



# STOXX USA 500 ESG-X

February 2020

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# Introduction

# STOXX is now part of Qontigo...

**A new financial intelligence driver, modernizing investment management**



## Index

### **STOXX & DAX**

World-class indices that are licensed to more than 500 companies, including the world's largest financial product issuers, capital owners and asset managers.



## Analytics

### **AXIOMA**

Best of breed portfolio construction and risk analytics tools.

# Market Consultation European Buyside Clients

## General Feedback

- Strong demand for ESG versions of STOXX benchmarks
- Focus on liquidity and lower the cost of trading ESG indices
- Keep it simple
- Similar risk-return profile as STOXX benchmarks
- Tier-1 ESG data provider (like Sustainalytics, CDP)
- Aligned with upcoming EU Commission regulation
- Easy to implement

## Market Participants Europe



## ESG Derivatives on Eurex

- STOXX Europe 600 ESG-X
  - Futures & Options
- STOXX Europe ESG Leaders Select 30
  - Futures & Options
- STOXX Europe Climate Impact
  - Futures
- EURO STOXX 50 Low Carbon
  - Futures
- STOXX USA 500 ESG-X
  - Futures
  - Launch: Feb 10, 2020

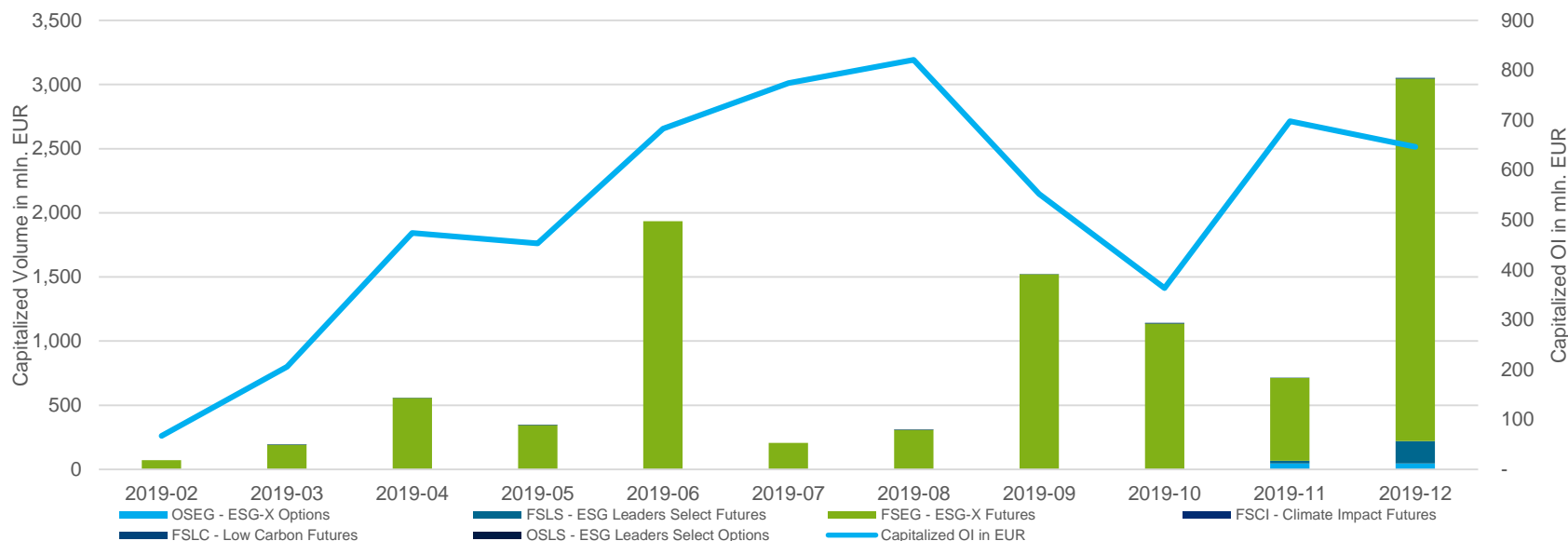
- Based on the strong demand, Eurex launched<sup>1</sup> their first ESG Futures with underlyings linked to ESG versions of STOXX European flagship indices in February 2019.
- Exactly 1 year later Eurex will expand their offering with the first ESG Derivatives on the US Market. Eurex Futures on STOXX USA 500 ESG-X were launched **February 10, 2020<sup>1)</sup>**

