



SIX ESG Indices

Webinar, 11 February 2021



Welcome

Marion Leslie

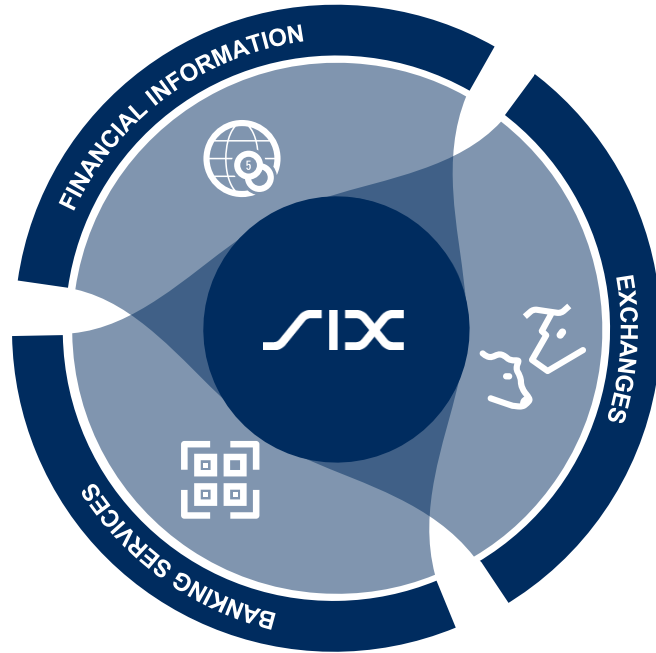
Head Financial Information

Member of the Executive Board, SIX



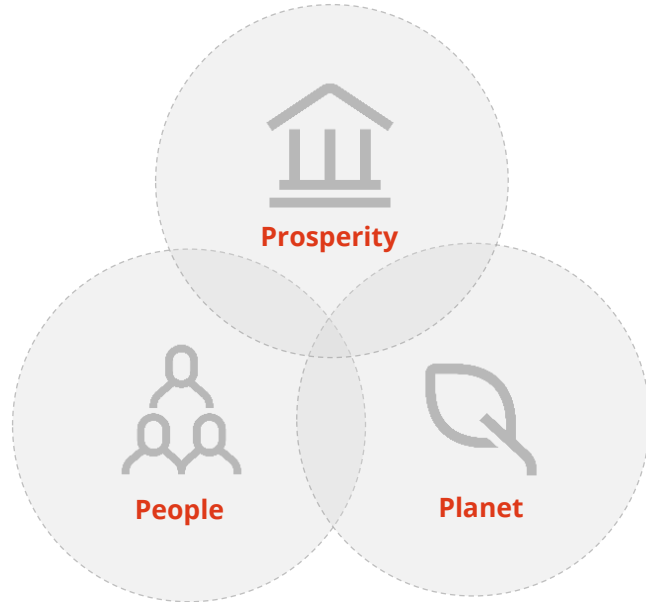
**SIX Operates the Infrastructure
for the Swiss Financial Center,
Thus Ensuring Access to the
Capital Market and the Flow of
Information and Money Between
Financial Market Players.**

Three Fields of Activity, One Company



- As the **Operator of the Swiss Stock Exchange and the Spanish exchanges BME** we combine listing, trading, settlement, and custody of securities in one place. And with the SIX Digital Exchange (SDX) we are defining the Securities Value Chain of the future.
- As a **competence center for Swiss payment transactions**, SIX supports banks with innovative services in an increasingly digitalized world.
- As a **global provider of financial information**, SIX offers high-quality reference, pricing, and corporate action data, regulatory services, and indices.

Sustainability at SIX



Attractiveness, Stability & Security of the Financial Center

- Stability & security
- Innovation
- **Sustainable Finance**



Contribution of SIX to Society & the Environment

- Financial education
- Energy efficiency & reduction of carbon emissions
- Corporate volunteering projects



SIX as an Employer:

- Human capital development
- Diversity & inclusion
- leading employee benefits and focus on wellbeing

Sustainable Finance



ESG investments are increasingly mainstream



Investor action is driving change



EU Regulation to be expanded



Non-Financial indicators

Our Role in This



**SIX Connects
Financial and
Real Economy**



**SIX Ensures Stable
Financial Market
Infrastructure**



**SIX Offers Reliable
Financial Reference
Data**



**To Be Meaningful, ESG Data Needs to Be
Connected to Core Reference Data**

Current Offering at SIX



35 Green Bonds
listed on the Swiss
Stock Exchange



Publishing of
**Sustainability
Reports**



Alternative Data:
social media-based
ESG metrics



ESG indices for the
Nordics

Coming in 2021



ESG Regulatory Data Roadmap



Family of New ESG Indices for Switzerland

- SBI ESG Indices
- SPI ESG Indices



The New SBI and SPI ESG Indices

Andreas Henke
Hansueli Müller
Senior Product Managers, SIX





Methodology

Methodology - Eligibility Criteria Overview

- ➔ SBI ESG is a subset of SBI and SPI ESG is a subset of SPI.
- ➔ SIX uses the same methodology to select the components of SBI ESG and SPI ESG.

