

ESG Dividend Aristocrats: Sustainable Investing Meets Stable Dividends

Ryan Reardon

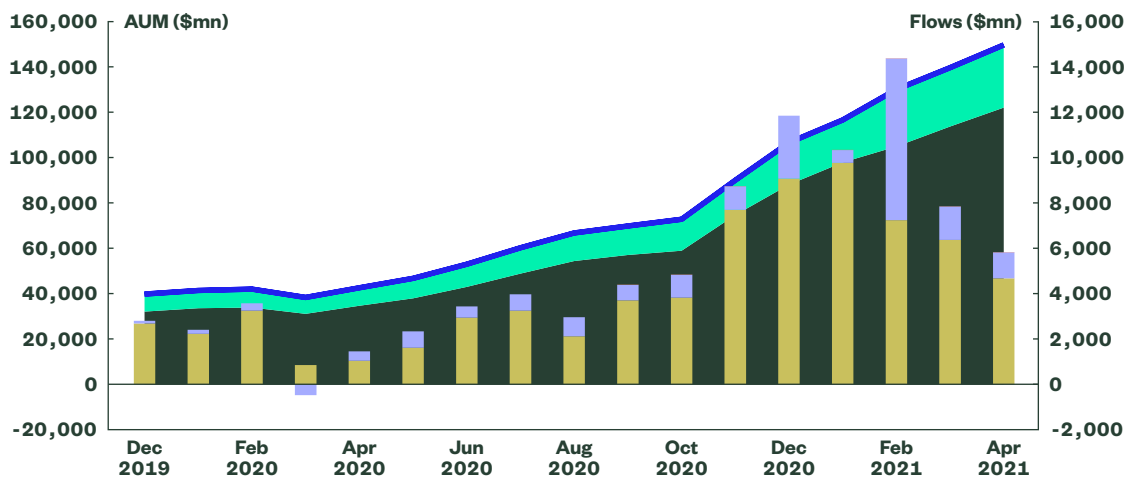
Senior Smart Beta ETF Strategist

- Demand has been increasing for strategies that incorporate ESG into the portfolio management process, especially with European ETF investors.
- SPDR ETFs is committed to providing investors ESG solutions that cover all asset classes and now Smart Beta, with the introduction of ESG Dividend Aristocrats.
- Dividend Aristocrats combine sustainable investing with stable dividends to create the next generation of income investment.

Over the past decade, we have experienced significant growing investor interest in the area of environmental, social and governance (“ESG”) investments. What started as a thematic space has grown into a fundamental core component of portfolio construction. The investment community has determined that sustainable investment principles are here to stay. More recently, European investors have increasingly used ETFs (Figure 1) to increase the level of ESG exposure in the portfolio, with assets growing to over \$150 billion at the end of April 2021.

Figure 1
Growth of European-Listed ESG ETFs
(Since end of 2019)

■ Equity — AUM
■ Fixed Income — AUM
■ Mixed Allocation — AUM
■ Equity — Flows
■ Fixed Income — Flows
■ Mixed Allocation — Flows



Source: Bloomberg Finance L.P., as of 30 April 2021. ETFs identified as ESG by Bloomberg Intelligence <BI>. Flows are as of the date indicated, are subject to change, and should not be relied upon as current thereafter.

Leading the Way in ESG

At State Street Global Advisors, we continue to play a leadership role in developing SPDR ETFs designed to meet the everchanging demands of our clients. In our US-domiciled SPDR range, we have long offered thematic and ESG funds. In Q4 2019, we launched our first Irish-domiciled UCITS ETFs to expand our ESG capabilities to our EMEA client base. Our first ETFs focused on core US (S&P® 500) and European (STOXX Europe 600) equity indices. A year later, in Q4 2020, we expanded our SPDR ESG offering to include fixed income ESG ETFs. This year we continue to expand the ESG capabilities in our SPDR UCITS range by offering our first Smart Beta ESG ETFs with the launch of a suite of SPDR ETFs tracking the S&P ESG Dividend Aristocrats® family of indices.

As we have discussed in the past, there is a wide range of approaches employed to incorporate ESG factors into benchmark indices being used in investment strategies today. At SPDR, we typically use the *Exclusionary Screening* approach (both negative and norms-based) as it aligns portfolios with investor preferences, values and ethics. While there are other indices that track European-listed ETFs that incorporate exclusionary screening into their selection process, the SPDR ETFs tracking the S&P ESG Dividend Aristocrats® family of indices are the first dividend ETFs to incorporate ESG scoring in this process.

