

## Frequently Asked Questions

### S&P DJI's Approach to the EU Low Carbon Benchmark Regulation Disclosure Requirements

The [EU Low Carbon Benchmark Regulation](#) requires administrators of benchmarks (other than interest rate and FX) to comply with new requirements to disclose environmental, social, and governance (ESG) factors in their methodology documents and benchmark statements. The delegated regulations ((EU) [2020/1816](#) and (EU) [2020/1817](#)) for ESG disclosure (“Delegated Regulations”) are effective as of Dec. 23, 2020.

- 1. What are the regulations, and what do they aim to achieve?** The EU Low Carbon Benchmark Regulation amends the [EU Benchmark Regulation](#) in two ways: first, it introduces two new benchmark classifications—EU Climate Transition Benchmarks (EU CTB) and EU Paris-Aligned Benchmarks (EU PAB)—and second, it requires administrators of ESG benchmarks to publish certain information. Administrators of benchmarks that pursue ESG objectives must (i) publish an explanation of how key elements of the methodology reflect ESG factors; and (ii) explain in the benchmark statement how ESG factors are reflected for each benchmark or family of benchmarks. The aims of the Delegated Regulations are to:
  - Create a common framework of requirements that promotes consistency, leading to greater comparability between benchmarks;
  - Clearly state if a benchmark pursues ESG objectives, helping investors to identify them; and
  - Generate greater transparency of a benchmark’s objectives to help investors understand them more easily.
- 2. When did the requirements come into effect?** For EU benchmark administrators, the Delegated Regulations are effective as of Dec. 23, 2020. For third-country (i.e., non-EU) benchmark administrators, the Delegated Regulations are effective as of Jan. 1, 2022.<sup>1</sup>
- 3. How does S&P DJI intend to meet the new EU ESG disclosure requirements?** S&P DJI has two benchmark administrators under the EU Benchmark Regulation (EU BMR):<sup>2</sup> S&P DJI Netherlands B.V. (S&P DJI BV), an EU benchmark administrator based in Amsterdam and authorized by the Dutch Authority for Financial Markets; and S&P Dow Jones Indices LLC (S&P DJI), a corporation based in New York. For the purposes of the EU BMR, S&P DJI is an administrator located in a third country. Under the EU BMR, non-EU (third-country) benchmark administrators have an extended period of time to implement the requirements of the

<sup>1</sup> Article 51(5) of the EU Benchmark Regulation provides for a transitional period for third-country benchmark administrators, which expires on Dec. 31, 2021. It is expected that the transitional period under Article 51(5) will be extended until Dec. 31, 2023.

<sup>2</sup> Regulation (EU) 2016/1011

regulation.<sup>3</sup> On the other hand, EU benchmark administrators must implement the EU ESG disclosure requirements starting from Dec. 23, 2020. In view of the different timelines for EU and third-country administrators, we are prioritizing the EU ESG disclosures for those benchmarks administered by S&P DJI BV. For more information on S&P DJI's implementation of the EU Benchmark Regulation, please refer to the [Regulatory Information](#) page of the S&P DJI website.

- 4. Do all S&P DJI ESG Indices have ESG disclosures?** The ESG disclosure requirements under the Delegated Regulations apply to benchmarks that take into account ESG factors. S&P DJI is prioritizing the ESG disclosure for those benchmarks administered by S&P DJI BV. In view of the transitional period for third-country benchmark administrators (referred in question 3), S&P DJI will be rolling out the ESG disclosures for all other benchmarks in advance of the expiration of the transitional period. In addition, in an effort to support index users, S&P DJI will voluntarily disclose index-level ESG metrics for flagship third-country ESG indices during the transitional period.
- 5. What has S&P DJI disclosed in response to the Delegated Regulations?** The following has been implemented for those indices administered by S&P DJI BV.
  - 5.1 Methodology-Level Appendices:** A new appendix (per the template specified by the EU<sup>4</sup>) has been incorporated into the index methodologies administered by S&P DJI BV to identify whether the index pursues ESG objectives and what ESG factors are considered by the index. All index methodologies are available publicly via <https://www.spglobal.com/spdji>.
  - 5.2 Benchmark Statement-Level Appendices:** A new appendix (per the template specified by the EU<sup>5</sup>) has been incorporated into S&P DJI BV's benchmark statements, setting out an explanation of how ESG factors are reflected in each benchmark. All benchmark statements are available publicly via <https://www.spglobal.com/spdji/en/governance/methodologies/#methodology-library>.
  - 5.3 Metrics for the EU Climate Transition Benchmarks (EU CTBs) and EU Paris-aligned Benchmarks (EU PABs):** We have also disclosed additional metrics for the S&P PACT™ Indices (S&P Paris-Aligned & Climate Transition Indices), which are a series of indices that align with the EU's minimum standards for EU CTBs and EU PABs. The [EU Low Carbon Benchmark Regulation Disclosure Report](#) provides the index-level ESG metrics required by the regulations.
  - 5.4 Non-ESG Index Appendices:** A new appendix has also been attached to the index methodology documents and benchmark statements for those indices that do not pursue ESG objectives.