Three pillars are used to determine eligible components:



Methodology – Eligibility Criteria „ESG Rating”

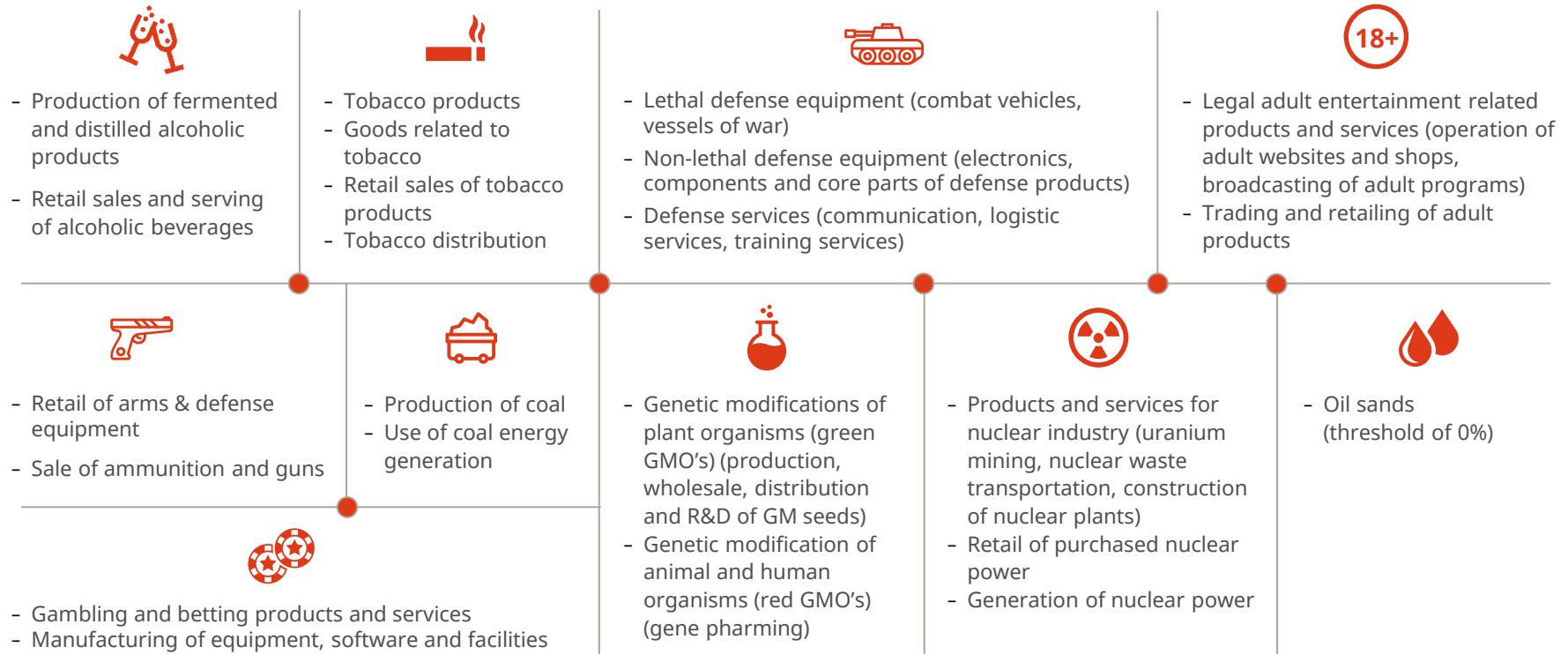
ESG rating of C+ or higher

A	A+ A A-	Sustainable or supports the transition towards sustainability	Through its practices, products or services, the company already contributes to the reduction of the social or environmental imbalances of the economy and supports the global transition towards a long-term sustainable economy.
B	B+ B B-	On the path to sustainability	The activity of the company is compatible with a long-term sustainable economy, but its products, services or practices do not meet all sustainability requirements yet . The company demonstrates the willingness and ability to improve its sustainability performance.
C	C+ C C-	Not sustainable, but with less negative impact	The activity of the company is currently not sustainable . Its products, services or practices exert a heavy social or environmental burden , but the company demonstrates the willingness and some ability to modify its products or practice in order to reduce the negative impact.
D	D+ D D-	Not sustainable	The activity of the company is not sustainable . Its products, services or practices contribute to a rapid deterioration of environmental and/or social conditions. The company has no possibility or demonstrates no willingness to reduce this impact .