1) <https://www.eurexchange.com/exchange-en/products/esg>

# Eurex ESG Futures

## Volume distribution and Open Interest until December 31, 2019<sup>1)</sup>

<b>ESG Futures</b>	681,202 contracts traded
<b>ESG Options</b>	6,000 contracts traded
<b>Open Interest</b>	744 million EUR in Open Interest

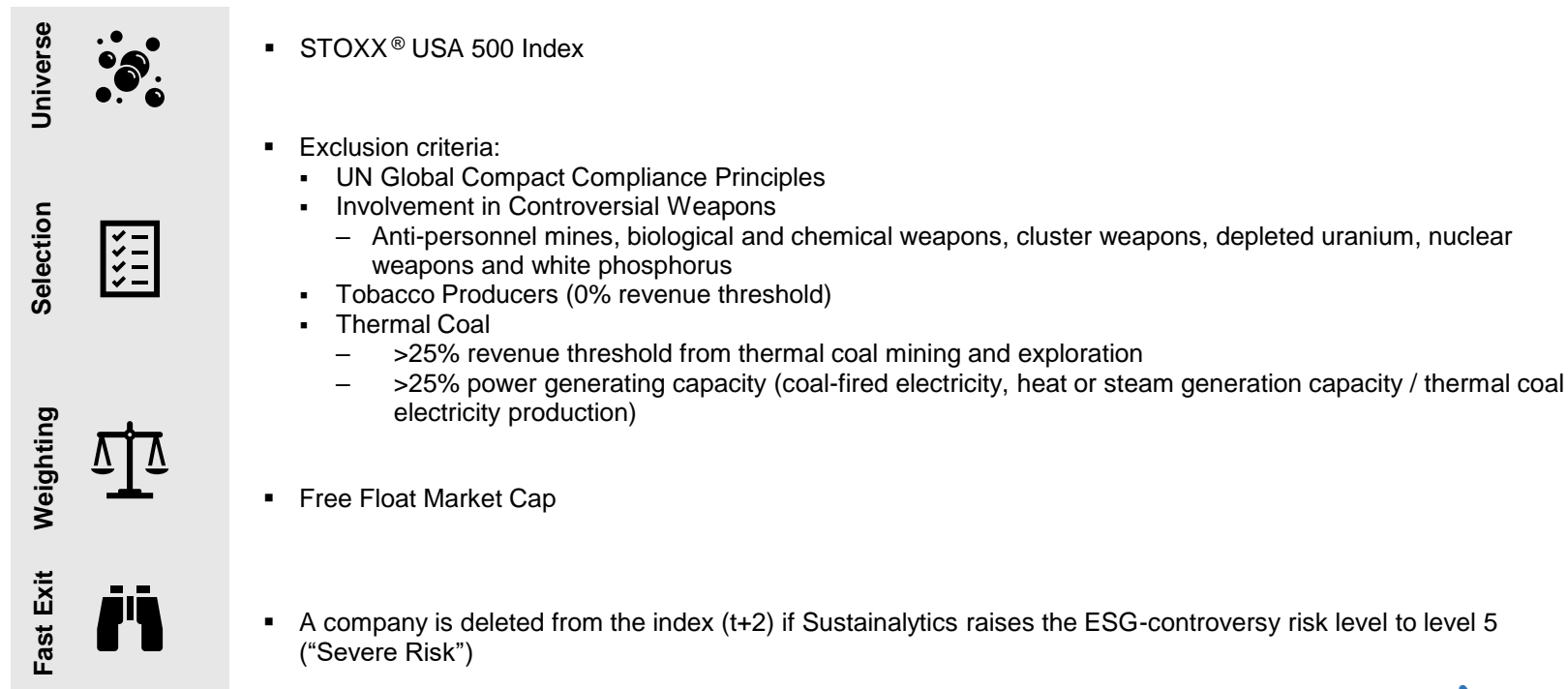


1) <https://www.eurexexchange.com/exchange-en/products/esg>

# STOXX USA 500 ESG-X

# STOXX USA 500 ESG-X Index

## Index methodology

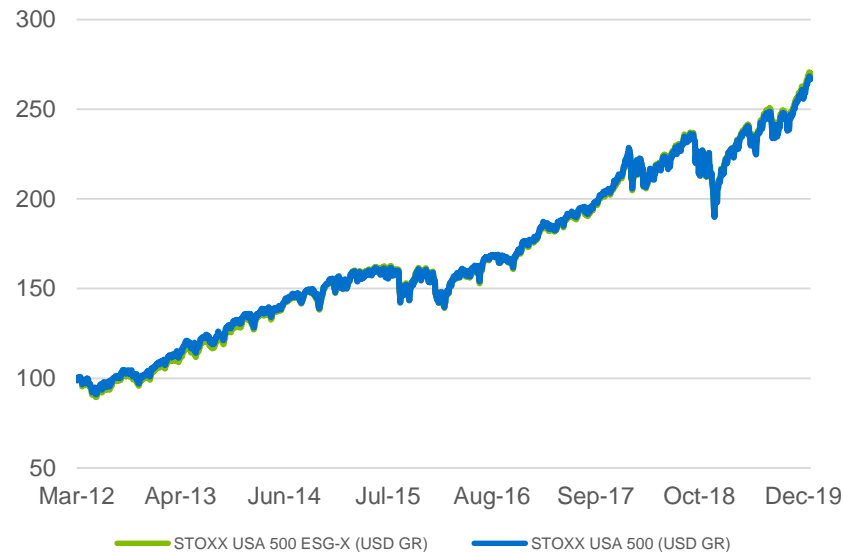




# STOXX USA 500 ESG-X Index

## Risk and return characteristics

	STOXX USA 500 ESG-X (USD GR)	STOXX USA 500 (USD GR)
Perf. overall (annualized)	13.70%	13.57%
Perf. (1Y)	33.30%	32.21%
Perf. (3Y) (annualized)	16.07%	15.51%
Perf. (5Y) (annualized)	11.87%	11.68%
Vol. overall (annualized)	13.24%	12.92%
Volatility (1Y) (annualized)	12.91%	12.54%
Volatility (3Y) (annualized)	13.19%	12.84%
Volatility (5Y) (annualized)	13.78%	13.44%
Sharpe ratio (Overall)	0.98	0.99
Sharpe ratio (5Y)	0.80	0.81
Tracking Error (Overall)	1.00%	
Tracking error (5Y)	0.95%	
Dividend Yield (Overall)	39.61%	39.78%
Maximum drawdown	-19.90%	-19.59%

