S&P DOW JONES INDICES AND MSCI ANNOUNCE REVISIONS TO THE GLOBAL INDUSTRY CLASSIFICATION STANDARD (GICS®) STRUCTURE IN 2023

NEW YORK, March 31, 2022 /PRNewswire/ -- S&P Dow Jones Indices ("S&P DJI"), a leading provider of financial market indices, and MSCI Inc. (MSCI), a leading provider of research-based indices and analytics, have conducted their annual review of the Global Industry Classification Standard (GICS®) structure.

The annual GICS methodology review is intended to ensure that the GICS structure continues to appropriately represent the global equity markets and, thereby, enable asset owners, asset managers and investment research specialists to make consistent global comparisons by industry. The GICS structure revision is the result of a consultation with market participants.

Based on the consultation feedback received, S&P DJI and MSCI have concluded that the proposed changes related to the reclassification of renewable energy companies and the consolidation of Diversified Banks and Regional Banks will not be implemented due to lack of market consensus. All other changes proposed in the consultation will be implemented.

The changes to the GICS structure will be implemented in GICS Direct and S&P DJI's indices after the close of business (ET) on Friday, March 17, 2023. A select list of large market capitalization companies affected by the changes will be announced no later than June 30, 2022. The full list of companies affected by these changes will be made available to clients no later than December 15, 2022. MSCI will consult with clients regarding implementation in their indexes.

The results of the consultation and changes to the GICS structure in 2023 are summarized below.

CLASSIFICATION OF RETAILERS

The retail landscape has evolved over the years as retailers are opting to pursue an omni-channel approach to sell their products rather than sticking with mainly brick-and-mortar retail or purely online channels. The demarcation between General Merchandise Stores and Department Stores has diminished as well, since both formats are comprised of retail spaces primarily selling consumer discretionary goods. Retailers that are generating a majority of revenue or earnings from consumable staple items such as food, household, and personal care products warrant a consolidation under the Consumer Staples Sector.

Market feedback concerning the proposals for retailers was generally favorable S&P DJI and MSCI will discontinue Internet & Direct Marketing Retail and classify companies according to the nature of goods sold, merge General Merchandise Stores and Department Stores into a new Sub-Industry called Broadline Retail, shift consumable merchandise sellers to the Consumer Staples Sector, and update the GICS nomenclature for select Retail classifications by replacing the word "Stores" with "Retail".

CLASSIFICATION OF DATA PROCESSING & OUTSOURCED SERVICES

Companies classified as Data Processing & Outsourced Services offer services either customized for select industries such as human resources or travel or to diverse industries, as is the case with transaction and payment processing companies offering payment related transaction and payment processing services by connecting consumers, financial institutions, merchants, governments, digital partners, businesses, and other organizations. These support activities are closely aligned with the business support activities covered under the Industrials Sector rather than the Information Technology Sector, and with the Financials Sector in the case of payment processors.

Market feedback concerning the proposal for Data Processing & Outsourced Services was generally favorable Data Processing & Outsourced Services Sub-Industry under the Information Technology Sector will be discontinued and will be moved to the Industrials Sector with an updated definition. In addition, transaction and payment processing companies will be reclassified to a newly created Sub-Industry called Transaction and Payment Processing Services under the Financials Sector. Payroll processing companies will be moved to the Industrials Sector under the Human Resource & Employment Services Sub-

Industry with an updated definition. Companies offering travel related data processing and outsourced services will be moved to the Consumer Discretionary Sector under the Hotels, Resorts & Cruise Lines Sub-Industry.

CLASSIFICATION OF BANKS AND THRIFTS & MORTGAGE FINANCE

The Banks Industry Group comprised of Diversified Banks, Regional Banks, and Thrifts/Savings Banks has evolved over the years with respect to the geographic footprints of these businesses, the laws governing them, and the variety of services being offered. Further, Mortgage Finance, where revenue is more fee-based than interest income based, are distinct from Banks as they mainly offer mortgage finance related products & services for commercial & residential real estate properties. In order to capture these changes, it was proposed to merge Diversified Banks, Regional Banks, and Thrifts/Savings Banks into a single Sub-Industry. And it was proposed to discontinue the Thrifts & Mortgage Finance Sub-Industry under the Banks Industry Group and create a new Commercial & Residential Mortgage Finance Sub-Industry under the Diversified Financials Industry Group (to be renamed Financial Services).