Introducing Sustainable Investing to Dividend Aristocrats

The Dividend Aristocrats indices produce ‘quality’ income for investors by focusing, and selecting, on a long-term track record of dividend stability. S&P has developed the first ESG versions of these indices, which now incorporate their proprietary S&P DJI ESG Scores. This approach is unique from other index methodologies targeting dividend stocks using ESG (Figure 2) in the stock selection process. Other indices being tracked by European-listed ETFs currently incorporate only negative screens for specific business activities or violations of compliance with the United Nations Global Compact (“UNGC”) principles.

Figure 2
Index Methodologies
Targeting Dividend
Stocks Using ESG

| | S&P ESG Dividend Aristocrats® | Fidelity Quality Income | FTSE Dividend Growth with Quality |
|----------------------------|---|--|---|
| Ticker(s) | SPEHYDUN Index (USA) SPEHDAEN Index (Eurozone) SPGEDAUN Index (Global) | FIDUSQIN Index (USA) FIDGLQIN Index (Global) | GDEXUCTN Index (Eurozone) |
| Construction | Select stocks that have a long-term track record of increasing (or maintaining) dividends every year for at least 10–20 consecutive years | Screen stocks for low quality, rank stocks by size-adjusted high dividend score and optimise for sector-neutrality | Select stocks that have positive 10yr dividend growth and a forward 12mo yield in top 75% of universe, for two straight reviews |
| Weighting Scheme | Price-weighted with a weighting factor based on the indicated annual dividend yield | Equal-active weight factor for each stock within sector | Equal-weighted after selection |
| ESG | No Bottom 25% DJI ESG Scores No Business Activity violations (<i>Weapons, Thermal Coal & Tobacco</i>) No Bottom 5% S-Ray UNGC Scores (<i>Conditional SAM MSA review</i>) | No Business Activity violations (<i>Weapons, Thermal Coal & Tobacco</i>) No Non-compliant UNGC principles | No Business Activity violations (<i>Weapons & Thermal Coal ONLY</i>) No Non-compliant UNGC principles |
| No. of Holdings | Floating (USA) Target 100 (Global) Target 40 (Euro) | Target 125 (USA) Target 250 (Global) | Floating |
| Rebalance Frequency | Annual reconstitution (USA/Global — January, Euro — June) with a Quarterly review and conditional Monthly review | Annual reconstitution (February) with a conditional Monthly review | Semi-Annual review (March and September) |

Source: S&P Dow Jones Indices, Fidelity and FTSE Russell. The information contained above is for illustrative purposes only.

Stock Selection Process

The S&P ESG Dividend Aristocrats® strategies incorporate ESG into the stock selection process through four critical steps (“pillars”), evaluating companies based on: ESG Scores, Business Activities, Business Principles and Controversies. Once a company in the (geographic) selection universe has met the Dividend Aristocrats standard — in terms of liquidity, stability and long-term dividend track record — it will only be selected for the ESG index if it does not violate one (or more) of the four pillars.

- **Exclusions Based on ESG Score** Companies with an S&P DJI ESG score that falls within the worst 25% of S&P DJI ESG scores are excluded from the ESG index.
- **Exclusions Based on Business Activities** Companies that engage in specific activities with respect to Controversial Weapons, Thermal Coal and Tobacco Products, as determined by Sustainalytics, are excluded from the ESG index.
- **Exclusions Based on Business Principles** Companies with disqualifying (bottom 5%) United Nations Global Compact (“UNGC”) scores, as determined by Arabesque, are excluded from the ESG index.
- **Exclusions Based on Controversies** Companies flagged as being involved in an ongoing controversy, as determined by the Index Committee using SAM’s Media and Stakeholder Analysis (“MSA”), are excluded from the ESG index.

Companies without Sustainalytics, Arabesque or SAM coverage are ineligible for index inclusion until they receive such coverage. As we will see when we look at data gathered to back test the S&P ESG Dividend Aristocrats® strategies, coverage has become less of an issue recently. At the latest rebalance of the US (January 2021) and Euro (June 2020) strategies, no companies remained without coverage. In the Global (rebalance January 2021) strategy only 20 companies lacked coverage (less than 3% of Dividend Aristocrats stocks).

While exclusions for business activities are now incorporated across a number of dividend strategies, one thing we also observe when back testing the S&P ESG Dividend Aristocrats® strategies is that the bulk of ESG screens comes from the robust S&P Dow Jones ESG Score. Applying the 25% threshold to the respective selection universe of stocks strikes a balance between ensuring meaningful impact from the ESG screening process and ensuring stated stock counts are achievable for each index.

