

CONSULTATION ON POTENTIAL CHANGES TO THE GLOBAL INDUSTRY CLASSIFICATION STANDARD (GICS®) STRUCTURE IN 2015

June 2, 2014

TABLE OF CONTENTS

1. Introduction
2. The evolution of the GICS Structure
3. Summary of proposals
4. Proposals in detail
 - Recognizing the growing potential of Real Estate as a Sector
 - Review of the Telecommunication Services Sector
 - Identifying the potential granularity in Diversified Metals & Mining Sub-Industry
 - Acknowledging the difference in business models of manufacturers of luxury and mass market apparel/accessories

INTRODUCTION

- MSCI and S&P Dow Jones Indices have decided to consult with members of the investment community on potential changes to the GICS structure in 2015. This consultation paper is designed to allow market participants to understand and give feedback on the potential changes to the GICS structure, which in turn will help MSCI and S&P Dow Jones Indices to make any final decisions.
- The consultation begins on June 2, 2014 and will end on August 29, 2014. Any changes to the GICS structure are expected to be announced by November, 2014. This consultation may or may not result in any changes to the GICS structure.

Mode of consultation:

If you would like to participate in this consultation, there are 3 options:

- Contact MSCI or S&P Dow Jones Indices by telephone
 - MSCI - Americas Client Service: 1.888.588.4567 (toll free) / +1.212.804.3901; EMEA Client Service: +44.20.7618.2222; Asia Pacific Client Service: +852.2844.9333
 - S&P Dow Jones Indices - U.S.: 1.877.325.5415 (toll free) / +1.212.438.2046; Beijing: +866.10.6569.2770; Dubai: +971.4.371.7131; Hong Kong: +852.2532.8000; London: +44.20.7176.8888; Sydney: +61.2.9255.9802; Tokyo: +81.3.4550.8564
- Click on the below link to participate in the online survey
-www.surveymonkey.com/s/SPDJI-GICS-2015
- Contact one of the following email addresses with your feedback
 - MSCI: clientservice@msci.com
 - S&P Dow Jones Indices: spgics@standardandpoors.com
 - Contact your MSCI or S&P Dow Jones Account Manager or Representative

THE EVOLUTION OF THE GICS STRUCTURE

- In August 1999, MSCI and S&P Dow Jones Indices announced their agreement to co-develop GICS. When first introduced, GICS was a four tier structure with 10 Sectors, 23 Industry Groups, 59 Industries, and 123 Sub-Industries. Through the practice of periodic client consultations, the structure has evolved to 10 Sectors, 24 Industry Groups, 67 Industries, and 156 Sub-Industries. Direct input from global equity market participants has been the key driver for these changes.
- Some of the more significant changes over the past 15 years include:
 - Industrials Sector - the addition of an Industry for Professional Services and Sub-Industries for Diversified Support Services, Human Resource and Employment Services, Research and Consulting Services, and Security and Alarm Services.
 - Consumer Discretionary Sector - the addition of an Industry for Diversified Consumer Services and Sub-Industries for Automotive Retail, Cable and Satellite, Education Services, Home Furnishing Retail, Specialized Consumer Services, and the deletion of the Photographic Products Sub-Industry.
 - Financials Sector – the creation of an Industry for Real Estate Investment Trusts (REIT) with seven Sub-Industries related to REITs. The Real Estate Management and Development Sub-Industry was made more granular by breaking it into Real Estate Operating Companies, Real Estate Development, Real Estate Services, and Diversified Real Estate Activities Sub-Industries. The REITs Industry was made more granular in 2014 by creating two more Sub-Industries for Hotel & Resort REITs and Health Care REITs.
 - Health Care Sector - the addition of Sub-Industries for Life Sciences Tools & Services, Health Care Services, and Health Care Technology.
 - Information Technology Sector – the deletion of the Office Electronics Industry and creation of the Technology Hardware, Storage & Peripherals Sub-Industry by merging the Computer Hardware and Computer Storage & Peripherals Sub-Industries.
 - Utilities Sector – the creation of a Sub-Industry for Renewable Electricity.

SUMMARY OF PROPOSALS

The main proposals set out in this consultation paper pertain to:

- Recognizing the growing potential of Real Estate as a Sector
- Review of the Telecommunication Services Sector
- Identifying the potential granularity in the Diversified Metals & Mining Sub-Industry
- Acknowledging the difference in business models of manufacturers of luxury and mass market apparel/accessories

For a detailed description of GICS, please refer to the MSCI's Web site www.msci.com or the S&P Dow Jones Indices' Web site www.spdji.com

RECOGNIZING THE GROWING POTENTIAL OF REAL ESTATE AS A SECTOR

Rationale for the review:

- ***The Real Estate industry is on a growth trajectory***

While the Real Estate Industry Group represents 6% in terms of number of companies (4% in terms of market capitalization) of GICS Direct, the industry has seen significant highs and lows over the last decade and, in fact, now seems to be in a state of recovery. The on-going specialization of companies in real estate and the need for real estate asset owners to conduct performance attribution and analysis creates a further opportunity to potentially elevate real estate to the Sector level in the GICS structure from under its current location in the Financials Sector.

