

S&P 500 ESG Elite Index Consultation on Eligibility Requirements

AMSTERDAM, FEBRUARY 28, 2022: S&P Dow Jones Indices (“S&P DJI”) is conducting a consultation with market participants on potential changes to the S&P 500 ESG Elite Index.

S&P DJI is proposing to make changes to the eligibility requirements used in the index. The proposed changes are detailed below.

EXCLUSIONS BASED ON THE UNITED NATIONS GLOBAL COMPACT (“UNGC”)

S&P DJI is proposing to change the provider of UNGC data from Arabesque to Sustainalytics, and to exclude companies that are deemed by Sustainalytics to be Non-Compliant. The aim of this proposed change is to move away from the use of a continuous data set and towards a discrete data set.

EXCLUSIONS BASED ON BUSINESS ACTIVITIES

S&P DJI is proposing to no longer apply Significant Ownership exclusions for categories where the Direct Level of Involvement Threshold is non-zero. This proposed change aims to avoid situations where companies could potentially end up being treated more harshly, as a result of the level of their indirect involvement, than they would be for their direct involvement. All significant Ownership thresholds will be set at $\geq 10\%$. The tables below and on the following page detail the changes for the impacted categories:

Product Involvement	Category of Involvement and Description	Direct Involvement Threshold (Current)	Significant Ownership
Thermal Coal	Extraction: The company extracts thermal coal.	>0%	Added
	Generation: The company generates electricity from thermal coal.	>0%	Added
Tobacco Products	Production: The company manufactures tobacco products.	>0%	No change
	Related Products/Services: The company supplies tobacco-related products/ services.	$\geq 5\%$	Removed
	Retail: The company derives revenues from the distribution and/or retail sale of tobacco products	$\geq 5\%$	Removed
Oil Sands	Extraction: The company extracts oil sands.	>0%	Added
Shale Energy	Extraction: The company is involved in shale energy exploration and/or production	>0%	Added
Arctic Oil & Gas Exploration	Extraction: The company is involved in oil and gas exploration in Arctic regions.	>0%	Added
Oil & Gas	Production: The company is involved in oil and gas exploration, production, refining, transportation and storage.	>0%	Added
	Generation: The company generates electricity from oil and/or gas.	>0%	Added

Product Involvement	Category of Involvement and Description	Direct Involvement Threshold (Current)	Significant Ownership
Small Arms	Civilian customers (assault weapons): The company manufactures and sells assault weapons to civilian customers.	>0%	Added
	Civilian customers (non-assault weapons): The company manufactures and sells small arms (non-assault weapons) to civilian customers.	>0%	Added
	Military/law enforcement customers: The company manufactures and sells small arms to military/law enforcement.	>0%	Added
	Key components: The company manufactures and sells key components of small arms.	>0%	Added
	Retail/Distribution (assault weapons): The company is involved in the retail and/or distribution of assault weapons.	>0%	Added
	Retail/distribution (non-assault weapons): The company is involved in the retail and/or distribution of small arms (non-assault weapons).	>0%	Added
Adult Entertainment	Production: The company is involved in the production of adult entertainment and/or owns/operates adult entertainment establishments.	>0%	Added
Nuclear Power	Production: The company produces nuclear power.	>0%	Added
	Distribution: The company distributes electricity generated from nuclear power.	>0%	Added
Predatory Lending	Operations: The company is involved predatory lending activities.	>0%	Added
Palm Oil	Production and Distribution: The company is involved in the production and/or distribution of palm oil.	>0%	Added

QUARTERLY ELIGIBILITY CHECK FOR BUSINESS INVOLVEMENT AND UNGC EXCLUSIONS

S&P DJI is proposing to introduce a quarterly eligibility check, whereby any current member of the index that is now found to be failing the Business Involvement or UNGC eligibility criteria will be removed from the index. The aim of this proposal is to ensure that any changes to a company's eligibility are handled in a timely manner. No constituent will be added to the index as a result of any deletion that may take place.

IMPACT ANALYSIS

For an analysis of the impact¹ of the proposed changes, please refer to the file available [here](#).

IMPLEMENTATION TIMING

S&P DJI is proposing to implement the previously described methodology changes, if adopted, in conjunction with the upcoming rebalancing, which takes effect prior to the market open on Monday, May 2, 2022. If adopted, the changes will first be visible to clients beginning on Friday, April 22, 2022.

QUESTIONS

Please answer the following questions and provide S&P DJI with the reasoning behind your answers:

1. Do you agree with the proposal to change the UNGC data provider from Arabesque to Sustainalytics?
2. Do you agree with the proposal to expand and amend the Exclusions Based on Business Activities as described?
3. Do you agree with the proposal to introduce a quarterly eligibility check for business involvement and UNGC exclusions?

¹ The hypothetical impact analysis and statistics apply proposed consultation rules as of the most recent rebalancing.

CONSULTATION

4. **If any of the proposed changes are adopted, do you agree with the proposed implementation date?**
5. **Do you have any other comments or feedback regarding the proposed changes outlined above?**

Your participation in this consultation is important as we gather information from various market participants in order to properly evaluate your views and preferences. Please respond to this survey by **March 25, 2022**. After this date, S&P DJI will no longer accept survey responses. Prior to the Index Committee's final review, S&P DJI may request clarifications from respondents as part of that review.

To participate in this consultation, please visit the online survey available [here](#).

For further information about this consultation, please contact S&P Dow Jones Indices at SPDJI_Index_Governance@spglobal.com.

Please be advised that all comments from this consultation will be reviewed and considered before a final decision is made; however, S&P DJI makes no guarantees or is under any obligation to comply with any of the responses. The survey may result in no changes or outcome of any kind. If S&P DJI decides to change the index methodology, an announcement will be posted on our website.

Thank you for taking the time to complete this survey.

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

ABOUT S&P DOW JONES INDICES

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