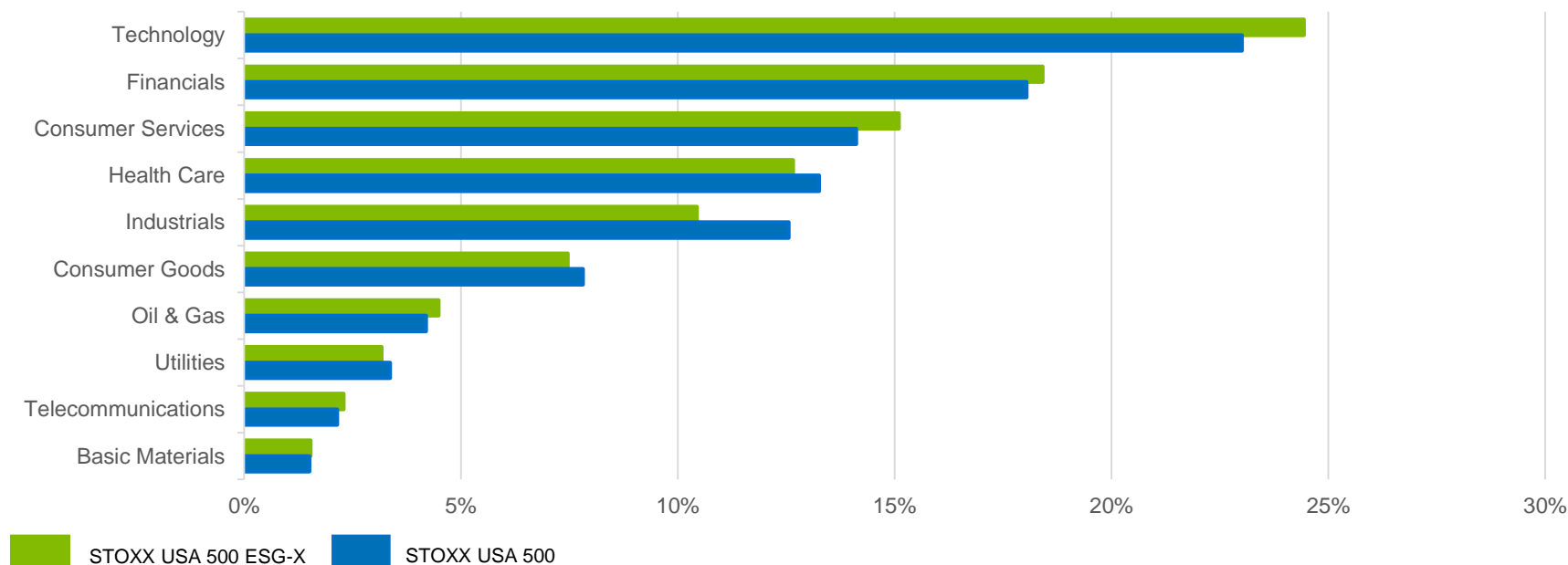


- 1) Source: STOXX, daily data. Relative figures calculated against Benchmark
- 2) LIBOR used as a proxy for riskless returns
- 3) STOXX Data March 19, 2012 – December 31, 2019

# STOXX USA 500 ESG-X Index

## Maintains diversification across industries

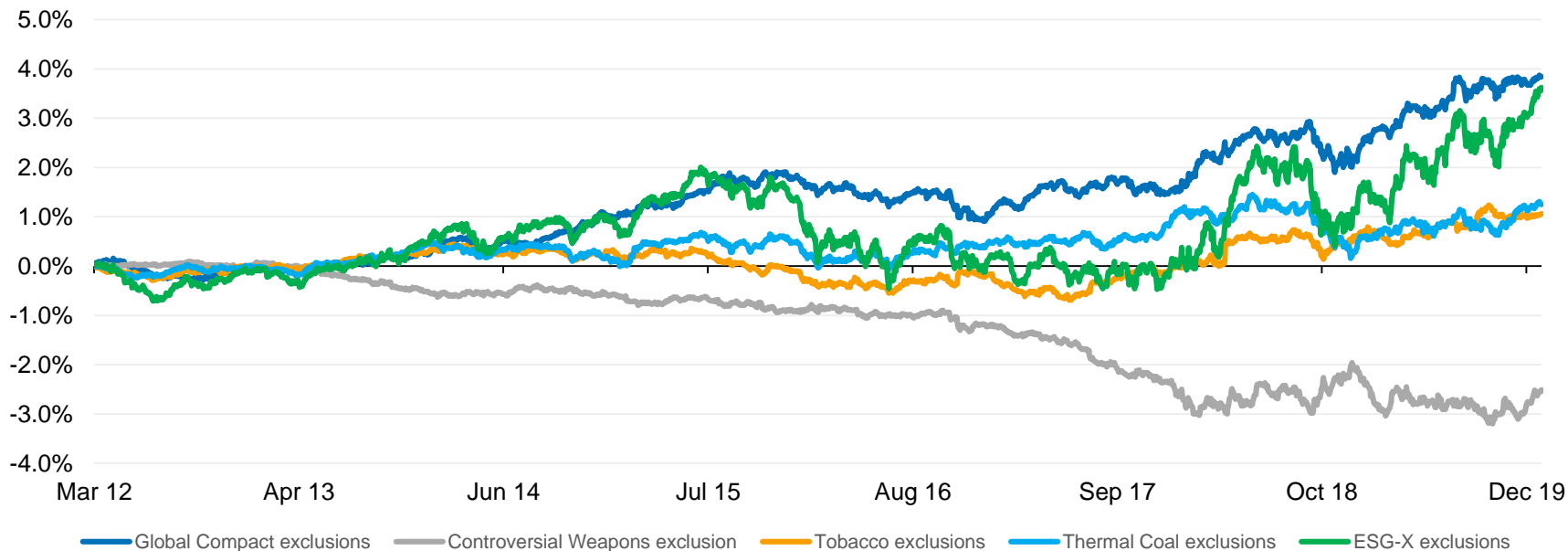
### Industry allocation<sup>1)</sup>



1) Source: STOXX. Data as of December 31, 2019.

