S&P Global Clean Energy Index Consultation on Exposure Scores, Target Constituent Count, and Constituent Weightings

NEW YORK, MARCH 4, 2021: 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 an effort to reduce constituent concentration, ease liquidity limitations, and improve index replication further than would have been achieved from the result of the prior consultation, S&P DJI is proposing several additional changes. First, S&P DJI proposes adding an additional exposure score level of 0.75. Second, S&P DJI proposes increasing the index’s target constituent count to 100. Lastly, S&P DJI proposes further modifying the index’s constituent weightings scheme by adding multiple, single constituent capping thresholds based on a constituent’s respective exposure score. The tables below summarize the proposed changes.

<table>
<thead>
<tr>
<th>Change</th>
<th>Current</th>
<th>Methodology</th>
<th>Proposed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exposure Scores</td>
<td>0 = Eliminated, no exposure</td>
<td>0 = Eliminated, no exposure</td>
<td>0.5 = Moderate clean energy exposure</td>
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<td></td>
<td>0.5 = Multi-industry with significant clean energy exposure</td>
<td>0.75 = Significant clean energy exposure</td>
<td>1 = Maximum clean energy exposure</td>
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<td></td>
<td>1 = Primary business is clean energy</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Target Constituent Count</td>
<td>After determining the eligible universe, the index components are selected as follows:</td>
<td>After determining the eligible universe, index constituents are selected as follows:</td>
<td></td>
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<tr>
<td></td>
<td>1. S&amp;P Dow Jones Indices defines exposure scores for each company based on its primary business.</td>
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<td></td>
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<tr>
<td></td>
<td>2. All exposure score 1 stocks from the eligible universe are selected. If there are fewer than 35 qualifying stocks with an exposure score of 1, the largest companies, as ranked by FMC, from within the eligible universe with an exposure score of 0.5 are selected until the count reaches 35.</td>
<td>2. All exposure score 1 stocks are selected, with a target constituent count of 100. If more than 100 exposure score 1 stocks are eligible, all exposure score 1 stocks are selected. If fewer than 100 exposure score 1 stocks are eligible the following selection steps are performed:</td>
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<td></td>
<td>3. Stocks are ranked by FMC, and the highest ranking stock with an exposure score of 0.75 is selected and added to the index. This process continues iteratively until the target constituent count is reached.</td>
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<td></td>
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<td>4. If, after step 3 there are still not 100 constituents, the highest ranking stock with an exposure score of 0.5 is selected until the target constituent count of 100 is reached, all eligible companies with exposure scores of 1, 0.75, and 0.5 are selected, or the index’s weighted average exposure score falls to 0.85. If there are 100 constituents, and the index’s weighted average exposure score falls below 0.85, the lowest ranking stock with an exposure score of 0.5 is removed until the index’s weighted average exposure score reaches 0.85. Therefore, it is possible for the final index constituent count to be below 100.</td>
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</table>

1 Weighted Average Exposure Score is the sum of the product between each constituents’ exposure score and its final optimized weights.
Methodology

Constituent Weightings

Current: 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 five times its liquidity weight. The cumulative weight of all stocks within the index which have a weight greater than 4.5% cannot exceed 40%.

Proposed: 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 either a single constituent weight cap by exposure score, or five times its liquidity weight. In addition, the cumulative weight of all stocks within the index which have a weight greater than 4.5% cannot exceed 40%.

The single constituent weight caps by exposure score are:
1. Constituents with an exposure score of 1 are capped at 8%.
2. Constituents with an exposure score of 0.75 are capped at 6%.
3. Constituents with an exposure score of 0.5 are capped at 4%.

IMPACT ANALYSIS

Using data from the October 2020 rebalancing, the table below shows the impact that the proposed weighting scheme and target constituent count changes would have had for both the prior and current consultation proposals, if they were implemented at that time.

<table>
<thead>
<tr>
<th>Rebalancing</th>
<th>Actual</th>
<th>Prior Consultation’s Proposals</th>
<th>Current Consultation Proposals</th>
</tr>
</thead>
<tbody>
<tr>
<td>One-Way Turnover</td>
<td>24.13%</td>
<td>26.42%</td>
<td>52.70%</td>
</tr>
<tr>
<td>Effective Count</td>
<td>30</td>
<td>44</td>
<td>68</td>
</tr>
<tr>
<td>Weighted Exposure Score</td>
<td>1</td>
<td>0.96</td>
<td>0.88</td>
</tr>
</tbody>
</table>

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. If adopted, the changes will first be visible to clients beginning on Friday, April 02, 2021.

FUTURE CONSIDERATIONS

In addition to the above proposed changes, S&P DJI intends to publish an additional consultation considering further changes following the completion of the April 2021 semi-annual rebalancing.

These changes include potentially expanding the index universe to include emerging stocks listed on emerging market exchanges, and expanding the clean energy business definition to include more eligible segments, such as, but not limited to:

- Marine Energy
- Alternative Fuels for Vehicles
- Energy Storage
- Energy Efficiency
- Smart Grid.

\[ \text{Liquidity Weight Multiple Cap} = \text{Multiple} \times (\text{Stock Liquidity} / \text{Aggregate Liquidity of all Stocks}) \]

\[ \text{where Stock Liquidity} = \text{Six-month MDVT}. \]
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 add the 0.75 exposure score level?
2. Do you agree with the proposal to increase the target constituent count to 100?
3. Do you agree with the proposal to include stocks with lower exposure scores until the index’s weighted average exposure score falls to 0.85 or the target constituent count of 100 is reached?
4. Do you agree with the proposal to change the constituent weightings scheme to add multiple single constituent caps based on constituent exposure score?
5. If any of the proposed changes are adopted, do you agree with the proposed implementation date?
6. Do you agree with the future consideration to expand the index universe by including emerging market stocks listed on emerging market exchanges?
7. Do you agree with the future consideration to add new segments as eligible global clean energy businesses?
8. Do you have any other segment which you would think should be included as an eligible business?
9. 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 19, 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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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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