Source: Inrate, 2019

Methodology – Eligibility Criteria “Critical Business Activity”

Revenue must not reach or exceed a threshold of 5% (unless indicated otherwise)



Methodology – Eligibility Criteria “Norms Based”

Not on the SVVK exclusion list in categories “anti-personnel mines”, “cluster munition”, “nuclear”, and “conduct-based”

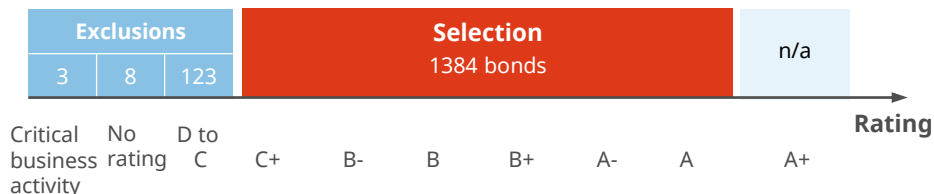


SBI ESG Index

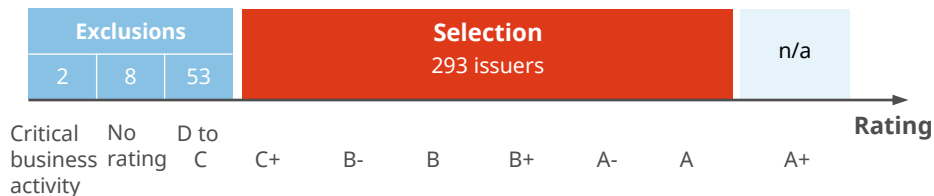
SBI ESG – Methodology

- Currently not eligible SBI constituents due to
ESG rating: 131 bonds / 61 issuer
Critical business activity: 3 bonds / 2 issuer
SVVK: 0 bonds / 0 issuer
- Reviewed on a monthly basis
- Each month-end, the then-current ESG data from Inrate will be used for the SBI constituents
- For new issues, where Inrate already covers the issuer, the issuer's ESG rating will be used.
 For new issues, where Inrate does not currently cover the issuer, Inrate will try to provide an ad-hoc analysis to determine whether the bond will be eligible for the SBI ESG

SBI ESG #bonds



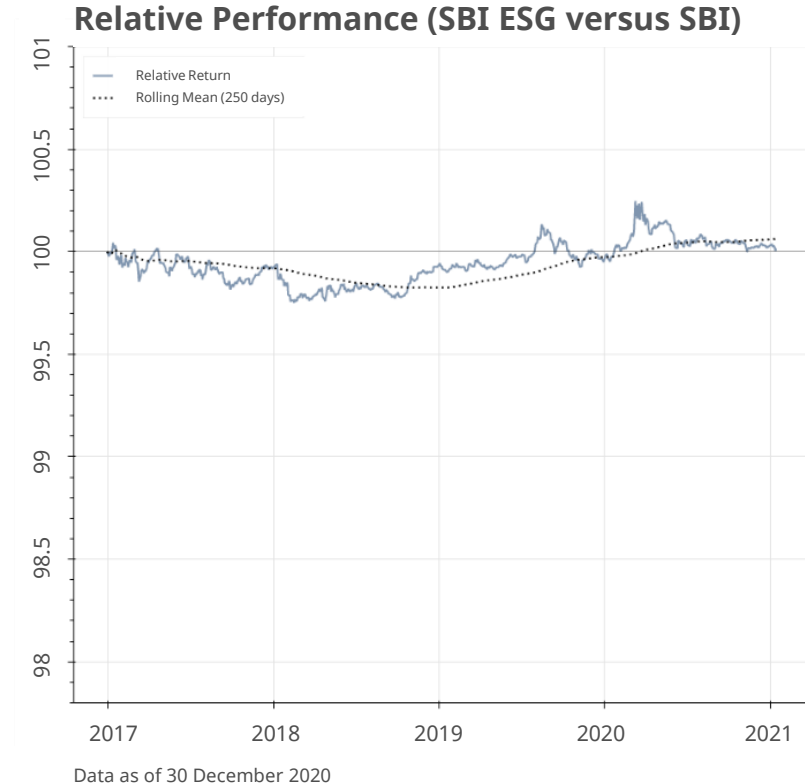
SBI ESG #issuers



Data as of 30 December 2020

SBI ESG – Data and Performance

- **ESG index name:** SBI ESG AAA-BBB Total Return
ISIN: CH0543852013
Symbol: SBESGT
- Slight underperformance until beginning of 2018, slight outperformance thereafter
- Overall, performance comparable to SBI
- Average ESG Score SBI is B (8.08) vs. B+ (8.65) for SBI ESG



