

# **S&P Eurozone Bund/SV Climate Transition ESG Select Index *Methodology***

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# Introduction

## Index Objective

The S&P Eurozone Bund/SV Climate Transition ESG Select Index measures the performance of 60 companies selected from an underlying index to achieve a range of ESG and climate objectives while targeting specific sector and country allocations. The targeted objectives include collectively achieving decarbonization compatible with a 1.5°C global warming climate scenario<sup>1</sup> at the index level.

The index applies exclusions based on companies' involvement in specific business activities, violations of the principles of the United Nations' Global Compact (UNGC), inclusion on a list of disqualified companies defined by the Federal German Republic, and involvement in relevant ESG controversies, as defined in *Eligibility Criteria*. The index is non-market capitalization weighted, as defined in *Index Construction*.

## Highlights

The index aims to meet the minimum standards for EU Climate Transition Benchmarks (EU CTBs) under Regulation (EU) 2019/2089 amending Regulation (EU) 2016/1011.<sup>2</sup> The law proposes the definitions of minimum standards for the methodology of any 'EU Climate Transition' benchmark indices that would be aligned with the objectives of the Paris Agreement,<sup>3</sup> and addresses the risk of greenwashing.

Should a material change to the methodology be required as a consequence of any change made by the EU to the minimum standards for EU CTBs, S&P Dow Jones Indices will issue an announcement before the change is implemented (and in these circumstances, S&P Dow Jones Indices would not conduct a formal consultation). For clarity, any other methodology change will follow S&P Dow Jones Indices' standard processes, which may include a consultation.

The index has the following key features:

- companies are selected based on both their Ranking Score; a combination of their S&P Global ESG score, free-float market capitalization and, for some constituents, carbon intensity
- except for German-domiciled companies where the collective German weight is targeted at 1.25 times its underlying index weight, companies are selected to target sector and country allocations close to those of the underlying index
- reduced overall greenhouse gas (GHG expressed in CO<sub>2</sub> equivalents) emissions intensity compared to its respective underlying parent index by at least 30%
- minimum self-decarbonization rate of GHG emissions intensity in accordance with the trajectory implied by Intergovernmental Panel on Climate Change's (IPCC) most ambitious 1.5°C scenario, equating to at least 7% GHG intensity reduction on average per annum
- exposure to sectors with high impact on climate change equivalent to its underlying index (to mitigate greenwashing)

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<sup>1</sup> A climate scenario of 1.5°C about preindustrial levels has been deemed important by the IPCC: Masson-Delmotte, V., Zhai, P., Pörtner, H. O., Roberts, D., Skea, J., Shukla, P. R. Waterfield, T. (2018). Global warming of 1.5°C. An IPCC Special Report on the impacts of global warming of 1.5°C. IPCC, available at <https://www.ipcc.ch/sr15/>.

<sup>2</sup> Pursuant to Articles 19(a)(2) and 19(b)(1) of Regulation (EU) 2019/2089, Commission Delegated Regulation (EU) 2020/1818 lays down the minimum standards for EU CTBs and EU PABs <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32020R1818>.

<sup>3</sup> UNFCCC. (2015). The Paris Agreement: <https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement>.

- constituents are company level float-adjusted market capitalization (FMC) weighted within the respective climate impact groupings to support liquidity, and are capped to improve diversification and meet index-level carbon intensity targets

The index features exclusions of companies from the underlying parent index with:

- involvement in specific business activities
- non-compliant UNGC principle violations
- ESG score that falls within the worst 25% from each global GICS Industry Group
- involvement in relevant ESG controversies
- inclusion on a list of disqualified stocks as detailed by the Federal German Republic

The index also features rules which aim to avoid companies that have comparatively negative climate impact (subject to target sector and country allocation requirements) from the underlying parent index with:

- Carbon intensities within the highest decile of the parent index
- Fossil fuel or coal revenues (% from primary energy and electricity generation) higher than thresholds defined using energy mix levels that would be consistent with the IPCC’s 1.5°C pathway at any given year from 2020 to 2050

### The S&P Global ESG Score

The indices use S&P Global ESG Scores to select constituents. S&P Global Sustainable1 calculates these scores and derives them from their ‘Corporate Sustainability Assessment’ (CSA). A company’s CSA score is derived using either company-provided data, publicly available information, or a combination thereof.

For more information on the CSA Process, please refer to <https://www.spglobal.com/esg/csa/>.

For more information on S&P Global ESG Scores, please refer [here](#).

For the purposes of ESG assessment, companies are assigned to industries defined by S&P Global, and the assessment is largely specific to each industry. S&P Global uses the Global Industry Classification Standard (GICS®) as its starting point for determining industry classification. At the industry group and sector levels, the CSA Industries match the standard GICS classifications, but some non-standard aggregations are done at the industry level.

For information on S&P Global CSA Industry-GICS Sub-Industry Mapping, please see [here](#).

