

Frequently Asked Questions

S&P/B3 Brazil ESG Index

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 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. Who is SAM?** SAM was founded in 1995 and has been a partner of S&P Dow Jones Indices since 1999, when they worked together to launch the Dow Jones Sustainable Index (DJSI) Series. SAM provides ESG Research and Benchmarking and conducts the annual SAM Corporate Sustainability Assessment (CSA). SAM was formerly a part of asset manager RobecoSAM. In January 2020, it became a part of S&P Global.

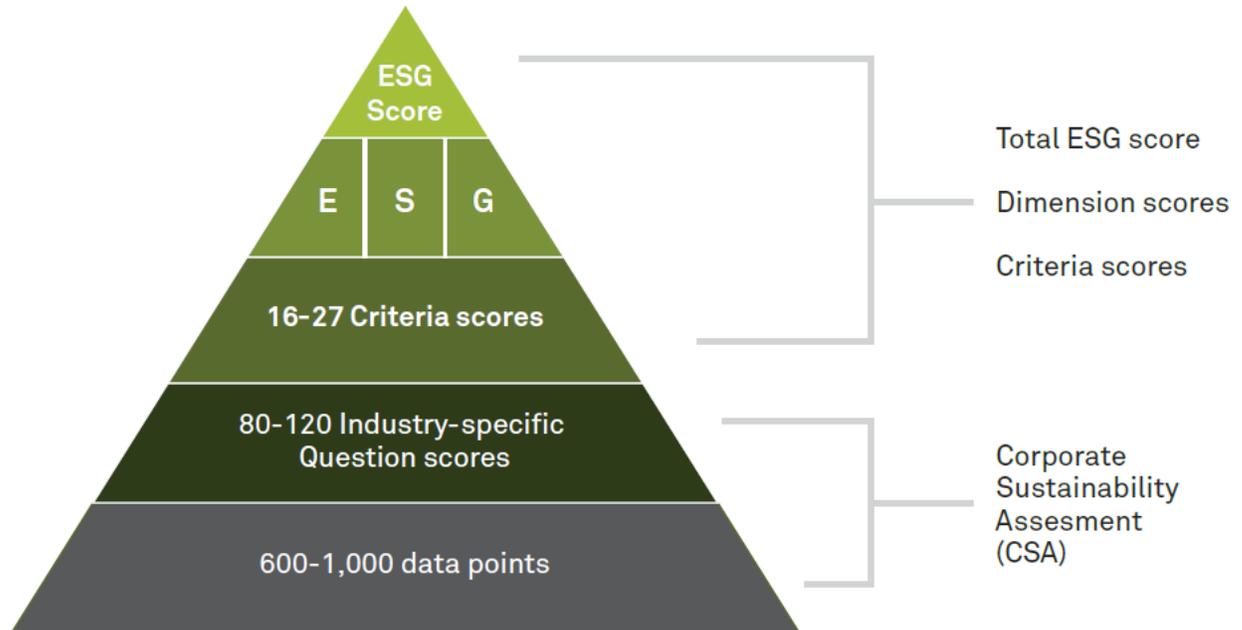
S&P/B3 BRAZIL ESG INDEX

- 1. What is the S&P/B3 Brazil ESG Index?** The [S&P/B3 Brazil ESG Index](#) is an S&P DJI ESG Score-weighted, broad-based index that seeks to measure the performance of stocks meeting sustainability criteria. The index applies exclusions based on business activities and United Nations Global Compact (UNGC) scores. ESG stands for environmental, social, and governance.
- 2. 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 weighting process in the S&P/B3 Brazil ESG Index. They are a second set of ESG scores calculated by SAM, in addition to the S&P Global ESG Scores (formerly known as SAM 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. These are based on SAM'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 21 industry-specific criteria scores that can be used as specific ESG signals (see Exhibit 1).¹

Exhibit 1: S&P DJI ESG Score Aspect Levels



Source: SAM, part of 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 the best performance.

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

3. **How are the S&P DJI ESG Scores used in this index?** S&P DJI ESG Scores are used in the weighting of the S&P/B3 Brazil ESG Index. Companies in the eligible universe (see question 3 in the Methodology section) are weighted by S&P DJI ESG Score, subject to weighting caps and liquidity constraints (see question 6 in the Methodology section).
4. **Can this index be customized?** Yes. This index is an example 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 <https://www.spglobal.com/spdji/en/contact-us/>.
5. **How does the index perform relative to its benchmark, the S&P Brazil BMI?** Index performance statistics are presented for all S&P DJI indices on their index factsheets, found via <https://www.spglobal.com/spdji/>. The index factsheet for the S&P/B3 Brazil ESG Index can be accessed at <https://www.spglobal.com/spdji/en/indices/equity/sp-b3-brazil-esg-index/>.

