

Frequently Asked Questions

S&P Sustainability Screened Indices

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.

S&P Dow Jones Indices has been a pioneer in environmental, social, and governance (ESG) indexing for over 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.

S&P SUSTAINABILITY SCREENED INDICES

- 1. What are the S&P Sustainability Screened Indices?** The S&P Sustainability Screened Indices seek to measure the performance of stocks in broad market indices, such as the S&P 500, [S&P MidCap 400®](#), and [S&P SmallCap 600®](#), while excluding companies involved in certain controversial business activities, companies not compliant with the United Nations Global Compact (UNGC), and companies involved in ESG controversies.
- 2. What exclusions affect the calculation of the S&P Sustainability Screened Indices?** As of each rebalancing reference date, companies with the following specific business activities are excluded from the eligible universe.
 - **Thermal Coal:** Companies are excluded that:
 - Extract thermal coal accounting for greater than 5% of their revenue; or
 - Generate electricity from thermal coal accounting for greater than 5% of their revenue.
 - **Oil Sands:** Companies are excluded that:
 - Extract oil sands accounting for greater than 5% of their revenue.
 - **Shale Energy:** Companies are excluded that:
 - Are involved in shale energy exploration and/or production accounting for greater than 5% of their revenue.

- **Tobacco:** Companies are excluded that:
 - Produce tobacco;
 - Have tobacco sales accounting for greater than 10% of their revenue;
 - Have tobacco-related products and services accounting for greater than 10% of their revenue; or
 - Have an ownership stake of 25% or more in a company that has 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 the core weapon system, or components/services of the core weapon system that are, and are not, considered tailor-made and essential for the lethal use of the following weapons:
 - Cluster weapons;
 - Landmines (anti-personnel mines);
 - Biological or chemical weapons;
 - Depleted uranium weapons;
 - White phosphorus weapons; or
 - Nuclear weapons.
- **Small Arms:** Companies are excluded that, at a 0% threshold of their revenue:
 - Manufacture and sell assault weapons and/or small arms (non-assault weapons) to civilian customers;
 - Manufacture and sell small arms to military/law enforcement customers;
 - Manufacture and sell key components of small arms; or
 - Sell and/or distribute assault weapons and/or small arms (non-assault weapons).

In addition, companies are evaluated according to Sustainalytics' Global Standards Screening (GSS), which is an assessment of a company's impact on stakeholders and the extent to which a company causes, contributes to, or is linked to violations of international norms and standards. The UNGC principles are the basis for the GSS.

All companies classified as Non-compliant (companies that do not act in accordance with UNGC principles and associated standards, conventions, and treaties) are ineligible for the index.

3. **Why are fossil fuels, tobacco, small arms, and controversial weapons excluded from the indices, but not other typical exclusions, such as alcohol and gambling?** Fossil fuels, tobacco, small arms, and controversial weapons are widely accepted ESG screens used in responsible investing practices and are considered by sustainable investors as sources of damage to human health and life, in moderation or excess. From time to time, S&P DJI will consult the market to see if other exclusions have gained wide acceptance and should be added to the methodology.
4. **Do the S&P Sustainability Screened Indices incorporate S&P DJI ESG Scores?** The S&P Sustainability Screened Indices do not incorporate any S&P DJI ESG Scores in the constituent eligibility and selection process.

- 5. Following the exclusion of companies based on business involvement or UNGC non-compliance, how are the remaining constituents selected?** Once companies in an underlying index are removed on the basis of business involvement or UNGC non-compliance, all remaining companies form the respective S&P Sustainability Screened Index. There is no additional selection step; anything that is eligible is included in the indices.
- 6. How often are these indices rebalanced, and what are the rules around reconstitution?** The indices rebalance quarterly, after the market close on the third Friday of March, June, September, and December. The rebalancing reference date is after the market close of the last business day of February, May, August, and November.

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

- 7. How are the index constituents weighted?** Constituents in the indices are simply weighted by float-adjusted market capitalization, with no additional capping or weighting applied.
- 8. How are ESG controversies dealt with in the index methodology?** In cases where risks are presented, SAM, part of S&P Global, 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 SAM's 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.¹

- 9. 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 <https://www.spglobal.com/spdji/>.

INDEX DATA & LICENSING

- 1. How much index history data is available?** The following indices were launched on July 6, 2020:
 - [S&P 500 Sustainability Screened Index](#);
 - [S&P MidCap 400 Sustainability Screened Index](#); and
 - [S&P SmallCap 600 Sustainability Screened Index](#).

The first value date for the above indices is June 18, 2010. Back-tested data is available for the indices back to this date, while live performance data is available for each index from its launch date.

¹ For more information on SAM's approach, see https://portal.csa.spglobal.com/survey/documents/MSA_Methodology_Guidebook.pdf.

2. **How can I access the data for these indices?** Index data are calculated and delivered daily and available on S&P DJI's SPICE® platform, or daily Secured File Transfer Protocol (SFTP) scheduled data feeds, delivered using S&P DJI's Enterprise Data Xchange (EDX) platform.
3. **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 <https://www.spice-indices.com/idp/#/>.
4. **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.
5. **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.
6. **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.
7. **How can I find out the constituents of these indices?** For information on the S&P Sustainability Screened index constituents or scores, please contact your S&P DJI account representative or visit <https://www.spglobal.com/spdji/en/contact-us/>.
8. **Can these indices be customized?** Yes. For further information on the options for customizations, please contact your S&P DJI account representative, or visit <https://www.spglobal.com/spdji/en/contact-us/>.
9. **Where can I find more information about these indices?** For further information, please see the [S&P Sustainability Screened Indices Methodology](#).

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