**Trucost Data Used:** GHG emissions, Fossil Fuel Sector Revenues.

For information on Trucost’s methodology, please refer [here](#).

### 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	<a href="#">Equity Indices Policies &amp; Practices</a>

Supporting Document	URL
S&P Dow Jones Indices' Index Mathematics Methodology	<a href="#">Index Mathematics Methodology</a>
S&P Dow Jones Indices' Float Adjustment Methodology	<a href="#">Float Adjustment Methodology</a>
S&P Dow Jones Indices' Global Industry Classification Standard (GICS) Methodology	<a href="#">GICS Methodology</a>

The methodology is 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.

The Benchmark Administrator for the indices under this methodology is S&P DJI Netherlands B.V.

# Eligibility Criteria

## Index Universe

At each rebalancing reference date, each index universe is all constituents of an underlying index, as defined below:

Index	Underlying Index
S&P Eurozone Bund/SV Climate Transition ESG Select Index	S&P Eurozone LargeMidCap

For information on an underlying index, please refer to the respective index methodology, available at [www.spglobal.com/spdji/](http://www.spglobal.com/spdji/).

## Eligibility Factors

As of the rebalancing reference date, stocks in the index universe must satisfy the following criteria to be eligible for index inclusion:

- Be EUR-denominated
- Be listed on an exchange in a Eurozone country
- Be a company incorporated in a Eurozone country
- Have an FMC of at least € 3 billion.
- Have a 12-month median daily value traded (MDVT) at least € 20 million
- Have greenhouse gas emissions data coverage from Trucost.<sup>4</sup>
- Have an S&P Global ESG Score

## Exclusions Based on Sustainalytics' Global Standards Screening

Sustainalytics' Global Standards Screening (GSS) provides an assessment of a company's impact on stakeholders and the extent to which a company causes, contributes, or is linked to violations of international norms and standards. The basis of the GSS assessment is the UNGC Principles. Information regarding related standards is also provided in the screening, including the Organization for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, as well as their underlying conventions. Sustainalytics classifies companies into the following three statuses:

- **Non-Compliant:** classification given to companies that do not act in accordance with the UNGC principles and its associated standards, conventions, and treaties.
- **Watchlist:** classification given to companies that are at risk of violating one or more principles, for which all dimensions for Non-Compliant status could not be established or confirmed.
- **Compliant:** classification given to companies that act in accordance with the UNGC principles and its associated standards, conventions, and treaties.

As of each rebalancing reference date, exclude the following:

- companies without coverage
- companies classified as Non-Compliant

<sup>4</sup> The data must include all Scope 1, Scope 2, and Scope 3 (upstream and downstream) emissions.

Please refer to <http://www.sustainalytics.com/> for more information.

### Exclusions Based on Business Activities

As of each rebalancing reference date, exclude the following:

- companies without coverage
- companies involved in the following specific business activities, at the relevant level of involvement. Revenue is used as a proxy for all categories

S&P Global Business Involvement	S&P Global Category of Involvement Description	S&P DJI Level of Involvement Threshold	S&P DJI Significant Ownership Threshold
Controversial Weapons	<b>Customized Weapons:</b> The screen covers companies involved in the manufacturing of the components of a weapon. These components are intended solely for use in the production and are essential for the functioning of Anti-Personnel Mines, Biological and Chemical Weapons, Blinding Laser Weapons, Cluster Munitions, Depleted Uranium, Incendiary Weapons and Nuclear Weapons.	>0%	≥10%
Tobacco	<b>Production:</b> The screen covers companies involved in the manufacturing of tobacco.	>0%	≥25%
	<b>Related Products and Services:</b> The screen covers companies that supply essential products/services for the tobacco industry.	≥10%	N/A
	<b>Retail and Distribution:</b> The screen covers companies involved in the retail and/or distribution of tobacco as part of their offerings.	≥10%	N/A
Nuclear Power	<b>Generation:</b> The screen covers companies involved in electricity generation using nuclear power plants.	>0%	≥10%

Level of Involvement refers to the company's direct exposure to such products, while Significant Ownership indicates where the company has indirect involvement via some specified level of ownership of a subsidiary company with the relevant involvement.

For more information on the S&P Global Business Involvement Screens data set, please refer [here](#).

### Exclusions Based on S&P Global ESG Score

At each rebalancing, exclude all companies with an S&P Global ESG Score lower than the worst 25% of ESG scores from each global GICS Industry Group. The global universe for this categorization is defined as the combined constituents of the S&P Global LargeMidCap and S&P Global 1200 as of the last business day of March each year.

### Exclusions Based on Disqualified Companies List

At each rebalancing, exclude all stocks issued by companies included on the Federal German Republic's active disqualified companies list.

For the list of disqualified companies and disqualification expiration dates, please see [here](#).

### Controversies Monitoring: Media and Stakeholder Analysis Overlay

In addition to the above, S&P Global uses RepRisk for daily filtering, screening, and analysis of ESG risk incidents and controversial activities related to companies within the indices<sup>5</sup>.

