

## Frequently Asked Questions

### S&P ESG Index Series

#### COMPANY BACKGROUND

- 1. Who is S&P Dow Jones Indices?** S&P Dow Jones Indices (S&P DJI) is home to iconic financial market indicators, such as the [S&P 500®](#) and the [Dow Jones Industrial Average®](#). The largest global resource for essential index-based market concepts, data, and research, it is a major investor resource to measure and trade the markets.

#### ESG at S&P DJI

S&P Dow Jones Indices has been a pioneer in environmental, social, and governance (ESG) indexing for 20 years, starting with the 1999 launch of the [Dow Jones Sustainability World Index](#). Today, we offer an extensive range of indices to fit varying risk/return and ESG expectations, from core ESG and low-carbon climate approaches, to thematic and fixed income ESG strategies.

- 2. Where does S&P DJI get its ESG data?** S&P Global provides the data that powers the globally recognized [Dow Jones Sustainability Indices \(DJSI\)](#), [S&P 500 ESG Index](#), and others in the S&P ESG Index Series. Each year, S&P Global conducts the Corporate Sustainability Assessment (CSA), an ESG analysis of over 11,000 companies. The CSA has produced one of the world's most comprehensive databases of financially material sustainability information and serves as the basis for the scores that govern S&P DJI's ESG indices.

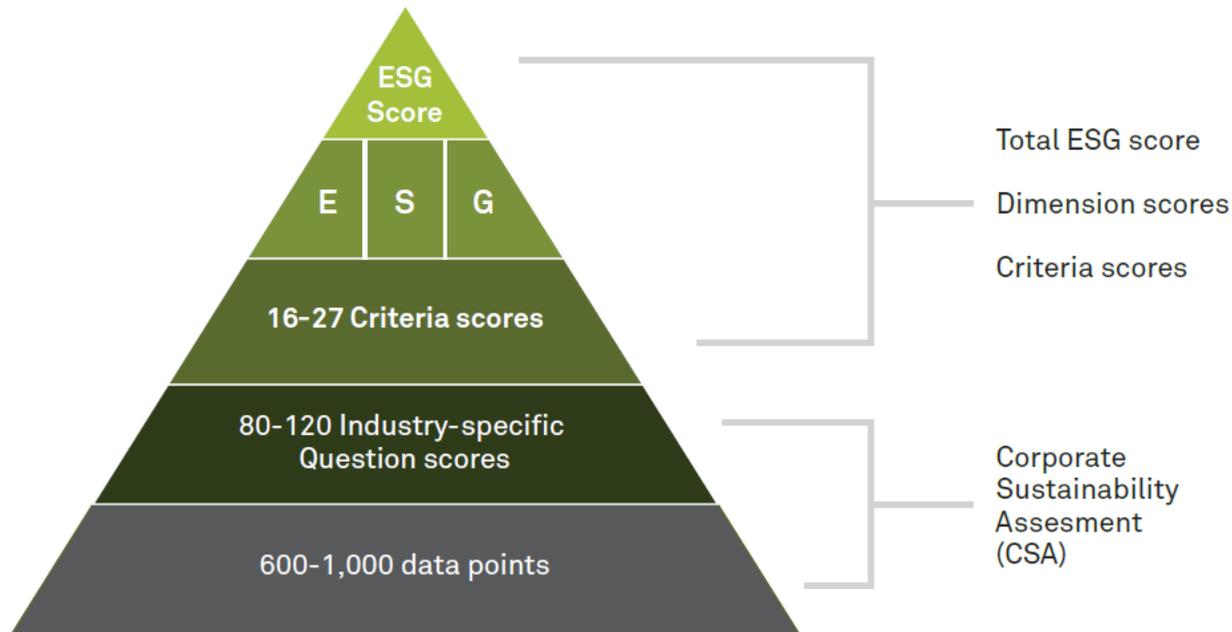
#### S&P DJI ESG INDICES:

