



INDEX METHODOLOGY

NASDAQ CTA ARTIFICIAL INTELLIGENCE INDEX™

NQINTEL

INDEX DESCRIPTION

The Nasdaq CTA Artificial Intelligence Index is designed to track the performance of companies engaged in the artificial intelligence segment of the technology, industrial, medical and other economic sectors. The companies are selected based on classification by Consumer Technology Association (CTA).

SECURITY ELIGIBILITY CRITERIA

Security types

A security must be classified as a common stock, ordinary share, depository receipt, depository share, share of beneficial interest of a REIT, limited partnership interest or tracking stock.

Multiple securities per issuer

One security per issuer is permitted. If an issuer has multiple otherwise-eligible securities, one of which is an Index Security as of the Reconstitution Reference Date, only that security may be eligible; otherwise, only the security with the highest three-month median daily traded value may be eligible.

Listing exchanges

A security must be listed on an Index-eligible exchange. For more information and a complete listing of Index-eligible exchanges, refer to **Nasdaq Eligible Exchanges**.

Industries and sectors

A security's issuer must be classified by CTA as an Artificial Intelligence company fitting the classification of Enabler, Engager or Enhancer:

- **Enabler** - a company that develops the building block components for artificial intelligence, such as advanced machinery, autonomous systems/self-driving vehicles, semiconductors, or databases used for machine learning

- **Engager** - a company that designs, creates, integrates or delivers artificial intelligence in the form of products, software, or systems
- **Enhancer** – a company that provides its own value-added services within the Artificial Intelligence ecosystem that are not core to their product or service offering

Market capitalization

A security must have a market capitalization of at least \$250 million (USD).

Liquidity

A security must have a three-month median daily traded value of at least \$3 million (USD).

Float

At least 20% of a security's total shares outstanding must be publicly available for trading (float shares).

ESG eligibility

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

- 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 in specific business activities, as defined in Appendix A.

Other eligibility criteria

If, at reconstitution, Nasdaq becomes aware that an issuer or security will soon undergo a fundamental change that makes it ineligible, Nasdaq will 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**.

INDEX CALENDAR

Reconstitution schedule

The Index Reconstitution is conducted semi-annually in March and September by applying 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 using data as of end of January and July, respectively.

Reconstitution announcement dates

Index Reconstitutions are announced in early March and September.

Reconstitution effective dates

Index Reconstitutions become effective at market open on the first trading day following the third Friday in March and September.

Rebalance schedule

The Index is rebalanced in conjunction with the Reconstitution by applying the Constituent Weighting Process. The Rebalance announcement and effective dates are the same as those of the Index Reconstitution.

Rebalance reference dates

The Index Rebalance is conducted using data as of the end of February and August, respectively.

Holiday schedule

The Index is calculated Monday through Friday, except on days when Nasdaq Stock Market is closed.

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

Securities that meet the Security Eligibility Criteria are ranked by CTA AI Intensity Rating in one of the three categories: Engager, Enabler or Enhancer. CTA's AI Intensity Ratings capture the perceived degree of a company's AI sector involvement within each category. Securities that are ranked in the top 15 in each category, including ties, are selected for inclusion in the Index.

CONSTITUENT WEIGHTING

Constituent weighting scheme

The Index is a modified equal-weighted index.

Constituent weighting process

NQINTEL employs a two-level weight adjustment scheme.

Based on CTA classification, each security belongs to the Enablers, Engagers or Enhancers classification group. The classification groups' weights are set to the following values:

- Enablers: 40%
- Engagers: 50%
- Enhancers: 10%

Within classification groups, initial Index Security weights are equal. Initial index weights are then adjusted to meet the following constraints:

- No Index Security weight may exceed 25% of the ratio between the security's three-month median daily traded value and \$100 million (USD).
- No Index Security weight may exceed 4.5%.
- Classification group weights are only adjusted if security-level constraints necessitate.