In cases where risks are presented, S&P Global releases a Media and Stakeholder Analysis (MSA), which includes a range of issues such as economic crime and corruption, fraud, illegal commercial

<sup>5</sup> RepRisk, an ESG data science company, leverages the combination of AI and machine learning with human intelligence to systematically analyze public information in 23 languages and identify material ESG risks. With daily data updates across 100+ ESG risk factors, RepRisk provides consistent, timely, and actionable data for risk management and ESG integration across a company's operations, business relationships, and investments.

practices, human rights issues, labor disputes, workplace safety, catastrophic accidents, and environmental disasters.

The Index Committee reviews constituents that have been flagged by S&P Global's MSA to evaluate the potential impact of controversial company activities on the composition of the index. If the Index Committee decides to remove a company in question, that company is ineligible for reentry into the index for at least one full calendar year, beginning with the subsequent rebalancing.

For more information on RepRisk, please refer to [www.reprisk.com](http://www.reprisk.com). This service is not considered a direct contribution to the index construction process.

### **Multiple Share Classes and Dual Listed Companies**

Each company is represented once by the Designated Listing. For more information regarding the treatment of multiple share classes, please refer to Approach B within the Multiple Share Classes section of the S&P Dow Jones Indices' Equity Indices Policies & Practices Methodology. All publicly listed multiple share class lines of a company are assigned and assessed using the same S&P Global ESG score.

# Index Construction

## Selection Group Categorization

To minimize the inclusion of companies that have comparatively negative climate impact, constituents are placed into Primary and Secondary selection groups. Primary Selection Group companies are a subset of the eligible universe that are not in the Secondary Selection Group as defined below.

## Secondary Selection Group Companies

Companies are classified as Secondary Selection Group Companies due to their comparatively negative climate impact. Such companies are not excluded but may only be selected to satisfy target sector and country allocation requirements when no further suitable eligible companies are available in the Primary Selection Group.

Secondary Selection Group Companies are classified as such when any of the following conditions are met:

- Carbon intensity is within the highest decile of intensities among the underlying index universe<sup>6</sup>
- Fossil fuel or coal revenues (% from primary energy and electricity generation) higher than thresholds defined using energy mix levels that would be consistent with the IPCC's 1.5°C pathway at any given year from 2020 to 2050

## Carbon Intensity<sup>7</sup>

A 'Carbon Intensity' is calculated for each constituent,  $i$ , as follows using data as at the index rebalancing reference date:

$$\text{Carbon Intensity}_i = \frac{GHG1_i + GHG2_i + GHG3_i}{EVIC_i}$$

where:

$GHG1_i$  = Scope 1 GHG emissions in tCO<sub>2</sub>e for the company  $i$

$GHG2_i$  = Scope 2 GHG emissions in tCO<sub>2</sub>e for the company  $i$

$GHG3_i$  = Scope 3 (upstream and downstream) GHG emissions in tCO<sub>2</sub>e for the company  $i$ <sup>8</sup>

$EVIC_i$  = Enterprise value including cash of the company  $i$

For information on Trucost's methodology, please refer [here](#).

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<sup>6</sup> Constituents without greenhouse gas emissions data coverage are excluded from the group used to derive deciles.

<sup>7</sup> Exclude companies without full GHG emissions coverage from the calculation.

<sup>8</sup> Prior to the anchor date, only Scope 1 and Scope 2 data was used in this calculation

## Fossil Fuel and Coal Revenues

Trucost's sector revenues dataset is used to define the following parameters:

- '% Revenues from Fossil Fuel Primary Energy' and '% Revenues from Coal Primary Energy': The percentage of company revenues derived from the following primary energy<sup>9</sup> Trucost sectors in sum:

Trucost Sectors	
<b>% Revenues from Fossil Fuel Primary Energy</b>	All other petroleum and coal products manufacturing Bituminous Coal and Lignite Surface Mining Bituminous Coal Underground Mining Crude Petroleum and Natural Gas Extraction Drilling oil and gas wells Industrial gas manufacturing Mining and oil and gas field machinery manufacturing Natural gas distribution Natural Gas Liquid Extraction Petrochemical manufacturing Petroleum lubricating oil and grease manufacturing Petroleum refineries Pipeline transportation Support activities for oil and gas operations Tar Sands Extraction
<b>% Revenues from Coal Primary Energy</b>	All other petroleum and coal products manufacturing Bituminous Coal and Lignite Surface Mining Bituminous Coal Underground Mining Pipeline transportation

- '% Revenues from Fossil Fuel Power Generation' and '% Revenues from Coal Power Generation': The percentage of company revenues derived from the following power generation Trucost sectors in sum:

Trucost Sectors	
<b>% Revenues from Fossil Fuel Power Generation</b>	Coal Power Generation Natural Gas Power Generation Petroleum Power Generation
<b>% Revenues from Coal Power Generation</b>	Coal Power Generation

