

Results of the S&P Paris-Aligned & Climate Transition (PACT) Indices Consultation on Eligibility Requirements and Constraints

AMSTERDAM, MAY 18, 2021: S&P Dow Jones Indices (“S&P DJI”) has conducted a [consultation](#) with market participants on potential changes to the S&P Paris-Aligned & Climate Transition (PACT™) Indices.

S&P DJI will make changes to the eligibility requirements and optimization constraints used in these indices. The changes are designed to ensure the indices continue to meet their objective, reflect evolving expectations for environmental, social and governance (ESG) business exclusions, while including additional stability to the turnover and stock counts following fluctuations caused by the existing rules. The table below summarizes the changes, and which indices they will impact.

Change	Index Family ¹		Methodology	
	CT	PA	Current	Updated
Environmental Score Constraint to ESG Score Constraint	X	X	<p>CT: Weighted-average S&P DJI Environmental Score (waE) of the CT Index should be ≥ the waE of the eligible universe.</p> <p>PA: Weighted-average S&P DJI Environmental Score (waE) of the PA Index should be ≥ the waE of the eligible universe + (20% × (max E score in eligible universe – eligible universe’s waE)).</p>	<p>CT: Weighted-average S&P DJI ESG Score (waESG) of the CT Index should be ≥ the eligible waESG of the eligible universe.</p> <p>PA: Weighted-average S&P DJI ESG Score (waESG) of the PA Index should be ≥ the waESG of the universe after 20% of the worst ESG score performing companies by count are removed and weight redistributed.</p>
Introduce buffer rule and revise stock cap	X	X	No buffer, minimum stock weight lower threshold of 0.01%, maximum weight of 5%.	<p>Minimum stock weight threshold ≥1 bps for existing constituents and max(1bps, min(5bps, 0.5 x weight in underlying index) for new constituents.</p> <p>Max stock weight: max(5%, weight in underlying index).</p>
UNGC Exclusion	X	X	All companies at or below the bottom 5% of the Arabesque GC score universe globally are ineligible.	Companies that are deemed by Sustainalytics to be non-compliant are ineligible.
Exclusions based on Business Activities		X	Stocks are excluded for involvement in Controversial Weapons and Tobacco, as defined in the methodology.	Stocks are excluded for involvement in Controversial Weapons, Tobacco, Small Arms, Military Contracting, Thermal Coal, Oil Sands, Shale Energy, Gambling and Alcohol, as defined in the “Exclusions based on Business Activities” section below.

EXCLUSIONS BASED ON BUSINESS ACTIVITIES

S&P DJI is introducing additional exclusions based on Sustainalytics Product Involvement data in the S&P Paris-Aligned Climate indices (only). The additional exclusions cover Small Arms, Military Contracting, Thermal Coal, Oil Sands, Shale Energy, Gambling and Alcohol involvement areas. In

¹ “CT” refers to the S&P Climate Transition Indices and “PA” to the S&P Paris-Aligned Climate Indices.

addition, the existing Tobacco exclusion for Retail will be modified. Details of the additional and amended exclusions are described in the table below.

Product Involvement Area	Category of Involvement	S&P DJI Level of Involvement Threshold ²
Tobacco	Retail	≥5% ³
Small Arms	Civilian Customers (Assault Weapons)	>0%
	Military/Law Enforcement Customers	>0%
	Key Components	>0%
	Retail/Distribution (Assault Weapons)	>0%
	Retail/Distribution (Non-Assault Weapons)	>0%
	Civilian Customers (Non-Assault Weapons)	>0%
Military Contracting	Weapons	>0%
	Weapon Related Products and/or services	>0%
Thermal Coal	Power Generation	≥5%
Oil Sands	Extraction	≥5%
Shale Energy	Extraction	≥5%
Gambling	Operations	≥10%
Alcoholic Beverages	Production	>0%
	Related Products/Services	≥10%
	Retail	≥10%

IMPLEMENTATION TIMING

These changes will become effective prior to the market open on Thursday, July 1, 2021, in conjunction with the upcoming June 2021 rebalancing. The changes will first be visible to clients beginning on Wednesday, June 23, 2021.

Please note that the S&P Paris-Aligned & Climate Transition (PACT) Indices Methodology on S&P DJI's website is being updated to reflect these changes.

For more information about S&P Dow Jones Indices, please visit www.spdji.com.

ABOUT S&P DOW JONES INDICES

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FOR MORE INFORMATION:

S&P Dow Jones Indices

index_services@spglobal.com

² All involvements are based on revenues.

³ Currently ≥10%.