

Frequently Asked Questions

S&P Dow Jones Indices' Transition to S&P Global Business Involvement Screens & ESG Scores

Company Background

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®](#) and is the largest global resource for essential index-based market concepts, data, and research.

S&P DJI has been a pioneer in sustainability indexing for more than 20 years, starting with the 1999 launch of the [Dow Jones Sustainability World Index](#). Today, S&P DJI offers an extensive range of indices and index-based solutions to address varying performance and sustainability objectives. These include broad-based, market-capitalization sustainability indices such as the [S&P 500 ESG Index](#), as well as more thematic and targeted climate-focused indices.

- 1. What is S&P DJI changing?** As previously [announced](#) on Jan. 23, 2024, S&P DJI is implementing changes to two datasets that are used to screen and identify eligible companies for potential inclusion to its range of sustainability/ESG indices.

S&P DJI is transitioning all indices that are currently using S&P DJI ESG Scores to [S&P Global ESG Scores](#). In addition, S&P DJI will also transition the Business Involvement Screens data source from Sustainalytics' Product Involvement Screens to [S&P Global's Business Involvement Screens](#) for many of its indices.

Both the S&P Global Business Involvement Screens and S&P Global ESG Scores are published by S&P Global Sustainable1 (S1), which operates independently from S&P DJI.

For the S&P Global ESG Score transition, there will be no change to how the score is used across the impacted indices. The S&P Global ESG Score measures a company's performance on and management of material ESG risks, opportunities and impacts informed by a combination of company disclosures, Media and Stakeholder Analysis (MSA), modeling approaches and in-depth company engagement via the S&P Global Corporate Sustainability Assessment (CSA). For more information on the S&P Global ESG Score, please refer to the [S&P Global ESG Scores Methodology](#).

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For the Business Involvement Screens transition, existing screens will be replaced by the direct equivalent in the new data set and no modifications will be made to the existing levels of involvement described in the relevant index methodology. Sustainalytics' Global Standards Screening dataset will continue to be used where relevant.

- 2. How were these decisions made?** The changes are being implemented following feedback gathered from a market consultation that S&P DJI conducted in 2023. As part of its index governance process, S&P DJI periodically conducts market consultations to help inform customers, index users and market participants of proposed index methodology changes and ensure that its indices and benchmarks continue to remain timely and relevant and reflect appropriate global financial market trends, including those related to the evolving sustainability landscape.

In [early December 2023](#), S&P DJI conducted a market consultation outlining the two proposed changes to gather comments and feedback from key customers, index users and market participants. S&P DJI also extended the consultation period in [early January 2024](#). Following a review of the consultation results, S&P DJI then announced its decision on [Jan. 23, 2024](#).

S&P DJI reviews its methodologies and data sources on an ongoing basis to ensure that its indices use the most appropriate datasets that are available to help the indices better meet their objectives and its clients make better informed decisions.

- 3. When will these changes be implemented?** S&P DJI will implement the changes to the impacted indices on a rolling basis beginning as of the market open on Wednesday, May 1, 2024. The impacted indices' rebalancing effective as of that date will transition to the S&P Global ESG Scores and Business Involvement Screens at this time, with the remaining indices transitioning effective as of their next scheduled annual reconstitutions.

For more details, please refer to the [Impacted Indices Spreadsheet](#) to view the effective date of these changes.

Please note that the impacted methodologies on S&P DJI's website are also being updated on a rolling basis to reflect these changes.

- 4. Are there any sustainability indices that are not affected by the change?** Yes, indices that do not use either the S&P DJI ESG Score or the Sustainalytics' Product Involvement Screens are not affected by these changes. For example, S&P DJI's fixed income indices, including any iBoxx Sustainability Fixed Income Indices, are not affected. The Dow Jones Sustainability Indices (DJSI), however, will only be transitioning to the S&P Global Business Involvement Screens because this index series already uses the S&P Global CSA Scores (i.e., the S&P Global ESG Scores without the inclusion of any modelling approaches). Other indices that do not form part

of this transition include the S&P Carbon Efficient Indices and the S&P Fossil Fuel Free Indices, which will not transition screens or scores, as these datasets are not used within their respective index methodologies.

