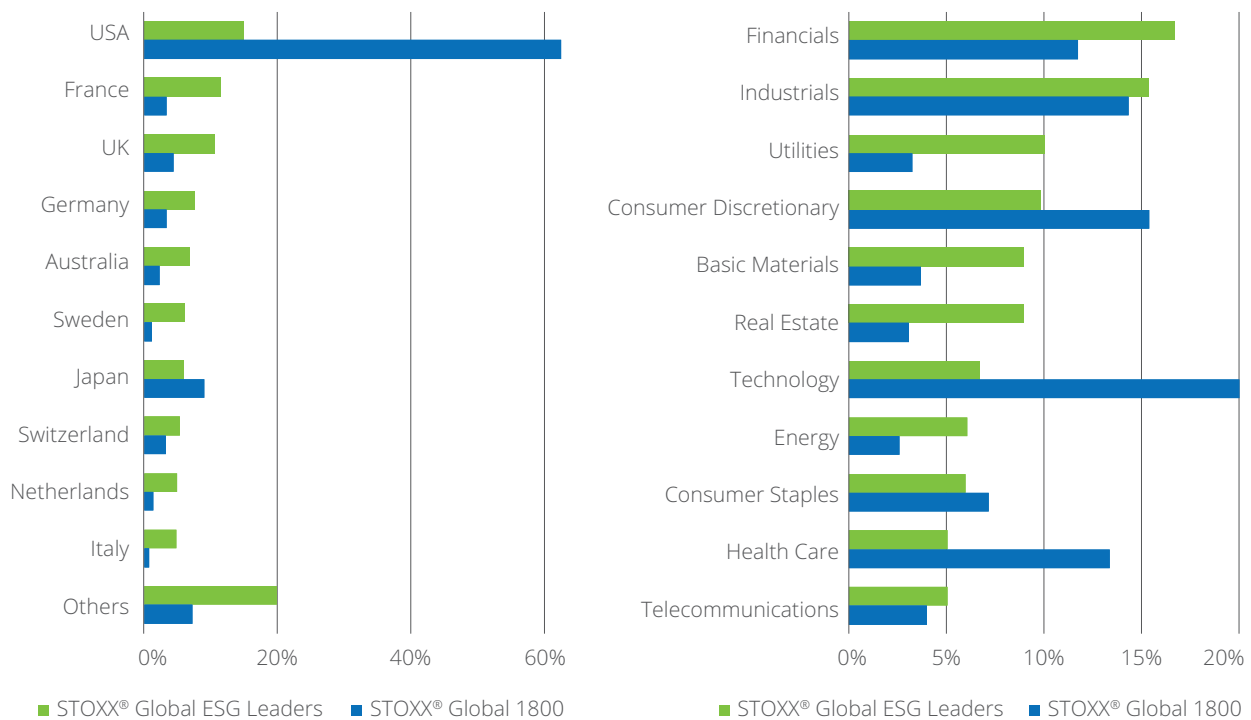
Source: Qontigo

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2020 ANNUAL INDEX REVIEW SUMMARY

The ESG leaders Index has historically had a balanced country representation compared to the Global 1800 Index, with typically a heavy underweight to USA resulting in overweights to other countries. This trend continues following the 2020 annual index review of the ESG Leaders index. The index also continues to have a balanced representation of sectors with the 2020 annual index review resulting in large underweights to Consumer Discretionary, Technology and Health Care sectors, and overweights to sectors such as Financials, Utilities, Basic Materials and Real Estate.

FIGURE 7: Country and industry weights for the STOXX® Global ESG Leaders Index and the STOXX® Global 1800 Index (September 2020 review)



Source: Qontigo, as of September 11, 2020

Following the 2020 annual index review, the STOXX® Global ESG Leaders Index comprises 415 constituents, with 73 stocks having been added while 71 other companies that were in the index during the previous period, are no longer part of the index. In total 266 companies are from Europe; 81 companies are North America based and 68 companies Asia/Pacific based.

Just over a third of the constituents, based on the number of securities, have been in the index over five years comprising a proforma weight of 44%. The 73 new joiners however, only contribute to 14% of the weight in the index.