The GICS Structure has recognized the evolutionary dynamics of the Real Estate Industry Group in the past. Until 2006, we had just two Sub-Industries in the Real Estate Industry Group (under the Financials Sector): REITs and Real Estate Management & Development (REMD). In 2006, in order to bring more granularity, we broke the REITs sub-industry into 7 sub-industries based on the types of properties REITs invest in. In 2008, we made the Real Estate Management & Development Sub-Industry more granular by breaking this Sub-Industry into 4 Sub-Industries, based on the type of activities that Real estate companies engage in.

- ***The Real Estate Industry Group is the least correlated among the Industry Groups in the Financials Sector***

Correlation analysis shows that Real Estate is the least correlated Industry Group with the Financials Sector as compared to other Industry Groups within Financials which includes Banks, Diversified Financials, and Insurance.

RECOGNIZING THE GROWING POTENTIAL OF REAL ESTATE AS A SECTOR

Proposed structure:

- Real Estate is carved out as a separate Sector from Financials Sector. As a result, there are 11 Sectors in the GICS Structure.
- Under the Real Estate Sector, Real Estate Investment Trusts (REITs) Industry is renamed as Equity Real Estate Investment Trusts (REITs).
- Mortgage REITs Sub-Industry is retained under Financials Sector under a new Industry created for Mortgage REITs.

S. No.	Sector
1	10 - Energy
2	15 - Materials
3	20 - Industrials
4	25 - Consumer Discretionary
5	30 - Consumer Staples
6	35 - Health Care
7	40 - Financials (deletion of Real Estate Industry Group with the exception of Mortgage REITs Sub-Industry which will be retained under Financials)
8	45 - Information Technology
9	50 - Telecommunication Services
10	55 - Utilities
11	60 - Real Estate (new Sector and code)

RECOGNIZING THE GROWING POTENTIAL OF REAL ESTATE AS A SECTOR

Proposed structure of the new Real Estate Sector:

Sector	Industry Group	Industry	Sub-Industry
60 - Real Estate (new Sector and code)	6010 - Real Estate (new code)	601010 - Equity Real Estate Investment Trusts (REITs) (rename and new code)	60101010 - Diversified REITs (new code)
			60101020 - Industrial REITs (new code)
			60101030 - Hotel & Resort REITs (new code)
			60101040 - Office REITs (new code)
			60101050 - Health Care REITs (new code)
			60101060 - Residential REITs (new code)
			60101070 - Retail REITs (new code)
			60101080 - Specialized REITs (new code)
		601020 - Real Estate Management & Development (new code)	60102010 - Diversified Real Estate Activities (new code)
			60102020 - Real Estate Operating Companies (new code)
			60102030 - Real Estate Development (new code)
			60102040 - Real Estate Services (new code)

There will be no change in definitions for Sub-Industries in the Real Estate Sector.

RECOGNIZING THE GROWING POTENTIAL OF REAL ESTATE AS A SECTOR

Proposed structure of the Diversified Financials Industry Group under Financials Sector:

Sector	Industry Group	Industry	Sub-Industry
40 - Financials	4020 - Diversified Financials	402010 - Diversified Financial Services	40201020 - Other Diversified Financial Services
			40201030 - Multi-Sector Holdings
			40201040 - Specialized Finance
		402020 - Consumer Finance	40202010 - Consumer Finance
		402030 - Capital Markets	40203010 - Asset Management & Custody Banks
			40203020 - Investment Banking & Brokerage
			40203030 - Diversified Capital Markets
		402040 - Mortgage REITs (new Industry & code)	40204010 - Mortgage REITs (new code)

There will be no change in definitions for Sub-Industries in the Diversified Financials Industry Group.

RECOGNIZING THE GROWING POTENTIAL OF REAL ESTATE AS A SECTOR

Discussion topics:

- Does the market perceive real estate companies as financial companies?
- Has the real estate industry recovered enough to warrant a Sector under GICS or is it too small?
- Is it beneficial to break down Real Estate Operating and Real Estate Development companies by type, such as Residential or Office?
- How much lead time is appropriate if a new GICS Sector is created?
- Should Mortgage REITs remain classified in the Financials Sector even if Real Estate is to become its own Sector?
- Some REITs, such as a few classified in the Specialized REITs Sub-Industry, are not engaged in traditional real estate businesses. Should non-traditional REITs (timber, prison, telecom REITs, for example) be classified along their true lines of business or should they remain classified in real estate due to their REIT status?

