S&P Dow Jones
Indices

A Division of S&P Global

S&P Global Agribusiness Equity Index Consultation on Liquidity Threshold, Index Construction, Constituent Weightings, and Rebalancing Schedule — Results

NEW YORK, SEPTEMBER 16, 2022: S&P Dow Jones Indices ("S&P DJI") has conducted a consultation with market participants on potential changes to the S&P Global Agribusiness Equity Index.

In order to ease liquidity limitations, improve index replication, enhance transparency, and align the index objective with sustainable investing norms, S&P DJI is making changes to the index's methodology encompassing the following:

- Liquidity Threshold
- Index Construction
- Constituent Weightings
- Rebalancing Schedule

Also, in order to ensure index constituents better reflect the index objective, S&P DJI is adding a quarterly eligibility check to review current index constituents for continued compliance with the Business Activities and United Nations Global Compact ("UNGC") eligibility criteria.

Liquidity Threshold

S&P DJI is modifying the liquidity threshold eligibility factor as detailed in the table below.

	Methodology	
Change	**Previous**	**Updated**
Liquidity Threshold	Average Daily Value Traded ("ADVT") of at least US$ 3 million for the six months prior to the rebalancing reference date.	Median Daily Value Traded ("MDVT") of at least US$ 3 million (US$ 2 million for current constituents) for the six months prior to the rebalancing reference date.

Index Construction

S&P DJI is modifying the index's construction process, including the constituent selection steps, by applying additional screens and an exposure score calculation and assignment process.

Under the updated index construction process, stocks that meet the eligibility criteria are reviewed for specific practices related to Agribusiness. Index constituents are drawn from the S&P Global BMI. The preliminary universe of companies is identified based on ANY of the following screens:

- Companies that derive at least 25% in aggregate revenue from Agribusiness-related businesses as defined by RBICS data (see Appendix I).
- Companies that were assigned an Exposure Score of at least 0.5 in the previous rebalance date (including companies that were not actually selected for the index).

Please refer to https://insight.factset.com/resources/factset-revere-business-industry-classifications-datafeed for more information on RBICS.

Exclusions Based on Business Activities

As of each rebalancing reference date, companies with specific business activities, as determined by Sustainalytics, are excluded from the eligible universe:

Sustainalytics Product Involvement	Sustainalytics Category of Involvement and Description	Sustainalytics Involvement Proxy	S&P DJI Level of Involvement Threshold	S&P DJI Significant Ownership Threshold
Controversial Weapons	Tailor Made and Essential: The company is involved in the core weapon system, or components/services of the core weapon system that are considered tailor-made and essential for the lethal use of the weapon.	NA	>0%	≥25%
	Non-Tailor Made or Non-Essential: The company provides components/services for the core weapon system, which are either not considered tailor-made or not essential to the lethal use of the weapon.			
Small Arms	Civilian Customers (Assault Weapons): The company manufactures and sells assault weapons to civilian customers.	Revenue	>0%	Not Relevant
	Civilian Customers (Non-Assault Weapons): The company manufactures and sells small arms (non-assault weapons) to civilian customers.			
	Military/Law Enforcement Customers: The company manufactures and sells small arms to military/law enforcement.			
	Key Components: The company manufactures and sells key components of small arms.			
	Retail/Distribution (Assault Weapons): The company is involved in the retail and/or distribution of assault weapons.			
	Retail/Distribution (Non-Assault Weapons): The company is involved in the retail and/or distribution of small arms (non-assault weapons).			
Military Contracting	Weapons: The company manufactures military weapon systems and/or integral, tailor-made components or these weapons.	Revenue	≥5%	Not Relevant
	Weapon-related products and/or services: The company provides tailor-made products and/or services that support military weapons.		≥5%	
Tobacco Products	Production: The company manufactures tobacco products.	Revenue	>0%	Not Relevant
	Related Products/Services: The company supplies tobacco-related products/services.		≥5%	
	Retail: The company derives revenues from the distribution and/or retail sale of tobacco products.			
Thermal Coal	Extraction: The company extracts thermal coal.	Revenue	≥5%	Not Relevant
	Generation: The company generates electricity from thermal coal.			
Oil Sands	Extraction: The company extracts oil sands.	Revenue	≥5%	Not Relevant
Shale Energy	Extraction: The company is involved in shale energy exploration and/or production.	Revenue	≥5%	Not Relevant
Arctic Oil & Gas Exploration	Extraction: The company is involved in oil and gas exploration in Arctic regions.	Revenue	≥5%	Not Relevant