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FIGURE 8: Longevity of constituents in the STOXX® ESG Leaders Index

Constituents description	# of securities	Proforma weight*
New joiners from Sep 2020	73	14%
Constituents with 1+ year of continuous inclusion (i. e. in index since Sep 2019 annual index review)	342	86%
Constituents with 3+ year of continuous inclusion (i. e. in index since Sep 2017 annual index review)	212	58%
Constituents with 5+ year of continuous inclusion (i. e. in index since Sep 2015 annual index review)	153	44%

* based on September 11, 2020 review/rebalancing data

Source: Qontigo

From a sectoral perspective, the 2020 annual index review has only marginally altered the composition of the index. Basic Materials has witnessed the largest drop of -1.2% weight in the index, whereas Real Estate has seen a 1.5% increase in allocations.

FIGURE 9: Changes to industry (ICB) profile of the STOXX® ESG Leaders Index in September 2020 annual index review

Industry	Change in # of securities	Change in weight*
Telecommunications	-7	-1.1%
Financials	5	1.3%
Energy	4	0.9%
Real Estate	3	1.5%
Technology	-3	-0.9%
Consumer Staples	1	0.4%
Utilities	1	0.3%
Health Care	-1	0.2%
Basic Materials	-1	-1.2%
Consumer Discretionary	0	-0.8%
Industrials	0	-0.5%

* based on September 11, 2020 review/rebalancing data

Source: Qontigo

Although Japan has had a net reduction of 8 securities in the index as a result of the 2020 annual index review, the impact on its allocations has only been a drop of 1%. Conversely, USA has witnessed an increase of 6 securities³ with a 1.7% increase in its weight in the index. Other countries have had allocations to weights in between these two boundaries.

³ Based on securities selected in the 2020 annual index review versus the prevailing index constituents as of September 11, 2020

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FIGURE 10: Changes to country profile of the STOXX® ESG Leaders Index in September 2020 annual index review

Country	Change in # of securities	Change in weight*
Japan	-8	-1.0%
USA	6	1.7%
Spain	4	1.3%
UK	-4	0.8%
Canada	-4	-0.9%
Germany	3	-0.1%
Switzerland	3	0.6%
Austria	3	1.0%
Australia	-3	-0.4%
Sweden	2	-0.4%
Others	0	-2.7%

* based on September 11, 2020 review / rebalancing data

Source: Qontigo

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CONCLUSION

The 2020 annual index review for the STOXX® Global ESG Leaders Index has resulted in a slightly improved average ESG score for the index (see Figure 5), with allocations to countries and sectors witnessing only marginal changes. More than half of the index, both by number of constituents and in terms of weights is represented by constituents that have been members for three years or more, providing stability to the constitution of the index.

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About STOXX Ltd.

STOXX Ltd. is a global index provider that currently calculates a global, comprehensive index family of over 10,000 strictly rules-based and transparent indices. Best known for the leading European equity indices EURO STOXX 50®, STOXX® Europe 50 and STOXX® Europe 600, STOXX Ltd. maintains and calculates the STOXX Global index family which consists of total market, broad and blue-chip indices for the Americas, Europe and Asia/Pacific regions and the Latin America and BRIC (Brazil, Russia, India and China) sub-regions, as well as global markets.

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STOXX indices are licensed to more than 600 companies around the world as underlyings for Exchange Traded Funds (ETFs), futures and options, structured products and passively managed investment funds. Three of the top ETFs in Europe and approximately 25% of all assets under management are based on STOXX indices. STOXX Ltd. holds Europe's number one and the world's number two position in the derivatives segment.

Since September 2019 STOXX is part of Qontigo.

Qontigo is a financial intelligence innovator and a leader in the modernization of investment management, from risk to return. The combination of the company's world-class indices and best-of-breed analytics, with its technological expertise and customer-driven innovation enables its clients to achieve competitive advantage in a rapidly changing marketplace. Qontigo's global client base includes the world's largest financial products issuers, capital owners and asset managers. Created in 2019 through the combination of STOXX, DAX and Axioma, Qontigo is part of Deutsche Börse Group, headquartered in Eschborn with key locations in New York, Zug and London.

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