

S&P BSE AllCap and Sector Indices Consultation on Constituent Selection and Weighting Scheme

MUMBAI, DECEMBER 3, 2021: Asia Index Private Limited (“AIPL”) is conducting a consultation with market participants on potential changes to the constituent selection and constituent weighting scheme of the S&P BSE AllCap and related sector indices.

On January 10, 2019, the Securities and Exchange Board of India (“SEBI”) issued a circular¹ providing the following concentration norms:

- For a sectoral/ thematic Index, no single stock shall have more than 35% weight in the index.
- The weightage of the top three constituents of the index, cumulatively shall not be more than 65% of the Index.
- The individual constituent of the index shall have a trading frequency greater than or equal to 80% and an average impact cost of 1% or less over previous six months.

In this regard, AIPL is proposing to change the constituent selection and constituent weighting scheme in order to align the methodology with these SEBI concentration norms. The tables below and on the following page summarize the proposed changes.

Methodology	Constituent Selection and Weightings
Current	<p>Constituent Selection. As of the rebalancing reference date, eligible companies must satisfy all of the following over the prior 12-month period in order to be included in the index.</p> <ol style="list-style-type: none"> 1. Rank within the top 1200 by average daily total market capitalization. 2. Have a turnover ratio greater than or equal to 5%. 3. Have a trading frequency greater than or equal to 80%. 4. Have an average daily total market capitalization greater than or equal to INR 1.5 billion. 5. Have an annualized traded value greater than or equal to INR 0.5 billion. <p>Constituent Weightings. Index constituents are weighted based on their float-adjusted market capitalization (“FMC”).</p>

¹ For details on the SEBI norms, please refer to SEBI circular no: SEBI/HO/IMD/DF3/CIR/P/2019/011 available at www.sebi.gov.in/legal/circulars/jan-2019/portfolio-concentration-norms-for-equity-exchange-traded-funds-etfs-and-index-funds_41588.html.

Methodology	Constituent Selection and Weightings
Proposed	<p>Constituent Selection. As of the rebalancing reference date, eligible companies must satisfy all of the following over the prior 12-month period (unless otherwise stated) in order to be included in the index.</p> <ol style="list-style-type: none"> 1. Rank within the top 1200 by average daily total market capitalization. 2. Have a turnover ratio greater than or equal to 5%. 3. Have a trading frequency greater than or equal to 80% over the prior six-month period. 4. Have an average daily total market capitalization greater than or equal to INR 1.5 billion. 5. Have an annualized traded value greater than or equal to INR 0.5 billion. 6. Have an impact cost of 1% or less over the prior six-month period. <p>Additionally, constituents' trading frequency and impact cost are also reviewed quarterly. If, over the prior six-month period, a constituent has a trading frequency greater than or equal to 80% or an average impact cost of 1% or less, it is removed from the index effective at the open of the Monday following the third Friday of March, June, September, and December.</p> <p>Constituent Weightings. The S&P BSE AllCap is weighted by FMC. The sector indices are weighted by FMC, subject to the following capping constraints which are applied quarterly, effective at the open of the Monday following the third Friday of March, June, September, and December:</p> <ol style="list-style-type: none"> 1. Single constituent weights are capped at 33%. 2. The aggregate weight of the top three index constituents shall not be more than 63% of the index. 3. If the above constraints are breached, any excess weight is proportionately redistributed to all uncapped stocks. As part of the redistribution, the ranking of stocks based on final weights will remain in line with their rankings based on FMC.

For more information on the indices, including the full eligibility and selection criteria, please refer to [S&P BSE AllCap Methodology](#).

IMPACT ANALYSIS

Using the data from the September 2021 rebalancing, the following table shows each index's actual turnover using the current methodology, as well as the theoretical results that would have occurred had the proposed methodology changes been applied at the September 2021 rebalancing. The expected incremental turnover from implementing the methodology changes is expected to be a one-time event.

Index Name	Turnover		Incremental Turnover	Actual		Theoretical	
	Actual	Theoretical		Adds	Drops	Adds	Drops
S&P BSE AllCap	2.78%	2.76%	-0.03%	236	15	236	31
S&P BSE Basic Materials	3.67%	3.60%	-0.07%	59	5	59	9
S&P BSE Consumer Discretionary Goods & Services	6.73%	6.66%	-0.07%	51	3	51	9
S&P BSE Fast Moving Consumer Goods	1.93%	1.93%	0.00%	18	0	18	0
S&P BSE Energy	0.98%	42.21%	41.23%	6	1	6	2
S&P BSE Finance	2.30%	2.30%	0.00%	10	0	10	0
S&P BSE Healthcare	3.53%	3.53%	0.00%	20	0	20	0
S&P BSE Industrials	5.26%	5.21%	-0.05%	57	4	57	8
S&P BSE Information Technology	1.99%	10.38%	8.39%	12	3	12	4
S&P BSE Telecom	1.67%	39.66%	37.99%	3	0	3	0
S&P BSE Utilities	1.79%	1.79%	0.00%	1	0	1	0

CONSULTATION

The table below shows the FMC and capped weight of the top three stocks in the S&P BSE Energy, S&P BSE Information Technology, and S&P BSE Telecom.

