

The Case for SPDR S&P 500 ESG Leaders UCITS ETF

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To further embrace developments in ESG investing and more sophisticated demands from investors, we have changed the benchmark for our core US equity ESG ETF. The fund now offers access to both key activity and behavioural exclusion screens as well as best-in-class ESG scoring. The S&P 500 ESG Leaders methodology maintains broad allocation and similar industry group weights to the S&P 500, the most popular investor benchmark.

Overview

SPDR S&P 500 ESG Leaders UCITS ETF* was launched in February 2020. Since then, the ETF has seen more than \$500 million of inflows. Nevertheless, the ESG investment market has continued to evolve. Investors now demand more ESG consideration and are willing to accept greater risk versus parent benchmarks.

In May 2022, we changed the benchmark index on our core US equity ESG ETF while retaining and adding to the popular exclusion screens and integrating best-in-class ESG selection. The fund retains its Article 8 categorisation under SFDR requirements and, at 10bp, has a relatively low TER in the marketplace.

The newly adopted S&P 500 ESG Leaders index measures the performance of securities with stronger than average ESG characteristics and excludes controversial business activities with negative social or environmental impacts.

S&P 500 ESG Leaders: Index Construction

The S&P 500 ESG Leaders index tracks the performance of the leading S&P 500 Index after a set of exclusion and ESG performance screens are applied.

The exclusions relate to certain business activities, namely involvement in controversial weapons, fossil fuels, tobacco, alcohol, gambling, civilian firearms, nuclear power and companies with disqualifying UNGC Scores, as determined by Sustainalytics. Furthermore, companies with S&P DJI ESG scores in the bottom 25% of each GICS Industry Group are also excluded.

In a separate part of the process, controversies are identified through Media & Stakeholder Analysis, which involves daily filtering, screening and analysis provided by RepRisk.

* Previous to 12 May 2022, the Fund was known as SPDR S&P 500 ESG Screened UCITS ETF, tracking the S&P 500 ESG Exclusions II Index.

The best-in-class scoring involves ranking all the eligible securities in descending order of their S&P DJI ESG score and then selecting the top 50% by float-adjusted market cap within each industry group. Constituents are weighted by market cap.

This methodology results in an index of 200 stocks.

Risk/Return Profile vs. Parent Index

During the past 10 years, the S&P 500 ESG Leaders index has achieved similar returns and risk to the parent index despite showing greatly enhanced ESG characteristics.

Figure 1
Performance Metrics vs. Parent Index

	S&P 500 ESG Leaders	S&P 500
Returns (1 Year) (%)	0.8	-0.2
Returns (3 Year) (%)	15.5	13.3
Returns (5 Year) (%)	14.5	13.1
Returns (10 Year) (%)	13.3	13
Risk (3 Year) (%)	19	18.7
Risk (5 Year) (%)	16.7	16.4
Risk (10 Year) (%)	13.8	13.6
Information Ratio (3 Year)	0.81	0.71
Information Ratio (5 Year)	0.87	0.8
Information Ratio (10 Year)	0.96	0.96
No. of constituents	192	505
Tracking Error (10 Year) (%)	1.66	N/A

Source: S&P Dow Jones, as of 29 April 2022. Returns are net total returns in USD; risk is standard deviation. Past performance is not a reliable indicator of future returns. Index returns reflect capital gains and losses, income, and the reinvestment of dividends. Index returns are unmanaged and do not reflect the deduction of any fees or expenses.

Top 10 Stock Exclusions

The largest stock exclusions from the parent index are listed in the table along with the main reason for their exclusion.

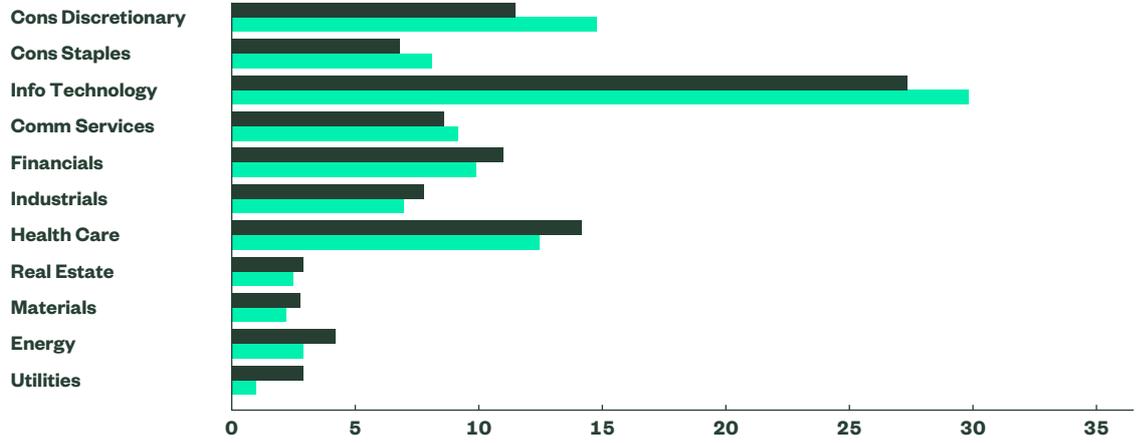
Figure 2
Stock Exclusions

Company	Weight in Parent Index (%)	Reason for Exclusion
Berkshire Hathaway	1.7	Disqualifying ESG Score
Johnson & Johnson	1.4	Controversies Violation
Meta Platforms	1.3	Eligible but not in top 50%
Exxon	1.0	Fossil Fuels
Mastercard	0.9	Eligible but not in top 50%
Pfizer	0.8	Eligible but not in top 50%
Costco Wholesale	0.7	Eligible but not in top 50%
Eli Lilly	0.7	Eligible but not in top 50%
Broadcom	0.7	Eligible but not in top 50%
Wells Fargo	0.5	Eligible but not in top 50%

Source: S&P Dow Jones, as of 29th April 2022. Weights are as of the date indicated and should not be relied upon as current thereafter. The stocks mentioned are not necessarily holdings invested in by State Street Global Advisors. References to specific company stocks should not be construed as recommendations or investment advice.

Figure 3
**Sector Profile vs.
 Parent Index
 (Market Weight in %)**

■ S&P 500
 ■ S&P 500 ESG Leaders



Source: S&P Dow Jones, as of 29 April 2022. Weights are as of the date indicated, are subject to change, and should not be relied upon as current thereafter.

After the stock exclusions and best-in-class methodology, the S&P 500 ESG Leaders index is most overweight in Consumer Discretionary and Information Technology with the largest underweights in Health Care, Financials & Energy.

* Previously known as SPDR S&P 500 ESG Screened UCITS ETF.

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- Build from breadth
- Invest as stewards
- Invent the future

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* Pensions & Investments Research Center, as of December 31, 2020.

[†] This figure is presented as of March 31, 2022 and includes approximately \$73.35 billion USD 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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