REVIEW OF THE TELECOMMUNICATION SERVICES SECTOR

Rationale for the review:

- ***Diminishing size of the Telecommunication Services Sector***

The Telecommunication Services Sector is the smallest Sector in GICS Direct with only 1% of the total number of companies and 4% of the total market capitalization. In general, when industries have only regional providers or a whole slew of competitors, it usually results in mergers for size and scale, then outright acquisitions to eliminate competition. We have seen this consolidation in the US wireless space with AT&T, Verizon, Sprint and T-Mobile. In fact, these four largest US wireless carriers have 92% of the US market share. This has been observed in other countries as well.

- ***Convergence of Telecommunication Services, Broadcasting/Cable & Satellite companies***

The increasing integration of telecommunication and broadcasting/cable & satellite companies has led to the creation of a common platform that is used for delivering multiple services such as cable TV, internet and telephone services.

REVIEW OF THE TELECOMMUNICATION SERVICES SECTOR

Current structure:

Sector	Industry Group	Industry	Sub-Industry
25 - Consumer Discretionary	2540 - Media	254010 - Media	25401010 - Advertising
			25401020 - Broadcasting
			25401025 - Cable & Satellite
			25401030 - Movies & Entertainment
			25401040 - Publishing

Sector	Industry Group	Industry	Sub-Industry
50 - Telecommunication Services	5010 - Telecommunication Services	501010 - Diversified Telecommunication Services	50101010 - Alternative Carriers
			50101020 - Integrated Telecommunication Services
		501020 - Wireless Telecommunication Services	50102010 - Wireless Telecommunication Services

REVIEW OF THE TELECOMMUNICATION SERVICES SECTOR

Proposed structure:

Sector	Industry Group	Industry	Sub-Industry	
50 - Communication Services (rename)	5010 - Telecommunication Services	501010 - Diversified Telecommunication Services	50101010 - Alternative Carriers	
			50101020 - Integrated Telecommunication Services	
	5020 - Broadcasting and Cable & Satellite (new Industry Group and code)	501020 - Wireless Telecommunication Services	50102010 - Wireless Telecommunication Services	
			502010 - Broadcasting and Cable & Satellite (new Industry and code)	50201010 - Broadcasting (new code)
				50201020 - Cable & Satellite (new code)

There will be no change in the definitions of Sub-Industries.

REVIEW OF THE TELECOMMUNICATION SERVICES SECTOR

Discussion topics:

- Has the convergence between telecommunications and broadcasting/cable/satellite reached a stage where these companies can be grouped together under a single Communication Services Sector?
- Are the technologies that form the backbone of these industries perceived as Communication Services?
- Do changes in the prices of telecommunications services affect client demand in the same way that price changes affect broadcasting/cable/satellite services?

IDENTIFYING THE POTENTIAL GRANULARITY IN THE DIVERSIFIED METALS & MINING SUB-INDUSTRY

Rationale for the analysis:

- Diversified Metals & Mining Sub-Industry is one of the largest Sub-Industries and carving out a separate Sub-Industry for copper adds granularity to the structure.
- Over the years, the global demand for copper has increased significantly owing to the expansion of sectors such as electrical and electronic products, building construction, industrial machinery and equipment, transportation equipment, and consumer and general products.
- There is significant financial investment interest for copper stocks.

IDENTIFYING THE POTENTIAL GRANULARITY IN THE DIVERSIFIED METALS & MINING SUB-INDUSTRY

Proposed structure:

Sector	Industry Group	Industry	Sub-Industry
15 - Materials	1510 - Materials	151040 - Metals & Mining	15104010 - Aluminium
			15104020 - Diversified Metals & Mining
			15104025 - Copper (new Sub-Industry and code)
			15104030 - Gold
			15104040 - Precious Metals & Minerals
			15104045 - Silver
			15104050 - Steel

Proposed new definition:

Copper - Companies involved primarily in copper ore mining.

IDENTIFYING THE POTENTIAL GRANULARITY IN THE DIVERSIFIED METALS & MINING SUB-INDUSTRY

Discussion topics:

- How does the market perceive the growth of companies mining copper in the near future?
- Does the underlying technology used for copper production produce substantial amounts of other metals or minerals?
- Are there any other metals for which we should have separate Sub-Industries, such as nickel and zinc?

ACKNOWLEDGING THE DIFFERENCE IN THE BUSINESS MODELS OF MANUFACTURERS OF LUXURY AND MASS MARKET APPARELS/ACCESSORIES

Rationale for the review:

- Demand for luxury goods is on the rise with the growth of the middle class in emerging markets such as China. In addition to the existing demand for luxury goods among the affluent class, this growth and the corresponding rise in disposable incomes is increasing consumption and demand for luxury products.
- Luxury goods are different from mass market goods in terms of business model, target market, pricing strategy and branding/marketing.

