

S&P Quality Indices Consultation – Results (Updated)

NEW YORK, AUGUST 4, 2022: S&P Dow Jones Indices (“S&P DJI”) has conducted a [consultation](#) with market participants on potential changes to the S&P Quality Indices.

In order to better align S&P DJI’s computation of the “Quality” factor with industry practice, S&P DJI is making four changes to its Quality Score calculation:

1. If the underlying earnings per share (“EPS”) or book value per share (“BVPS”) for a given stock’s return on equity (“ROE”) is negative, its ROE value will be excluded and the stock’s ROE Z-score will be set equal to the lowest component stock ROE Z-score.
2. If the underlying EPS or BVPS for a given stock’s ROE is negative, the stock’s Quality Score will be calculated, but it will be ineligible for index inclusion. For the S&P Quality, Value & Momentum Top 90% Multi-Factor Indices and S&P Quality – Lowest Quintile Indices, if the underlying EPS or BVPS for a given stock’s ROE is negative, the stock’s Quality Score will be calculated, and it will be eligible for index inclusion.
3. The denominator of the Accrual Ratio calculation will use Average Total Asset instead of Average Net Operating Assets.
4. For stocks classified in the Financials (GICS 40) or Real Estate (GICS 60) sectors, the Accrual Ratio calculation will not be applied. Only the ROE and Financial Leverage Ratio will be used to calculate the stock’s Quality Score.¹

The indices impacted by these changes rebalance at various times throughout the year. Therefore, S&P DJI will implement the previously described changes starting with the September 2022 rebalancing period. These changes will first be visible to clients in pro-forma files beginning on September 9, 2022.

For index-specific implementation dates, please refer to the list of impacted indices available [here](#).

Please note the S&P Quality Indices Methodology, S&P Quality, Value & Momentum Multi-factor Indices Methodology, S&P Factor-Based Quintile Indices Methodology, and other impacted methodologies are being updated to reflect these changes.

For more information about S&P Dow Jones Indices, please visit www.spglobal.com/spdji.

¹ For the S&P BSE Quality, for stocks with a common India Industry Classification Structure macro-economic indicator classification of Financial Services and a sector classification of Realty, the Accrual Ratio calculation will not be applied. Only the ROE and Financial Leverage Ratio will be used to calculate the stock’s Quality Score.

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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