

S&P/TSX 60 ESG Index Futures

Canadian ESG Market Overview

Amid growing concerns of climate change, demographic shifts and regulatory changes, sustainability is rapidly reshaping the investment landscape. Globally, over \$30 trillion of capital has been deployed into sustainable investments and strategies at the end of 2018¹, while in Canada, this figure currently sits at over \$2 trillion². Moreover, commitments to environmental, social and governance (ESG) investing continue to gain momentum, with over 3,000 firms representing over \$100 trillion in AUM having signed up to the UN Principles of Responsible Investing. In Canada, 170 firms are signatories to the UN PRI³.

Coinciding with ESG investment growth, the need for sophisticated and aligned financial benchmarks, products and services is increasing. To address this need, the TSX, in partnership with S&P, recently launched eight ESG, sustainability and carbon indices, including ESG versions of its benchmark S&P/TSX ESG 60 and S&P/TSX ESG Composite indices. To further enable investors to enhance their ability to manage risk and gain exposure to ESG and sustainable investing in Canada the Montreal Exchange is pleased to announce the launch of the S&P/TSX 60 ESG Index Futures (SEG).

S&P/TSX 60 ESG Index vs. S&P/TSX 60 Index



Enhance returns

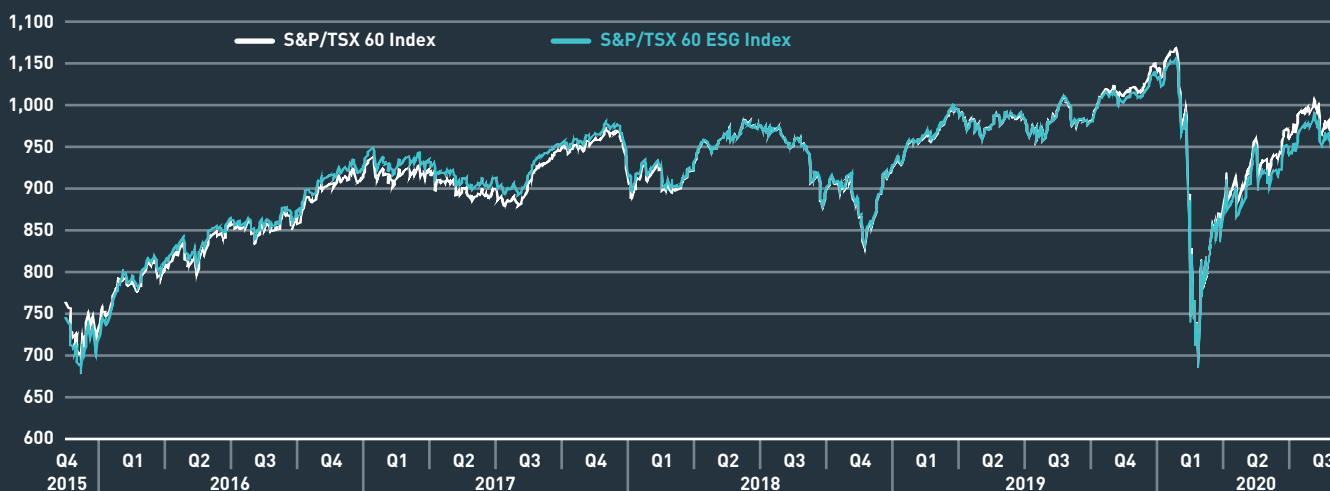


Lower volatility



Minimize tracking error

Performance



¹ Global Sustainable Investment Alliance

² RIA Canada

³ UN Principles of Responsible Investing

5-YEAR	S&P/TSX 60 ESG Index	S&P/TSX 60 Index
Annualized Return	5.02%	4.28%
Annualized Volatility	11.73%	11.98%
Risk Adjusted Return	0.43%	0.36%
Tracking Error	1.80%	

*Source: S&P Dow Jones Indices (As of September 30, 2020)

Top 10 Constituents

CONSTITUENT	Ticker	Sector	SECTOR BREAKDOWN	%
Shopify Inc.	SHOP	Information Technology	Financials	32.5%
Royal Bank of Canada	RY	Financials	Materials	13.4%
Canadian National Railways	CNR	Industrials	Information Technology	12.8%
Toronto-Dominion Bank	TD	Financials	Energy	12.5%
Barrick Gold Corp	ABX	Materials	Industrials	11.9%
Enbridge Inc	ENB	Energy	Communication Services	6.1%
Bank of Nova Scotia	BNS	Financials	Consumer Staples	4.4%
TC Energy Corporation	TRP	Energy	Consumer Discretionary	3.8%
Bank of Montreal	BMO	Financials	Utilities	1.6%
Canadian Imperial Bank of Commerce	CM	Financials	Real Estate	0.8%
			Health Care	0.2%

*As of September 30, 2020

Index Methodology

ESG Score-based (all-inclusive approach)

ESG score-based methodology whereby each constituent is reweighted according to its ESG score. Constituents with a higher ESG score are reweighted higher and constituents with a lower ESG score are reweighted lower relative to their weight in the parent S&P/TSX 60 Index.

To consult the index methodology, [click here](#).

For more information on sustainable investing at the TMX, [click here](#).

Key Benefits



Alignment with ESG Strategies and Commitments

S&P/TSX 60 ESG Index Futures (SEG) is an ESG version of the established S&P/TSX 60 Standard Index Futures (SXF), enabling investors to align with ESG strategies or UN PRI objectives



Risk Management

S&P/TSX 60 ESG Index Futures (SEG) will be a liquid and cost-efficient way to gain or manage exposure to ESG risks and opportunities



Capital Efficiency

Efficient way to manage fund inflows and outflows while remaining fully invested in ESG strategies.



Seamless and Simple Integration

Efficient transition to ESG is facilitated through the **Basis Trade on Close** (BTC) functionality and low tracking error to SXF

Contract Specifications

Underlying Index	S&P/TSX 60 ESG Index
Symbols	<ul style="list-style-type: none"> S&P/TSX 60 ESG Index Futures: SEG Basis Trade on Close (BTC): BEG
Multiplier	C\$50 times the S&P/TSX 60 ESG Index Futures contract size
Expiry cycle	March, June, September, December
Price quotation	Quoted in index points, expressed to two decimals
Minimum price fluctuation	<ul style="list-style-type: none"> 0.10 index points for outright positions 0.01 index points for calendar spreads 0.05 index points for outright Basis Trades on Close
Contract type	Cash settlement. The final settlement price is the official opening level of the underlying index on the final settlement day.
Last trading day	Trading ceases on the trading day prior to the final settlement day.
Position reporting threshold	1,000 contracts gross long and short in all contract months combined.
Position limit	No limit
Final settlement day	The third Friday of the contract month, provided it is a business day. If it is not a business day, final settlement will occur on the preceding business day.
Trading hours	<p>Early session * 2:00 a.m. to 9:15 a.m. ET</p> <p>Regular session 9:30 a.m. to 4:30 p.m. ET</p> <p>Basis Trades on Close: Regular session 9:30 a.m. to 3:30 p.m. ET</p>

For more information

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The S&P TSX 60 ESG Index was launched on July 27, 2020. All information before the launch date is hypothetical back-tested, not actual performance, based on the index methodology in effect on the launch date. Back-tested performance reflects application of an index methodology and selection of index constituents with the benefit of hindsight and knowledge of factors that may have positively affected its performance, cannot account for all financial risk that may affect results and may be considered to reflect survivor/look ahead bias. Actual returns may differ significantly from, and be lower than, back-tested returns. Past performance is not an indication or guarantee of future results.

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