The IPCC's 1.5°C with low overshoot ("1.5°C-low-OS") primary energy and power generation pathways<sup>10</sup> defines, for each year, the primary energy and power generation energy mixes for fossil fuels in aggregate, and coal individually, that are consistent with a 1.5°C global warming scenario. In addition to the carbon intensity decile criteria, the index uses these as the thresholds for assigning companies to the Primary or Secondary Selection Groups: At each annual rebalancing, the revenue percentages shown in the table below represent the threshold that should a company's respective revenue shares exceed for the corresponding year, determines if it is to be allocated to the Secondary Selection Group, notwithstanding the highest carbon intensity decile criteria. If a company derives more revenues in percentage terms than any of the stated values in the table below for the corresponding year to the rebalancing year, for any of the four parameters, the company is assigned to the Secondary Selection Group.

<sup>9</sup> 'Primary Energy' is comprised of commercially traded fuels, including fossil and modern renewable energy sources used to generate electricity (itself a secondary use of primary energy sources).

<sup>10</sup> As presented in Table 2.6 and Table 2.7 in IPCC (2018:132-3). Mitigation Pathways Compatible with 1.5°C in the Context of Sustainable Development. In: Global Warming of 1.5°C. (the "IPCC Report" hereafter) Available at [https://www.ipcc.ch/site/assets/uploads/sites/2/2019/06/SR15\\_Full\\_Report\\_High\\_Res.pdf](https://www.ipcc.ch/site/assets/uploads/sites/2/2019/06/SR15_Full_Report_High_Res.pdf)

## Fossil Fuel & Coal Energy Mix Pathways Used to Identify Secondary Selection Group Companies

Year	% Revenues from Fossil Fuel Primary Energy	% Revenues from Coal Primary Energy	% Revenues from Fossil Fuel Power Generation	% Revenues from Coal Power Generation
2010-2020	82.53	25.63	61.32	32.32
2021	80.93	24.03	58.19	29.82
2022	79.34	22.43	55.06	27.31
2023	77.74	20.83	51.94	24.81
2024	76.15	19.23	48.81	22.30
2025	74.55	17.63	45.68	19.80
2026	72.96	16.02	42.55	17.30
2027	71.37	14.42	39.42	14.79
2028	69.77	12.82	36.30	12.29
2029	68.18	11.22	33.17	9.78
2030	66.58	9.62	30.04	7.28
2031	64.99	8.02	26.91	4.77
2032	63.40	6.42	23.78	2.26
2033	61.81	4.82	20.65	0.75
2034	60.22	3.22	17.52	0.24
2035	58.63	1.62	14.39	0.00
2036	57.04	0.02	11.26	0.00
2037	55.45	0.00	8.13	0.00
2038	53.86	0.00	5.00	0.00
2039	52.27	0.00	1.87	0.00
2040	50.68	0.00	0.00	0.00
2041	49.09	0.00	0.00	0.00
2042	47.50	0.00	0.00	0.00
2043	45.91	0.00	0.00	0.00
2044	44.32	0.00	0.00	0.00
2045	42.73	0.00	0.00	0.00
2046	41.14	0.00	0.00	0.00
2047	39.55	0.00	0.00	0.00
2048	37.96	0.00	0.00	0.00
2049	36.37	0.00	0.00	0.00
2050	34.78	0.00	0.00	0.00

Source: IPCC (2018); S&P Dow Jones Indices<sup>11</sup>

The energy mix pathways data was taken from the IPCC Report for the years 2020, 2030, and 2050, and linearly extrapolated for the years between to accommodate a unique set of targets for the index at each annual reconstitution. The coal energy mix pathways companies have been modified to linearly reduce to zero from 2030 to 2038 to align with the German government's [Coal Phase-Out Act](#).

### Constituent Ranking

At each rebalancing, a 'Ranking Score' is calculated for each eligible constituent,  $i$ , as shown below.

- If the company is in the Primary Selection Group, the Ranking Score is determined as follows:

New Constituents	Existing Constituents (with Buffer)
$Ranking\ Score_i$ $= ESG\ Score_i$ $\times FMC\ Percentile\ Rank_i$	$Ranking\ Score_i$ $= ESG\ Score_i$ $\times FMC\ Percentile\ Rank_i + 0.2$

- If the company is in the Secondary Selection Group, the Ranking Score is determined as follows:

<sup>11</sup> As reported in the IPCC Report. Data source: IAMC 1.5°C Scenario Explorer and Data hosted by IIASA, 2018.

New Constituents	Existing Constituents (with Buffer)
$Ranking\ Score_i$ $= ESG\ Score_i \times FMC\ Percentile\ Rank_i$ $\times Carbon\ Intensity\ Percentile\ Rank_i$	$Ranking\ Score_i$ $= ESG\ Score_i \times FMC\ Percentile\ Rank_i$ $\times Carbon\ Intensity\ Percentile\ Rank_i + 0.2$

where:

$ESG\ Score_i$  = The company's S&P Global ESG score divided by 100

$FMC\ Percentile\ Rank_i$  = The percentile rank of the companies' FMC with respect to the underlying index

$Carbon\ Intensity\ Percentile\ Rank_i$  = The percentile rank of the companies' inverse carbon intensity with respect to the underlying index

### High Climate Impact Companies

Constituents in the underlying index are assigned a status of either 'High' or 'Low Climate Impact' based on their GICS Sub-Industry Group.

