

# Frequently Asked Questions

## S&P Carbon Aware Indices

### Company Background

- 1. Who is S&P Dow Jones Indices?** S&P Dow Jones Indices (S&P DJI) is the largest global resource for essential index-based concepts, data and research, and it is home to iconic financial market indicators, such as the [S&P 500®](#) and the [Dow Jones Industrial Average®](#). S&P DJI has been a pioneer in environmental, social and governance (ESG) indexing for more than 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 S&P Global Trucost?** S&P Global Trucost is a leader in carbon and environmental data and risk analysis and assesses risks relating to climate change, natural resource constraints and broader ESG factors.

S&P DJI and S&P Global Trucost have a long history of collaboration since launching the first S&P Carbon Efficient Index Series in 2009. Trucost was acquired by S&P Global in 2016.

- 3. Where does S&P DJI get its ESG data?** S&P Global provides the data that powers the globally recognized Dow Jones Sustainability Indices (DJSI), [S&P 500 Scored & Screened Index](#) and others in the S&P Scored & Screened Index Series. Each year, S&P Global conducts the Corporate Sustainability Assessment (CSA), an ESG analysis of over 11,000 companies. The CSA has produced one of the world's most comprehensive databases of financially material sustainability information and serves as the basis for the scores that govern S&P DJI's Scored & Screened indices.

### S&P Carbon Aware Indices

- 4. What are the S&P Carbon Aware Indices?** These indices are designed to measure the performance of eligible securities from an underlying benchmark index, selected and weighted to minimize the weighted average carbon intensity, subject to index active share, active industry group weight, active country weight and diversification constraints. The indices also apply exclusions based on companies' involvement in specific business activities, performance against the principles of the United Nations' Global Compact, involvement in relevant ESG controversies and companies with low

ESG scores relative to global averages in each Global Industry Classification Standard (GICS®) industry group.

5. **Why were the S&P Carbon Aware Indices created?** Each index in the series aims to (a) greatly reduce average carbon intensity of the underlying benchmark; (b) screen out companies that derive significant revenue from objectionable practices, industries, or product lines, as well as those identified as ESG laggards; and (c) offer broad diversification across a range of companies in the underlying index.
6. **What indices are in the series?** As of Feb. 10, 2022, the indices available in this series are:
  - [S&P Developed Ex-Australia LargeMidCap Carbon Aware Index](#)
  - [S&P Emerging LargeMidCap Carbon Aware Index](#)
7. **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 at [www.spglobal.com/spdji](http://www.spglobal.com/spdji).
8. **What companies were excluded from the S&P Carbon Aware Indices?** S&P DJI currently publishes supplemental rebalance exclusions files for select ESG indices. Files are published on each index's rebalance effective date and are provided for informational purposes only. The location of these files is <https://www.spglobal.com/spdji/en/client-services/document-center/sp-dji-index-data>.
9. **How much index-level carbon intensity reduction is provided by the S&P Carbon Aware Indices relative to the benchmarks?** Carbon intensity and other ESG characteristics are presented for all S&P DJI indices on their index factsheets, found at [www.spglobal.com/spdji](http://www.spglobal.com/spdji).
10. **How is the index-level carbon intensity measured?** A constituent's carbon intensity is calculated by S&P Global Trucost and is defined as a company's annual greenhouse gas (GHG) emissions (direct and first-tier indirect) divided by annual revenues for the corresponding year. The index-level carbon intensity is calculated as the annual weighted average of the individual constituents' carbon intensities, weighted proportionally to each constituent in the index.

For more information on the S&P Global Trucost GHG emissions dataset, please complete the contact form [here](#).

**11. What are the S&P Global ESG Scores, and how are they used in the S&P Carbon Aware Indices?** The S&P Global ESG Scores are ESG scores that robustly measure ESG risk and performance factors for corporations, with a focus on financial materiality. The S&P Carbon Aware Indices use the S&P DJI ESG Score as a proxy for a company's ESG performance and exclusions are applied based on these scores.

For more information on the S&P Global ESG Scores, please see [here](#).

