

Consultation on the Eligibility of ChiNext Stocks in S&P Dow Jones Indices' Global Benchmarks

NEW YORK, AUGUST 5, 2020: S&P Dow Jones Indices (“S&P DJI”) is conducting a consultation with market participants on the eligibility of China A-shares (“A-shares”) listed on the ChiNext board of the Shenzhen Stock Exchange in S&P DJI’s global benchmarks:

- S&P Global BMI
- S&P Global BMI Shariah
- S&P Global Property
- S&P/IFCI Composite
- Dow Jones Global Index
- Dow Jones Islamic Market Index

Effective with the September 2019 annual reconstitution, A-shares that trade on the main board of the Shanghai and Shenzhen Stock Exchanges became eligible for inclusion in S&P DJI’s global benchmark indices.¹ To meet the eligibility requirements for inclusion, the A-shares must trade via the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect programs. Under the current methodology, A-shares trading on the Sci-Tech Innovation Board (“STAR”)² of the Shanghai Stock Exchange and ChiNext board³ of the Shenzhen Stock Exchange are not eligible for inclusion in S&P DJI’s global benchmark indices.

There has been significant growth in the size (both market capitalization and number of listings) and liquidity of the ChiNext board in recent years, and ChiNext listed A-shares are currently eligible for trading via the Stock Connect program. In order to better reflect the total China A-share market, S&P DJI is considering making ChiNext listed A-shares eligible for inclusion in the same global benchmark indices that other China A-shares are eligible for, using the same reduced weight factor of 25% of each company’s investable weight factor (“IWF”) as the existing eligible A-shares.

Similarly, S&P DJI is also considering making ChiNext listed A-shares eligible for inclusion in the regional China A-share benchmark indices⁴ for which they are not currently eligible:

- S&P China A Domestic BMI
- S&P China A International
- Dow Jones China Broad Market Index

MARKET STATISTICS

Using data from June 22, 2020, the table on the following page shows the number of eligible ChiNext A-share listings and associated float-adjusted market capitalization (“FMC”) at their various inclusion levels used in both the global and regional benchmark indices.

¹ Please refer to S&P DJI’s 2018 Country Classification Consultation Results available [here](#).

² For information on the STAR Board, please refer to <http://star.sse.com.cn/en/gettingstarted/overview/>.

³ For information on the ChiNext Board, please refer to <http://www.szse.cn/English/products/equity/ChiNext/>.

⁴ Please refer to the appendix of this document for a list of downstream indices potentially impacted by this proposal.

| | Number of Stocks | FMC | US\$ Billion FMC ⁵ | FMC ⁶ |
|--|---------------------|--------|----------------------------------|------------------|
| Eligible ChiNext listings | 765 | 488.06 | 299.12 | 79.66 |
| Eligible ChiNext listings trading on the Connect Program | 239 | 357.84 | 216.75 | 57.88 |

For more information on the IWF and adjustments used for the respective indices, please refer to the [S&P Global BMI](#), [S&P IFIC Methodology](#), [S&P China Indices Methodology](#), and [Dow Jones China Indices Methodology](#).

Using data from June 22, 2020, the table below shows the five largest China A-share stocks and associated FMC at their various inclusion levels used in both the global and regional benchmark indices.

| Company | FMC | US\$ Billion FMC ⁵ | FMC ⁶ |
|--|-------|----------------------------------|------------------|
| Contemporary Amperex Technology Co Ltd A | 28.32 | 15.45 | 4.13 |
| East Money Information Co Ltd A | 16.39 | 6.47 | 1.73 |
| Guangdong Wen's Foodstuff Group Co Ltd A | 13.78 | 5.91 | 1.58 |
| Aier Eye Hospital Group Co Ltd A | 9.63 | 7.81 | 2.09 |
| Walvax Biotechnology Company Limited A | 8.53 | 3.55 | 0.95 |

INDEX IMPACT

Using data from June 22, 2020, the table below shows the actual weights for China A-shares in certain benchmark indices, as well as the hypothetical weights that would have resulted had eligible ChiNext listed A-shares been included.

| Benchmark Index | China A-Share Weight | |
|------------------------|----------------------|--------------|
| | Actual | Hypothetical |
| S&P China BMI | 15.4213% | 17.6853% |
| S&P Emerging BMI | 6.3783% | 7.3147% |
| S&P Global BMI | 0.7118% | 0.8156% |
| Dow Jones Global Index | 0.7375% | 0.8453% |

Using data from June 22, 2020, the table below shows the actual FMC for the regional benchmark indices as well as the hypothetical FMC that would have resulted had eligible ChiNext listed A-shares been included.

| Benchmark Index | FMC (US\$ Billion) | | |
|------------------------------------|--------------------|--------------|------------|
| | Current | Hypothetical | % Increase |
| S&P China A Domestic BMI | 3,049.66 | 3,537.73 | 16.00% |
| S&P China A International | 1,897.46 | 2,196.58 | 15.76% |
| Dow Jones China Broad Market Index | 2657.28 | 3122.26 | 17.50% |

IMPLEMENTATION TIMING

S&P DJI is proposing to implement the proposed addition, if adopted, in conjunction with the subsequent rebalancing, which takes effect prior to the market open on Monday, September 21, 2020.

⁵ After applying the lower of an aggregate foreign ownership limit (FOL) of 30%, or the investable weight factor of each constituent.

⁶ After the IWF for stocks is reduced to 25% of the float rate, after applying the foreign ownership limit of 30%.

CONSULTATION

QUESTIONS

Please answer the following questions and provide S&P DJI with the reasoning behind your answers:

1. Do you agree with making ChiNext listed A-shares eligible for inclusion in S&P DJI's global benchmark indices?
2. Do you agree with making ChiNext listed A-shares eligible for inclusion in S&P DJI's regional China A-share benchmarks and downstream indices?
3. Do you agree with reviewing the eligibility of STAR listed A-shares when they become eligible for trading via the Stock Connect program?
4. If any changes are adopted, do you agree with the proposed implementation date?
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 **August 21, 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.

APPENDIX

| Regional Benchmark Index | Downstream Indices |
|------------------------------------|---|
| S&P China A Domestic BMI | S&P China A Domestic + B BMI S&P Total China Domestic BMI S&P Total China & Hong Kong Domestic BMI S&P Total Greater China Domestic BMI S&P Emerging BMI (Domestic China A Full Inclusion) |
| S&P China A International | S&P China All-Shares S&P China All-Shares + Hong Kong BMI S&P Greater China All-Shares S&P Emerging Asia Pacific BMI (China A Full Inclusion) S&P Pan Asia BMI (China A Full Inclusion) S&P Emerging BMI (China A Full Inclusion) S&P Global BMI (China A Full Inclusion) |
| Dow Jones China Broad Market Index | Dow Jones China 88 Index |

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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