Market feedback concerning the proposal for Banks was mixed, but favorable for the Thrifts & Mortgage Finance Most clients expressed a desire to retain a distinction between Diversified Banks and Regional Banks, although they found merit in merging Thrifts and Savings Banks into an expanded Regional Banks Sub-Industry. In addition, feedback was in favor of discontinuing the Thrifts & Mortgage Finance Sub-Industry under the Banks Industry Group and creating a new Commercial & Residential Mortgage Finance Sub-Industry under the Diversified Financials Industry Group (to be renamed Financial Services). Hence, the proposal will be partially adopted. There will be no change to the Diversified Banks Sub-Industry, Thrifts/Savings banks will be merged with Regional Banks, and the change for Thrifts and Mortgage Finance Sub-Industry will be implemented as proposed.

CLASSIFICATION OF EQUITY REAL ESTATE INVESTMENT TRUSTS (REITs)

The companies structured as REITs generally focus on distinct property types such as retail properties, data centers, telecom towers, etc., and only a small percentage of these companies invest in diverse property types.

Market feedback concerning the proposal for Equity REITs was generally favorable Clients confirmed that there is interest in creating additional granularity for REITs to help investors track the increased specialization in the REITs space. It was proposed that Residential REITs will be split into 2 distinct Sub-Industries and Specialized REITs will be split into 5 Sub-Industries. In addition, 8 Industries for REITs and a new Industry Group for Equity REITs will be created. A new Real Estate Management & Development Industry Group and Industry will also be created. Since the consultation feedback concerning the proposals for Equity REITs was largely favorable, the changes will be implemented as proposed.

CLASSIFICATION OF TRANSPORTATION

The Trucking Sub-Industry includes a mix of companies providing cargo/goods and passenger ground transportation services. The passenger ground transportation business has evolved over the years through the development of online apps and marketplaces for taxis and on-demand ride sharing, as well as consumer bicycle and scooter rental platforms. In addition, these companies are distinct from those offering cargo/goods ground transportation services.

Market feedback supported the reasoning behind separating passenger land transportation from cargo/goods land transportation. The Trucking Sub-Industry will be split into two new Sub-Industries to be called Passenger Ground Transportation and Cargo Ground Transportation. For additional clarity, the Airlines Industry and Sub-Industry will also be renamed as Passenger Airlines to better reflect the companies classified there.

CLASSIFICATION OF RENEWABLE ENERGY COMPANIES

The consultation proposals related to the classification of renewable energy companies will not be adopted at this time. Although there is a rapid growth in investment and capacity in the renewable energy generation space that is transforming the competitive landscape of both the Energy and Utilities Sectors, with renewable energy generation sources becoming significant competitors to traditional energy source providers, feedback from clients and additional internal analysis suggests that there is not a consensus yet on how to reflect these changes in the GICS structure. It is likely that this topic will be revisited in a future structure review by S&P DJI and MSCI.

UPDATE TO GICS DEFINITION: CLASSIFICATION OF CANNABIS

The cannabis industry has expanded rapidly in recent years due to an ease in regulations and increased discovery of uses for a variety of applications. The legality of recreational usage is still inconsistent globally, whereas legal medicinal use is more widespread. Additional uses are still in a nascent stage. **In addition, market feedback was also mixed and hence, the Pharmaceuticals Sub-Industry definition will not be updated at this time.**

ADDITIONAL UPDATES IN SELECT GICS INDUSTRY AND SUB-INDUSTRY NAMES

Various GICS Industry and Sub-Industry names will be updated to increase clarity and consistency across the GICS structure,

in addition to above changes.

The new GICS structure will consist of 11 Sectors, 25 Industry Groups, 74 Industries and 163 Sub-Industries.

For a detailed document covering the upcoming changes, please visit S&P Dow Jones Indices' web site at www.spdji.com and MSCI's web site at www.msci.com.

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