

**S&P Dow Jones Indices’  
Index Governance Policies  
*Methodology***

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# Introduction

S&P Dow Jones Indices (S&P DJI) designed and implemented a robust index governance structure to ensure strong oversight and orderly management of the administration of indices, to avoid conflicts of interest, and to comply with all applicable regulatory standards and accepted industry practices. This document defines the governance structure and associated procedures.

Please note that the policies and procedures defined in this document are general. For index-specific information on the rules and procedures, please refer to the governing index methodology document on our website. Additional information on policies for calculating indices can be found in asset class specific supporting documents at [www.spglobal.com/spdji/](http://www.spglobal.com/spdji/).

# Index Committees

S&P DJI established Index Committees to provide index oversight and maintenance in accordance with S&P DJI policies and procedures. At each meeting, the Index Committee may review significant market events. In addition, the Index Committee may review index calculation policies.

Most Index Committees are comprised of full-time professional members of S&P DJI's staff, except for some indices co-branded with a third-party organization, which may include Index Committee members from external third-party organizations. S&P DJI's voting members on Index Committees are senior individuals with no commercial responsibilities. External Index Committee members are appointed by the external third-party organization and are subject to S&P DJI's reasonable approval. Please refer to individual index methodology documents for information on Index Committees with external Index Committee members.

Questions of interpretation or possible exceptions to index rules are considered by the Index Committee responsible for the indices in question.

S&P DJI considers information about changes to its indices and related matters to be potentially market moving and material. Therefore, all Index Committee meetings are confidential.

# Methodology Changes

Following the submission of a methodology change request, the Index Committee determines whether the methodology change is beneficial to the quality and representativeness of the index and if the change should be made. A material change to the index requires a public consultation prior to approval and implementation.

A material methodology change alters the index objective or the methodology in a way that affects the likelihood of the index achieving its objective. Examples of material methodology changes that could impact the index objective include altering rules determining the eligible universe, the selection of constituents, or constituent weightings.

## Consultations

For material changes, S&P DJI publishes a public consultation inviting comments from external parties. As part of a methodology change consultation, S&P DJI:

- takes reasonable steps to inform users and other stakeholders of the proposed changes, the rationale for the methodology change, and the proposed timing.
- provides a clear timeframe during which stakeholders may provide feedback on the suggested methodology change.

S&P DJI posts all consultations to the public [here](#), with feedback only accepted during the consultation open period. Generally, the open period for feedback is a minimum of one month following the consultation announcement. However, the Index Committee may decide to reduce the consultation period for time-sensitive changes.

## Annual Methodology Reviews

In addition to its daily governance of indices and maintenance of index methodologies, the Index Committee reviews each index methodology at least once within any 12-month period to ensure the indices continue to achieve the stated objectives and that the data and methodology remain effective. If an index methodology is reviewed off-cycle from its annual review, the Index Committee reserves the right to cancel the annual review if the requested review covers all the relevant issues.

## Index Cessations

For information on index cessations, please refer [here](#).

# Expert Judgment & Discretion

S&P DJI indices are rules-based and typically do not permit the use of Expert Judgment or Discretion unless there are exceptional circumstances not addressed by either the relevant index methodology or an S&P DJI policy.

The Index Committee approves all applications of Expert Judgment and Discretion, with consideration given to permanent methodology changes if deemed appropriate to preserve index representativeness.

## Use of Expert Judgment

Index Committees may exercise Expert Judgment when the situation calls for the interpretation of rules or use of data in the calculation and maintenance of S&P DJI Indices. S&P DJI maintains internal records of the use of Expert Judgment and the rationale for such use.

Expert Judgment can be applied in certain circumstances that may include, but are not limited to:

- extrapolating data from prior or related transactions,
- adjusting data for factors that might influence the quality of data, such as market events or impairment of a buyer or seller's credit quality, or
- weighing firm bids or offers greater than a particular concluded transaction.

## Exercise of Discretion

Index Committees may apply discretion to make decisions that differ from the index methodology in certain circumstances, including to avoid unnecessary turnover, excessive index changes or adjustments, possible market disruption, to enhance/allow for index replicability, or when strict application of the index rules results in inconsistency with the index objective.

## Digital Asset Discretion

In addition to the above, the Index Committee reserves the right, in its sole discretion, to cease or suspend publication of an index and/or remove a digital asset that becomes subject to a legal, regulatory, or practical concern, like lack of registration, alleged trading manipulation, U.S. or other economic sanctions, inclusion of privacy features that may pose anti-money laundering concerns, cybercrime, or due to potential market disruption.

S&P DJI index users are solely responsible for ensuring compliance with all applicable law (including, without limitation, sanctions laws and any other rules, regulations, or prohibitions) in connection with such use (including, without limitation, trading, investment, or other use).

# Announcements

S&P DJI communicates and consults with stakeholders through various channels using press releases, index announcements, e-mails, and the distribution of data files. The specific announcement method depends on the type of index event.

S&P DJI announces certain events including, but not limited to:

- methodology changes,
- consultations and consultation results,
- recalculations,
- additions or deletions to select indices,
- rebalancings for select indices,
- relaunches,
- GICS structure changes,
- withholding tax changes,
- file distribution delays or other issues related to files, and
- unusual corporate action treatment.

S&P DJI generally issues announcements for headline indices shortly after market close. For reposting guidelines due to late announcements, errors, or deviations from the index methodology, please refer to *Errors and Restatements*.

Press releases are distributed to major news services and posted on the S&P DJI website [here](#).

