

# SGI Sustainable Efficient Europe 30 Index

## Index Rules

Version as of the 30<sup>th</sup> November 2020

## **1. Index Summary Description:**

### **1.1 Index Description**

The SGI Sustainable Efficient Europe 30 Index (the “**Index**”, displayed on the Bloomberg ticker SGMDSEPR <Index> with an Index launch date on the 3<sup>rd</sup> December 2020 (the “**Index Launch Date**”)) aims to capture the performance of a basket of stocks (each, an “**Index Component**”, together, the “**Portfolio**” or “**Index Composition**”).

The Index is calculated and published on a daily basis (each such day of calculation, a “**Business Day**”) by S&P Opco, LLC (a subsidiary of S&P Dow Jones Indices LLC) (the “**Index Calculation Agent**” and the level calculated, the “**Index Level**”) and is sponsored by Société Générale (the “**Index Sponsor**”).

The Index is calculated end-of-day.

#### Main Characteristics

<b>Bloomberg ticker:</b>	SGMDSENR <Index> : Net total Return SGMDSEPR <Index> : Net total Return with synthetic dividend
<b>Type of Return:</b>	Net Total Return
<b>Calculation Frequency:</b>	Daily
<b>Publication Time:</b>	End of Day
<b>Index Launch Date:</b>	3 <sup>rd</sup> December 2020
<b>Currency:</b>	EUR
<b>Fees and Costs:</b>	As specified under the “Index Fees and Costs” section below
<b>Asset Class:</b>	Equity
<b>Index Components:</b>	Equity Instrument and Market Data

### **1.3 Index Fees and Costs**

The Index is calculated net of the following fees and costs:

<b>Synthetic dividend:</b>	3.5% p.a
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## 2. Index Rules:

Unless otherwise defined herein, each term used herein shall have the meaning ascribed to such term in the SGI Global Index Methodology.

### 2.1 Methodology applicable

The Index is computed and maintained pursuant to the Standard Formula as specified in the S&P General Index Guideline (the “**S&P Index Guideline**”), available at <http://www.spglobal.com/>, and these Index Rules which incorporate by reference the SGI Indices Global Methodology (version dated 20 July 2020, as supplemented, amended and restated or replaced from time to time, the “**SGI Global Methodology**”). The SGI Global Methodology is published on the SGI website under the link “SGI Cross Asset Methodology” at <https://sgi.sgmarkets.com>. These Index Rules should be read together with the SGI Global Methodology.

Capitalized terms used but not defined herein shall have the respective meanings ascribed to such terms in the SGI Global Methodology.

In the event of any inconsistency between the SGI Global Methodology and the S&P Index Guideline, the SGI Global Methodology will prevail.

In the event of any inconsistency between these Index Rules and the SGI Global Methodology or the S&P Index Guideline, these Index Rules will prevail.

The SGI Global Methodology shall be reviewed at least annually and is expected to be updated and revised from time to time where necessary or desirable, pursuant to legal developments and for the purpose of enhanced disclosure and technical improvement. The Index Sponsor may also act in good faith and a commercially reasonable manner to amend the SGI Global Methodology in order to cure ambiguities, errors and omissions thereunder. SGI Global Methodology subsequently updated and revised shall be (i) approved in accordance with the Index Sponsor’s internal index procedures, (ii) announced under the heading “News” on the SGI website <https://sgi.sgmarkets.com> and (iii) published in full on such SGI website under the link “SGI Cross Asset Methodology”; upon such publication, the updated SGI Global Methodology shall apply to the Index and these Index Rules.

### 2.2 Terms and definitions relating to the dates

<b>Business Day</b>	means any Scheduled Business Day on which no Index Disruption Event exists.
<b>Index Launch Date</b>	means the 3 <sup>rd</sup> December 2020
<b>Rebalancing Date</b>	means in respect of a Review Date, the 3 <sup>rd</sup> London Business Day following such Review Date, subject to at least 85% of the total market capitalization of the Dow Jones Sustainability Europe index being open for trading for that day. The Rebalancing Date as of December 2020 will be set to the 11 <sup>th</sup> December 2020 with a review date set as 8 <sup>th</sup> December 2020
<b>Review Date</b>	means the last Business Day of each month. In case such date is not a London Business Day, the Review Date will be the first following calendar day that is a London Business Day
<b>Scheduled Business Day</b>	means any day on which at least one component is open

<b>London Business Day</b>	means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in London.
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### 2.3 Terms and definitions relating to the Index

<b>Index</b>	means the SGI Sustainable Efficient Europe 30 Index.
<b>Index Calculation Agent</b>	means S&P Opco, LLC (a subsidiary of S&P Dow Jones Indices LLC).
<b>Index Component</b>	means any Basket Component and Market Data
<b>Index Currency</b>	EUR
<b>Index Level</b>	means in respect of any Business Day (t), the level of the Index calculated and published by the Index Calculation Agent on such date at the Valuation Time, in accordance with the Index Rules.