Assessing the Historical Impact of ESG Screens

Historically speaking, all of the pillars help each of the S&P ESG Dividend Aristocrats® strategies enhance the overall ESG Score as compared to the Dividend Aristocrats indices, which do not include exclusionary screens. Going region by region, we can assess the magnitude of the impact from ESG screens on the US (Figure 3), Euro (Figure 4) and Global (Figure 5) strategies. The first table (Figure 3/4/5a) demonstrates the enhancement of the ESG score, while the second table (Figure 3/4/5b) captures the footprint of each pillar on overall exclusion. Finally, the cumulative return chart (Figure 3/4/5c) estimates the impact of incorporating ESG screens on the performance of the index when back tested over the last 10 years.

Figure 3a
**US Index ESG
 Score Comparison**
 (Back Test)

| Date | S&P® High Yield Dividend Aristocrats Index | S&P® ESG High Yield Dividend Aristocrats Index |
|------------|--|--|
| 1 Feb 2011 | 55.33 | 75.11 |
| 1 Feb 2012 | 56.27 | 74.16 |
| 1 Feb 2013 | 58.74 | 69.97 |
| 3 Feb 2014 | 64.18 | 76.63 |
| 2 Feb 2015 | 61.98 | 74.02 |
| 1 Feb 2016 | 60.91 | 72.81 |
| 1 Feb 2017 | 63.36 | 73.32 |
| 1 Feb 2018 | 53.01 | 63.31 |
| 1 Feb 2019 | 52.29 | 62.11 |
| 3 Feb 2020 | 54.71 | 65.37 |
| 1 Feb 2021 | 31.91 | 43.39 |

Source: S&P Dow Jones Indices as of the date indicated.

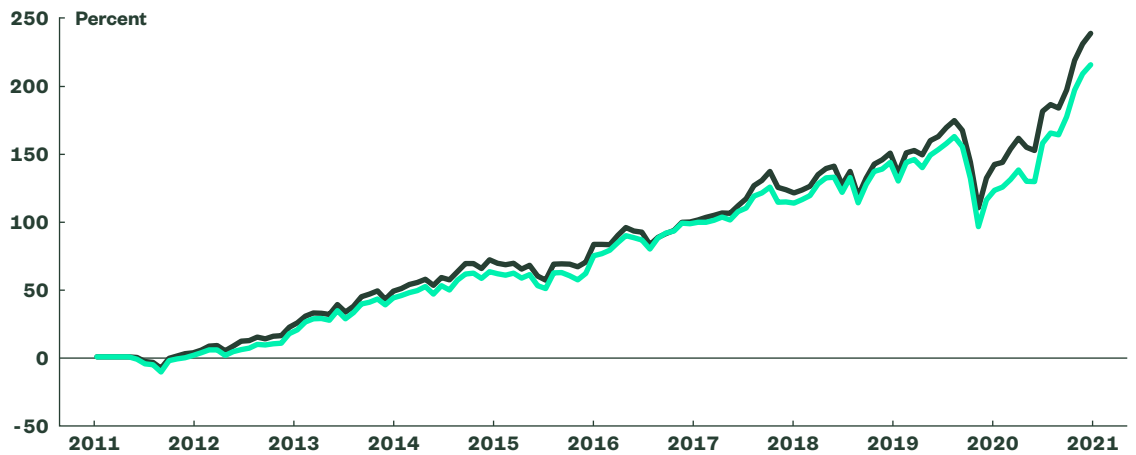
Figure 3b
**S&P® ESG High Yield
 Dividend Aristocrats Index
 Historical Exclusions**
 (Back Test)

| | Dividend Aristocrats* | S&P DJI ESG Score | Controversial Weapons | Thermal Coal | Tobacco | UN Global Compact Score | MSA Controversy | Coverage (All) |
|------------|-----------------------|-------------------|-----------------------|--------------|---------|-------------------------|-----------------|----------------|
| 1 Feb 2011 | 60 | 12 | 0 | NA | 0 | 0 | 0 | 11 |
| 1 Feb 2012 | 60 | 11 | 0 | NA | 1 | 0 | 0 | 13 |
| 1 Feb 2013 | 84 | 16 | 1 | NA | 1 | 0 | 0 | 15 |
| 3 Feb 2014 | 95 | 19 | 1 | NA | 1 | 0 | 0 | 16 |
| 2 Feb 2015 | 100 | 19 | 1 | NA | 1 | 0 | 0 | 18 |
| 1 Feb 2016 | 107 | 19 | 1 | NA | 1 | 0 | 0 | 29 |
| 1 Feb 2017 | 110 | 21 | 1 | NA | 1 | 0 | 0 | 23 |
| 1 Feb 2018 | 111 | 22 | 1 | NA | 1 | 0 | 0 | 22 |
| 1 Feb 2019 | 112 | 24 | 1 | NA | 1 | 0 | 0 | 15 |
| 3 Feb 2020 | 119 | 25 | 1 | 0 | 1 | 0 | 2 | 19 |
| 1 Feb 2021 | 113 | 26 | 1 | 1 | 1 | 1 | 2 | 0 |

Source: S&P Dow Jones Indices as of the date indicated. *Stocks from the eligible (selection) universe which pass the minimum year of consecutive dividend increase/maintenance standard.

