



INDEX METHODOLOGY

# ISE CYBER SECURITY UCITS™ INDEX HUR™

## INDEX DESCRIPTION

The ISE Cyber Security UCITS Index is designed to track the performance of a set of companies actively involved in providing cyber security technology and services.

## SECURITY ELIGIBILITY CRITERIA

### Security universe index

The ISE Cyber Security UCITS Index (HUR) consists of a selection of securities from the ISE Cyber Security Index (HXR) as of the Reconstitution Effective Date. Refer to the HXR methodology for further information about its constituent selection.

### Listing exchanges

A security must be listed on an exchange named in **Appendix A: Eligible Exchanges**.

### Liquidity

A security must have a three-month average daily traded value of at least \$1 million (USD).

A security not in the Index as of the Index Reconstitution Reference Date must meet the following additional criteria:

- On the Reconstitution Reference Date and each of the 59 trading days preceding the Reconstitution Reference Date, the security must have a five-day average daily traded value of at least \$750 thousand (USD).
- At any one of the three most recent reconstitutions, the security must not have failed to meet the applicable liquidity criteria and have been removed from the Index.

## ESG eligibility

A security's issuer must not be positively identified by Sustainalytics as exhibiting any of the following characteristics:

- Having a Controversy Rating of five (5).
- Non-compliance with the United Nations Global Compact (UNGC) principles and related international norms and standards, such as the Organization for Economic Cooperation and Development (OECD) Guidelines and United Nations (UN) Guiding Principles.
- Involvement of certain degrees in controversial weapons, civilian firearms, small arms, military contracting, tobacco products, thermal coal, oil sands, shale energy, arctic oil and gas extractions, thermal coal, oil and gas, nuclear power generations, oil and gas production and services, as described in **Appendix B: Prohibited Areas of Involvement**.

Wherein data are unavailable for any security for a given field from Sustainalytics, the security is deemed ineligible.

## Other eligibility

If, at Index Reconstitution, Nasdaq becomes aware that an issuer or security will soon undergo a fundamental change that makes it ineligible, Nasdaq may remove the security from consideration. This includes entering into a definitive merger or acquisition agreement or other pending arrangement that would make it ineligible for Index inclusion, or a filing of bankruptcy or similar protection from creditors, or other events as described in Section 3 of **Corporate Actions and Events Manual – Equities**.

Generally, a security in the Index as of the Reconstitution Reference Date that would become ineligible soon after the Index Reconstitution Effective Date or a security not in the Index as of the Index Reconstitution Reference Date would be removed from consideration.

## INDEX CALENDAR

### Reconstitution schedule

The Index is reconstituted quarterly in January, April, July and October by applying the Security Eligibility Criteria and Constituent Selection Process to all securities that meet the applicable Security Eligibility Criteria.

### Reconstitution reference dates

Unless otherwise specified, the Security Eligibility Criteria and Constituent Selection Process are applied by using available data as of the end of November, February, May and August, respectively.

### Reconstitution announcement dates

Index Reconstitutions are announced approximately five (5) business days prior to the effective date.

## **Reconstitution effective dates**

Index Reconstitutions become effective at market open on the first trading day following the third Friday in January, April, July and October, respectively.

## **Rebalance schedule**

The Index is rebalanced quarterly in January, April, July and October, in conjunction with the quarterly Index Reconstitution, by applying the Constituent Weighting Process.

## **Rebalance reference dates**

The Constituent Weighting Process is applied by using available data as of the prior month-end (December, March, June and September, respectively).

## **Rebalance announcement and effective dates**

The Rebalance announcement and effective dates are the same as those of the Index Reconstitution.

## **Holiday schedule**

The Index is calculated Monday through Friday and does not close for holidays.

## **Index calculation and dissemination schedule**

The Index Value is calculated five (5) days a week, Monday through Friday, once per second from the start of the trading day in Tokyo (09:00:01 Japan Standard Time) until the close of the trading day in New York (17:16:00 Eastern Time).

# **CONSTITUENT SELECTION**

## **Constituent selection process**

All securities that meet every applicable Security Eligibility Criterion are included in the Index.

The Index shall contain a minimum of 24 securities.

# **CONSTITUENT WEIGHTING**

## **Constituent weighting scheme**

The Index is a modified equal-weighted index.

## Constituent weighting process

The Index employs a repeated two-stage, two-level weight adjustment scheme.