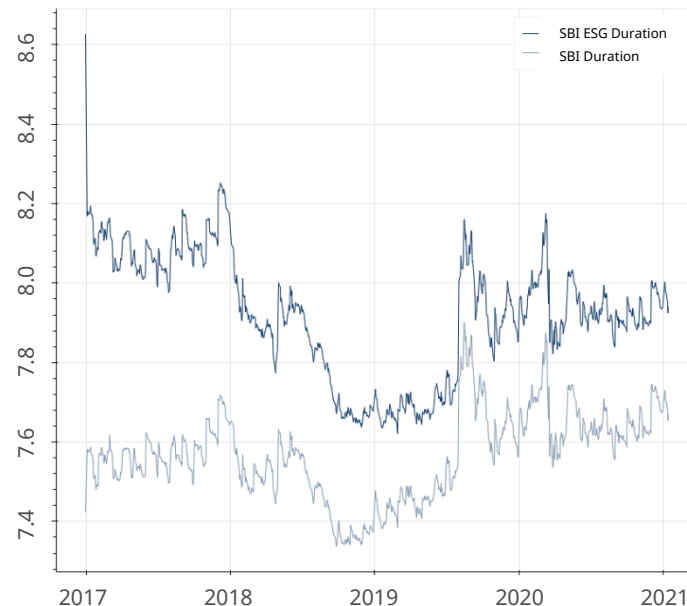
SBI ESG – Data and Performance

Yield Index (SBI versus SBI ESG)



- **ESG index name:** SBI ESG AAA-BBB Yield
- **ISIN:** CH0543852039
- **Symbol:** SBESGY
- Comparable yield to SBI

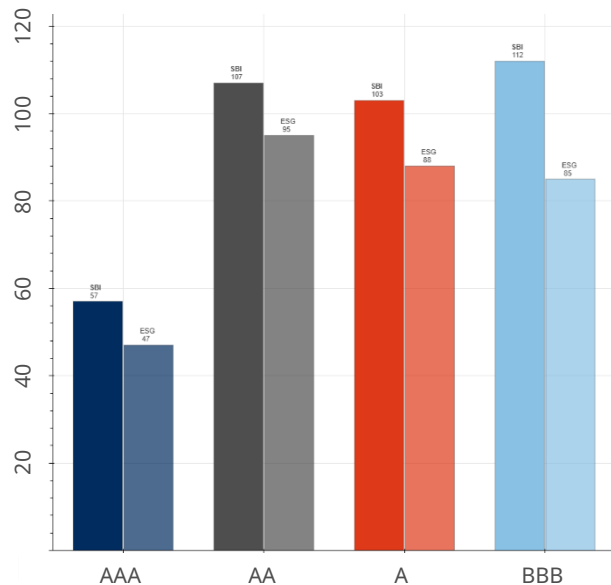
Duration Index (SBI versus SBI ESG)



- **ESG index name:** SBI ESG AAA-BBB Duration
- **ISIN:** CH0543852047
- **Symbol:** SBESGD
- Slightly higher duration than SBI

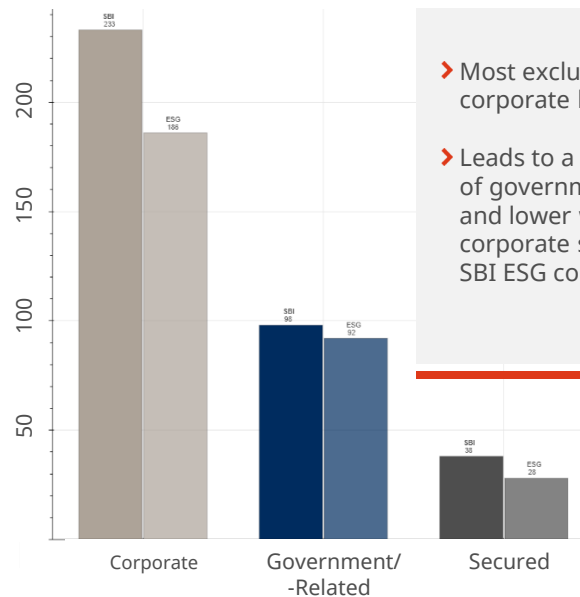
SBI ESG – Data and Performance

Number of Issuers by SBI Composite Rating
(SBI versus SBI ESG)



- Most exclusions in BBB bucket
- Leads to a higher weight of AAA bucket and a lower weight of BBB bucket in SBI ESG compared to SBI