# STOXX USA 500 ESG-X Index

## Cumulative impact of exclusions on total returns



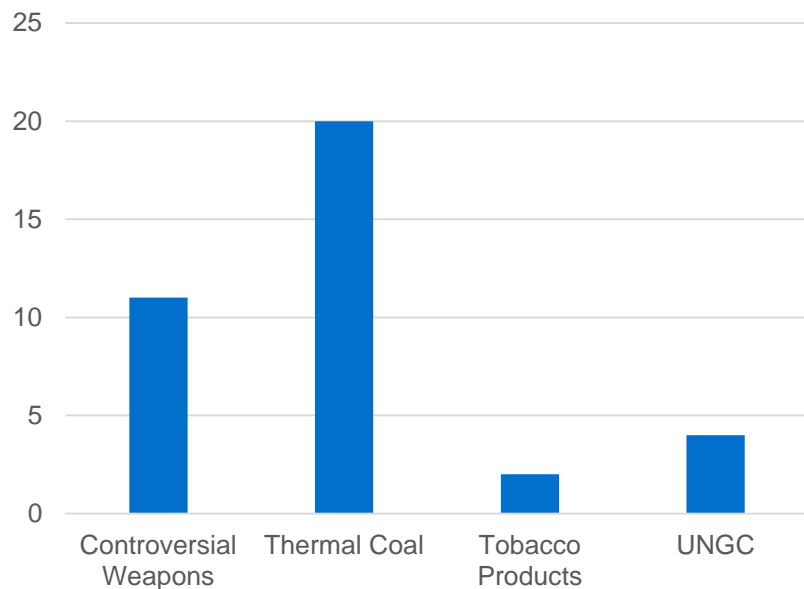
1) Source: STOXX. USD GR, Data as of December 31, 2019; Delta to STOXX USA 500 index

2) Please refer to the research paper: [STOXX® Europe 600 ESG-X Index - Analyzing ESG Exclusions](#)

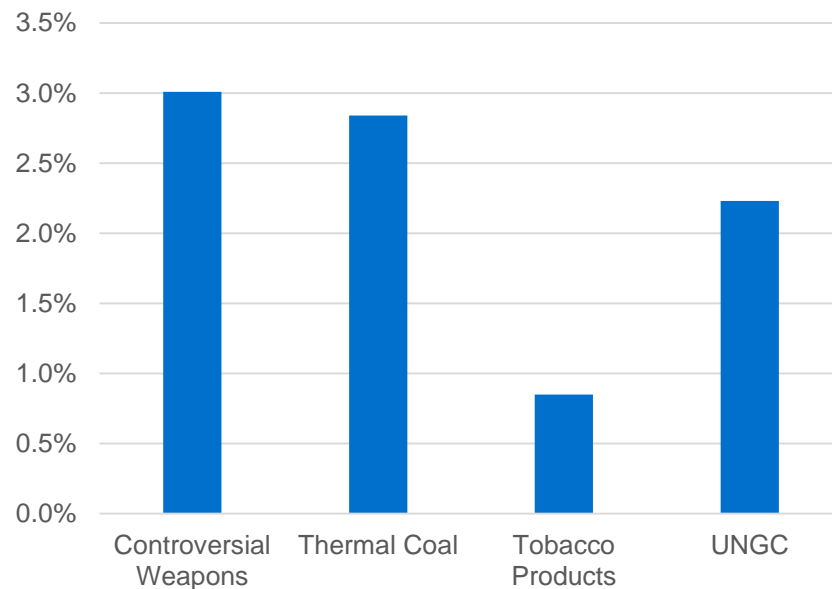
# STOXX USA 500 ESG-X Index

## Impact of exclusion on STOXX USA 500 composition

Number of components <sup>1)</sup>



Index weight <sup>1)</sup>



<sup>1)</sup> Source: STOXX. Data as of January 14, 2020; Data for excluded securities