For additional information about index weighting, see **Nasdaq Index Weight Calculations**.

INDEX MAINTENANCE

Deletion policy

If, at any time other than an Index Reconstitution, Nasdaq determines that an Index Security has or will undergo a fundamental alteration that would make it ineligible for Index inclusion, the Index Security is removed as soon as practicable.

Such alterations may include a merger, acquisition, or other major corporate event that would otherwise adversely impact the integrity of the Index.

Replacement policy

Index Securities are not replaced in the Index outside of the Index Reconstitution.

Addition policy

Index Securities are not added to the Index outside of the Index Reconstitution.

Corporate actions

In the interim periods between scheduled index reconstitution and rebalancing events, individual Index securities may be the subject to a variety of corporate actions and events that require maintenance and adjustments to the Index. Specific treatment of each type of corporate action or event is described in **Nasdaq's 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.nasdaqomx.com>.

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

Unexpected market closures

For information on Unexpected Market Closures, please 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), please refer to the **Nasdaq Index Policies & Procedures: Calculation Manual – Equities & Commodities**.

Recalculation and restatement policy

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

Data sources

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

Contact information

For any questions regarding an Index, please contact the Nasdaq Index Client Services team at indexservices@nasdaq.com.

Index dissemination

Index values and weightings information are available through Nasdaq Global Index Watch (GIW) website at <https://indexes.nasdaqomx.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, see the **Nasdaq Index Methodology Guide**.

Website

For further information, please refer to Nasdaq GIW website at <https://indexes.nasdaqomx.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

Index 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**.

Nasdaq Index Management Committee

The Nasdaq Index Management Committee is responsible for the overall oversight of activities related to the development, issuance, and operation of Nasdaq Indexes. The Committee reviews and approves all new Index Methodologies as well as updates to existing methodologies. For a detailed overview of the Index Management Committee, refer to the **Nasdaq Index Methodology Guide**.

Nasdaq U.S. Oversight Committee

The U.S. Oversight Committee is responsible for the oversight of the overall Benchmark determination process and is responsible for the overall governance of the U.S.-based Index business including review

and approval of the control framework, certain policies and procedures, certain methodologies and methodology changes and other Index management oversight.

For a detailed overview of the U.S. Oversight Committee, refer to the **Nasdaq Index Methodology Guide**.

Internal reviews of methodology

All new methodologies or updates to existing methodologies must be reviewed by the Index Management Committee. Additionally, all in-scope Index methodologies are subject to an annual review by the Index Management Committee and U.S. Oversight Committee. For a detailed description on internal reviews of the Methodology, refer to the **Nasdaq Index Methodology Guide**.

Communication with stakeholders and consultations

In certain circumstances, Nasdaq will seek feedback from clients and market participants via consultations. For a detailed description on Consultations and Communications with Stakeholders, refer to the **Nasdaq Index Methodology Guide**.

Index cessation

Nasdaq has a documented procedure that is followed for Index Cessation that includes termination/retirement of an Index or Index Family. For more information, refer to the **Nasdaq Index Cessation Policy**.

Discretionary adjustment

This Index Methodology was created by Nasdaq to achieve the aforementioned objective of measuring the underlying purpose of each Index governed by this methodology document. Any deviations from this methodology are made in the sole judgment and discretion of Nasdaq so that the Index continues to achieve its objective.

For more information on potential adjustments including Calculation and Pricing Disruptions, Expert Judgment, and Unexpected Reconstitution/Rebalances, Refer to the **Nasdaq Index Methodology Guide**.