Please refer to Appendix A for more information on this process.

### Constituent Selection

At each annual reconstitution, eligible companies in the index universe are selected according to the following process until the target constituent count of 60 is reached:

1. **Determine the (country or sector) group for constituent selection.** Identify the most underrepresented group by either GICS Sector or Domicile (based on weight by company-level FMC) with respect to their target allocation.

This is determined as the highest 'Group Underrepresentation', where Group Underrepresentation is defined as shown:

$$Group\ Underrepresentation_{c/s} = (Group\ Target\ Weight_{c/s} - Group\ Weight\ in\ Selected\ Universe_{c/s})$$

where:

$Group\ Underrepresentation_{c/s}$  = The extent to which the current cumulatively selected weight of constituents in each country, 'c', or sector, 's', is different to the level expected by the methodology's targeted constituent selection approach.

$Group\ Target\ Weight_{c/s}$  = The total weight in the underlying index of each country, 'c', or sector, 's'. For German domiciled companies the group target weight is 1.25 times its total weight in the underlying index.

$Group\ Weight\ in\ Selected\ Universe_{c/s}$  = The total weight of each country, 'c', or sector, 's' already selected for the index prior to when the next constituent is considered for selection.

The group identified as the most underrepresented at the point of each consecutive selection will be targeted for the next constituent selected subject to following rules.

2. **Current High Climate Impact Exposure.** Determine the current proportion of weight of constituents selected so far categorized as being 'High Climate Impact' (based on company-level FMC). If the High Climate Impact weight of the already selected constituents is below the corresponding percentage in the underlying index, the constituent selected at the current selection iteration will be a High Climate Impact company. Otherwise, all stocks remain eligible for selection.

3. **Current Domicile Exposure.** If the group determined in step 1 is a Domicile, then move on to step 4. Otherwise, determine the current weight of each Domicile group selected so far (based on company-level FMC). If any domicile's current weight is above its corresponding target weight (as defined in step 1) then constituents within that domicile are temporarily ineligible for selection.
4. **Constituent Selection.** From the most underrepresented group identified in step 1, and, subject to the limitations imposed in steps 2 and 3, select the constituent with the highest Ranking Score (which has not yet been selected) from the Primary Selection Group.
  - a. If there are no remaining unselected eligible companies from the Primary Selection Group, repeat step 4 including Secondary Selection Group Companies.
  - b. If there are still no remaining unselected eligible companies from the most underrepresented group, repeat from step 1 for the next most underrepresented group.
  - c. If there are still no remaining unselected eligible companies from any underrepresented group, repeat from step 4, selecting from the least overrepresented group.
5. **Repeat.** If fewer than 60 constituents have been selected so far in total, repeat from step 1.

### Constituent Weighting

At each rebalancing, constituents' weights are determined based on company FMC, subject to the following constraints:

- No single constituent can exceed 7.5% in weight.
- The total weight of constituents from High Climate Impact companies must equal the total weight of High Climate Impact constituents in the underlying index.
- The index's weighted-average carbon intensity (WACI) is below both the targets defined below:
  - 30% carbon intensity reduction relative to underlying index target ('Relative WACI Target')
  - 7% self-decarbonization trajectory target ('Decarbonization Trajectory WACI Target')

Relative WACI Target	Decarbonization Trajectory WACI Target
$\leq \text{underlying WACI} \times 70\% \times \text{Buffer}^*$	$\leq \text{AnchorWACI}^{**} \times \frac{(1-7\%)^{(q/4)}}{1+Inf} \times \text{Buffer}$
	where: $q$ = number of quarterly rebalances since index anchor date $Inf$ = Enterprise Value Including Cash (EVIC) growth of underlying index since index Anchor Date. <sup>12</sup>

\* Where Buffer = 95% to represent a 5% margin to allow for drift between targeted and realized WACI.

\*\* WACI of index on the index's Anchor Date. Prior to the index Anchor Date, the 7% decarbonization Trajectory WACI Target was calculated based on the index's First Value Date.

At each rebalancing, determine constituent weights as follows:

1. Determine the total weight of High Climate Impact constituents in the underlying index. This is defined as the 'Underlying High Climate Impact Exposure'.
2. Divide selected constituents into two groups based on if they are High Climate Impact or not. Weight selected constituents within each group in proportion to company FMC while also ensuring the following conditions:
3. The sum of High Climate Impact index constituent weights = 'Underlying High Climate Impact Exposure'.

<sup>12</sup> The index 'Anchor Date' is the date of the reference index composition and base carbon intensity calculation used to determine the index's decarbonization trajectory. For more information, please refer to *Appendix C*.