Index	Stock Name	Exchange Ticker	Rank Within Index	Weight	
				FMC	Capped
S&P BSE Energy	Reliance Industries Ltd	500325	1	74.59%	33.00%
	Oil & Natural Gas Corp Ltd	500312	2	4.49%	11.85%
	Bharat Petroleum Corp Ltd	500547	3	4.20%	11.07%
S&P BSE Information Technology	Infosys Ltd	500209	1	38.71%	33.00%
	Tata Consultancy Services Ltd	532540	2	24.60%	22.12%
	HCL Technologies Ltd	532281	3	8.51%	7.88%
S&P BSE Telecom	Bharti Airtel Ltd	532454	1	72.55%	33.00%
	Indus Towers Ltd	534816	2	8.95%	17.10%
	Tata Communications Ltd	500483	3	6.75%	12.90%

IMPLEMENTATION TIMING

AIPL is proposing to implement these methodology changes, if adopted, in conjunction with the March 2022 rebalancing, which takes effect prior to the market open on Monday, March 21, 2022.

QUESTIONS

Please answer the following questions and provide AIPL with the reasoning behind your answers:

1. Do you agree with the proposal to change the constituent selection process in order to align the methodology with the previously described SEBI norms?
2. Do you agree with the proposal to change the sector indices' constituent weighting scheme in order to align the methodology with the previously described SEBI norms?
3. Should any changes be adopted, do you agree with the proposed implementation date?
4. 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 **January 3, 2022**. After this date, AIPL will no longer accept survey responses. Prior to the Index Committee's final review, AIPL 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 AIPL 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, AIPL 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 AIPL 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 BSE Indices, please visit www.asiaindex.co.in.

CONSULTATION

About ASIA INDEX PRIVATE LIMITED

Asia Index Pvt. Ltd is a 50-50 partnership between S&P Dow Jones Indices LLC, the world's largest provider of financial market indices, and BSE Ltd, Asia's oldest stock exchange and home to the iconic SENSEX index – a leading indicator of Indian equity market performance. Asia Index Pvt. Ltd, which combines the benchmarks, market intelligence, and insights of both parent companies, each established more than 115 years ago, aims to provide a full array of indices enabling global and domestic investors to participate in South Asia's vibrant economies. The Company is best known for calculating, publishing, and maintaining a diverse family of Asian indices under the umbrella brand, S&P BSE Indices.

About BSE Ltd

BSE (formerly Bombay Stock Exchange) established in 1875, is Asia's first & now the world's fastest Stock Exchange with a speed of 6 microseconds. BSE is India's leading exchange group and has played a prominent role in developing the Indian capital market. BSE is a corporatized and demutualised entity, with a broad shareholder base that includes the leading global exchange- Deutsche Bourse, as a strategic partner. BSE provides an efficient and transparent market for trading in equity, debt instruments, equity derivatives, currency derivatives, commodity derivatives, interest rate derivatives, mutual funds and stock lending and borrowing.

BSE also has a dedicated platform for trading in equities of small and medium enterprises (SMEs) that has been highly successful. BSE also has a dedicated MF distribution platform BSE Star MF which is India Largest Mutual Funds Distribution Infrastructure. BSE launched commodity derivatives trading in Gold, Silver, Copper, Oman Crude Oil Guar Gum, Guar Seeds & Turmeric.

BSE provides a host of other services to capital market participants including risk management, clearing, settlement, market data services and education. It has a global reach with customers around the world and a nation-wide presence. BSE's systems and processes are designed to safeguard market integrity, drive the growth of the Indian capital market and stimulate innovation and competition across all market segments.

Indian Clearing Corporation Limited, a wholly owned subsidiary of BSE, acts as the central counterparty to all trades executed on the BSE trading platform and provides full novation, guaranteeing the settlement of all bonafide trades executed. BSE Institute Ltd, another fully owned subsidiary of BSE runs one of the most respected capital market educational institutes in the country. Central Depository Services Ltd. (CDSL), associate company of BSE, is one of the two Depositories in India.

BSE has set up an Investor Protection Fund (IPF) on July 10, 1986 to meet the claims of investors against defaulter Members, in accordance with the Guidelines issued by the Ministry of Finance, Government of India. BSE Investor Protection Fund is responsible for creating Capital markets related awareness among the investor community in India.

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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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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