Number of Issuers by Segment
(SBI versus SBI ESG)

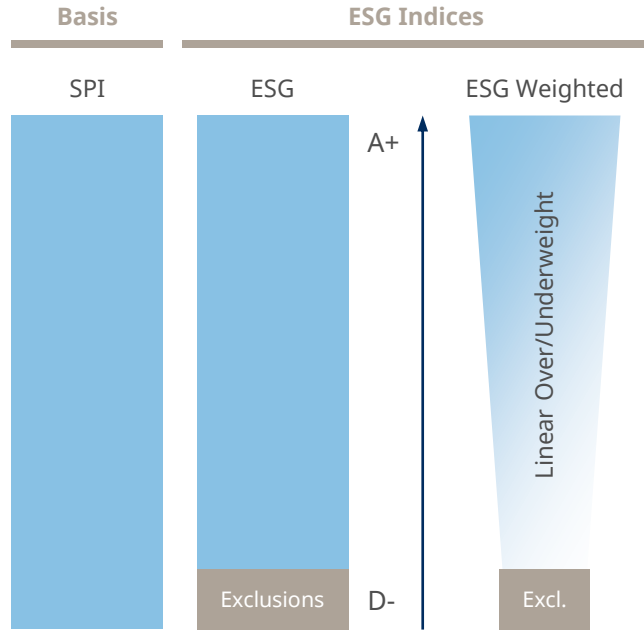


- Most exclusions in corporate bond segment
- Leads to a higher weight of government segment and lower weight of corporate segment in SBI ESG compared to SBI

A photograph of a wind farm situated on a series of rolling green hills. In the foreground, a large white wind turbine stands prominently on a grassy slope. A dirt road or path winds through the hills, leading towards the turbine. In the background, several other wind turbines are visible, spaced out across the ridges of the hills. The sky is a mix of deep blue and warm orange, suggesting a sunset or sunrise. The overall scene conveys a sense of clean energy and environmental friendliness.

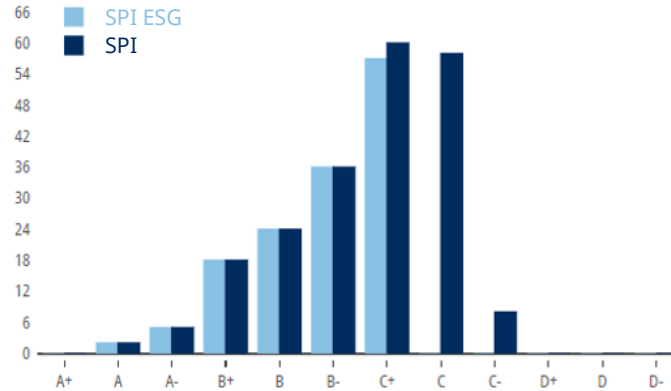
SPI ESG Indices

SIX ESG Indices in the Equity Asset Class



- Two indices:
SPI ESG and **SPI ESG Weighted**
- Both as Price Return and Gross Return Version
- The index composition is reviewed once a year in **September**, weighting factors **Quarterly**

ESG Rating Distribution



SPI ESG and SPI ESG Weighted - Data and Performance

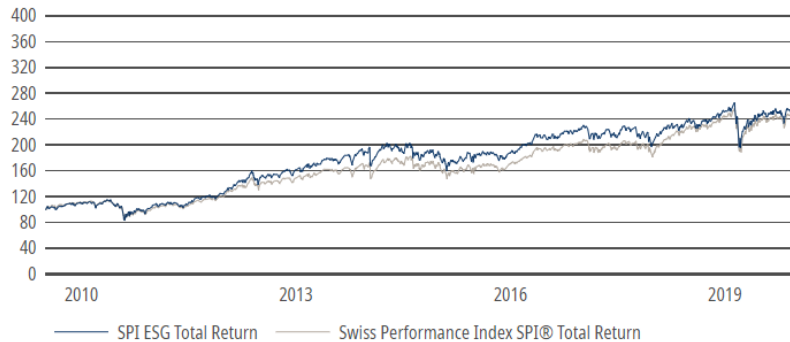
SPI ESG:

- ISINs: CH0572577457 / CH0572577689
- Symbols: SPIE / SPIT
- Average ESG Score: SPI: B (8.16) SPI ESG: B (8.22)¹
- SPI ESG covers 98% of the SPI Market Cap
- **Back Cast before 2014**