The Classification Committee assigns each Index Security to a Sector Classification group according to the **Industry Classification Methodology Guide - ISE Cyber Security® Industry Classification**.

The aggregate weight of each Sector Classification is determined by dividing the aggregate free float market capitalization of all Index Securities within each Sector Classification by the aggregate free float market capitalization of all Index Securities. Within these Sector Classification groups weighted by free float market capitalization, initial Index Security weights are equal.

### Stage 1

Initial Index weights are adjusted within each Sector Classification to meet the following constraints, producing the Stage 1 weights:

- No Index Security weight may exceed 25% of the ratio between the Index Security's three-month average daily traded value and \$25 million (USD).
- Based on the USPY LN ETF or a theoretical index-tracking fund (collectively referred to as "the fund"), no Index Security weight may exceed 7.5% of the ratio between the Index Security's free float market capitalization and 110% of the fund's assets in USD.
- No Index Security weight may exceed 10% of the Index.
- The aggregate weight of Index Securities whose weights exceed 5% of the Index may not exceed 40%.
- Sector Classification weights are only adjusted if security-level constraints necessitate.

### Stage 2

The Index weights set in the previous stage are adjusted within each Sector Classification to meet the following constraints, producing the final weights:

- The weight of any Index Security whose previous stage Index weight is less than or equal to 0.50% is set to 0% (i.e. removed from the Index).
- The weight of any Index Security whose initial weight is below 5% and whose previous stage index weight is greater than or equal to 5% is set to 4.75%.
- No Index Security weight may exceed 25% of the ratio between the Index Security's three-month ADDTV and \$25 million (USD).
- Based on the USPY LN ETF or a theoretical index-tracking fund (collectively referred to as "the fund"), no Index Security weight may exceed 7.5% of the ratio between the Index Security's free float market capitalization and 110% of the fund's assets in USD.
- No Index Security weight may exceed 10% of the Index.
- The aggregate weight of Index Securities whose weights exceed 5% of the Index may not exceed 40%.
- Sector Classification weights are only adjusted if security-level constraints necessitate.

Stage 2 is repeated until all weight restrictions are satisfied.

For additional information about index weighting, refer to the **Nasdaq Index Weight Calculations**.

## INDEX MAINTENANCE

### Deletion policy

If, at any time other than an Index Reconstitution, Nasdaq becomes aware that an Index Security has become ineligible for continued inclusion, it is removed from the Index as soon as practicable. This includes events such as filing bankruptcy or similar protection from creditors, delisting or other arrangement including mergers and acquisitions. Refer to **Corporate Actions and Events Manual – Equities** for further information.

### Replacement policy

Index Securities are not replaced between Index Reconstitutions.

### Addition policy

Index Securities are not added between Index Reconstitutions.

### Corporate actions

Information on corporate actions and events handling can be found in the **Corporate Actions and Events Manual – Equities**, which is incorporated herein by reference.

In certain cases, corporate actions and events are handled according to the weighting scheme or other index construction techniques employed. Wherever alternate methods are described, the Index will follow the “Non-Market Cap Corporate Action Method.”

### Index share adjustments

Other than as a direct result of corporate actions, the Index does not normally experience share adjustments between scheduled index rebalance and reconstitution events.

## ADDITIONAL INFORMATION

### Announcements

Nasdaq announces Index-related information via the Nasdaq Global Index Watch (GIW) website at <http://indexes.nasdaq.com>.

For more information on the general Index Announcement procedures, refer to the **Nasdaq Index Methodology Guide**.

### Unexpected market closures

For information on Unexpected Market Closures, refer to the **Nasdaq Index Methodology Guide**.

## Calculation types

For information on the Index calculation types as well as the mathematical approach used to calculate the Index(es), refer to the **Calculation Manual – Equities and Commodities**.

## Recalculation and restatement policy

For information on the Recalculation and Restatement Policy, refer to the **Nasdaq Index Recalculation Policy**.

## Data sources

For information on data sources, refer to the **Nasdaq Index Methodology Guide**.

## Contact information

For any questions regarding an Index, contact the Nasdaq Index Client Services team at [indexservices@nasdaq.com](mailto:indexservices@nasdaq.com).

## Index dissemination

Index values and weightings information are available through Nasdaq Global Index Watch (GIW) website at <https://indexes.nasdaq.com/> as well as the Nasdaq Global Index FlexFile Delivery Service (GIFFD) and Global Index Dissemination Services (GIDS). Similar to the GIDS offerings, Genium Consolidated Feed (GCF) provides real-time Index values and weightings for the Nordic Indexes.