4. The sum of non-High Climate Impact index constituent weights =  $(1 - \text{'Underlying High Climate Impact Exposure'})$ .
5. Cap any constituent weights after step 2 to 7.5%. Divide any capped excess weight into the two groups (High Climate Impact and non-High Climate Impact) in proportion to their respective weights from step 2. Redistribute the capped excess weight proportionally by company FMC within each of these two groups.
6. Measure the weighted-average carbon-intensity (WACI) of the capped index.
7. If the WACI is higher than either the Relative WACI Target or the Decarbonization Trajectory WACI Target, perform the following steps repeatedly until either both targets are met, or until the last feasible solution is found:
8. Identify the maximum contribution to WACI (*mcWACI*) across all selected index constituents. Each constituent's contribution is calculated as its weight multiplied by its Carbon Intensity.
9. Repeat step 3 and 4, replacing the cap for each constituent, *i*, as the minimum of 7.5% or  $(0.95 \times mcWACI) / Carbon\ Intensity_i$ .
10. If the above steps produce an infeasible solution, then the constituent selection process is run again after classifying the stock from step 4 with the highest *mcWACI* as ineligible for selection.

### **Index Calculations**

The index is calculated by means of the divisor methodology used in all S&P Dow Jones Indices' equity indices.

*For more information on the index calculation methodology, please refer to the Non-Market Capitalization Weighted Indices section of S&P Dow Jones Indices' Index Mathematics Methodology.*

# Index Maintenance

## Rebalancing

The index reconstitutes annually, effective after the close on the third Friday of June, and reweights quarterly, effective after the close on the third Friday of March, September, and December. The rebalancing reference date for each rebalance is the last trading day of the prior month. As part of the rebalancing process, constituent stock weights are updated. Weights calculated as a result of the reference date data are implemented in the index using closing prices seven business days prior to the rebalancing effective date.

## Federal German Republic Disqualified Stocks

The disqualified stocks list is reviewed monthly, after the close of the last business day of each month. Stocks are added to the disqualified stocks list with a Disqualification Notification Date and a Disqualification Expiration Date. The Disqualification Notification Date is the date from which current constituents will be ineligible for index inclusion. The Disqualification Expiration Date is the date from which the stock becomes re-eligible for index inclusion.

Active disqualified stocks are all stocks on the disqualified stocks list with a Disqualification Notification Date before, and a Disqualification Expiration Date after, the current date. Active disqualified stocks are removed from the index after the close on the third Friday of the month after each review.

Disqualified stocks are replaced in the index only at the annual reconstitution. Stocks added to the list after the review date, or whose Disqualification Notification Date is a date after the third Friday of the following month, are considered for removal during the subsequent monthly review.

## Additions and Deletions

**Additions.** Except for spin-offs, no stocks are added to the index between rebalancings. Spinoffs from the eligible universe are added to the index at the same Additional Weight Factor (AWF) as the parent and are evaluated for continued index inclusion at the subsequent rebalancing.

**Deletions.** If a stock is dropped from the underlying index, it is also removed from the index simultaneously. Between rebalancings, a stock can be deleted from an index due to corporate events such as mergers, takeovers, delistings, suspensions, spin-offs/demergers, or bankruptcies.

In addition, at the discretion of the Index Committee, a deletion may occur if an MSA is raised, or if a constituent is added to the disqualified stocks list.

## Ongoing Maintenance

Index constituents are drawn from the underlying index. Specific changes to index constituents, such as share changes, Investable Weight Factor (IWF) changes, dividend distributions, and price adjustments, follow the policies of the underlying index.

*For more information on Share Updates, Float Adjustment, and IWFs, please refer to S&P Dow Jones Indices' Equity Indices Policies & Practices Methodology and S&P Dow Jones Indices' Float Adjustment Methodology.*

## Quarterly Updates

Changes to a constituent's shares and IWF as a result of the quarterly updates are effective after the close on the third Friday in March, June, September, and December.

### Corporate Actions

For more information on Corporate Actions, please refer to the Non-Market Capitalization Indices section of S&P Dow Jones Indices' Equity Indices Policies & Practices Methodology.

### Currency of Calculation and Additional Index Return Series

The index calculates in euros.

WM/Refinitiv foreign exchange rates are taken daily at 4:00 PM London Time and used in the end-of-day calculation of the indices. These mid-market fixings are calculated by The WM Company based on Refinitiv data and appear on Refinitiv pages WMRA.

In addition to the indices detailed in this methodology, additional return series versions of the indices may be available, including, but not limited to the following: 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 various index calculations, 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/](http://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 Eurozone Bund/SV Climate Transition ESG Select Index	07/16/2021	06/18/2010	06/18/2010	100

# 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.
- Gross Total Return (TR) versions reinvest regular cash dividends at the close on the ex-date without consideration for withholding taxes.
- Net Total Return (NTR) versions, if available, reinvest regular cash dividends at the close on the ex-date after the deduction of applicable withholding taxes.

