

Robeco Sustainable Urban Living Index

Key elements of the methodology

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1. Introduction

The Robeco Sustainable Urban Living index is an index that seeks efficient exposure to high impact stocks that have a positive societal contribution to selected SDGs related to urban living. The objective of the Robeco Sustainable Urban Living Index is to reflect the return of the geographical market, subject to screening of the investable universe for stocks that do no significant harm and have high positive impact on SDG 6: Clean Water and Sanitation, SDG 7: Affordable Clean Energy, and SDG 11: Sustainable Cities and Communities.

This document describes the key elements of the methodology. In addition, a document describing the index policies, practices and benchmark statement are available for all index families on the Robeco Indices website, [Indices \(robeco.com\)](https://www.robeco.com).

Version history

#2	October, 2023	Annual update
#1	November, 2022	Initial publication

2. Constructing the Robeco Sustainable Urban Living Index

2.1 Defining the universe

The universe of the Robeco Sustainable Urban Living Index is based on the underlying index of S&P Dow Jones Indices (S&P DJI). The Robeco index does not include stocks outside of the underlying S&P DJI index at the moment of rebalancing.

<i>Robeco Sustainable Urban Living Index</i>	<i>Universe / Underlying market-cap weighted index</i>
Robeco Sustainable Urban Living Index USD Price Return	S&P Europe and North America BMI LargeMidCap Index
Robeco Sustainable Urban Living Index USD Total Return	S&P Europe and North America BMI LargeMidCap Index
Robeco Sustainable Urban Living Index USD Net Total Return	S&P Europe and North America BMI LargeMidCap Index
Robeco Sustainable Urban Living Index EUR Price Return	S&P Europe and North America BMI LargeMidCap Index
Robeco Sustainable Urban Living Index EUR Total Return	S&P Europe and North America BMI LargeMidCap Index
Robeco Sustainable Urban Living Index EUR Net Total Return	S&P Europe and North America BMI LargeMidCap Index
Robeco Sustainable Urban Living Index ZAR Price Return	S&P Europe and North America BMI LargeMidCap Index
Robeco Sustainable Urban Living Index ZAR Total Return	S&P Europe and North America BMI LargeMidCap Index
Robeco Sustainable Urban Living Index ZAR Net Total Return	S&P Europe and North America BMI LargeMidCap Index
Robeco Sustainable Urban Living Index USD Price Return	S&P Europe and North America BMI LargeMidCap Index

For more information on the construction of the underlying universe or market-cap weighted indices, please refer to the methodology of the indices which is published on the S&P DJI website, [Index Finder | S&P Dow Jones Indices \(spglobal.com\)](https://www.spglobal.com)

2.2 Applying weights to the constituents

The Robeco Sustainable Urban Living Index provides exposure to high impact stocks that have a positive societal contribution to selected SDGs with a focus on urban living and do no significant harm on any of the remaining SDGs. The underlying benchmark universe is screened and adjusted based on the following characteristics:

Do no significant harm:

Stocks will only be selected if classified to not do harm to the UN Sustainable Development Goals. The Robeco SDG Framework rigorously measures and scores companies based on their SDG contributions. It is a systematic approach to capturing SDG impact of equity and credit issuers that is objective, disciplined and replicable. It consists of a three-step sequence that starts with an assessment of the impact of a company's products and services. Step two consists of an in-depth analysis of the impact of its operations, internal policies and structures. The process ends with a screening and review of corporate controversies that could negatively influence SDG progress, and hence a company's SDG impact. The final results of this three-step analysis are quantified in an SDG score (from -3, -2, ..., to +3). All stocks with a negative SDG scores are excluded from the universe.

Positive SDG contribution:

The index is constructed with the objective to provide high positive contribution to SDG 6: Clean Water and Sanitation, SDG 7: Affordable Clean Energy, and SDG 11: Sustainable Cities and Communities. This is achieved by only selecting stocks which score +2 or +3 on one or more of the below SDGs:

SDG 6: Clean Water and Sanitation

SDG 6 aims to ensure availability and sustainable management of water and sanitation for all. The goal has both social pillars such as achieving universal access to safe drinking water and equitable access to sanitation and

hygiene as well as environmental pillars related to protecting and restoring water-related ecosystems and improving the quality and quantity of water. A company's SDG score on this goal indicates both the direction of its contribution to this SDG (positive, neutral, or negative) as well as the intensity of this impact (low, medium or high).