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

METHODOLOGY

- 1. What makes this index methodology unique?** The S&P DJI ESG 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 these scores, considered 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.

SAM'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 the S&P Brazil BMI. The S&P/B3 Brazil ESG Index takes methodological standards applied across many of our ESG indices and modifies them specifically for the Brazilian market.

- 2. How often are these indices rebalanced, and what are the rules around reconstitution?** The index rebalances annually, after the market close on the last business day of April. The rebalancing reference date is after the market close of the last business day of March. In addition, the index is reweighted quarterly outside of the annual rebalancing, effective after the market close on the last business day of July, October, and January. The quarterly reweighting process uses the same S&P DJI ESG Scores as the annual rebalancing in April.

For information on how index additions, deletions, and corporate actions are handled for these indices, please review the [S&P/B3 Brazil ESG Index Methodology](#).

- 3. What exclusions affect the calculation of the S&P/B3 Brazil ESG Index?** 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.
 - **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.

In addition, companies are assessed 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, or is linked to violations of international norms and standards. The UNGC principles are the basis for the GSS.

A company can be classified as Non-compliant (companies that do not act in accordance with UNGC principles and associated standards, conventions, and treaties), Watchlist (companies at risk of violating one or more of these principles), or Compliant (companies in accordance with these principles). For the S&P/B3 Brazil ESG Index, non-constituents that are Watchlist or Non-compliant are ineligible for index inclusion. Existing index constituents that become Watchlist will not be removed from the index unless they become Non-compliant.

4. **Why are thermal coal, tobacco, and controversial weapons excluded from the indices, but not other typical exclusions, such as alcohol and gambling?** Thermal coal, 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. These screens are leveraged across many of S&P DJI's core ESG index series.
5. **Why are Watchlist companies excluded from the S&P/B3 Brazil ESG Index alongside companies that are Non-compliant with UNGC principles?** Controversies are taken very seriously in Brazil, so every precaution is being taken in the index methodology to ensure that any reputational risk from an ESG perspective is kept to an absolute minimum. A buffer is applied to this eligibility rule to allow current constituents the benefit of the doubt if they move from fully Compliant to Watchlist. This is implemented as a way to reduce the overall index turnover at each rebalance.
6. **Is market liquidity taken into account with constituent weighting?** Yes. At each rebalancing, constituents are first weighted by S&P DJI ESG Score, subject to the constraint that the maximum weight of each security is the lower of 10% and four times its liquidity weight. Liquidity is based on the security's six-month median daily value traded (MDVT).

For multiple share classes, the stock weight is split proportionally based on the float-adjusted market capitalization (FMC) of the company, subject to the 10% company level cap and the stock liquidity weight cap.

- 7. How are ESG controversies dealt with in the index methodology?** In cases where risks are presented, SAM 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.²

INDEX DATA & LICENSING

- 1. How much index history data is available?** The S&P/B3 Brazil ESG Index was launched on Aug. 31, 2020. The first value date for the S&P/B3 Brazil ESG Index is April 30, 2014. Data is available for the index back to this date, while live performance data is available for each index from its launch date.
- 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/#/>. For clients in Brazil, please contact Paulo Eduardo de Souza Sampaio at paulo.sampaio@spglobal.com.
- 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. For clients in Brazil, please contact Paulo Eduardo de Souza Sampaio at paulo.sampaio@spglobal.com.
- 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. For clients in Brazil, please contact Paulo Eduardo de Souza Sampaio at paulo.sampaio@spglobal.com.
- 7. How can I find out the constituents of these indices?** For information on the S&P/B3 Brazil ESG Index constituents or scores, please contact your S&P DJI account representative or visit

² For more information on SAM's approach, see https://portal.csa.spglobal.com/survey/documents/MSA_Methodology_Guidebook.pdf.

<https://www.spglobal.com/spdji/en/contact-us/>. For clients in Brazil, please contact Paulo Eduardo de Souza Sampaio at paulo.sampaio@spglobal.com.

8. **If I subscribe to the S&P/B3 Brazil ESG Index, will I automatically receive the underlying S&P DJI ESG Scores for the S&P Brazil BMI?** 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 <https://www.spglobal.com/spdji/en/contact-us/>. For clients in Brazil, please contact Paulo Eduardo de Souza Sampaio at paulo.sampaio@spglobal.com.
9. **Where can I find more information about these indices?** The following collateral is also available to support the S&P/B3 Brazil ESG Index.
 - [S&P/B3 Brazil ESG Index Methodology](#)
 - [S&P DJI ESG Score Methodology](#)
 - [Frequently Asked Questions: S&P DJI ESG Scores](#)

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