



SOLACTIVE GOVERNANCE EUROPE SELECT 50 INDEX



MARKETING COMMUNICATION | FOR PROFESSIONAL CLIENTS ONLY | JANUARY 2020

ALPHA | BETA | **ENHANCED BETA**

The Solactive Governance Europe Select 50 Index provides exposure to a selection of 50 European companies with a solid corporate governance structure.

CURRENCY	TYPE OF INDEX	BLOOMBERG CODE	LIVE DATE
EUR	Price Return	SOGOVESP Index	10 February 2020

GOVERNANCE AND COMPANY PERFORMANCE

In recent years, increasing academic evidence is confirming that corporate governance and company performance are inherently correlated with one another.* Good governance has proven to enhance company performance and could, therefore, be a critical factor in the investment decision-making process.

AGENCY THEORY

Corporate governance is needed to align interests of managers and shareholders.

STAKEHOLDER THEORY

Corporate governance is needed to make sure that the voice of stakeholders is heard and that information is distributed equally to all stakeholders.

STEWARDSHIP THEORY

Corporate governance is needed to commit all parties to work towards a common goal.

*Academic evidence includes, among others, the studies of Nijm & Soobaroyen (2013), Brown & Caylor (2009), and Bhagat & Bolton (2008).

GET EXPOSURE TO EUROPEAN COMPANIES WITH THE BEST GOVERNANCE SCORE

The Solactive Governance Europe Select 50 Index offers investors the opportunity to incorporate non-financial data into investments seeking to generate enhanced performance. The Index uses Institutional Shareholders Services (ISS) QualityScore® in its methodology. QualityScore® is a data-driven scoring and screening solution designed to help institutional investors monitor portfolio company governance at an overall company level, in addition to Board Structure, Compensation, Shareholder Rights and Audit Practices.

GOVERNANCE SCORE

On a monthly basis, each eligible company is rated across 4 equally weighted criteria: Board Structure, Shareholder Rights, Compensation and Audit Practices. The top 50% of companies by aggregated Governance Score are selected from the initial universe of eligible companies.

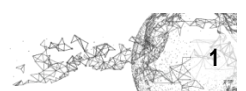
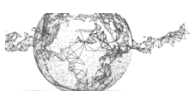
Composition, practices and policies of the board; composition of committees and related party transactions; diversity. A balanced number of independent board members may improve the board's objectivity and ability to represent multiple points of view, while not slowing down the decision making process.



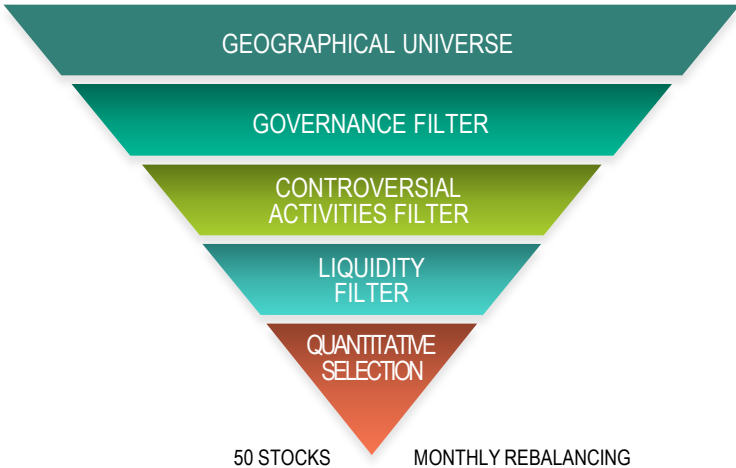
One-share One-vote, takeover defenses, meeting and voting related issues and other shareholder issues. Companies with low voting rights held by public investors or with weighted voting right structures may incur higher cost of capital on future fund raising.

Performance based pay, non-performance based pay, communications and disclosure, use of equity and equity risk mitigation (e.g. clawback provisions). Presence of a performance-based pay or other incentive plans for executives could provide incentives for executives to enhance shareholder value creation.

External auditor auditing & accounting controversies and other audit issues. External audit is important for reinforcing the credibility of a company's financial statements and general financial health. Limiting auditor tenure may ensure auditor independence, reduce the audit failure risks and protect audit quality.