# STOXX USA 500 ESG-X Index

Ticker	ISIN	Type	Currency	Bloomberg Ticker
SU5LESGX	CH0476175234	Price	USD	SU5LESGX Index
SU5VESGX	CH0476175465	Net	USD	SU5VESGX Index
SU5ZESGX	CH0476175168	Gross	USD	SU5ZESGX Index

# STOXX USA 500 ESG-X Index Futures

## Underlying

Index	Currency	Index type	ISIN	Bloomberg	Reuters
STOXX® USA 500 ESG-X	USD	Price	CH0476175234	SU5LESGX	.SU5LESGX

## Eurex products

Product name	Currency	Index type	ISIN	Product code	Product type
Futures on STOXX® USA 500 ESG-X	USD	Price	DE000A26RSF5	FSUS	FINX

# STOXX USA 500 ESG-X Index Futures

	STOXX® USA 500 ESG-X Futures (FSUS)
<b>Underlying index</b>	STOXX USA 500 ESG-X Index (SU5LESGX)
<b>Index type</b>	Price index
<b>Contract value</b>	100 USD per index point
<b>Tick value</b>	5 USD
<b>Price quotation</b>	In points with two decimal place
<b>Minimum price change</b>	0.05 points
<b>Contract months</b>	Up to 9 months; 3 quarterly months
<b>Settlement</b>	Cash settlement, due on the first exchange day after the final settlement day
<b>Final settlement price</b>	Relevant for the STOXX® USA 500 ESG-X equity index futures is the index closing price on the last trading day.
<b>Expiration day and Final settlement day</b>	3rd Friday of each expiration month if this is a trading day at Eurex Deutschland; otherwise the exchange day immediately preceding that day. Close of trading in the maturing futures on the Last Trading Day is at 22:00 CET. The final settlement day is the trading day following the last trading day.
<b>Continuous / TES</b>	07:50 – 22:00 CET
<b>Flexible contracts</b>	Available
<b>Min block trade size</b>	100 contracts

# Appendix



# STOXX ESG-X product suite --- 40+ Indices

## STOXX country ESG-X indices

- STOXX Australia 150 ESG-X
- STOXX Canada 60 ESG-X
- STOXX Canada 240 ESG-X
- STOXX France 90 ESG-X
- STOXX Germany Total Market ESG-X
- STOXX Italy 45 ESG-X
- STOXX Japan 600 ESG-X
- STOXX Singapore 75 ESG-X
- STOXX Spain 30 ESG-X
- STOXX UK 180 ESG-X
- STOXX USA 500 ESG-X
- STOXX USA 900 ESG-X

## STOXX regional ESG-X indices

- EURO STOXX 50 ESG-X
- EURO STOXX ESG-X
- STOXX Europe 600 ESG-X
- STOXX Europe 50 ESG-X
- STOXX Nordic 30 ESG-X
- STOXX North America 600 ESG-X
- STOXX Asia/Pacific 600 ESG-X
- STOXX Global 1800 ESG-X
- STOXX Global 3000 ESG-X
- STOXX Developed Markets 2400 ESG-X
- STOXX Emerging Markets 50 ESG-X
- STOXX Emerging Markets 800 LO ESG-X
- STOXX Emerging Markets 1500 ESG-X

### Size subsets

- EURO STOXX Large ESG-X
- EURO STOXX Mid ESG-X
- EURO STOXX Small ESG-X
- STOXX Europe Large 200 ESG-X
- STOXX Europe Mid 200 ESG-X
- STOXX Europe Small 200 ESG-X

### Sector subsets

- EURO STOXX Banks ESG-X
- STOXX Europe 600 Banks ESG-X

## STOXX total market ESG-X indices

- STOXX Europe Total Market ESG-X
- STOXX Nordic Total Market ESG-X
- EURO STOXX Total Market ESG-X
- STOXX Australia Total Market ESG-X
- STOXX Developed Markets Total Market ESG-X

