

S&P Global Clean Energy Index Consultation on Constituent Weighting, Liquidity Screen, and Target Constituent Count

NEW YORK, DECEMBER 9, 2020: S&P Dow Jones Indices (“S&P DJI”) is conducting a consultation with market participants on potential changes to the S&P Global Clean Energy Index.

In order to reduce constituent concentration, ease liquidity limitations, and improve index replication, S&P DJI is considering modifying the index’s constituent weighting scheme by introducing liquidity weight multiple capping. Under this weighting scheme, a constituent’s weight would be restricted to the lower of a specified percentage, or a multiple of its liquidity weight (see **Impact Analysis** below for the three options under consideration), relative to the sum of the liquidity of all index constituents. In addition, S&P DJI is considering increasing the index’s target constituent count from 30 to 35.

S&P DJI is also considering modifying the liquidity screen to utilize a six-month median daily value traded (“MDVT”) screen instead of the current three-month average daily value traded (“ADVT”) screen for both constituent selection and weightings. This proposal aims to apply a more rigorous liquidity screen in order to diminish the effect of random spikes and outliers on the liquidity measure, as well as align the methodology with other S&P DJI indices. The table below summarizes the proposed changes.

Proposed Change	Methodology	
	Current	Proposed
Constituent Weighting	Constituents are weighted based on the product of each constituent’s FMC and exposure score, subject to a single constituent weight cap of 4.5%.	Constituents are weighted based on the product of each constituent’s FMC and exposure score, with the weights of constituents capped at the lower of 4.5% or a multiple of the constituent’s liquidity weight.
Target Constituent Count	30	35
Liquidity Screen	To qualify for index inclusion, a stock must have an ADVT of at least US\$ 3 million (US\$ 2 million for current constituents) for the three-months prior to the rebalancing reference date.	To qualify for index inclusion, a stock must have an MDVT of at least US\$ 3 million (US\$ 2 million for current constituents) for the six-months prior to the rebalancing reference date.

IMPACT ANALYSIS

Using data from the last two semi-annual rebalancings, the table below shows the impact that the previously described proposed weighting scheme, liquidity screen, and stock count changes would have had if they were implemented at those times, using three different weighting multiple options.

Rebalancing	Current	Option 1	Option 2	Option 3
	The weights of individual securities based on the product of each constituent's FMC and exposure score are capped at 4.5%.	Individual security weights are capped at the lower of 4.5% or three times the constituent's liquidity weight.	Individual security weights are capped at the lower of 4.5% or four times the constituent's liquidity weight.	Individual security weights are capped at the lower of 4.5% or five times the constituent's liquidity weight.
Effective Count				
Total Stocks	30	35	35	35
One-Way Turnover				
April 2020	15.13%	32.86%	26.93%	23.04%
October 2020	24.13%	31.18%	27.12%	24.63%
MDVT Impact (number of stocks replaced after switching to MDVT from ADVT)				
April 2020	-	3	3	3
October 2020	-	-	-	-
Weighted Exposure Score				
April 2020	1	0.98	0.98	0.98
October 2020	1	1	1	1

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, April 19, 2021.

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 weight capping method by introducing liquidity multiple capping?
2. Do you agree with the proposal to increase the target constituent count?
3. Do you agree with the proposal to modify the liquidity screen?
4. If any of the proposed 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 **January 8, 2021**. 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](#).

CONSULTATION

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.

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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CONSULTATION