

S&P Shariah Indices Compliance Criteria Update & September 2023 Rebalance Implementation

NEW YORK CITY, AUGUST 4, 2023: S&P Dow Jones Indices (“S&P DJI”) announces changes to the S&P Global BMI Shariah Indices.

S&P DJI is modifying the S&P Shariah Indices Methodology to align with the changes outlined below. These Index Committee changes align with the opinion of the S&P Shariah Supervisory Board.

A summary of the methodology changes is included in the following tables:

Methodology		Sector-Based Screens	
Previous		<p>Revenue Share from Non-Compliant Activities. If a company derives less than 5% of its total business income (excluding non-operating Interest Income) from non-permissible business sectors, this deviation may be tolerated, and the company will still be deemed to have passed the Level One Core Business Sector-Based Screens:</p> <p>Non-Permissible Income (excluding Non-Operating Interest Income) / Revenue < 5%</p>	
Updated		<p>Revenue Share from Non-Compliant Activities. If a company derives less than 5% of its total business income from non-permissible business sectors, this deviation may be tolerated, and the company will still be deemed to have passed the Level One Core Business Sector-Based Screens:</p> <p>Non-Permissible Income (including all Interest Incomes) / Revenue < 5%</p>	

Methodology		Accounting-Based Screens	
Previous		<p>After removing companies with non-compliant business activities, the remaining companies are examined for compliance with certain financial ratios. Three areas of focus are leverage, cash, and the share of revenues derived from non-compliant activities. All of these are subject to evaluation on an ongoing basis.</p> <p>Stocks deemed compliant at the prior evaluation period that exceed the maximum ratio for any accounting-based screen at the current evaluation period remain compliant if the ratio is within two percentage points of the maximum allowed. However, if the maximum is breached for three consecutive evaluation periods the stock will be deemed non-compliant. If any of the ratios are above the two-percentage point buffer limit, the stock is deemed non-compliant immediately.</p> <p>Stocks deemed non-compliant at the prior evaluation period that pass all accounting-based screens at the current evaluation period remain non-compliant if any ratio is within two percentage points of the maximum allowed. However, if the stock satisfies all three ratios for three consecutive evaluation periods the stock will be deemed compliant. If all three ratios are below the two-percentage point buffer limit, the stock is deemed compliant immediately.</p> <p>Such accounting-based screens are not applicable to companies which are run on a fully Shariah compliant basis and such companies shall be considered compliant. Such companies may be characterized by (the list below is indicative, non-exhaustive and reviewed on a case-by-case basis):</p> <ul style="list-style-type: none"> • Having a Shariah Supervisory Board • All transactions (business and financial) are in accordance with Shariah principles • Incorporated and managed in a fully Shariah compliant manner <p>Leverage Compliance. This is measured as:</p> <p>Debt / Market Value of Equity (36-month average) < 33 %</p> <p>Cash Compliance. Certain rules related to cash holdings must be met. These are:</p> <p>Accounts Receivables / Market value of Equity (36-month average) < 49%</p> <p>(Cash + Interest Bearing Securities) / Market value of Equity (36-month average) < 33%</p>	

Updated	<p>After removing companies with non-compliant business activities, the remaining companies are examined for compliance with the leverage ratio on an ongoing basis.</p> <p>Stocks deemed compliant at the prior evaluation period that exceed the maximum leverage ratio at the current evaluation period remain compliant if the ratio is within two percentage points of the maximum allowed. However, if the maximum is breached for three consecutive evaluation periods the stock will be deemed non-compliant. If the ratio is above the two-percentage point buffer limit, the stock is deemed non-compliant immediately.</p> <p>Stocks deemed non-compliant at the prior evaluation period that pass the accounting-based screen at the current evaluation period remain non-compliant if the ratio is within two percentage points of the maximum allowed. However, if the stock satisfies the ratio for three consecutive evaluation periods the stock will be deemed compliant.</p> <p>Accounting-based screening is not applicable to companies which are run on a fully Shariah compliant basis and such companies shall be considered compliant. Such companies may be characterized by (the list below is indicative, non-exhaustive and reviewed on a case-by-case basis):</p> <ul style="list-style-type: none"> • Having a Shariah Supervisory Board • All transactions (business and financial) are in accordance with Shariah principles • Incorporated and managed in a fully Shariah compliant manner <p>Leverage Compliance is measured as:</p> <p>Debt / Market Value of Equity (36-month average) < 33 %</p>
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IMPACT ANALYSIS

Please see the table below for an impact summary on the constituent count and weight of the top 100 securities in the S&P Global BMI Shariah (USD) as of the June 2023 rebalancing.

	Index Constituent Count	% Weight of the Top 100
Current	5,770	59.00%
New	6,304	58.28%

S&P DJI will implement the previously described changes in conjunction with the September 2023 rebalance, which takes effect prior to the market open on **Monday, September 18, 2023**. The changes will first be visible to clients in pro-forma files beginning on **Friday, September 1, 2023**.

Please note that the S&P Shariah Indices Methodology on S&P DJI's website is being updated to reflect this change.

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

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.

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.spglobal.com/spdji.

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INDEX ANNOUNCEMENT