

S&P/BMV Indices Float Methodology Consultation

MEXICO CITY, JULY 6, 2017: S&P Dow Jones Indices (“S&P DJI”) is conducting a consultation with members of the investment community on potential changes to the float adjustment methodology of the S&P/BMV Indices so that they conform with S&P Dow Jones Indices’ standard float methodology.

Any changes as a result of this consultation will not be implemented until the 2018 annual float review.

Current BMV Float Adjustment Methodology

Float-adjusted shares outstanding are the total shares outstanding after subtracting listed/registered shares on the stock exchange, shares which are property of the following persons, or shares in which the company owns the following rights:

1. Shares in the Company’s Treasury
2. Chief Executives and First Level Directors/Members of the Board
3. Individuals or legal entities maintaining 30% or more (directly or indirectly) of the listed shares or debentures representing the company
4. Control shareholders
5. Control trusts
6. Individuals or legal entities maintaining patrimonial or kinship bonds, directly or indirectly, with control shareholders and holding at least 1% of the listed shares or debentures representing the company
7. Holding companies
8. Strategic partners
9. National or foreign governments acting as shareholders and not as part of an investment diversified portfolio seeking for a determined investment return
10. Shares which are the property of Institutions acting as a trust’s fiduciary constituted for retirement and pension funds or seniority bonuses for the company’s personnel, options for employees, as well as any other similar fund, constituted by the company in which the fiduciary asset is in
11. Individuals or legal entities having the right to immobilize the company’s shares, by any legal means or by a contract celebrated with the company, whose underlying Asset is referred to the company’s shares
12. Individuals or legal entities to which in virtue of any legal means or by a contract celebrated with the company, shares of the company have been delivered as collateral guarantee
13. Individuals or legal entities which acquired directly or indirectly shares of the company, resulting in a holding of more than 10% and up to 30% and that have revealed to have the intention of acquiring a more significant influence¹ over the company

¹ The term “*significant influence*”, according to Article 2, fraction XI of the Securities Market Law, is understood as: “*ownership of rights that allow, direct or indirectly, to exercise vote representing at least 20% of a legal entity share capital*”.

Floating Market Capitalization of the Company's Stock Series. Also known as Floating Shares Adjusted Market Cap, this is the value resulting from multiplying the number of floating shares by the market price of the stock.

$$VCF_{it} = (FAF_{it} * Q_{it}) * P_{it}$$

where:

VCF_{it} = Floating Market cap of the stock series i at time t

FAF_{it} = Floating shares adjustment percentage of the stock series i at time t

Q_{it} = Number of listed shares in the Exchange of the stock series i at time t

P_{it} = Market price of the stock series i at time t

Floating Shares Percentage of the Company's Stock Series. Also known as "float", it's the percentage that the floating shares of a stock series represent of the total listed shares in this Exchange.

$$\%AF_{it} = \frac{AF_{it}}{Q_{it}}$$

where:

$\%AF_{it}$ = Percentage of floating shares of the stock series i at time t

AF_{it} = Number of floating shares of the stock series i at time t

Q_{it} = Number of listed shares in this Exchange of the stock series i at time t

For more information on current BMV float methodology, please refer to the BMV's Equity Indices Float-adjusted Shares Outstanding document (located [here](#)).

Proposed S&P DJI Float Adjustment Methodology

The goal is to distinguish between strategic (control) shareholders, whose holdings depend on concerns such as maintaining control rather than the economic fortunes of the company, and those holders whose investments depend on the stock's price and their evaluation of a company's future prospects. Holdings of stock in one corporation by another corporation are normally for control, not investment, purposes. Likewise, most government holdings are not investments made because a stock is expected to appreciate or the government entity is managing its excess funds through equity investments.

Shareholders concerned with control of a company generally include:

1. Officers and Directors (O+D) and related individuals whose holdings are publicly disclosed
2. Private Equity, Venture Capital & Special Equity Firms
3. Shares held for control by another Publicly Traded Company
4. Strategic Partners
5. Holders of Restricted Shares
6. ESOPs
7. Employee and Family Trusts

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8. Foundations associated with the Company
9. Holders of Unlisted Share Classes of Stock
10. Government Entities at all levels except Government Retirement/Pension Funds
11. Any individual person listed as a 5% or greater stakeholder in a company as reported in regulatory filings