For more detailed information regarding Index Dissemination, refer to the **Nasdaq Index Methodology Guide**.

## Website

For further information, refer to Nasdaq GIW website at <https://indexes.nasdaq.com/>.

## FTP and dissemination service

Index values and weightings are available via FTP on the Nasdaq Global Indexes FlexFile Delivery Service (GIFFD). Index values are available via Nasdaq's Global Index Dissemination Services (GIDS).

## GOVERNANCE

All Nasdaq Indexes are managed by the governance committee structure and have transparent governance, oversight, and accountability procedures for the Index determination process. For further details on the Index Methodology and Governance overlay, refer to the **Nasdaq Index Methodology Guide**.

## GLOSSARY OF TERMS AS USED IN THIS DOCUMENT

For the glossary of key terms, refer to the **Nasdaq Index Methodology Guide**.

### APPENDIX A: ELIGIBLE EXCHANGES

Country	Name
AUSTRALIA	ASX - ALL MARKETS
AUSTRIA	WIENER BOERSE AG
BRAZIL	BM&FBOVESPA S.A. - BOLSA DE VALORES, MERCADORIAS E FUTUROS
CANADA	TORONTO STOCK EXCHANGE
CHILE	SANTIAGO STOCK EXCHANGE
COLOMBIA	BOLSA DE VALORES DE COLOMBIA
FRANCE	EURONEXT - EURONEXT PARIS
GERMANY	DEUTSCHE BOERSE AG
GREECE	ATHENS STOCK EXCHANGE
HONG KONG	HONG KONG EXCHANGES AND CLEARING LTD
HUNGARY	BUDAPEST STOCK EXCHANGE
INDONESIA	INDONESIA STOCK EXCHANGE
IRELAND	IRISH STOCK EXCHANGE - ALL MARKET
ISRAEL	TEL AVIV STOCK EXCHANGE
ITALY	BORSA ITALIANA S.P.A.
JAPAN	JAPAN EXCHANGE GROUP
KOREA, REPUBLIC OF	KOREA EXCHANGE (STOCK MARKET)
MALAYSIA	BURSA MALAYSIA
MEXICO	BOLSA MEXICANA DE VALORES (MEXICAN STOCK EXCHANGE)
NEW ZEALAND	NEW ZEALAND EXCHANGE LTD
NORWAY	OSLO BORS ASA
PERU	BOLSA DE VALORES DE LIMA
PHILIPPINES	PHILIPPINE STOCK EXCHANGE, INC.
RUSSIA	MOSCOW EXCHANGE - ALL MARKETS
SINGAPORE	SINGAPORE EXCHANGE
SOUTH AFRICA	JOHANNESBURG STOCK EXCHANGE
SPAIN	BME - BOLSAS Y MERCADOS ESPANOLES
SWEDEN	NASDAQ STOCKHOLM AB
SWITZERLAND	SIX SWISS EXCHANGE
THAILAND	STOCK EXCHANGE OF THAILAND
TURKEY	BORSA ISTANBUL
UNITED KINGDOM	LONDON STOCK EXCHANGE
UNITED STATES OF AMERICA	NEW YORK STOCK EXCHANGE, INC.
UNITED STATES OF AMERICA	NASDAQ - ALL MARKETS

## APPENDIX B: PROHIBITED AREAS OF INVOLVEMENT

As defined by the Sustainalytics Product Involvement Research Methodology as of November 2021: "if a company holds a majority stake (i.e. more than 50%) of another company that is considered directly involved, the parent company is considered involved in the same category of involvement as the subsidiary. In these cases, we associate relevant revenues of the involved subsidiary attributed to the parent following the exact revenues methodology."

At each quarterly reconstitution, companies engaged in the following business activities, as determined by Sustainalytics, are excluded from the eligible universe.