### 2.4 Terms and definitions relating to the Basket Components

<b>Basket Component</b>	means any component of the Underlying Basket.
<b>Basket Component Currency</b>	means in respect of a Basket Component, its default currency.
<b>Basket Component Type</b>	means, in respect of a Basket Component, its type.
<b>Basket Component Weight</b>	means in respect of a Basket Component and Business Day, the weight (expressed in percentage) of such Basket Component in the Underlying Basket.
<b>Closing Price</b>	means in respect of a Scheduled Business Day, the official closing price of the share of such Company at the Scheduled Closing Time (or the Scheduled Closing Time on the Scheduled Trading Day preceding the Scheduled Business Day, as the case may be).
<b>Company</b>	means in respect of a Share the issuer of such Share.
<b>Equity Instrument</b>	means a Share or any other similar instrument specified in the Index Rules.
<b>Exchange Business Day</b>	means, in respect of a Basket Component (or, in the case of a basket of Basket Components, each Basket Component observed separately) any Scheduled Trading Day on which each relevant Exchange and Related Exchange are open for trading during their respective regular trading sessions, notwithstanding any such Exchange or Related Exchange closing prior to its Scheduled Closing Time.

<b>Exchange(s)</b>	means, in respect of a Basket Component, each exchange or quotation system (if applicable) on which such instrument (or the securities or instruments underlying such instrument in the case of an Underlying Index) trade, any successor exchange or quotation system or any substitute exchange or quotation system to which trading in such instrument (or the securities or instruments underlying such instrument in the case of an Underlying Index) has relocated.
<b>Hypothetical Replicating Party</b>	means a hypothetical party investing in the Index Components for the purposes of hedging products linked to the performance of the Index.
<b>Related Exchange(s)</b>	means, in respect of a Basket Component, each exchange or quotation system where trading has a material effect on the overall market for futures and options contracts relating to such instrument (or the securities or instruments underlying such instrument in the case of an Underlying Index), any successor exchange or quotation system or any substitute exchange or quotation system to which trading in futures or options contracts relating to such instrument (or the securities or instruments underlying such instrument in the case of an Underlying Index), has temporarily relocated.
<b>Scheduled Closing Time</b>	means in respect of an Exchange or Related Exchange, the scheduled weekday closing time of such Exchange or Related Exchange, without regard to after hours or any other trading outside of the regular trading session hours.
<b>Scheduled Trading Day</b>	means, in respect of a Basket Component, (or, in the case of a basket of Basket Components, in respect of each Basket Component observed separately) any day on which each Exchange and each Related Exchange for such Basket Component are scheduled to be open for trading for their respective regular trading sessions.
<b>Share</b>	means an ordinary share of a Company.

## 2.5 Terms and definitions relating to the Market Data

<b>Forex</b>	means in respect of a Basket Component and a Business Day, the foreign spot exchange rate to convert in the Index Currency one unit of the Basket Component Currency obtained using the WM Reuters as displayed on the relevant Reuters page on such Business Day, or any successor service or page for the purpose of displaying such foreign spot exchange rate, as determined by the Index Calculation Agent after instruction from the Index Sponsor, or the latest WM Reuters rate if no such rate is published as of such date.
<b>Market Data</b>	means a rate (including an interest rate, a foreign exchange rate or a swap rate), a spread, or any other data specified in the Index Rules (including any rate specified in this section 2.3 and ) or any other similar instrument specified in the Index Rules



### **3. Review of the Index Components:**

#### **3.1 Review Dates :**

The composition of the Index is reviewed on a monthly basis on the last Business Day of each month (the “**Monthly Selection Date**”). In case such date is not a London Business Day, the Monthly Selection Date will be the first following calendar day that is a London Business Day. On each Monthly Selection Date, the Index Sponsor will apply the selection methodology and determine the new Stocks that will become constituents of the Index (each, a “**New Index Constituent**”) as of the Rebalancing Date, and will send these to the Index Calculation Agent as per below schedule:

<b>Review Date + 1 London business day</b>	SGI will perform the component selection and will send S&P Dow Jones the new index constituents, target weights by the close of business.
<b>Review Date + 2 London business day</b>	S&P Dow Jones will process the changes and announce the new index constituents and weights after the close of trading via a proforma file. S&P Dow Jones will screen the new index constituents for any upcoming corporate actions that may impact the rebalance and result in a potential mandatory deletion during or immediately following the rebalance date.
<b>Review Date + 3 London business days</b>	The new index constituents and weights will be implemented after the close of trading.

