

S&P Global Clean Energy Index Consultation on Index Universe Expansion, Weighting Scheme Changes, and Incorporation of Exclusion Criteria Results

NEW YORK, SEPTEMBER 21, 2021: S&P Dow Jones Indices (“S&P DJI”) has conducted a [consultation](#) with market participants on potential changes to the S&P Global Clean Energy Index.

In order to enhance index diversification, improve transparency, further reduce the index’s carbon footprint, and align the index methodology with market trends and sustainable investing norms, S&P DJI will incorporate several changes. First, S&P DJI is changing the domicile/trading location rule to allow for the inclusion of emerging market listings. Second, S&P DJI is amending the eligible universe by introducing FactSet’s Revere Business Industry Classification System (“RBICS”) classifications and Trucost Power Generation Data for Utility companies. Third, S&P DJI is introducing several exclusion criteria. Finally, S&P DJI is modifying the Carbon Intensity Screen steps. The table below outlines the changes.

Change	Effective Date	Methodology	
		Previous	Updated
Domicile/ Trading Location	04/18/2022	Stocks must be trading on a developed market exchange.	Companies must be domiciled and trading in an emerging or developed market location.
Eligible Universe	10/18/2021	The universe of companies that may be considered eligible for potential index inclusion is determined by S&P DJI based on factors such as a company’s business description and its most recent reported revenue by segment.	The universe of companies that may be considered eligible for potential index inclusion is determined by FactSet’s RBICS classifications and Trucost Power Generation Data for Utility companies. In addition, companies that had an exposure score of at least 0.5 in the universe for consideration as of the previous rebalancing may also be eligible.
Exclusion Criteria	10/18/2021	--	The index methodology employs the following exclusion criteria: Sustainalytics Business Activity Screenings, Exclusions Based on Sustainalytics’ Global Standards Screening, and a Media and Stakeholder Analysis Overlay.
Carbon Intensity Screen	10/18/2021	The calculation uses all eligible stocks with exposure scores of 1,0.75 and 0.5. The carbon-to-revenue footprint standard score is calculated by subtracting the mean carbon-to-revenue footprint of all the eligible selections as of the rebalancing reference date from each selection’s carbon-to-revenue footprint and then dividing the difference by the standard deviation. The top and bottom five percent (5%) are excluded from the mean and standard deviation calculations.	The calculation uses all stocks in the preliminary universe (before introducing the exclusion criteria described above) with an exposure score of 1. The carbon-to-revenue footprint standard score is calculated by subtracting the mean carbon-to-revenue footprint of all preliminary universe stocks with an exposure score of 1 as of the rebalancing reference date from each stock’s carbon-to-revenue footprint and then dividing the difference by the standard deviation (also determined based on preliminary universe stocks with an exposure score of 1). The top and bottom five percent (5%) are excluded from the mean and standard deviation calculations.

In addition, S&P DJI is clarifying the exposure score calculation. Details of the above changes and the exposure score clarification can be found on the following pages.

Eligible Universe

Domicile/Trading Location. Companies must be domiciled and trading in an emerging or developed market location.

Index Construction. Stocks that meet the eligibility criteria are reviewed for specific practices related to clean energy. Index constituents are drawn from the S&P Global BMI.

The preliminary universe of companies is identified based on ANY of the following screens:

- Companies that derive at least 25% in aggregate revenue from Clean Energy-related businesses as defined by RBICS data (see list in Appendix 1).
- Companies from “General Utilities” as defined by the following GICS sub-industries, that generate at least 20% of their power (as measured by Trucost Data) from renewable sources (i.e. Wind, Solar, Hydroelectric, Biomass, Geothermal):
 - Electric Utilities (55101010)
 - Multi-Utilities (55103010)
 - Independent Power Producers & Energy Traders (55105010)
- Companies from “Renewable Utilities” as defined by the GICS Sub-industry Renewable Electricity (55105020).
- Companies that had an exposure score of at least 0.5 in the universe for consideration as of the previous rebalancing.

Please refer to <https://insight.factset.com/resources/factset-revere-business-industry-classifications-datafeed> for more information on RBICS.