### Size subsets

- EURO STOXX Total Market Large ESG-X
- EURO STOXX Total Market Mid ESG-X
- STOXX Developed Markets Total Market Large ESG-X
- STOXX Developed Markets Total Market Mid ESG-X
- STOXX Emerging Markets Total Market Large ESG-X
- STOXX Emerging Markets Total Market Mid ESG-X

# Norms-based Screening

## UN Global Compact Principles



- 1) Source: Sustainalytics Research, 2019
- 2) The principles are based on conventions as UN Universal Declaration of Human Rights, International Labour Organization Declaration on Fundamental Principles and Rights at Work, Rio Declaration on Environment and Development, and the UN Convention Against Corruption

# Controversy Risk Screening

## Sustainalytics screening on ESG incidents

<b>Low</b>  The controversy has a low impact on the environment and society, posing negligible risks to the company.	<b>Moderate</b>  The controversy has a moderate impact on the environment and society, posing minimal risks to the company.	<b>Significant</b>  The controversy has a significant impact on the environment and society, posing significant risks to the company.	<b>High</b>  The controversy has a high impact on the environment and society, posing high risks to the company. This category often reflects structural problems in the company.	<b>Severe</b>  The controversy has a severe impact on the environment and society, posing serious risks to the company. This category represents the most severe corporate conduct.	<b>Qualitative Assessment</b>
1	2	3	4	5	Controversy and Event rating

Source: Sustainalytics Research, 2019

# Product Involvement Screening

## Controversial weapons

### Controversial weapons

International conventions prohibit companies' involvement in the development, production, maintenance, use, distribution, stockpiling, transport or trade of banned weapons or their key components. This includes:

- **Anti-personnel mines and cluster bombs**
- **Nuclear weapons and depleted uranium weapons**
- **Biological and chemical weapons**
- **White Phosphorous**

*Swiss Sustainable Finance coordinates an investor initiative for an "Open letter to global index providers" to exclude controversial weapons\* from mainstream indices.*

*During the week of February 4, 2019, SSF began engaging with large index providers, sharing with them background on the initiative, a list of current co-signatories and an invitation to enter into discussions.*

#### **Latest figures (as of January 9, 2020)**

- 174 signatories
- USD 9.7 trillion

Source: Swiss Sustainable Finance, January 2020

# Product Involvement Screening

## Tobacco and Thermal coal

### Product involvement

Screening of companies that manufacture and/or sell products or services that risk harming people or the environment. These include the following:

- **Tobacco Production**
- **Thermal Coal**
  - Mining and exploration
  - Power Generating Capacity

Tobacco and coal have long been among the exclusions in ethical investors' portfolios. More recently, more investors are looking to exclude these companies for mitigating long term business risks.

### Examples

Leading asset owners world-wide announced publically to exclude companies involved in Tobacco and/or Coal, for example:

- **Pension funds:** Norwegian SWF, Fonds de Réserve pour les Retraites (FRR), PGGM, APG, AP Funds, California Public Employees Retirement, NZ Super, Calpers
- **Insurance companies:** Allianz, AXA, MunichRe, Swiss Life, Zurich
- **Retail networks:** ABN AMRO

# Fast-exit Rule Protects Against ESG-incidents

## ESG corporate action

### Fast-exit rule

- In case a company's ESG risk level is raised to level 5, the respective constituent will be deleted from the index
- The deletion takes place two trading days after the announcement. The constituent's weight will be distributed among the remaining constituents
- A fast entry is not applicable

### Practice example: Volkswagen scandal

- Due to this fast-exit rule, STOXX was the first index provider to delete Volkswagen from its ESG indices

#### Timeline:

- Friday, Sep. 18, 2015: the United States Environmental Protection Agency (EPA) issues a notice of violation of the Clean Air Act to Volkswagen Group, after it was found that the automaker had intentionally programmed diesel engines to activate certain emissions controls only during laboratory emissions testing
- Wednesday, Sep. 23: Sustainalytics changes rating on VW and STOXX announces the deletion of Volkswagen from all STOXX ESG indices
- Friday, Sep. 25: Deletion of Volkswagen from all STOXX ESG indices becomes effective