S&P DJI Level of Involvement refers to the company's direct exposure to such products, while Significant Ownership indicates where the company has indirect involvement via some specified level of ownership of a subsidiary company with involvement.

Companies without Sustainalytics coverage are ineligible for index inclusion until they receive such coverage.

Exclusions Based on the United Nations Global Compact ("UNGC")

Sustainalytics' Global Standards Screening ("GSS") provides an assessment of a company's impact on stakeholders and the extent to which a company causes, contributes or is linked to violations of

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international norms and standards. The basis of the GSS assessments is the UNGC Principles. Information regarding related standards is also provided in the screening, including the Organization for Economic Co-operation and Development ("OECD") Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, as well as their underlying conventions. Sustainalytics classifies companies into the following three statuses:

- **Non-Compliant.** Classification given to companies that do not act in accordance with the UNGC principles and its associated standards, conventions and treaties.

- **Watchlist.** Classification given to companies that are at risk of violating one or more principles, for which all dimensions for Non-Compliant status could not be established or confirmed.

- **Compliant.** Classification given to companies that act in accordance with the UNGC principles and its associated standards, conventions, and treaties.

As of each rebalancing reference date, companies classified as Non-Compliant, according to Sustainalytics, are ineligible for index inclusion.

Companies without Sustainalytics coverage are ineligible for index inclusion until they receive such coverage.

Please refer to http://www.sustainalytics.com/ for more information.

Controversies: Media and Stakeholder Analysis Overlay

S&P Global uses RepRisk for daily filtering, screening and analysis of ESG risk incidents and controversial activities related to companies within the index.[1]

In cases where risks are presented, S&P Global releases a Media and Stakeholder Analysis ("MSA") which includes a range of issues such as economic crime and corruption, fraud, illegal commercial practices, human rights issues, labor disputes, workplace safety, catastrophic accidents, and environmental disasters.

The Index Committee will review constituents that have been flagged by S&P Global's MSA to evaluate the potential impact of controversial company activities on the composition of the indices. If the Index Committee decides to remove a company in question, that company would not be eligible for re-entry into the indices for one full calendar year, beginning with the subsequent rebalancing.

For more information on RepRisk, please refer to www.reprisk.com. This service is not considered a direct contribution to the index construction process.

Constituent Selection

After determining the eligible universe, the index components are selected as follows:

1. S&P DJI defines the Exposure Score and Agribusiness Cluster for each company:

   - **Exposure Score.** This is primarily based on FactSet's RBICS classifications. Other considerations include the company's business description and most recently reported revenue segment (see Appendix II).

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[1] RepRisk, an ESG data science company, leverages the combination of AI and machine learning with human intelligence to systematically analyze public information in 23 languages and identify material ESG risks. With daily data updates across 100+ ESG risk factors, RepRisk provides consistent, timely, and actionable data for risk management and ESG integration across a company's operations, business relationships, and investments.

- **Agribusiness Cluster.** Based on the revenue exposure and business description, companies are classified as being in one of two agribusiness clusters (see Appendix III):
    - Equipment & Materials Suppliers, or
    - Producers, Distributors & Processors

2. Within each Agribusiness Cluster:

    a. Stocks are first ranked by the Exposure Scores and then by FMC in descending order.

    b. The 12 highest ranked stocks are selected and form the index for a total of 24 components, subject to the following selection buffers:

        - The nine top-ranked stocks are automatically selected.
        - Current constituents ranked among the top 15 are selected in order until the constituent count reaches 12.

3. If there are still less than 12 constituents, the highest ranked non-constituent is selected and added to the index until the target constituent count is reached.