<sup>3</sup> The transitional provisions for non-EU benchmark administrators under Article 51(5) of the EU BMR expire on Dec. 31, 2021, and the transition period under Article 51(5) is expected to be extended until Dec. 31, 2023.

<sup>4</sup> Commission Delegated Regulation (EU) 2020/1817 is available via [https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv%3AOJ.L\\_2020.406.01.0012.01.ENG&toc=OJ%3AL%3A2020%3A406%3ATOC](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv%3AOJ.L_2020.406.01.0012.01.ENG&toc=OJ%3AL%3A2020%3A406%3ATOC).

<sup>5</sup> Commission Delegated Regulation (EU) 2020/1816 is available via <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32020R1816>.

- 6. Where can I find a list of S&P DJI indices and methodologies?** To search for S&P DJI indices and methodologies please refer to the [S&P DJI Methodology and Regulatory Database](#).
- 7. How frequently will the disclosures be updated?** The ESG disclosure metrics (provided in the [EU Low Carbon Benchmark Regulation Disclosure Report](#)) will be updated shortly after each index rebalance, according to each index's rebalancing schedule. Index-level metrics will be calculated as of the adjusted close on the rebalance effective date for each index. The disclosures for any EU CTB or EU PAB governed by S&P DJI will follow the disclosure schedule outlined in the [EU Low Carbon Benchmark Regulation Disclosure Report](#).
- 8. What index-level ESG metrics are required by the regulation, and what will S&P DJI calculate and disclose?** The Delegated Regulations lay down a set of ESG metrics for equity, fixed income, sovereign debt, commodity, and other asset class indices. As stated above, S&P DJI will prioritize ESG disclosures for those benchmarks administered by S&P DJI BV. The only proprietary ESG benchmark administered by S&P DJI BV is the S&P PACT Indices, which fall under the equity asset class for the purposes of the Delegated Regulations. The index-level ESG metrics for the S&P PACT Indices are disclosed in the [EU Low Carbon Benchmark Regulation Disclosure Report](#). For more information regarding the index-level ESG metrics calculated and disclosed, please refer to the [S&P DJI ESG Metrics Reference Guide](#).
- 9. Why do some ESG indices not have some of the required index-level ESG metrics calculated?** We will calculate and disclose all ESG metrics that are considered by an index methodology (i.e., metrics that are used to select, weight, or exclude index constituents). Which ESG metrics are considered by an index methodology is determined on an index-by-index basis. ESG factors that are not considered by an index methodology will be identified by "N/A" in the [EU Low Carbon Benchmark Regulation Disclosure Report](#).
- 10. How are the index-level ESG metrics calculated?** Each index-level ESG metric is defined and its calculation approach explained in the [S&P DJI ESG Metrics Reference Guide](#).
- 11. Where can I find more about the data sets used to calculate the index-level ESG metrics?** For more information on the index-level metrics and the data sets used in their calculation, please see the [S&P DJI ESG Metrics Reference Guide](#).
- 12. Are historical disclosures of index-level ESG metrics available?** Yes, from December 2020, the ESG disclosure reports will be retained by S&P DJI and will be available for at least five years.
- 13. Can I use the index-level ESG metrics?** The EU Low Carbon Benchmark Regulation Disclosure Report is subject to S&P DJI's [Terms of Use](#).
- 14. Where can I find out more information about S&P DJI's ESG benchmark disclosures?** The [Regulatory Information](#) page on S&P DJI's website contains more information on the EU Benchmark Regulation. On this page, there is also an area with resources relating to the EU Low Carbon Benchmark Regulation.

## **SPECIFIC DISCLOSURES CONCEPTS**

### **Benchmark Statement-Level Appendices**

- 15. What is a benchmark statement?** Under the EU Benchmark Regulation, benchmark administrators are required to publish a benchmark statement. A benchmark statement provides a high-level description of the characteristics of a benchmark or series of benchmarks.

### **Index-Level ESG Metrics Disclosure Report**

- 16. What is an index-level ESG metric?** An index-level metric is an indicator calculated to provide an aggregate measure for the index overall and is comprised of the characteristics of its constituents. Index-level ESG metrics are index-level metrics that provide an aggregate measure of the index's performance against a specific environmental, social, governance, or combined criteria. The metrics are often used to communicate the ESG-related attributes of an index, such as what is the average carbon intensity of the stocks in an index (i.e., carbon footprint) or the average ESG score of the stocks in an index (i.e., index-level ESG score).

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