Sustainalytics Business Activity Screenings

As of each rebalancing reference date, companies with specific Levels of Involvement and/or Significant Ownership Thresholds, as specified and measured by Sustainalytics, are excluded from the eligible universe:

Sustainalytics Product Involvement	Sustainalytics Category of Involvement and Description	Sustainalytics Involvement Proxy	S&P DJI Level of Involvement Threshold	S&P DJI Significant Ownership Threshold
Controversial Weapons	Tailor Made and Essential & Non-Tailor Made and Non-Essential: The company is involved in the core weapon system, or components/services of the core weapon system that are, and are not, considered tailor-made and essential for the lethal use of the weapon.	NA	>0%	≥25%
Small Arms	Civilian Customers (Assault and Non-Assault Weapons): The company manufactures and sells assault weapons and/or small arms (Non-assault weapons) to civilian customers.	Revenue	>0%	Not Relevant
	Military/Law Enforcement Customers: The company manufactures and sells small arms to military/law enforcement customers.			
	Key Components: The company manufactures and sells key components of small arms.			
	Retail/Distribution (Assault and Non-Assault Weapons): The company is involved in the retail and/or distribution of assault weapons and/or small arms (Non-assault weapons).			

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Sustainalytics Product Involvement	Sustainalytics Category of Involvement and Description	Sustainalytics Involvement Proxy	S&P DJI Level of Involvement Threshold	S&P DJI Significant Ownership Threshold
Military Contracting	Weapons: The company manufactures military weapon systems and/or integral, tailor-made components or these weapons.	Revenue	>5%	Not Relevant
	Weapon-related products and/or services: The company provides tailor-made products and/or services that support military weapons.		>10%	
Tobacco	Production: The company manufactures tobacco products.		>0%	Not Relevant
	Related Products/Services: The company supplies tobacco-related products/services.		≥5%	
	Retail: The company derives revenues from the distribution and/or retail sale of tobacco products.		≥5%	
Thermal Coal	Extraction: The company extracts thermal coal.		≥5%	Not Relevant
	Power Generation: The company generates electricity from thermal coal.		≥25%	
Oil Sands	Extraction: The company extracts oil sands.		≥5%	Not Relevant
Shale Energy	Extraction: The company is involved in shale energy exploration and/or production.			Not Relevant
Arctic Oil & Gas Exploration	Extraction: The company is involved in oil and gas exploration in Arctic regions.			Not Relevant

Exclusions Based on Sustainalytics' Global Standards Screening

Sustainalytics' Global Standards Screening ("GSS") provides 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 basis of the GSS assessments are the United Nations Global Compact ("UNGC") Principles. Information regarding related standards is also provided in the screening, including the Organization for Economic Co-operation and Development ("OECD") Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, as well as their underlying conventions. Sustainalytics classifies companies into the following three statuses:

- **Non-Compliant.** Classification given to companies that do not act in accordance with the UNGC principles and its associated standards, conventions and treaties.
- **Watchlist.** Classification given to companies that are at risk of violating one or more principles, for which all dimensions for Non-Compliant status could not be established or confirmed.
- **Compliant.** Classification given to companies that act in accordance with the UNGC principles and its associated standards, conventions, and treaties.

As of each rebalancing reference date, companies classified as **Non-Compliant**, according to Sustainalytics, are ineligible for index inclusion.

Companies without Sustainalytics coverage are ineligible for index inclusion until they receive such coverage.

Media and Stakeholder Analysis Overlay

S&P Global uses RepRisk, a leading provider of business intelligence on environmental, social, and governance risks, for daily filtering, screening and analysis of controversies related to companies within the index.

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In cases where risks are presented, S&P Global 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 S&P Global’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 in question, that company would not be eligible for re-entry into the indices for one full calendar year, beginning with the subsequent rebalancing.

For more information on RepRisk, please refer to www.reprisk.com. This service is provided for most of S&P Dow Jones Indices’ Sustainability Indices and is not considered a direct contribution to the index construction process.

Carbon Intensity Screen Changes

S&P DJI is amending the current carbon-to-revenue footprint scoring approach so that the calculation uses all stocks in the preliminary universe (before introducing the exclusion criteria described above) with an exposure score of 1 instead of eligible stocks with exposure scores of 1, 0.75, and 0.5.

