

S&P Dow Jones Indices' Consultation on the Investor Perspective for Certain Regional China Benchmark Indices

NEW YORK, FEBRUARY 24, 2021: S&P Dow Jones Indices ("S&P DJI") is conducting a consultation with market participants on potential changes to certain indices' investor perspective¹ following the recent [update](#) to the S&P DJI policy on the treatment of sanctioned securities. Generally, S&P DJI will consider sanctioned securities from the perspective of a U.S., U.K., and/or European Union (EU) based investor for S&P DJI's standard, global indices.

Under the updated policy, and subject to S&P DJI's compliance with applicable law, S&P DJI may expressly differentiate certain regional benchmark indices to consider the eligibility of securities from the perspective of a non-U.S./U.K./EU investor, and/or other individualized perspectives.

For the below S&P DJI global benchmark indices the change in sanctioned securities policy has no impact. These index families employ a U.S./U.K./EU investor perspective, and sanctioned securities are ineligible for index inclusion.

- 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

Similarly, the below China-focused benchmark indices employ a U.S./U.K./EU investor perspective.

- S&P China BMI
- S&P China A BMI
- S&P China ex-A BMI²
- S&P Emerging BMI (China A Full Inclusion)
- S&P China All-Shares
- S&P Greater China BMI
- S&P China International
- S&P Access China A Index

S&P DJI is proposing to change the investor perspective of certain regional China benchmark indices, listed below, to be that of a non-U.S./U.K./EU investor to allow the reinstatement of recently excluded, China-domiciled securities.

- S&P China A Domestic BMI
- S&P China ex-A BMI³
- S&P Access Hong Kong Index
- S&P Total China Domestic BMI
- S&P Emerging BMI (Domestic China A Full Inclusion)
- Dow Jones China Broad Market Index

If adopted, this change would become effective prior to the market open on **Monday, June 21, 2021**, with the reinstated securities first visible in corporate action files starting Friday June 11, 2021.

¹ The investor perspective is the viewpoint of the investor relative to the index and component securities.

² This index will be a version of the existing S&P China ex-A BMI; sanctioned securities are ineligible for index for inclusion.

³ This index will be a renamed version of the existing S&P China ex-A BMI, sanctioned securities would be reinstated.

Where applicable, S&P DJI will update the index objectives of the respective index methodologies in order to better reflect the index's global, or domestic, investor perspective. In addition, access and use of these indices may be subject to certain licensing restrictions to ensure S&P DJI's compliance with applicable law.

If the above change in investor perspective is adopted, and China-domiciled sanctioned securities are reinstated to the regional China benchmark indices, those securities would then also be re-eligible for certain downstream/sub-index indices that use the regional benchmark indices as their index universe.

To mitigate the risk that users of the downstream indices are adversely impacted by any current or future security sanctions, S&P DJI is also proposing to modify the index objectives of the downstream indices to better reflect the indices' investor perspectives. The index objective changes would be effective in conjunction with the next respective index rebalancing, including those indices rebalancing effective prior to the market open on Monday, June 21, 2021.

Please see the table below for a list of downstream/sub-indices, their respective index universe, and the proposed investor perspective for each index.

Downstream/Sub-Index	Index Universe	Proposed Investor Perspective
S&P China 500	S&P Total China Domestic BMI	U.S./U.K./EU
S&P China A 1800 Indices	S&P China A Domestic BMI	China ⁴
S&P New China Sectors Index	S&P Total China + Hong Kong Domestic BMI	U.S./U.K./EU
S&P Hong Kong-Listed China MidSmallCap Select Index	S&P China ex-A BMI ²	China
S&P/HKEX Large Cap Index	--	China
S&P/HKEX GEM Index	--	China
S&P China A-Share Dividend Opportunities	S&P China A Domestic BMI	China
S&P China A-Share Enhanced Value	S&P China A Domestic BMI	China
S&P China A-Share Low Volatility	S&P China A Domestic BMI	China
S&P China A-Share Quality	S&P China A Domestic BMI	China
S&P China A-Share Short-Term Momentum	S&P China A Domestic BMI	China
S&P China A-Share Low Volatility High Dividend	S&P China A Domestic BMI	China
S&P China A-Share Dividend Momentum	S&P China A Domestic BMI	China
S&P China A-Share Quality Value	S&P China A Domestic BMI	China
S&P China A-Share LargeCap Low Volatility High Dividend 50	S&P China A Domestic BMI	China
S&P Access Hong Kong Low Volatility High Dividend	S&P Access Hong Kong	China
Dow Jones China 88 Index	Dow Jones China Broad Market Index	China
Dow Jones China Offshore 50 Index	Dow Jones China Index	U.S./U.K./EU
Dow Jones Islamic Market China 100 Index	Dow Jones Islamic Market China A Index	U.S./U.K./EU

In addition, the index universe for the S&P Access China Enterprises Enhanced Value Index is impacted by the proposed difference in investor perspective. In order to maintain the index objective of the original index design, S&P DJI is proposing the below changes to the index:

Proposed Changes	Current	Methodology Updated
Index Universe	S&P Access China A Index + S&P Access Hong Kong Index (only stocks that are domiciled in China are eligible for index consideration).	S&P Total China & Hong Kong Domestic BMI (only stocks that are domiciled in China are eligible for index consideration).
Additional Eligibility Criteria	--	Only stocks listed on the Northbound and Southbound Trading Segments of the Connect Programs are eligible for inclusion.

If adopted, these changes would become effective prior to the market open on **Monday, July 19, 2021**, with the changes first visible in corporate action files starting Friday, July 02, 2021.

⁴ New versions may be created from a non-U.S./U.K./EU investor perspective.

QUESTIONS

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

1. **Do you agree with the proposed application of S&P DJI's updated policy on sanctioned securities to the regional China benchmark indices?**
2. **Do you agree with the proposed non-U.S./U.K./EU investor perspective for the listed downstream/sub-indices?**
3. **Do you agree with the proposed changes to the S&P Access China Enterprises Enhanced Value Index?**
4. **Should the proposed methodology changes be adopted, do you agree with the proposed implementation dates?**
5. **Are there any indices not included in this consultation which you think should be based on the potential impact?**
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. Please respond to this survey by **March 12, 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.

Please note that users of S&P DJI's indices are solely responsible for ensuring such users' compliance with all applicable law (including, without limitation, sanctions laws and any other rules, regulations or prohibitions) in connection with such use (including, without limitation, trading, investment or other use). U.S. law currently prohibits U.S. persons from purchasing for value, or selling, publicly traded securities of certain Chinese issuers, as well as securities that are derivative of or designed to provide investment exposure to such securities. U.S. investors and other persons subject to U.S. law should therefore ensure that any use by them of S&P DJI indices that may comprise these securities is in compliance with all applicable sanctions laws and regulations.

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

CONSULTATION

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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