GLOSSARY OF TERMS AS USED IN THIS DOCUMENT

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

APPENDIX A: PROHIBITED AREAS OF BUSINESS INVOLVEMENT

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

Category of Involvement	Description	Acceptable involvement range	Acceptable ownership range
Arctic Oil & Gas Exploration: Extraction	The company is involved in oil and gas exploration in Arctic regions.	<5% of revenues	n/a
Controversial Weapons: Tailor-made and essential	The company is involved in the core weapon system, or components/services of the core weapon system that are considered tailor-made and essential for the lethal use of the weapon.	No involvement	n/a
Controversial Weapons: Significant ownership (Tailor- made and essential)	The company is involved, through corporate ownership, in the core weapon system, or components/services of the core weapon system that are considered tailor-made and essential for the lethal use of the weapon.	n/a	0%
Controversial Weapons:	The company provides components/services for the core weapon system, which are either not considered tailor-made or not essential to the lethal use of the weapon.	No involvement	n/a
Controversial Weapons: Significant ownership (non tailor-made or non essential)	The company provides, through corporate ownership, components/services for the core weapon system, which are either not considered tailor-made or not essential to the lethal use of the weapon.	n/a	0%
Oil Sands: Extraction	The company extracts oil sands.	<5% of revenues	n/a
Shale Energy: Extraction	The company is involved in shale energy exploration and/or production.	<5% of revenues	n/a
Small Arms: Civilian customers (Assault weapons)	The company manufactures and sells assault weapons to civilian customers.	<5% of revenues	n/a
Small Arms: Military/law enforcement customers	The company manufactures and sells small arms to military/law enforcement.	<5% of revenues	n/a
Small Arms: Key components	The company manufactures and sells key components of small arms.	<5% of revenues	n/a

Small Arms: Retail/ Distribution (assault weapons)	The company is involved in the retail and/or distribution of assault weapons.	<5% of revenues	n/a
Small Arms: Retail/distribution (Non- assault weapons)	The company is involved in the retail and/or distribution of small arms (non-assault weapons).	<5% of revenues	n/a
Small Arms: Civilian customers (Non-assault weapons)	The company manufactures and sells small arms (non-assault weapons) to civilian customers.	<5% of revenues	n/a
Thermal Coal: Extraction	The company extracts thermal coal.	<5% of revenues	n/a
Thermal Coal: Power Generation	The company generates electricity from thermal coal.	<5% of revenues	n/a
Thermal Coal: Power Generation Capacity	The company maintains generating capacity from thermal coal.	<5% of total capacity	n/a
Thermal Coal: Supporting Products/Services	The company provides tailor-made products and services that support thermal coal extraction.	<5% of revenues	n/a
Tobacco Products: Production	The company manufactures tobacco products.	0% of revenues	n/a
Tobacco Products: Related Products/ Services	The company supplies tobacco-related products/services.	0% of revenues	n/a
Tobacco Products: Retail	The company derives revenues from the distribution and/or retail sale of tobacco products.	<5% of revenues	n/a

APPENDIX B: METHODOLOGY CHANGE LOG

Effective date	Methodology section	Description or summary of changes
June 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.”
March 20, 2023	Security eligibility criteria: Multiple securities per issuer	Liquidity measurement is changed to median daily traded value.

March 20, 2023	Security eligibility criteria: Liquidity	Liquidity measurement is changed to median daily traded value.
March 20, 2023	Constituent weighting: Constituent weighting process	Liquidity measurement is changed to median daily traded value and the target implied liquidity is set to \$100 million (USD).
March 20, 2023	Security eligibility criteria: ESG Eligibility	Small Arms, Oil Sands, Arctic Oil & Gas Exploration and Shale Energy are added to prohibited areas of business involvement with an acceptable involvement range of less than 5% of revenues. The acceptable involvement range for Thermal Coal Power Generation is restricted to less than 5% of revenues. The capacity percentage for Thermal Coal Power Generation is restricted to less than 5% of total capacity. Thermal Coal Supporting Products/Services is added with an acceptable involvement range of less than 5% of revenues. The acceptable involvement range for Tobacco is restricted to less than 5% of revenues. Significant ownership requirement is removed for all categories except for Controversial Weapons.

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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