- 1. What is the S&P ESG Index Series?** The S&P ESG Index Series is a set of market-capitalization-weighted indices, targeting securities that meet industry-specific sustainability criteria. The indices maintain similar overall industry group weights as their underlying indices. ESG stands for environmental, social, and governance.
- 2. Why was the S&P ESG Index Series created?** The S&P ESG Index Series was launched to provide ESG-oriented and investable alternatives to leading market benchmarks, such as the S&P 500.
- 3. What are the S&P DJI ESG Scores?** S&P DJI ESG Scores are environmental, social, and governance scores that robustly measure ESG risk and performance factors for corporations, with a focus on financial materiality. The S&P DJI ESG Scores are used in the constituent selection process in the S&P ESG Index Series. They are a second set of ESG scores calculated by S&P Global ESG Research, in addition to the S&P Global ESG Scores that are used to define the Dow Jones Sustainability Indices constituents.

The S&P DJI ESG Scores are the result of further scoring methodology refinements to the S&P Global ESG Scores that result from S&P Global's annual Corporate Sustainability Assessment

(CSA), a bottom-up research process that aggregates underlying company ESG data to score levels. The scores contain a total company-level ESG score for a financial year, comprising individual environmental (E), social (S), and governance (G) dimension scores, beneath which there are on average over 20 industry-specific criteria scores that can be used as specific ESG signals (see Exhibit 1).<sup>1</sup>

**Exhibit 1: S&P DJI ESG Score Aspect Levels**



Source: S&P Global. Chart is provided for illustrative purposes.

A company’s total ESG score is the weighted average of all criteria scores and their respective weights. Each individual ESG dimension score (e.g., a company’s “E” score) is the weighted average of all criteria scores and weights within a specific ESG dimension. Total ESG scores range from 0-100, with 100 representing best performance.

For more information on the S&P DJI ESG Scores, please see the [S&P DJI ESG Scores Frequently Asked Questions](#).

4. **How are the S&P DJI ESG Scores used in these indices?** The global universe for this categorization is defined as the combined constituents of the [S&P Global LargeMidCap](#) and [S&P Global 1200](#) as of the rebalancing reference date. Companies with an S&P DJI ESG Score that falls within the worst 25% of ESG scores from each global GICS Industry Group by count are excluded from the indices. In addition, if a company does not have an S&P DJI ESG Score, then it is excluded from the index.

For each GICS® industry group, companies in the eligible universe are selected in decreasing order of ESG score, until 65% of the universe’s float-adjusted market capitalization (FMC) is reached. Companies ranked between 65% and 85% are then selected to get as close as possible to the target 75% of the FMC. If the combined FMC of selected companies is not above the 75% FMC target, companies not already selected from the eligible universe may be added in decreasing order of ESG score to get as close as possible to the 75% FMC target. This

<sup>1</sup> The number of criteria a company can be assigned to depends on how many are material to the company, ranging from 16 to 27.

process will stop when the addition of the next eligible company would result in the total FMC of the relevant GICS industry group moving further away from the 75% FMC target.

**5. What indices are in the S&P ESG Index Series?** The series is made up of the following 24 indices.

- S&P 500 ESG Index
- S&P Europe 350<sup>®</sup> ESG Index
- S&P/ASX 200 ESG Index
- S&P Japan 500 ESG Index
- S&P Global 1200 ESG Index
- S&P United States LargeMidCap ESG Index
- S&P Canada LargeMidCap ESG Index
- S&P North America LargeMidCap ESG Index
- S&P Europe Developed LargeMidCap ESG Index
- S&P Mid-East and Africa Developed LargeMidCap ESG Index
- S&P Asia Pacific Developed Large Mid ESG Index
- S&P Developed LargeMidCap ESG Index
- S&P Europe Emerging LargeMidCap ESG Index
- S&P Latin America Emerging LargeMidCap ESG Index
- S&P Mid-East and Africa Emerging LargeMidCap ESG Index
- S&P Asia Pacific Emerging LargeMidCap ESG Index
- S&P Emerging LargeMidCap ESG Index
- S&P Global LargeMidCap ESG Index
- S&P Asia Pacific Developed ex Korea ESG Index
- S&P Asia Pacific Emerging Plus LargeMidCap ESG Index
- S&P Developed BMI ex Korea LargeMidCap ESG Index
- S&P Emerging Plus LargeMidCap ESG Index
- S&P Korea LargeMidCap ESG Index
- S&P South Africa Domestic Shareholder Weighted (DSW) Capped ESG Index

**6. What exclusions affect the calculation of the S&P ESG Index Series?** As of each rebalancing reference date, companies with a relatively low United Nations Global Compact (UNGC) score, or with the following specific business activities, are excluded from the eligible universe.

