

S&P/B3 Brazil ESG 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/B3 Brazil ESG Index.

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

EXCLUSIONS BASED ON BUSINESS ACTIVITIES

S&P DJI is proposing to introduce additional, expanded, and revised exclusions based on a company’s involvement in certain defined business activities. The additional exclusions cover Oil Sands, Small Arms and Military Contracting, the expanded exclusions cover Controversial Weapons, and the revised exclusions cover Tobacco. These changes are being proposed following feedback about our current exclusions. In addition, Significant Ownership exclusions will no longer be applied 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. The table below details the changes:

Product Involvement	Category of Involvement and Description	S&P DJI Level of Involvement Threshold		S&P DJI Significant Ownership Threshold		Summary
		Current	Proposed	Current	Proposed	
Controversial Weapons	Tailor Made and Essential: The company is involved in the core weapon system, or components/services of the core weapon system that are considered tailor-made and essential for the lethal use of the weapon.	>0%	>0%	≥25%	≥25%	No change
	Non-tailor-made or non-essential: The company provides components/ services for the core weapon system, which are either not considered tailor-made or not essential to the lethal use of the weapon.	N/A	>0%	N/A	≥25%	New
Thermal Coal	Extraction: The company extracts thermal coal.	≥5%	≥5%	N/A	N/A	No change
	Generation: The company generates electricity from thermal coal.	≥5%	≥5%	N/A	N/A	No change

Product Involvement	Category of Involvement and Description	S&P DJI Level of Involvement Threshold		S&P DJI Significant Ownership Threshold		Summary
		Current	Proposed	Current	Proposed	
Tobacco Products	Production: The company manufactures tobacco products.	>0%	>0%	≥25%	≥25%	No change
	Related Products/Services: The company supplies tobacco-related products/services.	≥10%	≥5%	≥25%	N/A	Revision
	Retail: The company derives revenues from the distribution and/or retail sale of tobacco products	≥10%	≥5%	≥25%	N/A	Revision
Oil Sands	Extraction: The company extracts oil sands.	N/A	≥5%	N/A	N/A	New
Small Arms	Civilian customers (assault weapons): The company manufactures and sells assault weapons to civilian customers.	N/A	>0%	N/A	≥25%	New
	Civilian customers (non-assault weapons): The company manufactures and sells small arms (non-assault weapons) to civilian customers.	N/A	>0%	N/A	≥25%	New
	Military/law enforcement customers: The company manufactures and sells small arms to military/law enforcement.	N/A	>0%	N/A	≥25%	New
	Key components: The company manufactures and sells key components of small arms.	N/A	>0%	N/A	≥25%	New
	Retail/Distribution (assault weapons): The company is involved in the retail and/or distribution of assault weapons.	N/A	≥5%	N/A	N/A	New
	Retail/distribution (non-assault weapons): The company is involved in the retail and/or distribution of small arms (non-assault weapons).	N/A	≥5%	N/A	N/A	New
	Weapons: The company manufactures military weapon systems and/or integral, tailor-made components or these weapons.	N/A	≥10%	N/A	N/A	New
Military Contracting	Weapon-related products and services: The company provides tailor-made products and/or services that support military weapons.	N/A	≥10%	N/A	N/A	New

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

If the proposed changes had been in effect at the most recent index rebalancing, one additional stock would have been excluded, Embraer S.A. (ISIN: BREMBRACNOR4). This stock, which is a current index constituent, would have been excluded due to the company's involvement in Military Contracting.

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 expand and amend the Exclusions Based on Business Activities as described?**
2. **Do you agree with the proposal to introduce a quarterly eligibility check for business involvement and UNGC exclusions?**
3. **If any of the proposed changes are adopted, do you agree with the proposed implementation date?**
4. **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.

CONSULTATION

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