
Investment Update

SPDR[®] S&P 500[®] ESG ETF (EFIV) and SPDR[®] S&P SmallCap 600 ESG ETF (ESIX) Index Changes

Overview

S&P Dow Jones Indices LLC has announced changes to the S&P ESG Index Series to coincide with the annual rebalance, effective May 2nd, 2022. These methodology enhancements effect the S&P 500 ESG Index and S&P 600 SmallCap ESG Index. Subsequently, the SPDR S&P 500 ESG ETF (EFIV) and the SPDR S&P SmallCap 600 ESG ETF (ESIX) will reflect these changes.

These enhancements reflect changes to constituent eligibility requirements, the United Nations Global Compact (“UNGC”) data provider and an added quarterly eligibility check.

What changes are being made?

S&P DJI will replace Arabesque as the United Nations Global Compact data provider with Sustainalytics, and will exclude any companies that are determined to be Non-Compliant by Sustainalytics. This change allows S&P DJI to use a discrete data set.

Further, S&P DJI will add, expand, and revise certain exclusionary criteria based on a company’s involvement in certain defined business activities. Additional exclusions include Oil Sands, Small Arms, and Military Contracting. Expanded exclusions include Controversial Weapons involvement and revised exclusions affect Tobacco involvement.

Additionally, Significant Ownership exclusions will no longer be applied for categories where the Direct Level of Involvement Threshold is non-zero, aiming to reduce instances where a company may be treated more harshly for their indirect involvement than they would for direct involvement.

Finally, S&P DJI will now implement a quarterly eligibility check, in addition to its current Media and Stakeholder Analysis monitoring. This quarterly exercise will ensure that non-compliant companies will be removed from the Index in a timely manner if they are found to be failing any Business Involvement or UNGC eligibility criteria. No additional securities will be added to the indexes during the quarterly eligibility check.

Product Involvement	Category/Description	Level of Involvement Threshold	Significant Ownership Involvement	Summary
Controversial Weapons	Non-tailor-made or non-essential: The company provides components/services for the core weapon system, which are either not considered tailor-made or not essential to the lethal use of the weapon	Old: N/A New: ≥ 0	Old: N/A New: ≥ 25%	New category exclusion criteria
Tobacco Products	Related Products/Services: The company supplies tobacco related products/services	Old: ≥ 10% New: ≥ 5%	Old: ≥ 25% New: N/A	Revision to existing criteria
	Retail: The company derives revenues from the distribution and/or retail sale of tobacco products	Old: ≥ 10% New: ≥ 5%	Old: ≥ 25% New: N/A	Revision to existing criteria
Oil Sands	Extraction: The company extracts oil sands	Old: N/A New: ≥ 5%	Old: N/A New: N/A	New product involvement exclusion criteria
Military Contracting	Weapons: The company manufactures military weapon systems and/or integral, tailormade components or these weapons.	Old: N/A New: ≥ 10%	Old: N/A New: N/A	New product involvement exclusion criteria
	Weapon-related products and services: The company provides tailor-made products and/or services that support military weapons.	Old: N/A New: ≥ 10%	Old: N/A New: N/A	New product involvement exclusion criteria
Small Arms	Civilian customers (assault weapons): The company manufactures and sells assault weapons to civilian customers.	Old: N/A New: ≥ 0%	Old: N/A New: ≥ 25%	New product involvement exclusion criteria
	Civilian customers (non-assault weapons): The company manufactures and sells small arms (non-assault weapons) to civilian customers.	Old: N/A New: ≥ 0%	Old: N/A New: ≥ 25%	New product involvement exclusion criteria
	Military/law enforcement customers: The company manufactures and sells small arms to military/law enforcement.	Old: N/A New: ≥ 0%	Old: N/A New: ≥ 25%	New product involvement exclusion criteria
	Key components: The company manufactures and sells key components of small arms.	Old: N/A New: ≥ 0%	Old: N/A New: ≥ 25%	New product involvement exclusion criteria
	Retail/Distribution (assault weapons): The company is involved in the retail and/or distribution of assault weapons.	Old: N/A New: ≥ 5%	Old: N/A New: N/A	New product involvement exclusion criteria
	Retail/distribution (non-assault weapons): The company is involved in the retail and/or distribution of small arms (non-assault weapons).	Old: N/A New: ≥ 5%	Old: N/A New: N/A	New product involvement exclusion criteria

Source: S&P Dow Jones Indices LLC, as of April 1, 2022

Why are changes being made?