In the event there are no regular cash dividends on the ex-date, the daily performance of all three indices will be identical.

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. At each meeting, the Index Committee reviews pending corporate actions that may affect index constituents, statistics comparing the composition of the index to the market, companies that are being considered as candidates for addition to the index, and any significant market events. In addition, the Index Committee may revise index policy covering rules for selecting companies, 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

## Announcements

All index constituents are evaluated daily for data needed to calculate index levels and returns. All events affecting the daily index calculation are typically announced in advance via the Index Corporate Events report (.SDE), delivered daily to all clients. Any unusual treatment of a corporate action or short notice of an event may be communicated via email to clients.

## Pro-forma Files

In addition to the corporate events file (.SDE), S&P Dow Jones Indices provides constituent pro-forma files each time the indices rebalance. The pro-forma file is typically provided daily in advance of the rebalancing date and contains all constituents as well as their corresponding weights and index shares effective for the upcoming rebalancing.

*Please see [www.spglobal.com/spdji/](http://www.spglobal.com/spdji/) for a complete schedule of rebalancing timelines and pro-forma delivery times.*

## Holiday Schedule

The indices calculate daily, throughout the calendar year. The only days an index is not calculated are on days when all exchanges where an index's constituents are listed are officially closed or if WM/Refinitiv exchange rates services are not published.

A complete holiday schedule for the year is available at [www.spglobal.com/spdji/](http://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 any questions regarding an index, please contact: [index\\_services@spglobal.com](mailto:index_services@spglobal.com).

# Index Dissemination

Index levels are available through S&P Dow Jones Indices' Web site at [www.spglobal.com/spdji/](http://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
S&P Eurozone Bund/SV Climate Transition ESG Select Index (EUR)	Net Total Return	SPEE6BEN

## 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](http://www.spglobal.com/spdji/en/contact-us).

## Website

For further information, please refer to S&P Dow Jones Indices' Web site at [www.spglobal.com/spdji/](http://www.spglobal.com/spdji/).

# Appendix A

## GICS Sub-Industry Climate Impact

The 'High Climate Impact' concept was introduced in the EU Technical Expert Group on Sustainable Finance's 2019 'TEG Final Report on Climate Benchmarks and Benchmarks' ESG Disclosures'<sup>13</sup> ('TEG Final Report') as the 'High Climate Impact Sectors' concept: Sectors of the economy that are key to the low-carbon transition.

The TEG Final Report defines these as the following nine (of a total of 21) NACE Sections:

- A. Agriculture, Forestry and Fishing
- B. Mining and Quarrying
- C. Manufacturing
- D. Electricity, Gas, Steam and Air Conditioning Supply
- E. Water Supply; Sewerage, Waste Management and Remediation Activities
- F. Construction
- G. Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles
- H. Transportation and Storage
- L. Real Estate Activities.

NACE sections are a statistical classification of economic activities used within the European community and are the subject of legislation at the EU level, which imposes the use of the classification uniformly within all the Member States.<sup>14</sup> For the purposes of this index methodology, all NACE sections not assigned as 'High Climate Impact' are deemed 'Low Climate Impact'.<sup>15</sup>

EU Climate Transition Benchmarks ('EU CTBs') are required to ensure their exposure to High Climate Impact Sectors are at least as high as the level in their underlying index. The index achieves this at the index-level via its weighting approach, as explained in Constituent Weighting, facilitated by assigning each constituent a climate impact designation ('High' or 'Low') based on its GICS Sub-Industry, as shown in the table below. This is conducted by using a NACE-to-GICS mapping.<sup>16</sup>

*For more information on GICS Sub-Industry Climate Impact Designations, please refer [here](#).*

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<sup>13</sup> The EU Technical Expert Group on Sustainable Finance. (2019). TEG Final Report on Climate Benchmarks and Benchmarks' ESG Disclosures, available at [https://ec.europa.eu/info/files/190930-sustainable-finance-teg-final-report-climate-benchmarks-and-disclosures\\_en](https://ec.europa.eu/info/files/190930-sustainable-finance-teg-final-report-climate-benchmarks-and-disclosures_en).

<sup>14</sup> Eurostat (2008). NACE Rev.2; Statistical classification of economic activities in the European Community: available via <https://ec.europa.eu/eurostat/documents/3859598/5902521/KS-RA-07-015-EN.PDF>.

<sup>15</sup> 'Low Climate Impact' companies referred to elsewhere in this methodology as 'non-High Climate Impact' companies.

<sup>16</sup> S&P & MSCI in The EU Technical Expert Group on Sustainable Finance. (2019). Handbook of Climate Transition Benchmarks, Paris-Aligned Benchmarks and Benchmarks' ESG Disclosures, available at [https://ec.europa.eu/info/sites/default/files/business\\_economy\\_euro/banking\\_and\\_finance/documents/192020-sustainable-finance-teg-benchmarks-handbook\\_en\\_0.pdf](https://ec.europa.eu/info/sites/default/files/business_economy_euro/banking_and_finance/documents/192020-sustainable-finance-teg-benchmarks-handbook_en_0.pdf).