SDG 7: Affordable and Clean Energy

SDG 7 aims to ensure access to affordable, reliable, sustainable, and modern energy for all. More specifically, this goal articulates the importance of achieving improvement in energy efficiency and increasing the share of renewable energy in the global energy mix. A company's SDG score on this goal indicates both the direction of its contribution to this SDG (positive, neutral, or negative) as well as the intensity of this impact (low, medium, or high).

SDG 11: Sustainable Cities and Communities

SDG 11 is set out to make cities and human settlements inclusive, safe, resilient, and sustainable. It aims to achieve this through several levers including, but not limited to, ensuring access to safe and affordable housing, access to affordable and sustainable transport systems, access to green and public spaces and safeguarding the world's cultural and natural heritage. A company's SDG score on this goal indicates both the direction of its contribution to this SDG (positive, neutral, or negative) as well as the intensity of this impact (low, medium, or high).

Index Construction

The efficient index construction algorithm selects the stocks that positively contributes towards the UN Sustainable Development Goals, while keeping turnover and volatility relatively low. The algorithm also ensures appropriate diversification within the selected underlying universe, as well as avoid undue concentration to individual stocks or segments of the equity markets.

2.3 ESG methodology statement

Regulation (EU) 2016/1011 requires benchmark administrators to explain how environmental, social and governance factors ('ESG') are reflected in the benchmark methodology. Appendix I describes how ESG factors are reflected in the benchmark methodology.

2.4 Discretion in constructing the indices

Applying weights to the constituents is fully based on the Robeco Sustainable Urban Living Index rules-based methodology, which eliminates the exercise of discretion by an individual in this process.

3. Maintaining the Robeco Sustainable Urban Living Index

Robeco Indices B.V. (“Robeco”) has outsourced the calculation and maintenance of the Robeco Sustainable Urban Living Index to S&P DJI acting as the calculation agent.

3.1 Rebalancing

Rebalancing of the Robeco Sustainable Urban Living Index is performed semi-annually, effective on the close of the 3rd Friday of each March and September. Constituent changes are typically communicated to clients two days before they are scheduled to be implemented. Constituent changes are communicated to all clients at the same time and are not made publicly available.

3.2 Index calculation

The Robeco Sustainable Urban Living Index are calculated end-of-day by S&P DJI. Index calculations include price-, total- and net- return series:

- Price return indices reflect the market price performance for all securities in the index.
- Gross total return (Total Return) indices reflect the return to an investor where dividends are reinvested without deduction of a withholding tax. Cash dividends are in general applied on the ex-date of the dividend.
- Net total return (Net Return) indices reflect the return to an investor where dividends are reinvested after the deduction of a withholding tax. The tax rate applied is the rate to non-resident institutions that do not benefit from double taxation treaties.

The Robeco Sustainable Urban Living Index is calculated in U.S. dollars, euros, and South African rand.

For more information on the index calculation methodology, please refer to S&P DJI’s Index Mathematics Methodology, which is available on the S&P DJI website, [Methodologies - Governance | S&P Dow Jones Indices \(spglobal.com\)](#).

3.3 Input data

Data used by S&P DJI for determination of the Robeco Sustainable Urban Living Index includes (in order of priority):

- a. Completed transaction data (closing prices) from stock exchanges;
- b. For certain corporate actions, theoretical prices may be derived using the existing security price and the specifics of the corporate action.

In addition, WM/Refinitiv foreign exchange rates are taken daily at 04:00 PM London time and used in the calculation of the indices. These mid-market fixings are calculated by the WM Company based on Reuter’s data and appear on Refinitiv pages WMRA.

The Robeco Sustainable Urban Living Index is calculated based on the values of the underlying equities, which are determined by its last closing price on the primary exchange where it is listed. The closing prices are received from S&P DJI’s third party vendors, who receive the closing prices from the primary exchanges. Closing prices received by S&P DJI from one of its third party vendors are verified by comparing them with prices from an alternative vendor.

3.4 Exceptional circumstances

The Robeco Sustainable Urban Living Index relies on the continued availability of closing prices from stock exchanges. The potential limitations of the indices include circumstances where a significant portion of the closing prices of constituents of the indices are unavailable, for example due to unexpected market or exchange closures.

In general, all constituents (underlying equities) of the index will receive a daily closing price. Based on these closing prices the indices are calculated daily throughout the calendar year. The only days an index is not calculated are on days when all exchanges where the index constituents are listed are officially closed. In certain circumstances, for example unexpected market or exchange closures, not all securities in the index will receive a closing price on a particular day. Unexpected market/exchange closures are usually due to unforeseen circumstances, such as natural disasters, inclement weather, outages, or other events. Generally, if all exchanges are closed due to these unforeseen circumstances, the day will be treated as an unscheduled market holiday and no index will be calculated. Indices containing multiple markets will be calculated as normal, provided that at least one market is open that day.