The carbon-to-revenue footprint standard score is calculated by subtracting the mean carbon-to-revenue footprint of all preliminary universe stocks with an exposure score of 1 as of the rebalancing reference date from each stock’s carbon-to-revenue footprint and then dividing the difference by the standard deviation (also determined based on preliminary universe stocks with an exposure score of 1). The top and bottom five percent (5%) are excluded from the mean and standard deviation calculations.

Clarification on Exposure Score Calculations: Exposure Score Assignment Steps

In conjunction with the above changes, S&P DJI is further describing the calculation and thresholds used to determine the Exposure Scores used for selection and weighting purposes, as detailed below.

1. Calculate Clean Revenue Score
 - Calculate a revenue score for all eligible companies by aggregating the percentage of revenue across all in-scope sub-industries based on RBICS data described in Appendix 1.
2. Calculate Clean Power Generation Score for Utilities/Power Generation companies
 - Calculate the percentage of clean power generation for companies that are involved in power generation businesses. These are companies that primarily belong to “General Utilities” or “Renewable Utilities”.
 - Adjust the percentage of clean power generation for each company by multiplying into “Relevant Revenue”. “Relevant Revenue” is considered revenue sourced from power generation and distribution activities, as defined by RBICS data (see Appendix 1). (Note: The purpose of this adjustment is to ensure power generation companies involved in other businesses such as water supply, engineering services or natural gas supply are scaled appropriately to reflect a more representative score, see example in Appendix 2).
3. Step 3: Calculate Final Exposure Score

For non-power generation companies, assign scores based on the following clean revenue thresholds:

Non-Power Generation Companies Clean Revenue Score (x)	Exposure Scores			
	1	0.75	0.5	0
	$x \geq 75\%$	$50\% \leq x < 75\%$	$25\% \leq x < 50\%$	$x < 25\%$

For power generation-related companies, including companies classified as “General Utilities” and “Renewable Utilities”, there will be two scores available for each company: Clean Revenue Score and Clean Power Generation Score. Score assignment will be based on the maximum of the two scores:

Clean Score = Max (Clean Revenue Score, Clean Power Generation Score)

Power Generation Companies (Utilities) Clean Score (x)	Exposure Scores			
	1	0.75	0.5	0
	$x \geq 75\%$	$50\% \leq x < 75\%$	$25\% \leq x < 50\%$	$x < 25\%$

IMPLEMENTATION TIMING

With the exception of the Domicile/Trading Location change, the changes will become effective prior to the market open on **Monday, October 18, 2021**. The changes will first be visible beginning after the market close on **Friday, October 8, 2021**, in conjunction with the pro-forma file delivery for the semi-annual reconstitution.

Domicile/Trading Location Change. This change will become effective prior to the market open on **Monday, April 18, 2022**. Advanced notification of this change will be provided in the form of an extended pro-forma period which will start after the market close on **Friday, April 1, 2022**.

Please note that the S&P Global Thematic Indices Methodology on S&P DJI’s website will be updated to reflect these changes.

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

APPENDIX 1 – FactSet’s Revere Business Industry Classification System (RBICS) Data

RBICS is a comprehensive structured taxonomy designed to offer precise classification of global companies and their individual business units. The RBICS taxonomy structure offers six levels of classifications starting with the most general (Economies) to the most specialized (Sub-Industries).

L1 Economies > L2 Sectors > L3 Sub-Sectors > L4 Industry Groups > L5 Industries > L6 Sub-Industries

RBICS standardizes and assigns revenue percentages into the most granular sectors of the RBICS taxonomy based on reported revenue by segment of companies under coverage.

The following sub-industries (L6) (based on data as of August 21, 2021) have been identified to capture the scope of the S&P Global Clean Energy Index.

