

S&P North American Sector Indices Consultation

NEW YORK, JANUARY 11, 2019: S&P Dow Jones Indices (“S&P DJI”) is conducting a consultation with members of the investment community on potential changes to the S&P North American Sector Indices.

In order to enhance index diversification and streamline the treatment of secondary shares, S&P DJI is considering the proposed changes outlined in the table below.

Impacted Indices	Changes	Current	Methodology	Proposed
All S&P North American Sector Indices	Minimum Constituent Count	--	At each quarterly rebalancing, if the constituent count is less than 22 after applying the rules set forth in the eligibility criteria, the market capitalization requirement is relaxed so that the next largest non-constituent in the eligible universe is added until the constituent count reaches 22.	
All S&P North American Sector Indices	5% Rule	<p>Index constituent share changes resulting from public offerings (also known as follow-on offerings or secondary offerings) that equal 5% or more of the total shares outstanding are eligible for next day implementation. Block trades and spot secondaries must meet the above criteria in order to be eligible for next day implementation.</p> <p>Next day implementation includes a review of the company's IWF using the latest publicly available ownership data. Any change in the IWF of at least five (5) percentage points resulting from the review is implemented with the share update.</p>	<p>Confirmed share changes that are at least 5% of the total shares outstanding are implemented weekly. Total shares outstanding (not float-adjusted shares) are used to determine whether the share change meets this 5% threshold. Share changes of 5% or greater resulting from aggregated smaller share change events are implemented when S&P DJI is able to validate the cumulative change.</p> <p>Share changes are applied weekly and are announced after the market close on Fridays for implementation after the close of trading the following Friday (i.e. one week later). If a change in total shares outstanding of at least 5% causes a company's IWF to change by at least five (5) percentage points, the IWF is updated at the same time as the share change. IWF changes resulting from partial tender offers are considered on a case-by-case basis. Changes to share counts that total less than 5% of total shares are accumulated and made quarterly on the third Friday of March, June, September and December.</p>	

Impacted Indices	Changes	Current	Methodology	
				Proposed
S&P North American Natural Resources Sector Index	Capping Thresholds	<p>The index is weighted by float-adjusted market capitalization, subject to the following:</p> <ul style="list-style-type: none"> • The weight of any individual company is capped at 7.5%. • If any company's weight exceeds 7.5%, that company's weight is capped at 7.5% and all excess weight is proportionally redistributed to all uncapped companies within the index. If after this redistribution, any company breaches the 7.5% weight cap, the process is repeated iteratively until no company breaches the 7.5% weight cap. • Then, the aggregate weight of companies in the index with a weight greater than 4.5% is capped at 45%. 	<p>The index is weighted by float-adjusted market capitalization, subject to the following:</p> <ul style="list-style-type: none"> • The weight of any individual company is capped at 10%. • If any company's weight exceeds 10%, that company's weight is capped at 10% and all excess weight is proportionally redistributed to all uncapped companies within the index. If after this redistribution, any company breaches the 10% weight cap, the process is repeated iteratively until no company breaches the 10% weight cap. • Then, the aggregate weight of companies in the index with a weight greater than 4.5% is capped at 22.5%. 	
S&P North American Natural Resources Sector Index	Daily Dynamic Capping	--	The index is also reviewed daily based on each company's capped market capitalization weight. Daily capping is performed when the aggregate weight of companies in the index with a weight greater than 5% exceeds 25%.	

For further information on the current and proposed capping methodology, please refer to the Different Capping Methods section (Method 1) within S&P DJI's Index Mathematics Methodology available [here](#).

For further information on the 5% rule, please refer to the Share and Investable Weight Factor (IWF) Updates section within S&P DJI's Equity Indices Policies & Practices Methodology available [here](#).

For information on the S&P North American Sector Indices, please refer to the S&P North American Sector Indices Methodology available [here](#).

IMPACT ANALYSIS

Based on index composition as of September 28, 2018, the table below shows the hypothetical one-way turnover of the proposed changes on the S&P North American Sector Indices.

Impacted Index	Minimum Constituent Count	Hypothetical One-Way Turnover		
		5% Rule	Capping Thresholds	Daily Dynamic Capping
S&P North American Technology Sector Index	0%	0%	0%	0%
S&P North American Expanded Technology Sector Index	0%	0%	0%	0%
S&P North American Technology Software Index	0%	0%	0%	0%
S&P North American Expanded Technology Software Index	0%	0%	0%	0%
S&P North American Technology Multimedia Networking Index	2.25%	0%	0%	0%
S&P North American Natural Resources Sector Index	0%	0%	11.62%	0%

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IMPLEMENTATION TIMING

S&P DJI is proposing to implement the previously described methodology changes, if adopted, prior to the market open on Monday, March 18, 2019, in conjunction with the quarterly re-capping.

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 establish a minimum constituent count for each of the S&P North American Sector Indices?**
- 2. Do you agree with the proposal to change the 5% rule utilized by the S&P North American Sector Indices?**
- 3. Do you agree with the proposal to change the capping thresholds utilized by the S&P North American Natural Resources Sector Index?**
- 4. Do you agree with the proposal to institute a daily dynamic capping procedure for the S&P North American Natural Resources Sector Index?**
- 5. Should the proposed changes be 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. S&P DJI will make responses to consultations freely available upon request.¹ If you do not want your response to be made available, you must clearly state that in your response. Please respond to this survey by **February 11, 2019**. After this date, S&P DJI will no longer accept survey responses. Prior to the Index Committee's final review, S&P DJI will consider the issues and may request clarifications from respondents as part of that review. Alternative options to the proposed questions after the deadline require that the consultation be re-opened to the public.

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 index_services@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.spdji.com.

¹ Individual and company names as well as contact details will be redacted.

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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.

S&P Dow Jones Indices is a division of S&P Global (NYSE: SPGI), which provides essential intelligence for individuals, companies and governments to make decisions with confidence. For more information, visit www.spdji.com.

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