

Dow Jones Internet Composite Index Consultation on Eligibility, Selection, and Weightings

NEW YORK, APRIL 24, 2024: S&P Dow Jones Indices (“S&P DJI”) is conducting a consultation with market participants on potential changes to the Dow Jones Internet Composite Index.

To enhance index liquidity and replicability, S&P DJI is proposing the following changes:

1. Update the index universe to S&P Total Market Index (TMI); establish a minimum limit for the float-adjusted market capitalization (“FMC”) threshold and add a 20% buffer for current constituents; and add an eligibility criterion based on a company’s six-month median daily value traded (MDVT).
2. Change constituent selection to use six-month MDVT instead of three-month average share volume in the final ranking.
3. Simplify the index constituent weighting scheme.

Proposed Change	Methodology	
	Current	Proposed
Eligibility Criteria	<p>All companies domiciled in the U.S., and trading on the New York Stock Exchange (NYSE), NYSE MKT, and Nasdaq, that meet the following criteria are eligible for index inclusion:</p> <ul style="list-style-type: none"> • generate at least 50% of its sales/revenues from the Internet. • have a minimum of three months’ trading history. • have a three-month average FMC of at least US\$ 100 million. 	<p>Index Universe. At each rebalancing, the index universe is all companies in the S&P Total Market Index (TMI).</p> <p>Index Eligibility. At each rebalancing, companies must satisfy the following criteria to be eligible:</p> <ul style="list-style-type: none"> • generate at least 50% of sales/revenues from the Internet. • have a minimum of three months’ trading history. • have an FMC of at least US\$ 1 billion (US\$ 800 million for current constituent companies). • have a minimum six-month median daily value traded (MDVT) of US\$ 5 million (US\$ 4 million for current constituent companies). For initial public offerings (IPOs) and Direct Public Offerings (DPOs), the minimum MDVT period is relaxed to three months. If more than three months is available, the full trading history is used.
Constituent Selection	<ol style="list-style-type: none"> 1. Eligible companies are ranked first by three-month average FMC, and then by three-month average share volume. 2. A final rank is calculated based on an equally weighted average of the FMC and volume rankings. 	<ol style="list-style-type: none"> 1. Eligible companies are ranked first by FMC, and then by six-month MDVT. 2. A final rank is calculated based on an equally weighted average of the FMC and MDVT rankings.
Constituent Weightings	<p>The index is FMC weighted, subject to a single company weight cap of 10% and the aggregate weight of companies with weights of 4.5% or more capped at 45%. At each rebalancing, the weight capping process is as follows:</p> <ol style="list-style-type: none"> 1. With data reflected on the rebalancing reference date, each company is FMC weighted. 	<p>The index is FMC weighted, subject to the following constraints, using an optimization procedure that chooses final weights in such a way as to minimize the sum of the squared difference of capped weight and uncapped weight, divided by uncapped weight for each stock:</p> <ul style="list-style-type: none"> • Single company weights are capped at 10%

Proposed Change	Current	Methodology	Proposed
	<p>2. If either of the defined single company or concentration index weight limits are breached, the FMC of all components are calculated such that:</p> $W_r = W_{r-1} * \left(1 - \frac{1 - D_r}{1 + 0.01n}\right)$ <p>where:</p> <ul style="list-style-type: none"> r = The company's FMC rank n = Iteration F_r = The FMC of the company at rank r W_r = The adjusted FMC of the company at rank r $D_r = F_r / F_{r-1}$ $W_1 = F_1$ <p>This process repeats iteratively until the capping constraints are satisfied.</p>	<ul style="list-style-type: none"> • The cumulative weight of all companies within the index with a weight greater than 4.5% cannot exceed 45%. 	

IMPACT ANALYSIS

Please see a hypothetical impact and performance analysis of the proposed changes [here](#).

Additional data and analysis may be made available in the Client Resource Center www.spglobal.com/spdji/en/client-services/, which may be updated from time to time throughout the consultation without notice. Additional data and analysis may also be made available upon request.

IMPLEMENTATION TIMING

S&P DJI is proposing to implement the proposed change, if adopted, in conjunction with the upcoming rebalancing, which takes effect prior to the market open on **Monday, June 24, 2024**. If adopted, this change will first be visible to clients in pro-forma files beginning on **Friday, June 14, 2024**.

FUTURE CONSIDERATIONS

In addition to the proposed changes, S&P DJI intends to publish an additional consultation on potential future changes regarding the index universe selection and current cluster counts. S&P DJI is considering using a classification system such as FactSet's Revere Business Industry Classification System (RBICS) and/or Global Industry Classification Standard (GICS®) to determine the index universe and a company's exposure to internet-based activities, as well as increasing and/or amending the counts for each sector within the composite index. S&P DJI will send details regarding further changes and impact analysis at a later date.

QUESTIONS

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

1. Do you agree with the proposed FMC requirement and threshold?
2. Do you agree with the proposal to add an FMC buffer for current constituents?
3. Do you agree with the proposal to add a six-month MDVT eligibility requirement?

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4. Do you agree with the proposal to change the selection steps to use six-month MDVT instead of three-month average share volume?
5. Do you agree with the proposal to change the constituent weighting process?
6. If the proposed changes are adopted, do you agree with the proposed implementation date?
7. Do you have any feedback related to the details contained in the 'Future Considerations' section?
8. Do you have any other comments or feedback regarding the proposed change outlined above?

Participation in this consultation is important as S&P DJI gathers information from various market participants to properly evaluate market participants' views and preferences. Please respond to this survey by **May 17, 2023**, as S&P DJI does not accept responses post the survey closure date. 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](#).

Please be advised that S&P DJI reviews and considers all feedback before a final decision is made. However, S&P DJI makes no guarantees nor is under any obligation to comply with any of the responses. The consultation may result in no changes or outcome of any kind. If S&P DJI decides to change the index methodology, the change(s) will be announced to clients and posted to the S&P DJI website with prior notice ahead of the effective date.

Thank you for taking the time to complete this survey.

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

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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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