# Eurex ESG Derivatives --- Liquidity Providers

## On-screen

### STOXX ESG Futures: STXE 600 ESG-X (FSEG), STXE Climate Impact (FSCI), ESTX50 Low Carbon (FSLC)

DRW Investments (UK) LTD	LOTLO	Chadwick Miller	+44 20 7031 1369	<a href="mailto:cmiller@drwuk.com">cmiller@drwuk.com</a>
Flow Trader B.V	NEDAM	Hidde Eise Mulder	+31 20 799 8622	<a href="mailto:hmulder@flowtraders.com">hmulder@flowtraders.com</a>
IMC Trading B.V	INMAM	Rick van Leeuwen	+31 20 798 8484	<a href="mailto:sales@imc.com">sales@imc.com</a>
Optiver VOF	OPXAM	Holger Schlünzen	+31 20 708 7621	<a href="mailto:holgerschlunzen@Optiver.com">holgerschlunzen@Optiver.com</a>
Société Générale	SOGFR	Gregory Dieng	+33 1 42 13 7244	<a href="mailto:eur-mark-gef-trd-1d-index@sgcib.com">eur-mark-gef-trd-1d-index@sgcib.com</a>
Susquehanna	SISDB	Ronan Henderson	+353 1 802 8018	<a href="mailto:Dub-Dept-SIS-Sales@sig.com">Dub-Dept-SIS-Sales@sig.com</a>

# Eurex ESG Derivatives --- Liquidity Providers

## Off-screen/TES

STOXX ESG Futures: STXE 600 ESG-X (FSEG), STXE Climate Impact (FSCI), ESTX50 Low Carbon (FSLC)				
BNP Paribas	BNAPA	Christian Stock	+44 20 7595 1030	<a href="mailto:dl.eqd.sales.trading.emea@bnpparibas.com">dl.eqd.sales.trading.emea@bnpparibas.com</a>
BNP Paribas	BNAPA	Stephan Kemper	+49 69 7193 3105	<a href="mailto:dl.eqd.sales.trading.emea@bnpparibas.com">dl.eqd.sales.trading.emea@bnpparibas.com</a>
Citi Bank	SAILO	Claus Hein / Kyle Tonetti	+44 20 3569 3517	<a href="mailto:claus.hein@citi.com">claus.hein@citi.com</a>
Danske Bank, Copenhagen	DDBCO	Equity Derivatives Sales	+45 45 14 72 93	<a href="mailto:eqd_dksales@exchange.danskebank.com">eqd_dksales@exchange.danskebank.com</a>
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Société Générale	SOGFR	Gregory Dieng	+33 1 42 13 7244	<a href="mailto:eur-mark-gef-trd-1d-index@sgcib.com">eur-mark-gef-trd-1d-index@sgcib.com</a>



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Learn more about STOXX ESG-X Indices on:

<https://www.stoxx.com/esg-x>

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## Call a STOXX representative

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+41 43 430 72 72

# Disclaimer

## About Qontigo

Qontigo is a financial intelligence innovator and a leader in the modernization of investment management, from risk to return.

The combination of the company's world-class indices and best-of-breed analytics, with its technological expertise and customer-driven innovation enables its clients to achieve competitive advantage in a rapidly changing marketplace.

Qontigo's global client base includes the world's largest financial products issuers, capital owners and asset managers.

Created in 2019 through the combination of STOXX, DAX and Axioma, Qontigo is part of Deutsche Börse Group, headquartered in Eschborn with key locations in New York, Zug and London.

## About STOXX

Qontigo's index provider STOXX is part of Deutsche Börse Group, and the administrator of the DAX indices under the European Benchmark Regulation.

STOXX Ltd. is Qontigo's global index provider, currently calculating a global, comprehensive index family of over 10,000 strictly rules-based and transparent indices. Best known for the leading European equity indices EURO STOXX 50, STOXX Europe 50 and STOXX Europe 600, STOXX Ltd. maintains and calculates the STOXX Global index family which consists of total market, broad and blue-chip indices for the regions Americas, Europe, Asia/Pacific and sub-regions Latin America and BRIC (Brazil, Russia, India and China) as well as global markets.

STOXX indices are licensed to more than 600 companies around the world as underlyings for Exchange Traded Funds (ETFs), futures and options, structured products and passively managed investment funds.

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