

S&P BMI North American Natural Resources Indices Consultation on Constituent Weighting and Rebalancing

NEW YORK, MARCH 27, 2020: S&P Dow Jones Indices (“S&P DJI”) is conducting a consultation with market participants on potential changes to the S&P BMI North American Natural Resources Index and its related sub-indices.¹

In order to enhance the diversification of the index, S&P DJI is considering modifying the constituent weighting scheme of the S&P BMI North American Natural Resources Index. In addition, S&P DJI is considering amending the rebalancing schedule of all the S&P BMI North American Natural Resources Indices. The tables below summarize the proposed changes.

| Constituent Weighting – S&P BMI North American Natural Resources Index Only | |
|--|---|
| Current | At each rebalancing, the weight for each index constituent is set in the following manner: <ol style="list-style-type: none"> 1. With data reflected on the rebalancing reference date, each company is weighted by float-adjusted market capitalization. 2. The weights of all stocks within each cluster are capped at 45% for Energy, 35% for Metals & Mining, and 20% for Agriculture. 3. Any company with a weight greater than 10% is capped at 10%. 4. All excess weight is proportionally redistributed to all uncapped stocks within the respective index cluster. |
| Proposed | At each rebalancing, constituents are weighted by float-adjusted market capitalization, subject to company constraints. This is done by using an optimization procedure that chooses final weights in such a way to minimize the sum of the squared difference of capped weight and uncapped weight, subject to the following constraints: <ol style="list-style-type: none"> 1. Any company with a weight greater than 10% is capped at 10%. 2. The cumulative weights of each cluster are capped at 45% for Energy, 35% for Metals & Mining, and 20% for Agriculture. 3. The cumulative weight of all stocks within the index which have a weight greater than 4.5% cannot exceed 45%. |

| Rebalancing Schedule – All S&P BMI North American Natural Resources Indices | |
|--|---|
| Current | The indices rebalance quarterly after the close of the last business day of February, May, August, and November. The reference date is after the close of the last business day of January, April, July, and October. |
| Proposed | The indices rebalance quarterly after the close of the last business day of March, June, September, and December. The reference date is after the close of the last business day of February, May, August, and November. Since index shares are assigned based on prices seven business days prior to the rebalancing, the actual weight of each stock at the rebalancing differs from the target weights due to market movements. |

For more information on the S&P BMI North American Natural Resources Indices, please refer to the S&P Thematic Indices Methodology available [here](#).

¹ The related sub-indices consist of the S&P BMI North American Natural Resources Agriculture Index, S&P BMI North American Natural Resources Energy Index, and S&P BMI North American Natural Resources Metals and Mining Index.

IMPACT ANALYSIS

Using prices as of the close on March 18, 2020, the table below shows the one-way turnover that would have resulted, using both the current and proposed constituent weighting rules, had a reweighting of the S&P BMI North American Natural Resources Index been performed effective prior to the open on Monday, March 30, 2020.

| Index | One-Way Turnover | |
|--|-------------------------|--------------------------|
| | Current Weighting Rules | Proposed Weighting Rules |
| S&P BMI North American Natural Resources Index | 25.2% | 26.8% |

IMPLEMENTATION TIMING

S&P DJI is proposing to implement the previously described methodology changes, if adopted, prior to the market open on **Monday, April 20, 2020**.

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 modify the constituent weighting rules for the S&P BMI North American Natural Resources Index?**
2. **Do you agree with the proposal to modify the rebalancing schedule of all the S&P BMI North American Natural Resources Indices?**
3. **If the proposed changes are adopted, do you agree with the proposed implementation date?**
4. **If the proposed changes are adopted, do you agree to have a one-time capping based on the modified weighting rule, prior to the market open on Monday, April 20, 2020?**
5. **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 **April 3, 2020**. 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.spdji.com.

CONSULTATION

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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