

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

NEW YORK, JANUARY 22, 2021: S&P Dow Jones Indices (“S&P DJI”) is reopening the consultation with market participants on potential changes to the S&P Global Clean Energy Index to provide further clarity on the target constituent count change proposed below.

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 capping¹ and increasing the maximum index stock weight along with a 4.5%/40% cumulative weight 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.

S&P DJI is also considering modifying the liquidity screen to utilize a six-month median daily value traded (“MDVT”) 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. In addition, S&P DJI is considering amending the rebalancing schedule of the S&P Global Clean Energy Index. 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 9% or a multiple of the constituent’s liquidity weight. The cumulative weight of all stocks within the index which have a weight greater than 4.5% cannot exceed 40%.
Target Constituent Count	Stock count of 30.	All exposure score 1 stocks are selected, with a minimum constituent count of 35. If there are fewer than 35 score 1 stocks, the highest-ranking stock from the eligible universe with an exposure score of 0.5 is selected, until the minimum target constituent count of 35 is reached.
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.
Rebalancing Schedule	Semi-annual index reconstitutions occur after the close on the Third Friday of April and October. The reference date is after the close of the Third Friday of March and September.	Semi-annual index reconstitutions occur after the closing on the Third Friday of April and October. In addition, quarterly reweightings occur after the close on the Third Friday of January and July . The reference date is after the close of the Third Friday of March, June, September and December.

¹Liquidity Weight Multiple Cap = Multiple *(Stock Liquidity / Aggregate Liquidity of all Stocks), where Stock Liquidity = Six-month MDVT.

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 9% or three times the constituent's liquidity weight. The cumulative weight of all stocks within the index which have a weight greater than 4.5% cannot exceed 40%.	Individual security weights are capped at the lower of 9% or four times the constituent's liquidity weight. The cumulative weight of all stocks within the index which have a weight greater than 4.5% cannot exceed 40%.	Individual security weights are capped at the lower of 9% or five times the constituent's liquidity weight. The cumulative weight of all stocks within the index which have a weight greater than 4.5% cannot exceed 40%.
Effective Count				
April 2020	30	35	35	35
October 2020	30	44	44	44
One-Way Turnover				
April 2020	15.13%	27.81%	23.68%	22.23%
October 2020	24.13%	27.35%	26.41%	26.42%
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	0.96	0.96	0.96
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 and increasing the maximum index stock weight along with a 4.5%/40% cumulative weight capping?
 - Yes, change to Option 1 (three times multiple).
 - Yes, change to Option 2 (four times multiple).
 - Yes, change to Option 3 (five times multiple).
 - No, maintain the current weight capping method.
2. Do you agree with the proposal to increase the target constituent count?
 - Yes.
 - No.

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3. Do you agree with the proposal to modify the liquidity screen?
 - Yes.
 - No.
4. Do you agree with the proposal to modify the rebalancing schedule of the S&P Global Clean Energy Index by introducing quarterly reweightings?
 - Yes.
 - No.
5. If any of the proposed changes are adopted, do you agree with the proposed implementation date?
6. If the proposed changes are adopted, do you agree to have a one-time early proforma, effective after the close on Friday, April 2, 2021?
7. 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 **February 5, 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](#).

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.

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