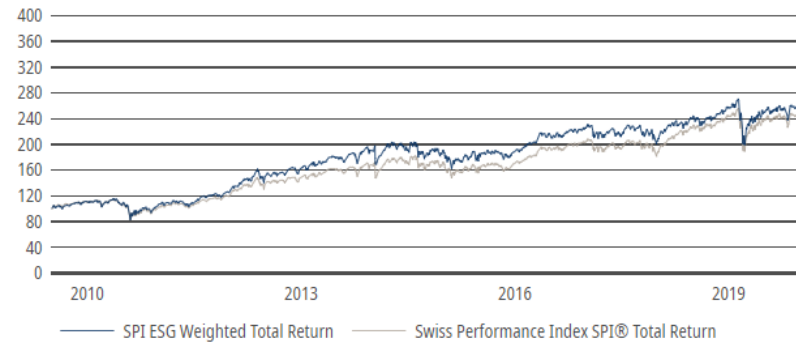
SPI ESG Weighted:

- ISIN: CH0559841652/ CH0559841579
- Symbol: SPIEWP / SPIEWT
- Avg. ESG Score: SPI: B (8.16) SPI ESG: B (8.40)¹
- Back Cast before 2014
- **Quarterly Weightfactor Review (Yearly before 2017)**

Index Performance



Index Performance



1) Numeric Scale from 1 (D-) to 12 (A+). Data as of 30 December 2020

Availability of SIX ESG Indices

Equity Indices

- SPI ESG
- SPI ESG Weighted

Fixed Income Indices

- SBI ESG AAA-BBB
- SBI ESG Domestic AAA-BBB
- SBI ESG Foreign AAA-BBB
- SBI ESG Corporate AAA-BBB

Fixed Income Indices

- SBI ESG AAA-BBB 1-5
- SBI ESG Domestic AAA-BBB 1-5
- SBI ESG Foreign AAA-BBB 1-5
- SBI ESG Corporate AAA-BBB 1-5
- SBI ESG AAA-AA
- SBI ESG Domestic AAA-AA
- SBI ESG Foreign AAA-AA
- SBI ESG Corporate AAA-AA
- SBI ESG AAA-BBB 1-10
- SBI ESG Domestic AAA-BBB 1-10
- SBI ESG Foreign AAA-BBB 1-10
- SBI ESG Corporate AAA-BBB 1-10
- SBI ESG AAA-A
- SBI ESG Domestic AAA-A
- SBI ESG Foreign AAA-A
- SBI ESG Corporate AAA-A

Indices available via [SIX Website](#)
and Data Vendors and investable
via [Index-based products](#)

Business Support Index Sales,
[Licensing and Data](#) T +41 58 399
2600 indexdata@six-group.com



Impact Ratings: From Data to Evaluation

Christoph Müller
CEO Inrate



ESG – Implement Sustainability

Implementing sustainability

- seeks alignment of investments with generally shared values of society and investors
- extends the data basis in asset management to include the extra financial dimension

An implementation of ESG criteria in the investment process can be

- a part of the management of reputational risks;
- a contribution to the implementation of general social values and goals;
- an improved investment decisions due to the extended data basis regarding ESG risks;
- a (future) requirement to meet the compliance requirements.

Inrate's data on sustainability is collected and compiled with a view to implementing these goals.

Improved Sustainability, addressing fundamental Responsibilities

The rules of the indices include ESG ratings - whereby ratings are also based on the controversies - and norm-based screenings.

The content of the SIX ESG Indices is based on the following

- Fundamental responsibilities in the areas of human rights, labor, environment and anti-corruption*
- To contribute to the allocation of capital into business models showing an improved sustainability.

The ESG investment rules are set and implemented by SIX, Inrate provides the underlying data.

*See also the Ten Principles of the United Nations Global Compact and the Universal Declaration of Human Rights, the International Labor Organisation's Declaration of Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development and the UN Convention Against Corruption. See also SVVK ASIR.

What is included and what is not included

included in the ESG Indices



Companies with improved sustainability

Companies with a positive, neutral or reduced negative impact, Which already fulfil the characteristics of sustainable economic activity or represent an important intermediate step on the way to this (i.e. transition technologies).

Not included in the ESG Indices



Involvements

Companies are not part of SIX-Indices if they have a substantial involvement in the following businesses:

Adult entertainment	Gambling
Alcohol	GMOs
Coal	Nuclear energy
Defense	Oil sands
Firearms	Tobacco



Controversial weapons

Companies involved in the production and/or sale of anti-personnel mines, cluster munitions, nuclear weapons



Companies with a negative impact

Companies with a negative social and environmental impact, i.e. ESG Impact Rating of C or lower

- The SIX-indices cover companies whose business activities have a positive or at least a non-serious negative impact
- “Involvements” are related to health (addictions), climate (fossil fuel), risk issues (incalculable) and poor working conditions (see entertainment industry)
- Controversial weapons, banned by international conventions, have uncontrollable effects on civilians

