

# S&P 500 Net Zero 2050 Paris-Aligned Sustainability Screened Index Consultation on Eligibility Requirements and Constraints

**AMSTERDAM, OCTOBER 14, 2022:** S&P Dow Jones Indices (“S&P DJI”) is conducting a consultation with market participants on potential changes to the S&P 500 Net Zero 2050 Paris-Aligned Sustainability Screened Index.

S&P DJI is considering making changes to the eligibility requirements and index construction constraints used in the index. The proposed changes are detailed below.

## Index Construction Constraints

S&P DJI is proposing to replace the S&P DJI Environmental Score Constraint with an overall S&P DJI ESG Score Constraint. This change is intended to help ensure the index continues to meet climate objectives without impacting other Social or Governance objectives. In addition, the constraint will be amended to reflect an improvement on the weighted average ESG score of eligible members of the underlying index after 20% of the worst performing members (by count) are removed. This constraint is being introduced to align the methodology with other Paris-Aligned indices.

Methodology	
Current	Proposed
Weighted-average S&P DJI Environmental Score (waE) $\geq$ of eligible waE + (20% $\times$ (max E score in eligible - eligible waE))	Weighted-average S&P DJI ESG Score (waESG) $\geq$ of eligible waESG if 20% of the worst performing companies by count are removed and weight redistributed. <sup>1</sup>

## Exclusions Based on Business Activities

S&P DJI is proposing to introduce additional exclusions based on a company’s involvement in certain defined business activities. The additional exclusions cover Small Arms and Military Contracting. These changes are being considered 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 be treated more harshly due to the level of their indirect involvement than they would be for their direct involvement. The table below details the proposed changes:

Category of Involvement	Current	Proposed
Small Arms: Military/Law Enforcement Customers	—	Level of Involvement Threshold: <b>&gt;0%</b>
Military Contracting: Weapons <sup>2</sup>	—	Level of Involvement Threshold: <b><math>\geq</math>10%</b>
Military Contracting: Weapon Related Products and/or Services	—	Level of Involvement Threshold: <b><math>\geq</math>10%</b>
Tobacco: Related Products/Services	Significant Ownership Threshold: <b><math>\geq</math>25%</b>	—
Tobacco: Retail	Significant Ownership Threshold: <b><math>\geq</math>25%</b>	—

<sup>1</sup> Companies without an S&P DJI ESG Score are excluded from the waESG calculation

<sup>2</sup> This category includes companies which manufacture and distribute the weapons they produce.

## IMPACT ANALYSIS

For an analysis of the impact<sup>3</sup> of the proposed changes, please refer to the file available [here](#).

## 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, January 2, 2023**. If adopted, the changes will first be visible to clients beginning on **Thursday, December 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 update the Index Construction Constraints as proposed?**
2. **Do you agree with the proposal to update the Exclusions Based on Business Activities for the S&P Net Zero 2050 Paris-Aligned Indices?**
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 **November 14, 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](mailto: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](http://www.spglobal.com/spdji).

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<sup>3</sup> The hypothetical impact analysis and statistics apply proposed consultation rules as of the index rebalancing in September 2022.

## ABOUT S&P DOW JONES INDICES

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