Figure 3c
**US Index ESG
 Cumulative
 Return Comparison**
 (Back Test, Last 10yrs)

■ S&P® ESG High Yield Dividend Aristocrats Index
 ■ S&P® High Yield Dividend Aristocrats Index



Source: Bloomberg Finance L.P., as of 28 May 2021. Index performance based on monthly net total return in USD. The S&P® ESG High Yield Dividend Aristocrats Index was inceptioned on 1 March 2021. Results prior to this date were calculated by using available data at the time in accordance with the index's current methodology. Past performance is not a reliable indicator of future performance.

Figure 4a
**Euro Index ESG
 Score Comparison**
 (Back Test)

| Date | S&P® Euro High Yield Dividend Aristocrats Index | S&P® Euro ESG High Yield Dividend Aristocrats Index |
|-------------|---|---|
| 21 Jun 2010 | 88.29 | 93.43 |
| 20 Jun 2011 | 88.76 | 92.59 |
| 18 Jun 2012 | 89.61 | 92.47 |
| 24 Jun 2013 | 85.48 | 93.44 |
| 23 Jun 2014 | 90.77 | 96.65 |
| 22 Jun 2015 | 87.54 | 94.35 |
| 20 Jun 2016 | 91.83 | 95.68 |
| 19 Jun 2017 | 91.57 | 95.47 |
| 18 Jun 2018 | 89.58 | 93.33 |
| 24 Jun 2019 | 87.00 | 92.81 |
| 22 Jun 2020 | 77.86 | 82.89 |

Source: S&P Dow Jones Indices as of the date indicated.

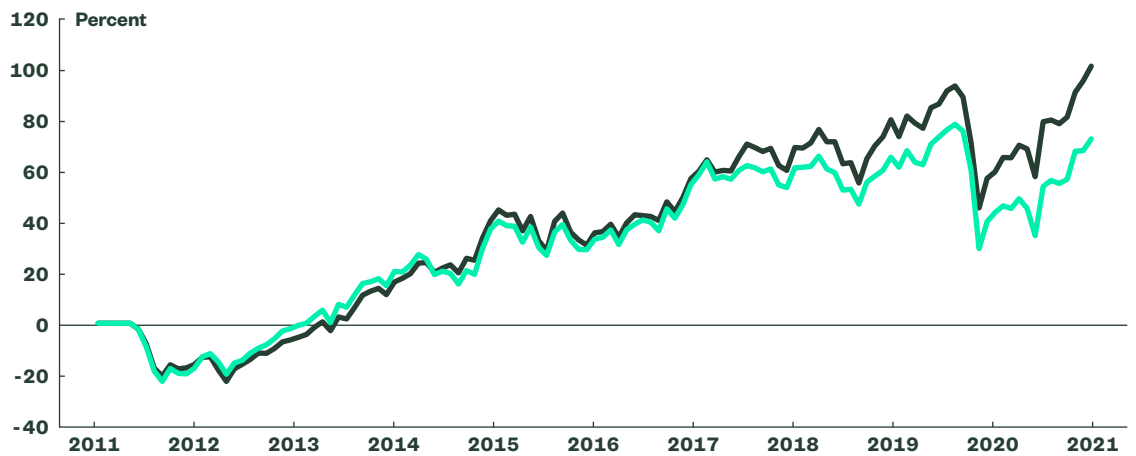
Figure 4b
**S&P® Euro ESG High Yield
 Dividend Aristocrats Index
 Historical Exclusions**
 (Back Test)

| | Dividend Aristocrats* | S&P DJI ESG Score | Controversial Weapons | Thermal Coal | Tobacco | UN Global Compact Score | MSA Controversy | Coverage (All) |
|-------------|-----------------------|-------------------|-----------------------|--------------|---------|-------------------------|-----------------|----------------|
| 18 Jun 2010 | 55 | 9 | 0 | NA | 1 | 1 | 0 | 8 |
| 17 Jun 2011 | 62 | 12 | 0 | NA | 2 | 1 | 0 | 7 |
| 15 Jun 2012 | 58 | 9 | 0 | NA | 2 | 0 | 0 | 13 |
| 21 Jun 2013 | 55 | 10 | 0 | NA | 2 | 0 | 0 | 11 |
| 20 Jun 2014 | 55 | 9 | 0 | NA | 1 | 0 | 0 | 14 |
| 19 Jun 2015 | 60 | 10 | 0 | NA | 1 | 0 | 0 | 13 |
| 17 Jun 2016 | 73 | 17 | 0 | NA | 1 | 0 | 0 | 5 |
| 16 Jun 2017 | 76 | 17 | 0 | NA | 1 | 0 | 0 | 9 |
| 15 Jun 2018 | 64 | 14 | 0 | NA | 2 | 0 | 0 | 6 |
| 21 Jun 2019 | 72 | 18 | 0 | NA | 1 | 0 | 1 | 4 |
| 19 Jun 2020 | 59 | 15 | 0 | 1 | 0 | 1 | 1 | 0 |