Constituent Weightings

S&P DJI is modifying the constituent weightings rules. The table below summarizes the change.

Methodology		
Change	**Previous**	**Updated**
Constituent Weightings	At each rebalancing, constituents are weighted based on each constituent's FMC, subject to an 8% weight cap and the following stock count and cluster weight constraints:	At each rebalancing, constituents are weighted based on each constituent's FMC multiplied by its Exposure Score, subject to an 8% weight cap and the following stock count and cluster weight constraints:

Cluster	Count	Weight
Producers, Distributors & Processors	12	50%
Equipment & Material Suppliers	12	50%

Cluster	Count	Weight
Producers, Distributors & Processors	12	50%
Equipment & Material Suppliers	12	50%

Rebalancing Schedule

S&P DJI is modifying the index's rebalancing schedule. The table below summarizes the change.

Methodology		
Change	**Previous**	**Updated**
Rebalancing Schedule	The index is rebalanced semi-annually after the close of the third Friday of May and November. The reference date for the rebalancings is after the close of the third Friday of April and October, respectively.	The index is reconstituted semi-annually after the close of the third Friday of June and December. The reference date for the reconstitutions is after the close of the third Friday of May and November, respectively. In addition, the index is reweighted quarterly after the close on the third Friday of March and September. The pricing reference date used for re-weighting purposes is seven business days prior to the effective date.

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Quarterly Eligibility Review

Index constituents are reviewed on a quarterly basis for ongoing eligibility under the Business Activities and UNGC exclusion criteria. Companies determined to be ineligible are removed from the index, effective after the close of the third Friday of March, June, September and December. The reference date for all reviews is the last business day of the previous month. No constituent is added to the index as a result of any deletion that may take place.

IMPLEMENTATION TIMING

S&P DJI will implement these changes in conjunction with the upcoming rebalancing, which takes effect prior to the market open on **Monday, December 19, 2022**. These changes will first be visible to clients in pro-forma files beginning on **Friday, December 9, 2022.**

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

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Appendix I – FactSet's Revere Business Industry Classification System (RBICS) Data

RBICS is a comprehensive structured taxonomy designed to offer precise classification of global companies and their individual business units. The RBICS taxonomy structure offers six levels of classifications starting with the most general (Economies) to the most specialized (Sub-Industries).

L1 Economies > L2 Sectors > L3 Sub-Sectors > L4 Industry Groups > L5 Industries > L6 Sub-Industries

RBICS standardizes and assigns revenue percentages into the most granular sectors of the RBICS taxonomy based on reported revenue by segment of companies under coverage.

Companies in the following L6 categories can be assigned a score and cluster based on aggregate revenue in the respective L6. Companies that have a Revenue Adjustment Factor between 0 and 1 can be assigned a score based on the segmentation of the revenue within these L6s that are relevant to the Agribusiness industry. This adjustment is based on publicly available information such as a company's business description, recent filings, and its most recently reported revenue by segment. See below for more details on the Revenue Adjustment Factor.

The following sub-industries (L6) (based on data as of November 19, 2021) have been identified to capture the scope of the S&P Global Agribusiness Equity Index.