- 5. Why is S&P DJI switching data sources from Sustainalytics' Product Involvement Screens to the S&P Global Business Involvement Screens?** By transitioning to the S&P Global Business Involvement Screens, S&P DJI will be able to leverage S&P Global's comprehensive network of data resources, as well as enhance transparency to its clients.

The S&P Global Business Involvement Screens measures companies' direct and indirect exposures to specific products and services across 32 categories (such as tobacco, pesticides, etc.), quantified as percentages of total company revenues and total company ownership. For each of the screens, S&P Global provides definitions of the product or service, analyst descriptions of company exposure, the method used to calculate revenue, revenue ranges, actual revenue numbers and data source documentation where available.

The main enhancements expected from this transition include:

- **Data Quality:** The S&P Global Business Involvement Screens dataset relies on, and leverages, the depth and breadth of knowledge and data from across S&P Global data solutions (e.g., Trucost datasets, Commodity Insights datasets, Fundamentals, Product Descriptions, Business Segmentation teams, Industry Classification data, Supply Chain and Corporate Structure data, and Company Documents & Filings Infrastructure).
- **Transparency:** Granularity can be provided around reasons for exclusions for companies removed from a relevant index due to them crossing certain revenue thresholds from specific business activities. This level of granularity includes calculation steps, sources and details on estimation, if applied.

For more information about S&P Global Business Involvement Screens, please see the [S&P Global Business Involvement Screens Methodology](#) document.

- 6. Are there any indices that will continue to use Sustainalytics' Product Involvement Screens?** Some S&P DJI sustainability/ESG indices will continue to use Sustainalytics' Product Involvement Screens where there are no equivalents from the S&P Global Business Involvement Screens dataset.
- 7. Will there be any changes to the UNGC Screening?** No, Sustainalytics' Global Standards Screening data is not affected by this transition and will continue to be used where relevant.

- 8. Will there be any additional methodology changes?** As mentioned, S&P DJI reviews its index methodologies and data sources on an ongoing basis to ensure that its indices use the most appropriate datasets that are available to help the indices better meet its stated objectives and its clients make better-informed decisions.

For sustainability/ESG indices transitioning to S&P Global Business Involvement Screens datasets, existing involvement screens will be replaced by the direct equivalent in the new data set and no modifications will be made to the existing levels of involvement.

Again, the impacted index methodologies on S&P DJI's website are also being updated on a rolling basis to reflect these changes.

- 9. Why is S&P DJI changing from using S&P DJI ESG Scores to S&P Global ESG Scores?** S&P DJI will be transitioning from the S&P DJI ESG Scores to the S&P Global ESG Scores, as the latter should target a more accurate and complete representation of the sustainability performance of companies, while addressing disclosure bias and thereby enhancing the index use case.

- 10. What are the differences between the S&P DJI ESG Scores and the S&P Global ESG Scores?** While several components of the scoring process are the same, such as the underlying research methodology, data collection and quality assurance, there are meaningful differences in the scoring processes between S&P DJI ESG Scores and S&P Global ESG Scores.

For both the S&P Global ESG Scores and the S&P DJI ESG Scores, the starting point is the information collected and scored as part of the [S&P Global Corporate Sustainability Assessment \(CSA\)](#). The impetus for the transition is related to the mechanism used to close disclosure gaps in corporate reporting to ensure a distribution of scores as part of index selection. The differences in the approaches can be summarized as follows:

- For S&P Global ESG Scores: In cases where CSA questions are unanswered, gaps in disclosures are identified and filled by producing a score based on statistical modeling approaches. CSA question scores are then weighted and aggregated to compose the final S&P Global ESG Score.
- For S&P DJI ESG Scores: In cases where CSA questions are unanswered, a pre-defined selection of questions is classified as "mandatory." Unanswered non-mandatory questions are not scored, while unanswered mandatory questions are given a score of 0. The weight of the unscored questions is then redistributed to the remaining questions during the aggregation process. In addition, the scores are normalized at each aspect level (i.e., at each of the three levels of the score— criteria, dimension and total ESG Score) before aggregating them further.