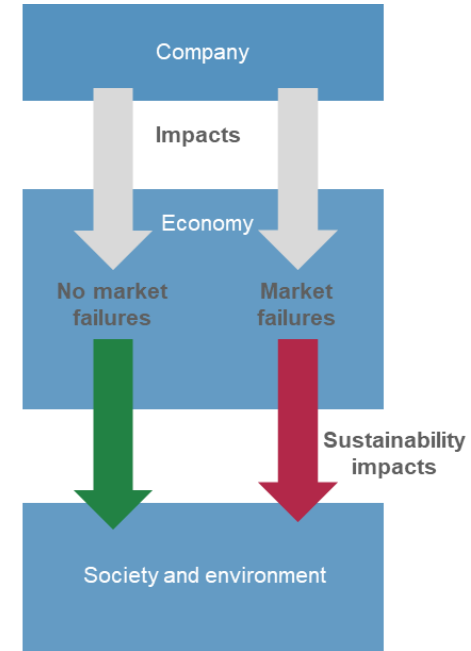
Impact - Assessing Sustainability

Prerequisite for sustainable investing:

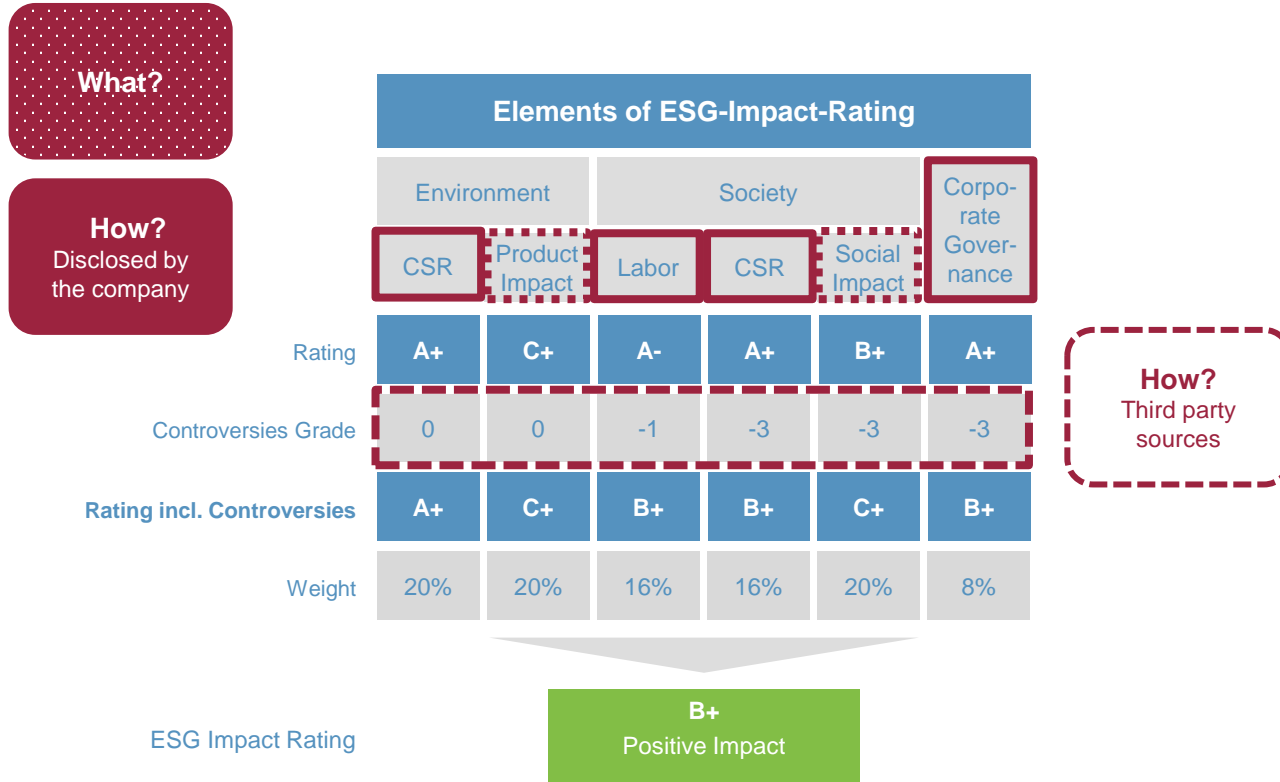
- Measuring the right thing, i.e. measuring the "**sustainability impact**" of invested companies, governments, real estate, etc.

What is "impact"?