Producers, Distributors & Processors

Sub-Industry (L6) Name	Sub-Industry (L6) ID	Revenue Adjustment Factor Range
Cattle Ranching and Farming	501510101010	1
Chicken Meat Production	501510101020	
General Animal Production	501510101025	
Hog and Pig Farming	501510101030	
Poultry and Egg Production	501510101035	
Diversified Seafood Production	501510101510	
Fish Farming and Hatcheries	501510101515	
Citrus Fruit Farming	501510152010	
Mixed Fruit, Nut and Vegetable Farming	501510152015	
Non-Citrus Fruit Farming	501510152020	
Nut Farming	501510152025	
Diversified Crop Production	501510152510	
Nursery and Tree Production	501510153010	
Oilseed and Grain Farming	501510153015	
Other Crop Farming	501510153020	
Sugarcane Farming	501510153025	
Diversified Oilseed and Grain Farming	501510153510	
Corn Farming	501510153515	
Other Oilseed and Grain Farming	501510153520	
Cotton Farming	501510153525	
Palm Farming	501510153530	
Soybean Farming	501510153535	
Diversified Agriculture Production	501510201010	
Animal Feed Manufacturing	501510251010	
Crop Processing	501510251015	
General Support Activity Providers for Agriculture	501510251030	
Seafood Processors	501515152530	
Sugar and Sweetener Production	501515153535	
Fresh Fruits and Vegetables Retail	501010252010	0-1
Vegetable Farming	501510152030	
Meat and Seafood Production	501515152515	
Beef, Pork and Other Meats Production	501515152510	
Poultry Products Processors	501515152525	
Flour, Pasta and Rice Manufacturing	501515153015	
Confectionery Manufacturing	501515153515	
Chicken Egg Production	501510101015	

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Equipment & Materials Suppliers

Sub-Industry (L6) Name	Sub-Industry (L6) ID	Revenue Adjustment Factor Range
Agriculture and Farming Machinery Manufacturing	401020251010	
Mixed and Other Fertilizers Makers	451020201010	
Multi-Type Fertilizers Manufacturing	451020201015	
Nitrogenous Fertilizer Manufacturing	451020201020	
Phosphate Fertilizer Manufacturing	451020201025	1
Potassium Fertilizer Manufacturing	451020201030	
Biotechnology and Genomics (GMO/Hybrids) Products	451020201510	
Pesticide Manufacturing	451020201525	
Other Agricultural Support Activity Providers	501510251025	

Revenue Adjustment Factor

Some L6 names can relate to Agribusiness but are not solely related to Agribusiness. For companies involved in such L6 names, S&P DJI defines the Revenue Adjustment Factor. The assessment is company specific, based on publicly available information such as a company's business description, recent filings, and its most recently reported revenue by segment.

For instance, if a company is involved in L6 Vegetable Farming, 70% of which relates to Production, distribution, and growth of fruits and vegetables, the Revenue Adjustment Factor is 0.7.

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Appendix II – Exposure Score Calculation

The calculation and thresholds used to determine the Exposure Scores used in the constituent selection and weighting are as follows:

1. Calculate an Agribusiness Revenue Score for all eligible companies by aggregating the percentage of agribusiness related revenue across all in-scope sub-industries based on RBICS data described in Appendix I:

$$\text{Revenue Score} = \sum_{i=1}^{n} (Revenue_i \times Revenue\ Adjustment\ Factor_i)$$

where:

i = a company's i^{th} RBICS sub-industry (L6)

$Revenue_i$ = the revenue percentage of the company's i^{th} L6

$Revenue\ Adjustment\ Factor_i$ = the share of $Revenue_i$ that relates to the Agribusiness theme (see Appendix I)

2. Calculate Exposure Score

Scores are assigned based on the following revenue thresholds:

Criteria	Exposure Scores			
	0	0.5	0.75	1
Aggregated percentage revenue based on relevant sub-industries (L6)	<25%	>=25% and <50%	>=50% and <75%	>=75%

3. Companies with an Exposure Score of 0 after the above steps but were assigned an Exposure Score of at least 0.5 as of the previous rebalancing, can be assigned a non-zero score based on based on publicly available information such as a company's business description, recent filings, and its most recently reported revenue by segment.

Appendix III – Agribusiness Clusters

Stocks are classified as being in one of the two clusters:

- Producers, Distributors & Processors, or
- Equipment & Materials Suppliers

The assessment is based on which Cluster is the primary source of revenue. For instance, if a company generates 80% of its revenue from the Producers, Distributors & Processors Cluster and 20% from the Equipment & Materials Suppliers Cluster, the company is classified as being in the Producers, Distributors & Processors Cluster. For companies without a clear primary Cluster, S&P DJI defines the Cluster based on publicly available information such as a company's business description, recent filings, and its most recently reported revenue by segment.

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FOR MORE INFORMATION:

S&P Dow Jones Indices
index_services@spglobal.com