

S&P/B3 Brazil ESG Index Consultation on Eligibility Requirements – Results

AMSTERDAM, APRIL 1 2022: S&P Dow Jones Indices (“S&P DJI”) has conducted a [consultation](#) with market participants on potential changes to the S&P/B3 Brazil ESG Index.

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

EXCLUSIONS BASED ON BUSINESS ACTIVITIES

S&P DJI will 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 were 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 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 |
|-----------------------|--|--|---------|---|---------|-----------|
| | | Previous | Updated | Previous | Updated | |
| 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 |

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| 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 will 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 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.

IMPLEMENTATION TIMING

S&P DJI will implement the previously described methodology changes in conjunction with the upcoming rebalancing, which takes effect prior to the market open on Monday, May 2, 2022. The changes will first be visible to clients beginning on Friday, April 22, 2022.

Please note that the methodology on S&P DJI's website is being updated to reflect these changes.

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

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