# Appendix B

## Methodology Changes

Methodology changes since July 16, 2021, are as follows:

Change	Effective Date (After Close)	Methodology	
		Previous	Updated
Exclusions Based on Business Activities:  Data Provider	06/21/2024	Sustainalytics provides the data for exclusions based on business activities.	S&P Global provides the data for exclusions based on business activities.
ESG Score Data	06/21/2024	The index uses S&P DJI ESG Scores as part of the constituent selection process.	The index uses S&P Global ESG Scores as part of the constituent selection process.
Exclusions based on Business Activities	06/16/2023	'Tobacco: Significant ownership (related products/services)': ≥25% Ownership of Company 'Tobacco: Significant ownership (retail)': ≥25% Ownership of Company	'Tobacco: Significant ownership (related products/services)': N/A 'Tobacco: Significant ownership (retail)': N/A

# Appendix C

The index employs a “Backward Data Assumption” method for some datapoints used in the derivation of historical index membership prior to the Live Data Effective Date (defined below). The “Backward Data Assumption” method involves applying the earliest available actual live data point for an index constituent to all prior, historical instances of that constituent in the index universe.

Backward Data Assumption affects only the historical, hypothetical constituents of any index back-test. Only actual live data is ever used in live index rebalancings and in the historical rebalancing calculation of an index after its Live Data Effective Date.

For more information on S&P DJI’s principles and processes for using Backward Data Assumption, please refer to the [FAQ](#).

## Designated Datasets Subject to Backward Data Assumption

The Backward Data Assumption within the historical back-test, with respect to the indices identified above, applies only to designated datasets and associated time horizons as defined below. For each designated dataset, all historical rebalancing events prior to the Live Data Reference Date listed below are subject to use of the Backward Data Assumption.

Data Provider	Designated Dataset	Live Data Reference Date	Live Data Effective Date
Sustainalytics	Product Involvement	05/29/2020	06/19/2020

The Live Data Reference Date refers to the first rebalancing reference date from which only actual live data is used.

The Live Data Effective Date refers to the first date from which index constituents are determined solely on actual live data for each respective dataset.

## Exclusions Based on Missing Coverage

This index excludes companies based on missing coverage with respect to the designated datasets above. However, for rebalancing dates prior to each respective Live Data Reference Date, the eligibility of companies is determined based on the coverage after applying the Backward Data Assumption and is not dictated by actual live data coverage.

## Historical Coverage Assessment per Designated Dataset

**Sustainalytics Business Activity Exclusions Coverage** (with respect to underlying index universe):

Rebalancing Date	Underlying Index Stock Count	Point-in-Time Data		After Using the Data Assumption	
		Stock Count	Index Weight	Stock Count	Index Weight
2010	240	0	0.0%	225	98.7%
2011	247	0	0.0%	234	98.9%
2012	247	0	0.0%	236	98.6%
2013	229	205	93.5%	221	98.5%
2014	246	227	98.7%	241	99.0%
2015	264	245	98.7%	260	99.2%
2016	274	264	99.5%	272	99.8%
2017	272	270	99.7%	271	99.8%
2018	271	268	99.7%	268	99.7%
2019	269	267	99.9%	268	99.9%

Rebalancing Date	Underlying Index Stock Count	Point-in-Time Data Stock Count	Point-in-Time Data Index Weight	After Using the Data Assumption Stock Count	After Using the Data Assumption Index Weight
2020	255	253	99.9%	n/a	n/a

Coverage for each Sustainalytics Category of Involvement may differ due to the initiation of coverage for each sub-dataset. Actual live data coverage for each sub-dataset is therefore zero before its respective Coverage Initiation Date provided below:

Sustainalytics Category of Involvement	Coverage Initiation Date
Controversial Weapons: Tailor-made and Essential	12/31/2012
Controversial Weapons: Significant ownership (Tailor-made and Essential)	12/31/2018
Nuclear Power: Production	12/31/2012
Tobacco: Production	12/31/2012
Tobacco: Related Products/Services	12/31/2012
Tobacco: Retail	12/31/2012
Tobacco: Significant ownership (production)	12/31/2018
Tobacco: Significant ownership (related products/services)	12/31/2018
Tobacco: Significant ownership (retail)	12/31/2018

# Appendix D

## Index Anchor Date of Decarbonization Trajectory

The index 'Anchor Date' is the date of the reference index composition and base carbon intensity calculation used to determine the index's decarbonization trajectory.

Prior to the index 'Anchor Date' the index's 'First Value Date' is used to determine the index's decarbonization trajectory.

Index	First Value Date	Anchor Date	Launch Date	Base Value
S&P Eurozone Bund/SV Climate Transition ESG Select Index	06/18/2010	05/31/2021	07/16/2021	100

# 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.

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