The Index rebalances three London Business Days following each Monthly Selection Date (each, a “**Rebalancing Date**”), subject to at least 85% of the total market capitalization of the Dow Jones Sustainability Europe Index being open for trading on that day. If less than 85% is open for trading then the Rebalancing Date will be the first following calendar day that is a London Business Day and where at least 85% of the total market capitalization of the Dow Jones Sustainability Europe Index is open for trading.

To ensure that the Index is always accurate and is calculated with the most up-to-date constituent data, the component data (i.e. Weighting Factor of each constituent Stock) of the Index is also reviewed on each Rebalancing Date and may be adjusted by the Calculation Agent with effect from the next London Business Day.

For the purposes of this Guidebook, “**London Business Day**” means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in London.

The Rebalancing Date as of December 2020 will be set to the 11<sup>th</sup> December 2020 with a review date set as 8<sup>th</sup> December 2020

#### **3.2 Sustainable Investment Universe:**

The Sustainable Investment Universe i.e. the stocks that are eligible for inclusion in the Index, is reviewed on each Monthly Selection Date. It comprises all stocks that are, on such Monthly Selection Date, both:

- (1) component stocks of the Dow Jones Sustainability Europe Index, subject to section 3.8; and
- (2) listed on a Selected Stock Exchange:

Bolsa de Madrid (Madrid Stock Exchange), Borsa Italiana, Copenhagen Stock Exchange, Euronext Amsterdam, Euronext Brussels, Euronext Lisbon, Euronext Paris, Frankfurt Stock Exchange (Frankfurt, Xetra), Helsinki Stock Exchange, Irish Stock Exchange, London Stock Exchange, Milan Stock Exchange, Nasdaq OMX Copenhagen A/S, Nasdaq OMX Helsinki Ltd, Nasdaq OMX Iceland Hf, Nasdaq OMX Stockholm AB, Oslo Bors ASA, SIBEX, SIX Swiss Exchange, Stockholm Stock Exchange, Vienna Stock Exchange, Virtex, Warsaw Stock Exchange, XETRA Vienna

#### **3.3 Elimination Process:**

On each Monthly Selection Date, firstly a liquidity filter is applied to the Sustainable Investment Universe in order to exclude the securities that do not meet the liquidity threshold. The liquidity is determined on the basis of the lowest 25 percentile of the daily trading volume during the 6 months prior to the Monthly Selection Date and the threshold is set to EUR 15 million equivalent. In the event that the application of the liquidity filter reduces the Sustainable Investment Universe to below 100 securities, the Index Sponsor will relax the liquidity threshold to ensure that 100 securities are part of the remaining universe.

On each Monthly Selection Date, secondly, the remaining universe of securities after the application of the liquidity filter is ranked in accordance with a combination of different risk parameters with the purpose of creating, from a risk perspective, a more homogeneous subset of securities

After this process, a subset of 80 securities is retained (the “Subset”) that offers the best average risk parameter ranking.

### **3.4 Selection Process:**

After the application of the liquidity filter, the stocks selection is done in a two steps optimization process.

- (1) On each Selection Date, 80 stocks are selected that have the highest risk score, the **“Sustainable Universe Subset”**.

The risk score per security is the arithmetic average of the z-scores of the Downside risk (i.e. the Semi-Deviation - see definition below) and the Modified Cornish Fisher VaR (see definition below)

- (2) On each Selection Date, secondly, among the sustainable universe subset of 80 stocks, 30 stocks are selected that offer the best diversification characteristics.

This selection process is based on a risk ranking of the universe, using a third risk metrics: the Betacovariance (a risk parameter that determines the individual risk contribution of each security to a certain benchmark - see definition below).

These 30 Stocks become the **“New Index Constituents”**.