Share owners acting as investors will consider changes in the stock's price, earnings or the company's operations as possible reasons to buy or sell the stock. They hold the stock because they expect it to appreciate in value and believe the stock offers better risk and return opportunities than other investments. Further, a sharp rise or fall in the stock's price could be a reason to adjust their positions. It is common for domestic and international fund managers to have exposures in companies which put them in the category of "block owners" by most definitions. However, the nature of the fund management business is to buy and sell shares when there is value in doing so, and not to seek control or remove shares from circulation. Ordinarily these shares are considered part of the float. Mutual funds, ETF providers, asset managers, pension plans and other institutional investors are usually in this category. The fact that an institutional investor has held a block of shares for several years is not evidence that the block is being held for control rather than investment reasons. Rather, it merely suggests that the portfolio manager continues to see the stock as a good investment. Further, when the stock is held in an index fund, one would not expect to see substantial changes in the holdings.

The following holders' shares are generally considered part of float:

1. Depository Banks
2. Pension Funds
3. Mutual Funds & ETF providers
4. 401K Plans of the Company
5. Government Retirement/Pension funds
6. Investment Funds of Insurance Companies
7. Asset Managers and Investment Funds
8. Independent Foundations
9. Savings and Investment Plans

A company's annual report, regulatory filings, proxy or 10-K may include listings of some equity-like securities that are not included in total shares outstanding and need not be considered in calculating available float. These generally include treasury stock, stock options, equity participation units, warrants, preferred stock, convertible stock and rights. Due to local reporting patterns in some markets, S&P Dow Jones Indices may include treasury shares in total shares outstanding but exclude them from float.

When shares are held in a trust to allow investors in countries outside the country of domicile, these shares are normally included in float. Examples include ADRs, CDIs, Canadian exchangeable shares and similar arrangements. If the holdings underlying ADRs, CDIs, etc. form a control block, those shares are excluded from float.

Using various public sources, S&P Dow Jones Indices gathers all public share ownership information for each company in our coverage universe. After adding up all O+D (as a group) and all 5% or greater holders deemed to be control holders as defined above, S&P Dow Jones Indices calculates an Investable Weight Factor (IWF) for each stock. S&P Dow Jones Indices uses a 5% minimum threshold

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for control blocks. For example, if O+D as a group controls 3% of a company's shares and no other control shareholders own a 5% or greater stake, then S&P Dow Jones Indices would assign this company an IWF of 1.00, indicating 100% of shares outstanding are freely tradable and available to the marketplace. If the same company's O+D controlled 7% of the company's share as a group, S&P Dow Jones Indices would assign that company an IWF of 0.93, reflecting the fact that only 93% of the shares outstanding are freely tradable and available to the marketplace. However, if O+D controlled 3% of a company's total shares and other control holders together own 20% of a company's total shares, S&P Dow Jones Indices would assign that company an IWF of 0.77, since 23% of the total shares outstanding are considered held for control. Please note that O+D shares are excluded from the float even if, as a group, the total O+D control block is less than 5%, provided that there are other control blocks greater than 5%, thus enabling total float to surpass the 5% minimum threshold.

Foreign investment limits are not applied to indices where the major users are domestic (e.g. the S&P 500, S&P/TSX 60); they are applied to regional or global indices where a significant portion of the index users are outside of the countries covered by the index (e.g., the S&P Global Equity Indices).

In most cases, Investable Weight Factors (IWFs) are reported to the nearest one percentage point.

Calculation of Investable Weight Factors. For each stock an Investable Weight Factor (IWF) is calculated:

$$IWF = (\text{available float shares}) / (\text{total shares outstanding})$$

where available float shares are defined as total shares outstanding less shares held by control holders.

For more information on the S&P DJI Float Adjustment methodology, please refer to S&P Dow Jones Indices' Float Adjustment Methodology document (located [here](#), under section "Float Adjustment Rules").

Your participation in this consultation is important as we gather information from various market participants in order to properly evaluate your views and preferences. Your responses will be kept confidential. Please respond to this survey by **August 18, 2017**. After this date, S&P Dow Jones Indices will no longer accept survey responses. Prior to the Index Committee's final review, S&P Dow Jones Indices will consider the issues and may request clarifications from respondents as part of that review. Alternative options to the proposed questions after the deadline require that the consultation be re-opened to the public.

To participate in this consultation, please respond to S&P Dow Jones Indices at index_services@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 Dow Jones Indices 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 Dow Jones Indices 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.spdji.com.

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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 based on any other provider in the world. With over 1,000,000 indices and more than 120 years of experience constructing innovative and transparent solutions, S&P Dow Jones Indices defines 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.spdji.com.

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