Source: S&P Dow Jones Indices as of the date indicated. *Stocks from the eligible (selection) universe which pass the minimum year of consecutive dividend increase/maintenance standard.

Figure 4c
**Euro Index ESG
 Cumulative
 Return Comparison**
 (Back Test, Last 10yrs)

■ S&P® Euro ESG High Yield Dividend Aristocrats Index
 ■ S&P® Euro High Yield Dividend Aristocrats Index



Source: Bloomberg Finance L.P., as of 28 May 2021. Index performance based on monthly net total return in EUR. The S&P® Euro ESG High Yield Dividend Aristocrats Index was inception on 6 April 2021. Results prior to this date were calculated by using available data at the time in accordance with the index's current methodology. Past performance is not a reliable indicator of future performance.

Figure 5a
**Global Index ESG
 Score Comparison**
 (Back Test)

| Date | S&P® Global Dividend Aristocrats Quality Income Index | S&P® Global ESG Dividend Aristocrats Quality Income Index |
|------------|---|---|
| 1 Feb 2011 | 73.58 | 81.25 |
| 1 Feb 2012 | 64.20 | 76.44 |
| 1 Feb 2013 | 68.78 | 80.21 |
| 3 Feb 2014 | 59.33 | 74.90 |
| 2 Feb 2015 | 68.89 | 75.62 |
| 1 Feb 2016 | 71.43 | 73.83 |
| 1 Feb 2017 | 69.02 | 76.04 |
| 1 Feb 2018 | 71.35 | 75.88 |
| 1 Feb 2019 | 70.48 | 72.35 |
| 3 Feb 2020 | 72.28 | 74.37 |
| 1 Feb 2021 | 33.31 | 44.78 |

Source: S&P Dow Jones Indices as of the date indicated.

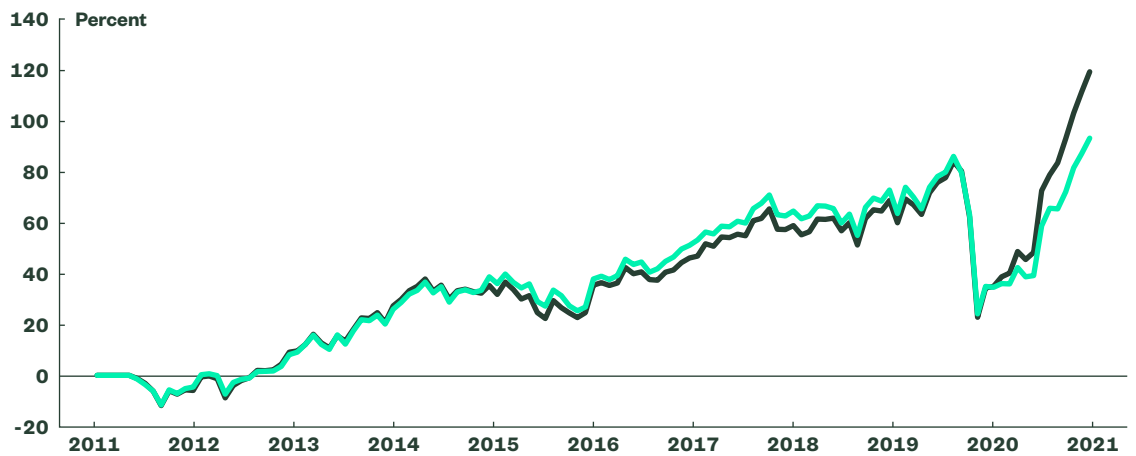
Figure 5b
**S&P® Global ESG Dividend
 Aristocrats Quality Income
 Index Historical Exclusions**
 (Back Test)