- **Thermal Coal:** Companies are excluded that either extract or generate electricity from thermal coal accounting for greater than 5% of their revenue.
- **Tobacco:** Companies are excluded that either directly or via an ownership stake of 25% or more of another company:
  - Produce tobacco;
  - Have tobacco sales accounting for greater than 10% of their revenue; or
  - Have tobacco-related products and services accounting for greater than 10% of their revenue.

- **Controversial Weapons:** Companies are excluded that either directly or via an ownership stake of 25% or more of another company are involved in:
  - Cluster weapons;
  - Landmines (anti-personnel mines);
  - Biological or chemical weapons;
  - Depleted uranium weapons;
  - White phosphorus weapons; or
  - Nuclear weapons.
- **Low UNGC Score:**
  - Companies with poor performance in relation to the UNGC Principles are excluded.
  - All companies at or below the bottom 5% of the UNGC score universe globally are ineligible.
  - The reference date for UNGC scores is the last business day of March.

**7. Why are tobacco and controversial weapons excluded from the indices, but not other typical exclusions, such as alcohol and gambling?** Tobacco and controversial weapons are widely accepted as prominent ESG screens used in responsible investing practices, and sources of irrefutable damage to human health and life, in moderation or excess.

The S&P ESG Index Series exhibits only one view of an ESG-themed investable universe. While put forward as a benchmark-like index with an improved ESG profile, it is one of many possibilities from the S&P Dow Jones Indices set of ESG capabilities.

**8. Can these indices be customized?** Yes. These indices are examples of how the S&P DJI ESG Scores can be used in an index strategy. For further information on the scores or options for customizations, please contact your S&P DJI account representative, or visit [spglobal.com/spdji/en/contact-us](https://spglobal.com/spdji/en/contact-us).

**9. How are ESG controversies dealt with in the index methodology?** In cases where risks are presented, S&P Global ESG Research releases a Media and Stakeholder Analysis (MSA), which includes a range of issues such as economic crime and corruption, fraud, illegal commercial practices, human rights issues, labor disputes, workplace safety, catastrophic accidents, and environmental disasters.

The Index Committee will review constituents that have been flagged by the MSA to evaluate the potential impact of controversial company activities on the composition of the indices. In the event that the Index Committee decides to remove a company, that company would not be eligible for re-entry into the indices for one full calendar year, beginning with the subsequent rebalancing.<sup>2</sup>

**10. How do the indices perform relative to their benchmarks?** Index performance statistics are presented for all S&P DJI indices on their index factsheets, found via [spglobal.com/spdji/en](https://spglobal.com/spdji/en).

<sup>2</sup> For more information on S&P Global ESG Research's approach, see <https://www.spglobal.com/spdji/en/documents/methodologies/methodology-sp-esg-index-series.pdf>.

The index factsheet for the [S&P 500 ESG Index](https://www.spglobal.com/spdji/en/indices/esg/sp-500-esg-index) can be accessed at [www.spglobal.com/spdji/en/indices/esg/sp-500-esg-index](https://www.spglobal.com/spdji/en/indices/esg/sp-500-esg-index).

- 11. If I subscribe to the S&P ESG Index Series, will I automatically receive the underlying S&P DJI ESG Scores?** No. Access to the S&P DJI ESG Scores requires a separate S&P DJI ESG Scores data license. For further information, please contact your S&P DJI account representative, or visit [spglobal.com/spdji/en/contact-us](https://www.spglobal.com/spdji/en/contact-us).