- Controversial weapons – Significant ownership in or any involvement in either tailor-made and essential weapons or non-tailor-made or non-essential weapons
- Small arms to civilian customers – More than five percent of revenue from either assault or non-assault small arms to civilian customers
- Small arms to retail/distribution – More than five percent of revenue from either assault or non-assault small arms to retail/distribution
- Small arms to military/law enforcement – More than five percent of revenue from small arms to military/law enforcement customers
- Small arms key components – More than five percent of revenue from small arms key components
- Military contracting – More than five percent of revenue from either weapons for military contracting or weapon-related products or services for military contracting
- Tobacco products – More than five percent of revenue from either production, related products/services or retail
- Thermal coal extraction – More than five percent revenue from extraction in thermal coal
- Thermal coal – Increase in aggregated revenue from all thermal coal categories in the last twelve months
- Oil sands – More than five percent revenue from extraction in oil sands; or increase in revenue or capacity from extraction in oil sands in the last twelve months
- Arctic oil and gas exploration – More than five percent revenue from extraction in arctic oil and gas exploration; or increase in revenue from extraction in arctic oil and gas exploration in the last twelve months
- Shale energy – More than five percent revenue from extraction in shale energy; or increase in revenue from extraction in shale energy in the last twelve months
- Thermal coal power generation – Any revenue from thermal coal power generation; or increase in capacity from thermal coal power generation in the last twelve months
- Nuclear power – More than five percent revenue from nuclear power production, supporting products and services, or distribution; or increase in capacity from nuclear power production in the last twelve months
- Oil and gas generation – Any revenue from oil and gas generation; or increase in capacity from oil and gas generation in the last twelve months
- Oil and gas – More than five percent revenue from oil and gas production, and supporting products and services; or increase in revenue from oil and gas exploration and production in the last twelve months



## APPENDIX C: METHODOLOGY CHANGE LOG

Effective Date	Methodology Section	Previous	Updated
04/22/2024	Appendix B: Prohibited areas of involvement	--	Thermal coal – Increase in aggregated revenue from all thermal coal categories in the last twelve months
04/22/2024	Appendix B: Prohibited areas of involvement	Oil sands – At least five percent revenue from extraction in oil sands; or oil sands extraction capacity increased in the last twelve months	Oil sands – More than five percent revenue from extraction in oil sands; or increase in revenue or capacity from extraction in oil sands in the last twelve months
04/22/2024	Appendix B: Prohibited areas of involvement	Arctic oil – At least five percent revenue from arctic oil and gas exploration	Arctic oil and gas exploration – More than five percent revenue from extraction in arctic oil and gas exploration; or increase in revenue from extraction in arctic oil and gas exploration in the last twelve months
04/22/2024	Appendix B: Prohibited areas of involvement	Shale energy – At least five percent revenue from extraction in shale energy	Shale energy – More than five percent revenue from extraction in shale energy; or increase in revenue from extraction in shale energy in the last twelve months
04/22/2024	Appendix B: Prohibited areas of involvement	Thermal coal power generation – at least five percent revenue from thermal coal power generation; or thermal coal power generation capacity increased in the last twelve months	Thermal coal power generation – Any revenue from thermal coal power generation; or increase in capacity from thermal coal power generation in the last twelve months
04/22/2024	Appendix B: Prohibited areas of involvement	Oil and gas power generation - oil and gas generation capacity increased in the last twelve months	Oil and gas generation – Any revenue from oil and gas generation; or increase in capacity from oil and gas generation in the last twelve months
04/22/2024	Appendix B: Prohibited areas of involvement	Conventional oil and gas – at least five percent revenue from oil and gas production, supporting products/services, or generation.	Oil and gas – More than five percent revenue from oil and gas production, and supporting products and services; or increase in revenue from oil and gas exploration and production in the last twelve months

06/30/2023	Security eligibility criteria: ESG eligibility	--	The ESG criterion “Non-Compliance of the United Nations Global Compact” is changed to “Non-compliance with the United Nations Global Compact (UNGC) principles and related international norms and standards, such as the Organization for Economic Cooperation and Development (OECD) Guidelines and United Nations (UN) Guiding Principles.”
01/23/2023	Security eligibility criteria: Liquidity	--	A criterion is added that disqualifies a security from being added to the Index if it failed the liquidity criteria and was removed from the Index at one of the three most recent reconstitutions.
02/21/2022	Security eligibility criteria: ESG eligibility	--	The ESG criteria has been modified.
03/10/2021	Security eligibility criteria: ESG eligibility	--	An ESG criterion has been added to the Index. An issuer must not be included in the Future World Protection List (FWPL), as determined by Legal & General Investment Management.

**DISCLAIMER**

Nasdaq may, from time to time, exercise reasonable discretion as it deems appropriate in order to ensure Index integrity, including but not limited to, quantitative inclusion criteria. Nasdaq may also, due to special circumstances, if deemed essential, apply discretionary adjustments to ensure and maintain the high quality of the index construction and calculation. Nasdaq does not guarantee that any Index accurately reflects future market performance.

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