| | Dividend Aristocrats* | S&P DJI ESG Score | Controversial Weapons | Thermal Coal | Tobacco | UN Global Compact Score | MSA Controversy | Coverage (All) |
|------------|-----------------------|-------------------|-----------------------|--------------|---------|-------------------------|-----------------|----------------|
| 1 Feb 2011 | 500 | 80 | 9 | NA | 10 | 13 | 0 | 116 |
| 1 Feb 2012 | 529 | 82 | 9 | NA | 10 | 9 | 0 | 141 |
| 1 Feb 2013 | 566 | 93 | 8 | NA | 10 | 10 | 0 | 148 |
| 3 Feb 2014 | 645 | 105 | 7 | NA | 9 | 16 | 0 | 151 |
| 2 Feb 2015 | 687 | 112 | 7 | NA | 10 | 12 | 0 | 180 |
| 1 Feb 2016 | 681 | 92 | 8 | NA | 11 | 17 | 0 | 230 |
| 1 Feb 2017 | 690 | 112 | 8 | NA | 10 | 21 | 1 | 161 |
| 1 Feb 2018 | 703 | 105 | 9 | NA | 8 | 26 | 0 | 168 |
| 1 Feb 2019 | 577 | 107 | 4 | NA | 7 | 12 | 0 | 96 |
| 3 Feb 2020 | 874 | 162 | 7 | 24 | 7 | 6 | 2 | 147 |
| 1 Feb 2021 | 736 | 158 | 7 | 25 | 8 | 10 | 2 | 20 |

Source: S&P Dow Jones Indices as of the date indicated. *Stocks from the eligible (selection) universe which pass the minimum year of consecutive dividend increase/maintenance standard.

Figure 5c
**Global Index
 ESG Cumulative
 Return Comparison**
 (Back Test, Last 10yrs)

■ S&P® Global ESG Dividend Aristocrats Quality Income Index
 ■ S&P® Global Dividend Aristocrats Quality Income Index



Source: Bloomberg Finance L.P., as of 28 May 2021. Index performance based on monthly net total return in USD. The S&P® Global ESG Dividend Aristocrats Quality Income Index was inception on 1 March 2021. Results prior to this date were calculated by using available data at the time in accordance with the index's current methodology. Past performance is not a reliable indicator of future performance.

S&P DJI ESG Scores

S&P DJI ESG Scores are rooted in S&P Global's esteemed Corporate Sustainability Assessment ("CSA"), a robust survey-based approach to evaluating corporate ESG performance with a focus on financial materiality. Companies participating in the CSA respond to one of 61 industry-specific questionnaires that in some cases yield more than a thousand company-level and industry-specific data points. Companies must have an S&P DJI ESG Score to be eligible.

Figure 6

Current S&P DJI ESG Score Exclusions*

| Index (Region) | Stock Name | Effective Date (Rebalance) | Index (Region) | Stock Name | Effective Date (Rebalance) |
|----------------|---------------------------------|----------------------------|----------------|--------------------------------|----------------------------|
| USA | American States Water Co | 02/01/2021 | USA | UGI Corp | 02/01/2021 |
| USA | BANK OZK | 02/01/2021 | USA | United Bankshares Inc (WV) | 02/01/2021 |
| USA | Black Hills Corp | 02/01/2021 | Euro | Colruyt SA | 06/22/2020 |
| USA | Brown & Brown Inc | 02/01/2021 | Euro | Glanbia Plc | 06/22/2020 |
| USA | California Water Services Group | 02/01/2021 | Euro | Groupe Bruxelles Lambert | 06/22/2020 |
| USA | Casey's General Stores Inc | 02/01/2021 | Euro | Rubis | 06/22/2020 |
| USA | Cincinnati Financial Corp | 02/01/2021 | Euro | Sofina | 06/22/2020 |
| USA | Commerce Bancshares Inc (MO) | 02/01/2021 | Global | Associated Banc-Corp (IL) | 02/01/2021 |
| USA | Community Bank System | 02/01/2021 | Global | B&G Foods Inc | 02/01/2021 |
| USA | Cullen Frost Bankers (TX) | 02/01/2021 | Global | CK Infrastructure Holdings Ltd | 02/01/2021 |
| USA | Eaton Vance Corp | 02/01/2021 | Global | First Horizon Corp | 02/01/2021 |
| USA | Essential Utilities Inc | 02/01/2021 | Global | FNB Corp | 02/01/2021 |
| USA | Franklin Electric Co | 02/01/2021 | Global | Hengan International Group Co | 02/01/2021 |
| USA | Fuller H.B. Co | 02/01/2021 | Global | IG Group Holdings | 02/01/2021 |
| USA | Graco Inc | 02/01/2021 | Global | Japan Retail Fund Investment | 02/01/2021 |
| USA | Lancaster Colony Corp | 02/01/2021 | Global | KT&G Corp. | 02/01/2021 |
| USA | MDU Resources Group Inc | 02/01/2021 | Global | LTC Properties | 02/01/2021 |
| USA | MSA Safety Inc | 02/01/2021 | Global | Mercury General Corp | 02/01/2021 |
| USA | National Retail Properties Inc | 02/01/2021 | Global | Old Republic Intl Corp | 02/01/2021 |
| USA | Old Republic Intl Corp | 02/01/2021 | Global | Phoenix Group Holdings | 02/01/2021 |
| USA | Prosperity Bancshares Inc | 02/01/2021 | Global | Provident Financial Services | 02/01/2021 |
| USA | RenaissanceRe Hldgs | 02/01/2021 | Global | Sankyo Co Ltd | 02/01/2021 |
| USA | RLI Corp | 02/01/2021 | Global | Schweitzer-Mauduit | 02/01/2021 |
| USA | RPM International Inc. | 02/01/2021 | Global | United Bankshares Inc (WV) | 02/01/2021 |
| USA | Stepan Co | 02/01/2021 | Global | Wesbanco Inc (VA) | 02/01/2021 |
| USA | Telephone & Data Systems Inc | 02/01/2021 | — | — | — |

