

S&P BOCHK China Hong Kong Greater Bay Area Net Zero 2050 Climate Transition Index Consultation on Constraints — Updated

AMSTERDAM, NOVEMBER 16, 2022: S&P Dow Jones Indices (“S&P DJI”) is conducting a consultation with market participants on potential changes to the S&P BOCHK China Hong Kong Greater Bay Area Net Zero 2050 Climate Transition Index.

S&P DJI is proposing to make changes to the optimization constraints used in the index following feedback from the market about the current constraints. The proposed changes are detailed below.

Science Based Targets

The weight of companies that report and adhere to the Science Based Targets Initiative (“SBTI”) must be greater than or equal to 120% of their weight in the underlying index. This is currently set as a hard constraint and cannot be relaxed to find a solution if the optimization fails. S&P DJI is proposing to move this from a hard constraint to a soft constraint that can be relaxed if the optimizer cannot generate a result.

Minimum Stock Weight Lower Threshold

Currently, the optimizer seeks to minimize the objective function for the index while satisfying all constraints, including the criteria that all index constituents have an index weight of at least 0.01%. S&P DJI is proposing to increase the weight floor to 0.1%. The table below summarizes the proposed change.

Current	Proposed
Existing constituents: $\geq 0.01\%$ New constituents: $\geq \max(0.01\%, \min(0.05\%, 0.5 \times \text{underlying stock weight}))$	Existing constituents: $\geq 0.1\%$ New constituents: $\geq \max(0.1\%, \min(0.5\%, 0.5 \times \text{underlying stock weight}))$

IMPACT ANALYSIS

Using data from the September 2022 rebalancing, the tables below and on the following page show the potential impact of the proposed changes.

Stock Count		% of Stock Count (Proposed to Current)	% of Weight (Proposed to Current)	Active Share vs Underlying Index ¹		Turnover Between Rebalances ²		Turnover (Current vs Proposed) ³
Current	Proposed			Current	Proposed	Current	Proposed	
255	169	66.27%	94.29%	21.90%	26.70%	16.79%	16.39%	6.68%

¹ Active share is calculated as: $50\% \times \text{sum of each stock's absolute weight difference between the Underlying Index universe and each methodology}$.

² Turnover between rebalances is calculated as: $50\% \times \text{sum of each stock's absolute weight difference between two rebalances for each methodology}$.

³ Turnover of Current vs Proposed is calculated as: $50\% \times \text{sum of each stock's absolute weight difference between current methodology and proposed methodology}$.

Weighted Average Physical Risk			Weighted Average Reserves (EVIC)			Weighted Average Carbon Budget (EVIC)		
Current	Proposed	Underlying Index	Current	Proposed	Underlying Index	Current	Proposed	Underlying Index
30.75	30.75	30.75	1879540.138	1879540.138	1879540.138	34.99	34.99	983.50

Weighted Average Carbon Intensity			Green to Brown Ratio			High Impact Sector (%)		
Current	Proposed	Underlying Index	Current	Proposed	Underlying Index	Current	Proposed	Underlying Index
204.16	190.63	316.11	161.26%	111.94%	44.80%	67.78%	68.57%	65.27%

In addition, a hypothetical constituent list based on data from the September 2022 rebalancing and the proposed changes described above is available [here](#).

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, January 2, 2023. If adopted, the changes will first be visible to clients in pro-forma files beginning on Wednesday, December 21, 2022.

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 move the SBTI constraint from a hard constraint to a soft constraint?
2. Do you agree with the proposal to raise the Minimum Stock Weight Lower Threshold constraint in the index as described above?
3. If any of the proposed changes are 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 **November 23, 2022**. 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.spglobal.com/spdji.

CONSULTATION

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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