ACKNOWLEDGING THE DIFFERENCE IN THE BUSINESS MODELS OF MANUFACTURERS OF LUXURY AND MASS MARKET APPARELS/ACCESSORIES

Proposed structure:

Sector	Industry Group	Industry	Sub-Industry
25 - Consumer Discretionary	2520 - Consumer Durables & Apparel	252030 - Textiles, Apparel & Luxury Goods	25203010 - Apparel & Accessories (name and definition change)
			25203015 - Luxury Goods (new Sub-Industry and code)
			25203020 - Footwear (definition change)
			25203030 - Textiles

Proposed definitions:

Apparel & Accessories:

Manufacturers of apparel and accessories. Includes companies primarily producing handbags, wallets, luggage, and watches. Excludes companies classified in the Luxury Goods and Footwear Sub-Industries.

Luxury Goods:

Companies that manufacture apparel, accessories, jewelry and footwear that are supported by major brands, labels or designers and are sold at a premium, that specifically target high end markets and have selective distribution systems. Includes companies that are considered luxury goods manufacturers in developed markets. Excludes companies that manufacture luxury cars and electronic gadgets.

ACKNOWLEDGING THE DIFFERENCE IN THE BUSINESS MODELS OF MANUFACTURERS OF LUXURY AND MASS MARKET APPARELS/ACCESSORIES

Proposed definitions (continued):

Footwear:

Manufacturers of footwear. Includes sport and leather shoes. Excludes companies classified in the Luxury Goods Sub-Industry.

Discussion topics:

- How are luxury goods defined?
- Is there any material difference in how luxury goods are perceived in different geographical locations?
- Would you perceive the below companies as luxury goods?
 - Christian Dior
 - Burberry Group
 - Prada
 - Swatch Group
 - Adidas
 - Fossil Group
 - Hugo Boss

NOTICE AND DISCLAIMER

- This document has been prepared by MSCI and S&P Dow Jones Indices LLC solely for informational purposes. All of the information contained herein, including without limitation all text, data, graphs, charts (collectively, the “Information”) is the property of MSCI, S&P Dow Jones Indices, or their respective affiliates. The Information may not be reproduced or disseminated in whole or in part without prior written permission from MSCI and S&P Dow Jones Indices.
- None of the proposals or alternatives set forth herein has been adopted by MSCI, S&P Dow Jones Indices or Standard & Poor’s Financial Services LLC (“S&P”), an affiliate of S&P Dow Jones Indices, and there is no assurance that they may be considered or adopted, in whole or in part, by any such party.
- The Information may not be used to create derivative works or to verify or correct other data or information. For example (but without limitation), the Information may not be used to create indices, data bases, risk models, analytics, software, or in connection with the issuing, offering, sponsoring, managing or marketing of any securities, portfolios, financial products or other investment vehicles utilizing or based on, linked to, tracking or otherwise derived from the Information.
- The user of the Information assumes the entire risk of any use it may make or permit to be made of the Information. NEITHER MSCI, S&P DOW JONES INDICES, S&P, NOR ANY OF THEIR RESPECTIVE AFFILIATES MAKES ANY EXPRESS OR IMPLIED WARRANTIES OR REPRESENTATIONS WITH RESPECT TO THE INFORMATION (OR THE RESULTS TO BE OBTAINED BY THE USE THEREOF). TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, MSCI, S&P DOW JONES INDICES, S&P AND THEIR RESPECTIVE AFFILIATES EXPRESSLY DISCLAIM ALL IMPLIED WARRANTIES (INCLUDING, WITHOUT LIMITATION, ANY IMPLIED WARRANTIES OF ORIGINALITY, ACCURACY, TIMELINESS, NON-INFRINGEMENT, COMPLETENESS, MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE) WITH RESPECT TO ANY OF THE INFORMATION.
- Without limiting any of the foregoing and to the maximum extent permitted by applicable law, in no event shall MSCI, S&P Dow Jones Indices, S&P or any of their respective affiliates have any liability regarding any of the Information for any direct, indirect, special, punitive, consequential (including lost profits) or any other damages even if notified of the possibility of such damages.
- Information containing any historical information, data or analysis should not be taken as an indication or guarantee of any future performance, analysis, forecast or prediction. Past performance does not guarantee future results.
- None of the Information constitutes an offer to sell (or a solicitation of an offer to buy), any security, financial product or other investment vehicle.
- The Information does not, and is not intended to, recommend, endorse, approve or otherwise expresses any opinion regarding any issuer, security, financial product or trading strategy and none of the Information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such.
- The Global Industry Classification Standard (GICS) was developed by and is the exclusive property of MSCI and S&P. “Global Industry Classification Standard (GICS)” is a service mark of MSCI and S&P.