Source: S&P Dow Jones Indices as of the Effective Date (Rebalance) indicated. *Please note, the S&P ESG Dividend Aristocrats® Indexes do not use the non-ESG Index as its underlying universe and is used here for comparison purposes only. In order to be included in the S&P ESG Dividend Aristocrats® Indexes, constituents need to meet all eligibility factors.

Arabesque S-Ray® Global Compact Score

Arabesque S-Ray® is a global sustainability data provider that combines big data on company-reported information, daily news and NGO campaigns in a quantitative algorithmic approach for the calculation of the UNGC score. The score is based on the normative principles of the UN Global Compact: Human Rights, Labour Rights, the Environment and Anti-Corruption.¹

Sustainalytics

Sustainalytics evaluates the degree to which companies are involved in Controversial Weapons, Thermal Coal and Tobacco Products using the thresholds as laid out in the index methodology.

Figure 7

Current Business Activity Exclusions*

| Index (Region) | Stock Name | Effective Date (Rebalance) | Reason |
|----------------|-------------------------------|----------------------------|-----------------------|
| USA | Black Hills Corp | 02/01/2021 | Thermal Coal |
| USA | Casey's General Stores Inc | 02/01/2021 | Tobacco |
| USA | General Dynamics | 02/01/2021 | Controversial Weapons |
| Euro | Energias de Portugal SA | 06/22/2020 | Thermal Coal |
| Global | BAE Systems Plc | 02/01/2021 | Controversial Weapons |
| Global | Capital Power Corp | 02/01/2021 | Thermal Coal |
| Global | CLP Holdings Ltd. | 02/01/2021 | Thermal Coal |
| Global | Electric Power Development Co | 02/01/2021 | Thermal Coal |
| Global | Emera Inc | 02/01/2021 | Thermal Coal |
| Global | Japan Tobacco Inc | 02/01/2021 | Tobacco |
| Global | KT&G Corp. | 02/01/2021 | Tobacco |
| Global | Pinnacle West Capital (AZ) | 02/01/2021 | Thermal Coal |
| Global | Power Assets Holdings Ltd | 02/01/2021 | Thermal Coal |
| Global | PPL Corp | 02/01/2021 | Thermal Coal |
| Global | Schweitzer-Mauduit | 02/01/2021 | Tobacco |
| Global | Southern Co | 02/01/2021 | Thermal Coal |
| Global | Universal Corp | 02/01/2021 | Tobacco |

Source: S&P Dow Jones Indices as of the Effective Date (Rebalance) indicated. *Please note, the S&P ESG Dividend Aristocrats® Indexes do not use the non-ESG Index as its underlying universe and is used here for comparison purposes only. In order to be included in the S&P ESG Dividend Aristocrats® Indexes, constituents need to meet all eligibility factors.

SAM Media and Stakeholder Analysis

SAM (part of 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 practices, human rights issues, labour disputes, workplace safety, catastrophic accidents, and environmental disasters.

The Index Committee will review constituents flagged by SAM's MSA to evaluate the potential impact of controversial company activities. In the event that the Index Committee decides to remove a company, that company would not be eligible for re-entry into the index for one full calendar year, beginning with the subsequent rebalancing.

Figure 8

Current Controversies Monitoring Violation Exclusions*

| Index (Region) | Stock Name | Effective Date (Rebalance) |
|----------------|-------------------|----------------------------|
| USA | 3M Co | 02/01/2021 |
| USA | Johnson & Johnson | 02/01/2021 |
| Euro | Bayer AG | 06/22/2020 |

Source: S&P Dow Jones Indices as of the date indicated. *Please note, the S&P ESG Dividend Aristocrats® Indexes do not use the non-ESG Index as its underlying universe and is used here for comparison purposes only. In order to be included in the S&P ESG Dividend Aristocrats® Indexes, constituents need to meet all eligibility factors.