The next top 20 stocks in the remaining Subset of 80 are will be part of a reserve list (the **“Reserve List”** or **“RL”**). The RL can be used, as the case may be, to replace in case of events as described in Section 3 of this Guidebook a Stock during the monthly review (from each monthly Selection Date to the immediately following Rebalancing Date, included), as determined by the Calculation Agent in consultation with the Index Sponsor. A Stock will be replaced by the security on the RL with the highest ranking that is part of the same Sector. If this is not possible, the replacement stock will be the highest ranked stock out of another sector.

The Semi-Deviation is a specific form of downside deviation calculation. The compounded daily total returns net of stocks that are less than the MAR (or Minimum Acceptable Returns) are extracted from R, and the differences of those to the MAR are taken. Then, the squares of the differences are summed up and divided by n (as defined below) to get a below-target semi-variance. The Semi-Deviation is calculated as follows:

$$\text{Semi-Deviation} = \sqrt{\frac{\sum_{t=1}^n (R_t - \text{MAR})^2}{n}}$$

**“R”** is the time series of the compounded daily total returns

**“MAR”** =mean(R);

**“n”** is the number of observations of daily returns below MAR included over 252 observations (up to and including the observation immediately prior to the Monthly Selection Date).



The Modified Cornish Fisher VaR takes the higher moments of non-normal distributions (skewness, kurtosis) into account through the use of a Cornish Fisher expansion, and collapses to standard (traditional) mean-VaR if the return stream follows a standard distribution. The Modified VaR is calculated as follows

$$\text{ModVaR} = -\text{mean}(R) - \text{sqrt}(\text{Sigma}) * z\_Quantile\_f$$

$$"z\_Quantile\_f" = z\_q + [(z\_q^2 - 1)S]/6 + [(z\_q^3 - 3z\_q)K]/24 - [(2z\_q^3 - 5z\_q)S^2]/36;$$

"z\_q" is the Quantile of the standard normal distribution;

"Quantile" is the 95% quantile of the negative returns;

"R" is the time series of the compounded daily total returns net of stocks for 252 observations (up to and including the observation immediately prior to the Monthly Selection Date);

"S" is the skewness of R;

"K" is the excess kurtosis of R.

"Sigma" is the annualised volatility over 252 observations (up to and including the observation immediately prior to the Monthly Selection Date).

The Betacovariance assesses the potential diversification of an asset relative to a portfolio (or a benchmark). The higher moment beta estimates how much portfolio risk will be impacted by adding an asset in terms of symmetric risk (i.e. volatility). It shows that adding an asset to a portfolio will reduce the portfolio's variance to be reduced if the second-order beta of the asset with respect to the portfolio is less than one.

The Betacovariance is calculated as follows:

$$\text{BetaCoV}(Ra, Rb) = \text{CoV}(Ra, Rb) / \text{var}(Rb)$$

"Ra" is the time series of the compounded daily total return net over the last 252 business days prior to the Selection Date; "Rb" is the time series of the daily compounded returns of the Investment Universe, over the same period.

### 3.5 Weighting factors:

To ensure that all Stocks in the Index are appropriately weighted and these changes are subsequently reflected in the resulting component weights, the weighting factors for each Stock in the Index are reset at the close of business of each Rebalancing Date.

The weighting factors are set so that each New Index Constituent is equally weighted.

## 4. Exceptions to the S&P standard methodology:

The Index Level is, in respect of Business Day (t), calculated by the Index Calculation Agent at the Valuation Time, subject to the occurrence or existence of an Index Disruption Event or an Index Extraordinary Event, according to the S&P standard methodology. Exceptions to the S&P standard methodology are listed below:

### 4.1 Initial parameters and levels

The initial parameters are as follows:

- IL(t<sub>0</sub>) is equal to 2769.39 for the price return version;

- IL( $t_0$ ) is equal to 5156.30 for the net total return version;

#### 4.2 Index Formula for the Price Index

The price return index is calculated using the following formula:

$$PriceIndex(t) = NetTotalReturnIndex(t) \times \left(1 - \frac{SD}{365}\right)^{Act(t_0,t)}$$

Where :

SD : means the Synthetic dividend

$t_0$  : means 3<sup>rd</sup> January 2002

**The level as of the Launch Date 3<sup>rd</sup> December 2020 and all the levels before the Launch Date have been set to be equal to the levels of the “Finvex Sustainable Efficient Europe 30 Index” as displayed in the Bloomberg ticker <FSEURE Index>.**

#### 4.3 Rounding

Exchange rates: rounded to 10 decimal places

- Weighting factors: rounded to 10 decimal places

- Index divisors: float numbers

- Index values: rounded to 2 decimal places

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