# Quality Assurance

S&P DJI maintains quality assurance processes and procedures for indices' calculation and maintenance, which include regularly scheduled meetings to review any incidents or errors, to identify causes, determine repetitive issues, and evaluate the need for remediation. Significant matters might be discussed in an ad hoc meeting of the same group.

## Errors & Restatements

Index restatement and recalculation decisions are based on the materiality of the error, with materiality determined after reviewing all relevant factors, including but not limited to:

- the number of indices and sub-indices affected,
- the time between publication and when the error is detected,
- constituent level impact and whether month-end index levels are affected,
- the size of the deviation between published and updated index levels,
- the impact on ancillary calculations such as index- or constituent-level analytics, or
- the data processing impact on clients and vendors, financial product impact, and general market conditions.

Not all factors must be present to justify a restatement, and some may be more determinative than others, depending on the circumstances.

S&P DJI established, and adheres to, the asset class specific restatement policies defined in each corresponding Policies & Practices Methodology. Some index families may be subject to individual restatement policies, as detailed in the relevant index methodology document.

# Complaint Procedures

For any inquiry, comment, or complaint regarding an S&P DJI index, please see the Client Services Form [here](#).

*For more information, please refer to the full S&P DJI Complaint Procedure Policy [here](#).*

# Disclaimer

## Performance Disclosure/Back-Tested Data

Where applicable, S&P Dow Jones Indices and its index-related affiliates (“S&P DJI”) defines various dates to assist our clients by providing transparency. The First Value Date is the first day for which there is a calculated value (either live or back-tested) for a given index. The Base Date is the date at which the index is set to a fixed value for calculation purposes. The Launch Date designates the date when the values of an index are first considered live: index values provided for any date or time period prior to the index’s Launch Date are considered back-tested. S&P DJI defines the Launch Date as the date by which the values of an index are known to have been released to the public, for example via the company’s public website or its data feed to external parties. For Dow Jones-branded indices introduced prior to May 31, 2013, the Launch Date (which prior to May 31, 2013, was termed “Date of introduction”) is set at a date upon which no further changes were permitted to be made to the index methodology, but that may have been prior to the Index’s public release date.

Please refer to the methodology for the Index for more details about the index, including the manner in which it is rebalanced, the timing of such rebalancing, criteria for additions and deletions, as well as all index calculations.

Information presented prior to an index’s launch date is hypothetical back-tested performance, not actual performance, and is based on the index methodology in effect on the launch date. However, when creating back-tested history for periods of market anomalies or other periods that do not reflect the general current market environment, index methodology rules may be relaxed to capture a large enough universe of securities to simulate the target market the index is designed to measure or strategy the index is designed to capture. For example, market capitalization and liquidity thresholds may be reduced. In addition, forks have not been factored into the back-test data with respect to the S&P Cryptocurrency Indices. For the S&P Cryptocurrency Top 5 & 10 Equal Weight Indices, the custody element of the methodology was not considered; the back-test history is based on the index constituents that meet the custody element as of the Launch Date. Also, the treatment of corporate actions in back-tested performance may differ from treatment for live indices due to limitations in replicating index management decisions. Back-tested performance reflects application of an index methodology and selection of index constituents with the benefit of hindsight and knowledge of factors that may have positively affected its performance, cannot account for all financial risk that may affect results and may be considered to reflect survivor/look ahead bias. Actual returns may differ significantly from, and be lower than, back-tested returns. Past performance is not an indication or guarantee of future results.

Typically, when S&P DJI creates back-tested index data, S&P DJI uses actual historical constituent-level data (e.g., historical price, market capitalization, and corporate action data) in its calculations. As ESG investing is still in early stages of development, certain datapoints used to calculate certain ESG indices may not be available for the entire desired period of back-tested history. The same data availability issue could be true for other indices as well. In cases when actual data is not available for all relevant historical periods, S&P DJI may employ a process of using “Backward Data Assumption” (or pulling back) of ESG data for the calculation of back-tested historical performance. “Backward Data Assumption” is a process that applies the earliest actual live data point available for an index constituent company to all prior historical instances in the index performance. For example, Backward Data Assumption inherently assumes that companies currently not involved in a specific business activity (also known as “product involvement”) were never involved historically and similarly also assumes that companies currently involved in a specific business activity were involved historically too. The Backward Data Assumption allows the hypothetical back-test to be extended over more historical years than would be feasible using only actual data. For more information on “Backward Data Assumption” please refer to the FAQ. The methodology and factsheets of any index that employs backward assumption in the back-tested history

will explicitly state so. The methodology will include an Appendix with a table setting forth the specific data points and relevant time period for which backward projected data was used. Index returns shown do not represent the results of actual trading of investable assets/securities. S&P DJI maintains the index and calculates the index levels and performance shown or discussed but does not manage any assets.

Index returns do not reflect payment of any sales charges or fees an investor may pay to purchase the securities underlying the Index or investment funds that are intended to track the performance of the Index. The imposition of these fees and charges would cause actual and back-tested performance of the securities/fund to be lower than the Index performance shown. As a simple example, if an index returned 10% on a US \$100,000 investment for a 12-month period (or US \$10,000) and an actual asset-based fee of 1.5% was imposed at the end of the period on the investment plus accrued interest (or US \$1,650), the net return would be 8.35% (or US \$8,350) for the year. Over a three-year period, an annual 1.5% fee taken at year end with an assumed 10% return per year would result in a cumulative gross return of 33.10%, a total fee of US \$5,375, and a cumulative net return of 27.2% (or US \$27,200).

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