

S&P BSE 100 ESG Index Consultation on Eligibility Requirements

MUMBAI, APRIL 19, 2022: Asia Index Private Limited (“AIPL”) is conducting a consultation with market participants on potential changes to the S&P BSE 100 ESG Index.

AIPL is proposing to make changes to the eligibility requirements used in the index. The proposed changes are detailed below.

EXCLUSIONS BASED ON THE UNITED NATIONS GLOBAL COMPACT (“UNGC”)

AIPL is proposing to change the provider of UNGC data from Arabesque to Sustainalytics, and to exclude companies that are deemed by Sustainalytics to be Non-Compliant. The aim of this proposed change is to move away from the use of a continuous data set and towards a discrete data set.

EXCLUSIONS BASED ON BUSINESS ACTIVITIES

AIPL is proposing to introduce additional, expanded and revised exclusions based on a company’s involvement in certain defined business activities. The additional exclusions cover Thermal Coal, 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. 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%	N/A	≥25%	Revision
	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.	N/A	≥5%	N/A	N/A	New
	Generation: The company generates electricity from thermal coal.	N/A	≥5%	N/A	N/A	New
Tobacco Products	Production: The company manufactures tobacco products.	>0%	>0%	N/A	≥25%	Revision
	Related Products/Services: The company supplies tobacco-related products/services.	≥10%	≥5%	N/A	N/A	Revision
	Retail: The company derives revenues from the distribution and/or retail sale of tobacco products	≥10%	≥5%	N/A	N/A	Revision

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	
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
Military Contracting	Weapons: The company manufactures military weapon systems and/or integral, tailor-made components or these weapons.	N/A	≥10%	N/A	N/A	New
	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

AIPL 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.

TREATMENT OF COMPANIES WITHOUT UNGC OR BUSINESS ACTIVITY DATA COVERAGE

AIPL is proposing to modify the treatment of companies not covered by the UNGC or Business Involvement data provider so that companies without Sustainalytics coverage are ineligible for index inclusion. Currently, companies without Arabesque or Sustainalytics coverage are assumed to be compliant and are eligible for index inclusion if they meet all other requirements. The aim of this proposed change is to ensure that companies that may potentially violate the eligibility requirements are not included in the index due to the lack of appropriate data and applicable screening.

IMPACT ANALYSIS

Using data from the June 2021 rebalancing, five companies would have been excluded from the eligible index universe if the UNGC exclusions screen had incorporated Sustainalytics data instead of data from Arabesque. The five companies are listed below.

Company	Exchange Ticker
Adani Ports and Special Economic Zone	532921
Tata Consultancy Services Ltd ¹	532540
Larsen & Toubro Ltd	500510
Oil & Natural Gas Corp Ltd	500312
Adani Enterprises Ltd	512599

Using data from the June 2021 rebalancing, five companies would have been excluded from the eligible index universe if the business activity exclusions screen had incorporated the additional, expanded and revised exclusions detailed above. The five companies are listed below.

Company	Exchange Ticker	Current or New Eligible Universe Exclusion?
ITC Ltd	500875	Current – Tobacco
Larsen & Toubro Ltd	500510	Current – Controversial Weapons
Coal India Ltd	533278	New – Thermal Coal
NTPC Ltd ¹	532555	New – Thermal Coal
Tata Power Co Ltd ¹	500400	New – Thermal Coal

Using data from the June 2021 rebalancing, there would have been no impact on the index if the proposed treatment of companies without UNGC or business activity data coverage had been in place at that time.

Using data from the June 2021 rebalancing, the table below shows the index's actual one-way turnover using the current methodology, as well as the theoretical results that would have occurred had the proposed methodology changes been applied at that time.

Index Name	Turnover		Incremental Turnover	Actual		Theoretical	
	Actual	Theoretical		Adds	Drops	Adds	Drops
S&P BSE 100 ESG Index	10.47%	12.09%	1.62%	15	5	14	7

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, June 20, 2022. If adopted, the changes will first be visible to clients beginning on Friday, June 3, 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 change the UNGC data provider from Arabesque to Sustainalytics?
2. Do you agree with the proposal to expand and amend the Exclusions Based on Business Activities as described?
3. Do you agree with the proposal to introduce a quarterly eligibility check for business involvement and UNGC exclusions?

¹ Current index constituent.

CONSULTATION

4. **Do you agree with the proposal to make companies without Sustainalytics coverage ineligible for index inclusion?**
5. **If any of the proposed changes are adopted, do you agree with the proposed implementation date?**
6. **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 **May 9, 2022**. After this date, AIPL will no longer accept survey responses. Prior to the Index Committee's final review, AIPL 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 SPDJ 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, AIPL 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 AIPL 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 BSE Indices, please visit www.asiaindex.co.in.

About ASIA INDEX PRIVATE LIMITED

Asia Index Pvt. Ltd is a 50-50 partnership between S&P Dow Jones Indices LLC, the world's largest provider of financial market indices, and BSE Ltd, Asia's oldest stock exchange and home to the iconic SENSEX index – a leading indicator of Indian equity market performance. Asia Index Pvt. Ltd, which combines the benchmarks, market intelligence, and insights of both parent companies, each established more than 115 years ago, aims to provide a full array of indices enabling global and domestic investors to participate in South Asia's vibrant economies. The Company is best known for calculating, publishing, and maintaining a diverse family of Asian indices under the umbrella brand, S&P BSE Indices.

About BSE Ltd

BSE (formerly Bombay Stock Exchange) established in 1875, is Asia's first & now the world's fastest Stock Exchange with a speed of 6 microseconds. BSE is India's leading exchange group and has played a prominent role in developing the Indian capital market. BSE is a corporatized and demutualised entity, with a broad shareholder base that includes the leading global exchange-Deutsche Bourse, as a strategic partner. BSE provides an efficient and transparent market for trading in equity, debt instruments, equity derivatives, currency derivatives, commodity derivatives, interest rate derivatives, mutual funds and stock lending and borrowing.

BSE also has a dedicated platform for trading in equities of small and medium enterprises (SMEs) that has been highly successful. BSE also has a dedicated MF distribution platform BSE Star MF which is India Largest Mutual Funds Distribution Infrastructure. BSE launched commodity derivatives trading in Gold, Silver, Copper, Oman Crude Oil Guar Gum, Guar Seeds & Turmeric.

BSE provides a host of other services to capital market participants including risk management, clearing, settlement, market data services and education. It has a global reach with customers around the world and a nation-wide presence. BSE's systems and processes are designed to safeguard market integrity, drive the growth of the Indian capital market and stimulate innovation and competition across all market segments.

Indian Clearing Corporation Limited, a wholly owned subsidiary of BSE, acts as the central counterparty to all trades executed on the BSE trading platform and provides full novation, guaranteeing the settlement of all bonafide trades executed. BSE Institute Ltd, another fully owned subsidiary of BSE runs one of the most respected capital market educational institutes in the country. Central Depository Services Ltd. (CDSL), associate company of BSE, is one of the two Depositories in India.

BSE has set up an Investor Protection Fund (IPF) on July 10, 1986 to meet the claims of investors against defaulter Members, in accordance with the Guidelines issued by the Ministry of Finance, Government of India. BSE Investor Protection Fund is responsible for creating Capital markets related awareness among the investor community in India.

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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