For information on the policies in case of unexpected exchange closures, please refer to S&P DJI's Equity Indices Policies & Practices document located on the S&P DJI website, [Methodologies - Governance | S&P Dow Jones Indices \(spglobal.com\)](#).

3.5 Discretion in constructing and maintaining the indices

The Robeco Sustainable Urban Living Index is constructed and calculated following the methodology as described in this benchmark statement and the standard policies and practices of S&P DJI. Certain events beyond the control of Robeco and S&P DJI, and which are not addressed by the methodology and standard policies and practices, may affect the construction and calculation of the indices, including, but not limited to:

- Possible market disruption
- New or complex corporate actions
- Excessive index changes or adjustments
- Country specific regulations
- Unnecessary turnover
- Unavailability of necessary input data

In such circumstances discretion may be used in the construction and calculation of the indices. In addition, as part of the rebalance process, expert judgement can be exercised to improve the investability, or lower the risk, of the indices; as long as it is immaterial and meeting the objectives of the methodology. The exercise of expert judgement and impact on the index are reviewed and signed off by a senior portfolio manager of Robeco Indices.

In case the calculation agent S&P DJI encounters any event where discretion is required in the calculation of the indices, S&P DJI consults with Robeco to decide on the appropriate action to be taken.

Any exercise of discretion in special circumstances which could have a material effect on the benchmark will be escalated to the Oversight Committee.

3.6 Error correction policy

In the event of an error in the construction or calculation of the Robeco Sustainable Urban Living Index, the following procedures apply.

Input data errors

Where an error in the calculation of the indices is due to incorrect input data, S&P DJI shall follow the procedures described in its standard Equity Indices Policies & Practices document located on the S&P DJI website, [Methodologies - Governance | S&P Dow Jones Indices \(spglobal.com\)](#).

Recalculation Events	Treatment
Closing Price	Incorrect constituent closing prices are generally corrected and reposted.
Missed or Misapplied Corporate Action	Missed corporate action events are corrected & reposted.
Late Announcement of a Corporate Action	<u>Divisor Impact:</u> Divisor-impacting information is corrected and reposted. <u>No Divisor Impact:</u> Late information, including regular cash dividends, that does not impact the index divisor are applied at the earliest opportunity when S&P DJI becomes aware of the event. For late announced or canceled dividends, S&P DJI may elect to use a Post Ex-date Dividend Adjustment in certain instances. Stock splits, bonus issues or stock dividends and reverse stock splits are applied on the correct ex-date. If these are announced on the same day (either that this is taking place or that a previously announced event is being postponed or cancelled), they are applied on the correct ex-date and files are not reposted. Same day corporate actions are included in the current day files, so previous day files are not reposted. If these are announced after the ex-date, then it is applied on the correct ex-date and files are regenerated and reposted.
Incorrect Calculation or Data Entry Error	Incorrect calculations or data entry mistakes caused by S&P DJI are corrected and impacted indices are recalculated.

In the event one of these recalculation events is discovered within two trading days of its occurrence, in general the index will be recalculated. In the event any such recalculation event is discovered beyond such two trading day period, Robeco and S&P DJI will decide on the appropriate action to be taken.

Construction and calculation errors

Where an error is detected in the construction or calculation of the indices, which is not an input data error, but that was caused by the incorrect application of the index methodology and results in the incorrect composition and/or weighting of index constituents, Robeco and S&P DJI will discuss the appropriate action to be taken in order to resolve the error. In case the error is discovered before the new index composition is sent to clients, Robeco and S&P DJI will recalculate the index within the original rebalance timelines, if deemed feasible by S&P DJI. In the event an error is discovered beyond the rebalance period, after the new index composition has been sent out to clients, Robeco and S&P DJI will decide on the appropriate action to be taken. In the event Robeco chooses to recalculate an index, that shall be done within a reasonable timeframe following the detection and review of the issue. If it is determined that an index will be recalculated, the following steps will be taken upon completion of the recalculation:

- All impacted files are regenerated and reposted.
- All clients are notified of the recalculation and alerted when files have been successfully reposted.

3.7 Holiday Schedule

The Robeco Sustainable Urban Living Index is calculated on all business days of the year. S&P DJI publishes a calendar of holidays annually during the fourth quarter on their website, [Methodologies - Governance | S&P Dow Jones Indices \(spglobal.com\)](#).

3.8 Corporate Actions

Corporate actions (such as stock splits, stock dividends, spin-offs and rights offerings) are applied after the close of trading on the day prior to the ex-date. The Robeco Sustainable Urban Living Index follows the standard S&P DJI policy for Corporate Actions. For the main corporate actions, the treatment is described in the table.