Conclusion

With investor demand increasing for European-listed ETFs that incorporate ESG considerations into the portfolio construction process, we have responded with the introduction of SPDR Dividend Aristocrats ESG UCITS ETFs. The new family of ESG ETFs will track the S&P ESG Dividend Aristocrats® strategies in three regional exposures: US, eurozone and global equities.

S&P ESG Dividend Aristocrats® strategies incorporate ESG into the stock selection process through four critical pillars, evaluating companies based on: ESG Scores, Business Activities, Business Principles and Controversies. This approach represents a unique opportunity to bring ESG to Smart Beta ETFs with Dividend Aristocrats, combining sustainable investing with stable dividends to create the next generation of income investing.

SPDR® ETFs

| Fund Name | SPDR® S&P® U.S. Dividend Aristocrats ESG UCITS ETF | SPDR® S&P® Euro Dividend Aristocrats ESG UCITS ETF | SPDR® S&P® Global Dividend Aristocrats ESG UCITS ETF |
|------------------------|---|--|--|
| ISIN | IE00BYTH5R14 | IE00BYTH5T38 | IE00BYTH5S21 |
| Share Class Currency | USD | EUR | USD |
| Primary Ticker* | Xetra: ZPD6 (EUR) | Xetra: ZPD9 (EUR) | Xetra: ZPD3 (EUR) |
| Other Tickers** | LSE: UEDV (USD), UGDV (GBP) Euronext Amsterdam: UEDV (EUR) Borsa Italiana: UEDV (EUR) | Euronext Amsterdam: EEDV (EUR) | LSE: GEDV (USD) Euronext Amsterdam: GEDV (EUR) |
| TER (%) | 0.35 | 0.30 | 0.45 |
| Portfolio Construction | Physical — Replicated | Physical — Replicated | Physical — Replicated |
| Securities Lending | No | No | No |
| Income Treatment | Distributing — Quarterly | Distributing — Semi-Annually | Distributing — Quarterly |

| Index Name | S&P ESG High Yield Dividend Aristocrats® Index | S&P Euro ESG High Yield Dividend Aristocrats® Index | S&P Global ESG Dividend Aristocrats® Quality Income Index |
|---------------------------|---|--|--|
| Index Ticker | SPEHYDUN | SPHYEDN | SPGEDAUN |
| No. of Index Constituents | 81 | 33 | 94 |
| Index Description | The S&P ESG High Yield Dividend Aristocrats® Index is designed to measure the performance of constituents from the S&P High Yield Dividend Aristocrats Index that meet certain sustainability criteria. | The S&P Euro ESG High Yield Dividend Aristocrats® Index is designed to measure the performance of high dividend-yielding and ESG-scoring companies that meet the eligibility criteria defined in the S&P Euro High Yield Dividend Aristocrats Index. | The S&P Global ESG Dividend Aristocrats® Quality Income Index is designed to measure the performance of constituents from the S&P Global Dividend Aristocrats Quality Income Index that meet certain sustainability criteria. Constituents are weighted by indicated dividend yield. |

Source: State Street Global Advisors as of 1 June 2021.

*Xetra listing date is 7 June 2021. **London Stock Exchange ("LSE") and Euronext Amsterdam listing date is 8 June 2021. Borsa Italiana listing date is 21 June 2021.

Endnote

1 Refer to <https://arabesque.com/s-ray/> for more information.

About State Street Global Advisors

Our clients are the world's governments, institutions and financial advisors. To help them achieve their financial goals we live our guiding principles each and every day:

- Start with rigor
- Build from breadth
- Invest as stewards
- Invent the future

For four decades, these principles have helped us be the quiet power in a tumultuous investing world. Helping millions of people secure their financial futures. This takes each of our employees in 31 offices around the world, and a firm-wide conviction that we can always do it better. As a result, we are the world's third-largest asset manager with US \$3.59 trillion* under our care.

* This figure is presented as of March 31, 2021 and includes approximately \$60.33 billion of assets with respect to SPDR products for which State Street Global Advisors Funds Distributors, LLC (SSGA FD) acts solely as the marketing agent. SSGA FD and State Street Global Advisors are affiliated.

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Information Classification: General Access

Marketing communication.

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For Investors in Austria: The offering of SPDR ETFs by the Company has been notified to the Financial Markets Authority (FMA) in accordance with section 139 of the Austrian Investment Funds Act. Prospective investors may obtain the current sales Prospectus, the articles of incorporation, the KIID as well as the latest annual and semi-annual report free of charge from State Street Global Advisors GmbH, Brienner Strasse 59, D-80333 Munich. T: +49 (0)89-55878-400. F: +49 (0)89-55878-440.

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