Sub-Industry (L6) Name	
Photovoltaic and Solar Cells and Systems Providers	Other Asia/Pacific Solar Wholesale Power
Wind Energy Equipment Manufacturing	Other Asia/Pacific Wind Wholesale Power
Biodiesel Fuel Manufacturing	Other Asia/Pacific Mixed Alt. Wholesale Power
Ethanol Fuel Manufacturing	Europe Biomass Wholesale Power
Canada Biomass Wholesale Power	Europe Geothermal Wholesale Power
Canada Geothermal Wholesale Power	Europe Hydroelectric Wholesale Power
Canada Hydroelectric Wholesale Power	Europe Solar Wholesale Power
Canada Solar Wholesale Power	Europe Wind Wholesale Power
Canada Wind Wholesale Power	Europe Mixed Alternative Wholesale Power
Canada Mixed Alternative Wholesale Power	Middle East and Africa Biomass Wholesale Power
Latin America Biomass Wholesale Power	Middle East and Africa Geothermal Wholesale Power
Latin America Geothermal Wholesale Power	Middle East and Africa Hydroelectric Wholesale Power
Latin America Hydroelectric Wholesale Power	Middle East and Africa Solar Wholesale Power
Latin America Solar Wholesale Power	Middle East and Africa Wind Wholesale Power
Latin America Wind Wholesale Power	Middle East and Africa Mixed Alt. Wholesale Power
Latin America Mixed Alternative Wholesale Power	United States Biomass Wholesale Power
China Biomass Wholesale Power	United States Geothermal Wholesale Power
China Geothermal Wholesale Power	United States Hydroelectric Wholesale Power
China Hydroelectric Wholesale Power	United States Solar Wholesale Power
China Solar Wholesale Power	United States Wind Wholesale Power
China Wind Wholesale Power	United States Mixed Alternative Wholesale Power
China Mixed Alternative Wholesale Power	Hydroelectric Power Generation Equipment Providers
Other Asia/Pacific Biomass Wholesale Power	Hydrogen Fuel Manufacturing
Other Asia/Pacific Geothermal Wholesale Power	Waste-to-Energy Services
Other Asia/Pacific Hydroelectric Wholesale Power	Fuel Cell Equipment and Technology Providers

The following Industry-Groups (L4) have been identified as business segments that contribute towards “Relevant Revenue”

Industry Group (L4) Name	
Electric Utilities	Multinational Wholesale Power
Asia/Pacific Wholesale Power	United States Wholesale Power
Americas Wholesale Power	Wholesale Power Generation and Marketing
Other International Wholesale Power	

APPENDIX 2 – Clean Power Generation Score Adjustment Example

Company A is classified under the GICS Multi-Utilities Sub-industry. Company A has the following revenue segments:

RBICS Industry Group (L4)	RBICS Sub-Industries (L6)	Tag	% Revenue
Electric Utilities	International Electricity Generator Utilities	Relevant Revenue	25.0
Other International Wholesale Power	Other International Energy Utilities	Relevant Revenue	10.0
Electric Utilities	Europe, Middle East and Africa Electric Utilities	Relevant Revenue	3.0
General Waste Collection	General Waste Collection		2.5
Other International Wholesale Power	Europe Alternative Wholesale Power	Relevant Revenue	25.0
International Water Utilities	Americas Water Utilities		1.5
Natural Gas Utilities	Europe Natural Gas Utilities		3.0
International Water Utilities	Europe, Middle East and Africa Water Utilities		30.0
Sum of Relevant Revenue			63.00

Based on Trucost Power Generation data, Company A has 90% of power generation from renewable sources. The adjusted Clean Power Generation Score for Company A will be $90\% * 63\% = 56.7\%$. Based on this score, Company A will be assigned a score of 0.75. Without the adjustment, the company would have been assigned a score of 1 despite its involvement in other businesses such as Water Utilities, Natural Gas Supply and Waste Collection.

ABOUT S&P DOW JONES INDICES

S&P Dow Jones Indices is the largest global resource for essential index-based concepts, data and research, and home to iconic financial market indicators, such as the S&P 500[®] and the Dow Jones Industrial Average[®]. More assets are invested in products based on our indices than products based on indices from any other provider in the world. Since Charles Dow invented the first index in 1884, S&P DJI has been innovating and developing indices across the spectrum of asset classes helping to define the way investors measure and trade the markets.

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