<i>Corporate Action</i>	<i>Standard SPDJI Treatment</i>	<i>Divisor Change</i>
Company Addition/Deletion	<p><u>Addition</u>: The indices do not add companies between rebalancings.</p> <p><u>Deletion</u>: The weights of all stocks in the index will proportionately change but relative weights will stay the same. The index divisor will change due to the net change in the index market capitalization.</p>	Yes
Change in shares outstanding	Shares outstanding changes are offset by an adjustment factor (AWF). There is no change to the index market capitalization.	No
Split/Reverse Split	Shares outstanding are adjusted by split ratio. Stock price is adjusted by split ratio. There is no change to the index market capitalization.	No
Spin-off	<p>The spin-off is added to the index on the ex-date at a price of zero. The spin-off index shares are based on the spin-off ratio. On the ex-date the spin-off will have the same attributes and capping adjustment factor (AWF) as its parent company, and will remain in the index for at least one trading day. As a result, there will be no change to the index divisor on the ex-date.</p> <p>If the spin-off is ineligible for continued inclusion, it will be removed after the ex-date. The weight of the spin-off being deleted is reinvested across all the index components proportionately such that the relative weights of all index components are unchanged. The net change in index market capitalization will cause a divisor change.</p>	Depending on type of spin-off
Change in IWF	IWF changes are offset by an adjustment factor (AWF). There is no change to the index market capitalization.	No
Ordinary dividend	When a company pays an ordinary cash dividend, also referred to as a regular cash dividend, the index does not make any adjustments to the price or shares of the stock.	No
Special dividend	The stock price is adjusted by the amount of the dividend.	Yes
Rights offering	All rights offerings that are in the money on the ex-date are applied under the assumption the rights are fully subscribed. The stock price is adjusted by the value of the rights and the shares outstanding are increased by the rights ratio. The change in price and shares is offset by an adjustment factor (AWF) to keep the index market capitalization (stock weight) unchanged.	No

For more information on corporate actions treatment, please refer to S&P DJI's Equity Indices Policies & Practices document located on the S&P DJI website, [Methodologies - Governance | S&P Dow Jones Indices \(spglobal.com\)](https://www.spglobal.com).

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Appendix I: ESG methodology statement

Introduction

Regulation (EU) 2016/1011 requires benchmark administrators to explain how environmental, social and governance factors ('ESG') are reflected in the benchmark methodology.

ESG factors as reflected in the key elements of the benchmark methodology		
Item 1	Name of the benchmark administrator	Robeco Indices B.V.
Item 2	Type of benchmark or family of benchmarks	Equity
Item 3	Name of the benchmark or family of benchmarks	Robeco Sustainable Urban Living Index
Item 4	Does the benchmark methodology for the benchmark or family of benchmarks take into account ESG factors?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Item 5	Reflection of ESG factors in benchmark methodology of the family of benchmarks	
	a) List of combined ESG factors:	<ul style="list-style-type: none"> Exclusions based on a company's contribution towards the UN Sustainable Development Goals. All stocks with a negative SDG scores are excluded from the universe. Selection based on a company's contribution to SDG 6: Clean Water and Sanitation, SDG 7: Affordable Clean Energy, and SDG 11: Sustainable Cities and Communities. Stocks are only selected stocks with score +2 or +3 on one or more of these SDGs. Weighting based on the index construction algorithm that tilts the index towards stocks that positively contributes towards the UN Sustainable Development Goals, while keeping turnover low.
	b) List of environmental factors:	• N/A
	c) List of social factors	• N/A
	d) List of governance factors:	• N/A
Item 6	Reflection of ESG factors in benchmark methodology of each benchmark:	• See item 5, ESG factors are reflected in the methodology in the same way for all members of this benchmark family.
Item 7	Data and standards used:	
	a) Data input:	• <u>SDG scores</u> : Sourced from Robeco Institutional Asset Management (Robeco)
	b) Verification and quality of data:	• <u>SDG scores</u> : The Robeco's SDG Committee is responsible for maintaining, updating, and improving Robeco's SDG framework. This involves overseeing the continuous development of the KPIs and thresholds, ensuring that the systems and processes through which the SDG assessment are undertaken are of the highest quality, assessing proposed amendments to the framework, and ensuring high quality governance. A data owner is responsible for oversight of content, methodology, process controls and, ultimately, quality.
	c) Reference standards:	• <u>SDG scores</u> : N/A
Date on which information has been last updated and reason for the update:		October 2023, annual update