ESG investing is a rapidly growing investment. As ESG increasingly continues to be adopted by mainstream investors, index providers may occasionally revisit methodologies to ensure efficient execution of the index's intended exposure and satisfy shifting investor demands.

What is the expected impact to the portfolios?

Changes to the Indexes are being made during their annual rebalance to help minimize the overall effect on index operations. Please note that due to this timing, changes in constituents and security weighting may be due to the application of all methodology criteria, not solely the changes outlined above.

S&P 500 ESG Index

	3/31/2022	5/2/2022
Number of Holdings	308	308
% in Top 10 Holdings	36.95%	35.68%
Securities Removed	-	35
Securities Added	-	36

Top 10 Holdings

	3/31/2022 Weight %	5/2/2022 Weight %
Apple Inc.	9.18	9.53
Microsoft Corp	7.84	7.94
Amazon.com Inc	4.84	4.78
Tesla	3.06	<i>removed from index</i>
Alphabet Inc A	2.84	2.80
Alphabet Inc C	2.63	2.60
Unitedhealth Group Inc	1.63	1.90
Nvidia Corp	2.31	1.84
Procter & Gamble	1.24	1.50
JP Morgan Chase & Co	1.37	1.43
Exxon Mobil Corp	1.19	1.37
Visa Inc. Class A	1.25	1.30

S&P 600 SmallCap ESG Index

	3/31/2022	5/2/2022
Number of Holdings	373	408
% in Top 10 Holdings	8.17%	7.84%
Securities Removed	-	64
Securities Added	-	103

Top 10 Holdings

	3/31/2022 Weight %	5/2/2022 Weight %
Southwestern Energy Co	1.19	1.21
Independence Realty Trust Inc	0.87	0.92
Rogers Corp	0.76	0.77
Agree Realty Corp	0.70	0.75
UFP Industries, Inc	<i>not in index</i>	0.73
Omniceil Inc	0.85	0.73
AMN Healthcare Services Inc	0.73	0.72
ExlService Holdings Inc	0.71	0.70
Helmerich & Payne Inc	0.67	0.67
THE ENSIGN GROUP	0.70	0.65
Exponent, Inc.	0.84	<i>removed from index</i>
Matson Inc	0.75	0.52

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Important risk information

Investing involves risk of including the risk of loss of principal.

ETFs trade like stocks, are subject to investment risk, fluctuate in market value and may trade at prices above or below the ETFs net asset value. Brokerage commissions and ETF expenses will reduce returns.

Equity securities may fluctuate in value and can decline significantly in response to the activities of individual companies and general market and economic conditions.

Non-diversified funds that focus on a relatively small number of securities tend to be more volatile than diversified funds and the market as a whole.

Passively managed funds invest by sampling the index, holding a range of securities that, in the aggregate, approximates the full Index in terms of key risk factors and other characteristics. This may cause the fund to experience tracking errors relative to performance of the index.

A fund's incorporation of **ESG considerations** in its investment process may cause it to make different investments than funds that do not incorporate such considerations in their strategy or investment processes. Under certain economic conditions, this could cause a fund's investment performance to be worse than funds that do not incorporate such considerations. A fund's incorporation of ESG considerations may affect its exposure to certain sectors and/or types of investments, and may adversely impact the fund's performance depending on whether such sectors or investments are in or out of favor in the market.

Investments in **small-sized companies** may involve greater risks than in those of larger, better known companies. Returns on investments in stocks of small companies could trail the returns on investments in stocks of larger companies.

While the shares of ETFs are tradable on secondary markets, they may not readily trade in all market conditions and may trade at significant discounts in periods of market stress.

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