**12. If I subscribe to the S&P Carbon Aware Indices, will I also receive the underlying ESG and climate datasets used in the S&P Carbon Aware Indices Methodology?**

No. Access to these datasets is available through direct licensing with the corresponding data source. Access to the S&P Global ESG Scores requires a separate data license. For further information, please contact your S&P DJI account representative, or visit [www.spglobal.com/spdji/en/contact-us](http://www.spglobal.com/spdji/en/contact-us).

Access to other datasets used in the methodology require direct licensing with each vendor.

## S&P Carbon Aware Indices Methodology

### Index Eligibility

**13. What exclusions affect the calculation of the S&P Carbon Aware Indices?** The indices apply three types of exclusions as of each rebalancing reference date.

- a. Companies with S&P Global ESG scores that fall within the lowest 25% from each GICS industry group are excluded from the index.
- b. Companies are excluded if they are involved in the following business activities:
  - Controversial weapons
  - Tobacco
  - Thermal coal
  - Oil sands
  - Shale energy
  - Arctic oil & gas exploration
  - Oil & gas
  - Gambling
  - Adult entertainment
  - Alcohol

For more information on index eligibility criteria, see the Index Methodology, found at [www.spglobal.com/spdji/en/methodology/article/sp-carbon-aware-index-series-methodology](http://www.spglobal.com/spdji/en/methodology/article/sp-carbon-aware-index-series-methodology).

- c. Companies that are deemed by Sustainalytics to be non-compliant from a Global Standards Screening perspective are ineligible.

#### **14. How are ESG controversies dealt with in the S&P Carbon Aware Indices**

**Methodology?** S&P Global's Media and Stakeholder Analysis (MSA) monitors ESG controversies, which include 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 reviews constituents that have been flagged by the S&P Global 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.<sup>1</sup>

## Index Optimization and Constraints

**15. Why is optimization used to determine constituent weighting?** The S&P Carbon Aware Indices aim to achieve significant reduction of carbon intensity relative to the underlying benchmarks while maintaining similar broad diversified characteristics. The indices weight eligible constituents in a manner that minimizes weighted average carbon intensity, while satisfying constraints on country, industry group and single stock active weights, as well as diversification constraints.

For more information on the specifics of these index constraints, see the Index Methodology, found at [www.spglobal.com/spdji/en/methodology/article/sp-carbon-control-index-series-methodology](http://www.spglobal.com/spdji/en/methodology/article/sp-carbon-control-index-series-methodology).

## Rebalancing Schedule

**16. When are the indices rebalanced?** The indices rebalance semiannually, effective after the close of the last business day of April and October. The rebalancing reference date is the last trading day of March and September. As part of the rebalancing process, constituent stock weights are updated. Weights calculated as a result of the reference date data are implemented in the indices using closing prices seven business days prior to the rebalancing effective date.

## Index Data & Licensing

**17. How far back are index history data available?** Both the S&P Developed Ex-Australia LargeMidCap Carbon Aware Index and the S&P Emerging LargeMidCap Carbon Aware Index were launched on Aug. 30, 2021. The first value date for the

<sup>1</sup> For more information on the approach used in S&P Global's MSA, visit: [portal.s1.spglobal.com/survey/documents/MSA\\_Methodology\\_Guidebook.pdf](http://portal.s1.spglobal.com/survey/documents/MSA_Methodology_Guidebook.pdf).

indices is April 30, 2010. Back-tested data are available for the indices back to this date, while live performance data are available for each index from its launch date.

- 18. How can I access the data for the S&P Carbon Aware Indices?** S&P Carbon Aware Index data are calculated and delivered daily and available on S&P DJI's SPICE® platform or via Secured File Transfer Protocol (SFTP) scheduled data feeds, delivered using S&P DJI's Enterprise Data Xchange (EDX) platform.
- 19. 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/#>.
- 20. What does SFTP mean?** Secured File Transfer Protocol (SFTP) is a secure 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.
- 21. 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.
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- 23. How can I find out the constituents of these indices?** For information on the index constituents, please contact your S&P DJI account representative or visit [www.spglobal.com/spdji/en/contact-us/](http://www.spglobal.com/spdji/en/contact-us/).
- 24. Where can I find more information about these indices?** More information on all available indices in this series can be found at [www.spglobal.com/spdji/en/index-family/sustainability/sustainability](http://www.spglobal.com/spdji/en/index-family/sustainability/sustainability).

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