## Methodology

- 12. What makes this index methodology unique?** Our scores do not simply measure company transparency and completeness of public reporting, but critically assess their performance on ESG issues as well. The indices utilize the leading ESG data available in the market. A majority of ESG scores available on the market are skewed toward rewarding companies that simply disclose ESG issues, irrespective of how well the company may or may not be managing its actual performance on these matters. Our methodology accounts for both, and further rewards companies that disclose material and underreported sustainability topics that are of growing importance to investors. For example, the CSA asks questions on topics like corporate lobbying and tax avoidance, both of which are often underreported by companies today.

S&P Global ESG Research's questionnaire approach and direct engagement with companies affords us a much deeper and more time-sensitive review of how companies are managing ESG issues, with access to real-life examples to substantiate their performance. The methodology also incorporates Media and Stakeholder Analysis (MSA), using real-time information to account for company controversies on an ongoing basis.

This leading data set is used in the index methodology, and the index methodology is applied to leading benchmarks, such as the S&P 500, so that transitioning to an ESG benchmark does not have to break from existing practices too much.

- 13. How are dual-listed companies treated in the index methodology?** Companies with multiple listings, either in the same index or across different exchange listings, are assigned a company-level score, so they are treated in a consistent way in each of the S&P ESG Indices.

- 14. How often are these indices rebalanced, and what are the rules around reconstitution?** The indices rebalance annually, effective after the close of the last business day of April. The rebalancing reference date is the last trading day of March in the U.S. The reference universe for the indices is the composition of the underlying index or component indices at the open of the upcoming rebalancing effective date.

For information on how index additions, deletions, and corporate actions are handled for these indices, please review the [S&P ESG Index Series Methodology](#).

## Index Data & Licensing

- 15. How much index history data is available?** The S&P 500 ESG Index was launched on Jan. 28, 2019. The first value date for the S&P 500 ESG Index is April 30, 2010. Data is available for the index back to this date, while live performance data is available for each index from its launch date.
- 16. How can I access the data for these indices?** S&P ESG Index data are calculated and delivered daily and available on S&P DJI's SPICE<sup>®</sup> platform, or daily Secured File Transfer Protocol (SFTP) scheduled data feeds, delivered using S&P DJI's Enterprise Data Xchange (EDX) platform.
- 17. What is SPICE and how can I access it?** SPICE is S&P DJI's web-based index and constituent data-delivery platform. SPICE provides subscribers with access to timely, comprehensive data, corporate action alerts, and developments that affect index composition and weighting. Subscribers can customize and schedule reports to suit their respective investment criteria. For more information on SPICE, please see [www.spice-indices.com](http://www.spice-indices.com).
- 18. What does SFTP mean?** Secured File Transfer Protocol (SFTP) is a secured means of transferring data files on a Secure Shell (SSH) data stream. SFTP is a secure version of File Transfer Protocol (FTP) and is part of the SSH Protocol. This term is also known as SSH FTP.
- 19. Do I need a license from S&P DJI in order to use the indices and their data?** Yes, in order to access, receive, use, or distribute all index data or any related information, a subscription or license agreement with S&P DJI is required.
- 20. Do I need a license from S&P DJI to use the indices in connection with financial products?** Yes, in order to use the indices in connection with a financial product or transaction, a license agreement with S&P DJI is required.
- 21. How can I find out the constituents of these indices?** For information on the S&P ESG Index Series constituents or scores, please contact your S&P DJI account representative or visit [spglobal.com/spdji/en/contact-us](http://spglobal.com/spdji/en/contact-us).
- 22. Where can I find more information about these indices?** The S&P ESG Index Series is one of the index series within the S&P Core ESG Index Series. More information on these can be found at [spglobal.com/spdji/en/index-family/esg/core-esg](http://spglobal.com/spdji/en/index-family/esg/core-esg).

The following collateral is also available to support the S&P ESG Index Series.

- [S&P ESG Index Series Methodology](#)
- [S&P DJI ESG Score Methodology](#)
- [Frequently Asked Questions: S&P DJI ESG Scores](#)
- S&P DJI Education: [The S&P 500 ESG Index: Integrating Environmental, Social, and Governance Values into the Core](#)

Also, for more information on the S&P ESG Index Series constituents or scores, please contact your S&P DJI account representative, or visit [spglobal.com/spdji/en/contact-us](http://spglobal.com/spdji/en/contact-us).

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