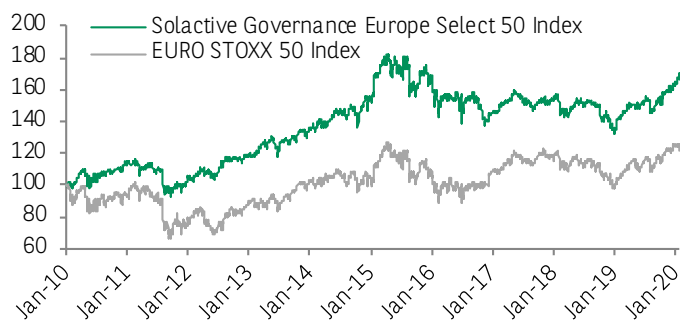


OVERVIEW OF THE SELECTION PROCESS

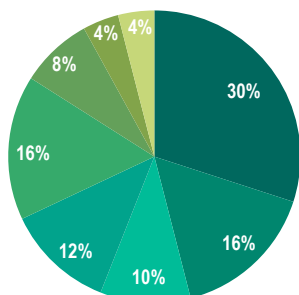


- **European listed stocks**
Included in the Solactive GBS Developed Europe Large & Mid Cap Index
- **ISS QualityScore®**
Selection of the top 50% companies by Board Structure, Compensation, Shareholder Rights, and Audit & Risk Oversight
- **Controversial activities**
Exclusion of companies with significant involvement in controversial activities such as tobacco, gambling, pornography, alcohol, military equipment, nuclear power, coal or in UN Global compact violations
- **Liquid stocks**
> 5 million EUR (20-day Average Daily Traded Value)
- **Dividend and Volatility filtering**
 - Remove the top 33% stocks with the highest volatility (6-month period)
 - Select up to 25 companies paying a dividend in the coming month
 - Complete the selection to 50 stocks with the least volatile companies

INDEX PERFORMANCE AND COMPOSITION



Jan. 10 – Jan. 20	Solactive Governance Europe Select 50 Index	EURO STOXX 50 Index
Annualised Performance	5.20%	1.98%
Annualised Volatility	13.06%	19.67%
Sharpe Ratio	0.40	0.10
Correlation	0.83	-
Max Drawdown	-27.51%	-34.97%



UNITE GROUP PLC COVIVIO SA ZURICH INSURANCE GROUP AG HSBC HOLDINGS PLC ASSICURAZIONI GENERALI SPA AGEAS SA NV GECINA SA SWISS RE AG VONOVIA SE GJENSIDIGE FORSIKRING ASA	LEG IMMOBILIEN AG ALLIANZ SE MUNICH REINSURANCE COMPANY ADMIRAL GROUP PLC SCOR SE SCOUT24 AG SAGE GROUP PLC ELISA OYJ CLASS A ROYAL KPN NV SUNRISE COMMUNICATIONS GROUP LTD	WOLTERS KLUWER NV TELIA CO AB SWISSCOM AG GEBERIT AG LEGRAND SA SKANSKA AB CLASS B VINCI SA ROYAL VOPAK NV CRODA INTERNATIONAL PLC ADECCO GROUP AG	AIR LIQUIDE SA HEINEKEN NV UNILEVER PLC TATE & LYLE PLC GIVAUDAN SA DIAGEO PLC NESTLE SA ENEL SPA NATIONAL GRID PLC EON SE	VEOLIA ENVIRONNEMENT SA ENGIE SA NOVARTIS AG NOVOZYMES AS CLASS B GRIFOLS SA CLASS A GLAXOSMITHKLINE PLC BP PLC TOTAL SA ROYAL AHOLD DELHAIZE NV GALENICA AG
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Sources: BNP Paribas as of 27 January 2020. Performance of THE Solactive Governance Europe Select 50 Index in EUR. Comparative Indices: EURO STOXX 50 Index PR EUR, Bloomberg Code: <SX5E Index> and S&P 500 Index PR USD, Bloomberg Code: <SPX Index> then converted in EUR. Index level rebased at 100% on 1 January 2010. Simulated or historical past performance is not an indicator of future performance.

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