For more information about S&P Global ESG Scores, please click [here](#) or refer to the [S&P Global ESG Scores Methodology](#) document.

11. Is there any impact to how the S&P Global ESG Scores are applied? For the S&P Global ESG Score transition, there will be no change to how the score is used across the affected indices. However, individual company-level S&P Global ESG Scores may be different to the equivalent S&P DJI ESG Score, due to the introduction of modeling to address data gaps.

For additional details about the S&P Global ESG Scores, please refer to the [S&P Global ESG Scores Methodology](#) document.

12. Are the S&P Global ESG Scores relative? Why are they not normalized as the former S&P DJI ESG Scores were? There is a more even distribution of scores between industry groups with the modeled S&P Global ESG Scores than the S&P Global CSA Score or even the S&P DJI ESG Score, which applied normalization at the CSA industry level. The headline S&P Global ESG Scores are relative, as the 62 CSA questionnaires have been designed to be industry-specific and to capture the most material factors in each industry. For more information on the difference between the three types of scores, please see the table below.

Characteristics of S&P Global ESG Scores, S&P DJI ESG Scores and S&P CSA Scores

Criteria	S&P CSA Scores	S&P Global ESG Scores	S&P DJI ESG Scores
Underlying Research Methodology	S&P Global Corporate Sustainability Assessment (CSA)		
Calculation Agent	S&P Global		
Review Frequency	Annually (with monthly controversy updates)		
Data Collection	CSA completed either by direct company participation or by S&P Global ESG Research analyst using publicly available data		
Quality Assurance	Detailed, multi-tiered quality control process according to S&P Global guidelines. Annual independent third-party assurance on research and quality control process		
Company Controversy and Risk Screening	S&P Global Media & Stakeholder Analysis (MSA)		
Question Scoring	Aggregation of data points by predefined CSA methodology. Unanswered questions are given a score of 0.	Aggregation of data points by predefined CSA methodology. Unanswered questions <i>that require publicly available information</i> are given a score of 0. Other unanswered questions are scored using a modeling approach.	Aggregation of data points by predefined CSA methodology. Unanswered questions <i>that are not mandatory</i> are not scored. Mandatory questions that are unanswered are given a score of 0. Question-level scores are normalized within industry.
Question Weights	Predefined industry CSA weights determined by S&P Global, based on materiality of sustainability factors to the specific industry		
Criteria Scoring	Total score resulting from the weighted sum of all question scores in each criterion	Question scores are aggregated to a criteria score. Weight of unanswered questions is redistributed among other questions within the criteria, <i>if they are not mandatory</i> , to maintain criteria weights.	
Criteria Weights	Predefined industry CSA weights determined by S&P Global, based on materiality of sustainability factors to the specific industry		
Dimension Scoring	Total score resulting from the weighted sum of all criteria scores in each dimension	Criteria scores are aggregated to a dimension score. If all questions in a criteria are unanswered, the weight of the criteria is redistributed among other criteria within a dimension (environmental, governance, and social).	
Dimension Weights	Dimension weights are always preserved according to the original S&P Global weighting scheme, irrespective of how criteria questions are answered.		
Total ESG Score	Total score resulting from the weighted sum of all dimension scores	Absolute score resulting from the weighted sum of all dimension scores. Total ESG score is then adjusted using distribution standardization approaches to place scores between 0 and 100.	
Normalization	Industry scores are not normalized	Scores are normalized within assessed CSA industry	

Source: S&P Dow Jones Indices LLC. Table is provided for illustrative purposes.

13. Will any of S&P DJI's indices continue to use S&P DJI ESG Scores? No, S&P DJI is sunsetting/decommissioning the use of its S&P DJI ESG Scores. Again, the transition for both changes begins in May 2024 and will be applied on a rolling basis throughout the following months and as we approach the next annual reconstitution for each index family affected by the transition.

14. Will I still be able to license S&P DJI ESG Scores? With the sunset/decommission of the S&P DJI ESG Scores, S&P DJI will cease the delivery of any new S&P DJI ESG Scores data starting in April 2024. Existing licenses will be able to access constituent-level S&P Global ESG Scores instead.

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