- Impacts refer to the **external**, "**extra-financial**" effects on the environment and society that are not internalized in market prices due to **market failures**. They occur along entire value chains.
- Positive impact**: Positive net impact – companies contribute to sustainable development.
- Negative impact**: Negative net impact – companies hinder sustainable development.
- Impacts measure on a semi-quantitative level the footprint on the **economic level** (avoidance or elimination costs): The larger the footprint the higher the impact and, the more severe the impact and economic consequences of a footprint, the greater the impact.



Impact Assessments - Elements

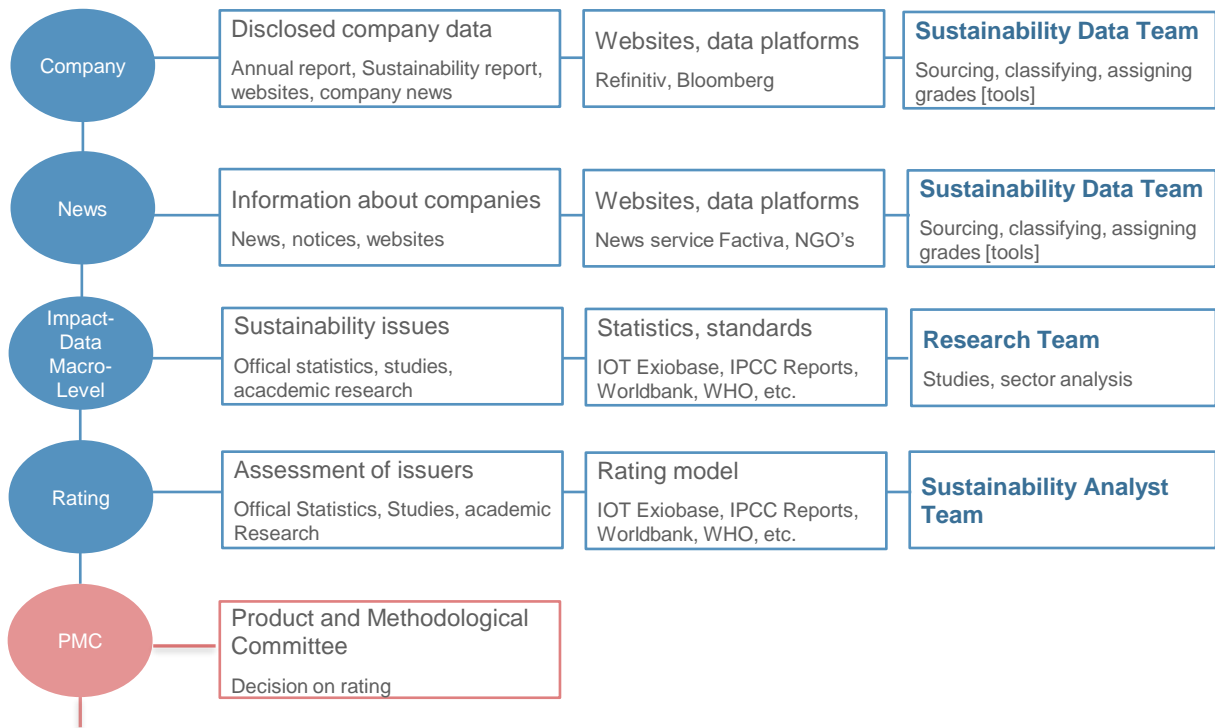


Inrate – Sustainability Specialist

- Swiss-based company with a strong position in the home market
- Our clients are asset owners and asset managers
- 30 years of experience as independent sustainability specialist
- Focused on measuring sustainability outcomes and impact, taking into account targets and policies of companies within portfolios
- Providing data and services for major asset classes using the same standards
- Unique business model that combines expertise on key sustainability issues with analyses of issuers and financial products

We enable the alignment of portfolios with the values of asset owners and provide extra financial data for financial analysis.

Inrate Data Process



Inrate's ESG Data

- The ESG Impact Rating
 - allows comparisons across all sectors of the economy and over time
 - is taking into account the economic context and therefore based on the value chain (up- and downstream) by a model based approach
 - values excess footprints with avoidance or elimination costs
 - Indicates the long term ESG risk.
- Our own database, built up over many years of experience, enables the identification of investments that conflict with the guidelines of international conventions, fundamental ethical principles and general social values (“controversies”) and/or that represent excessive risks (“critical product screening”).

Your contact

<http://www.esg-indices-six.inrate.com/>

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Memberships



Partner



DENKEN
ÜBER
MORGEN

A scenic landscape photograph of a lake at dusk or dawn. A long, illuminated bridge spans the lake, with its lights reflecting on the water. In the background, there are snow-capped mountains under a blue sky with wispy clouds. The right side of the image is dominated by a dense forest of evergreen trees.

SIX

Q&A