



INDEX METHODOLOGY

# NASDAQ ISE CTA CLOUD COMPUTING EXCLUSIONS INDEX™

## CPQE

### INDEX DESCRIPTION

The Nasdaq ISE CTA Cloud Computing Exclusions Index is designed to track the performance of companies involved in the cloud computing industry. The companies are selected based on classification determined by Consumer Technology Association (CTA).

### SECURITY ELIGIBILITY CRITERIA

#### Security universe index

The Index consists of a selection of securities in the ISE CTA Cloud Computing Index (CPQ) as of the Reconstitution Effective Date. Please refer to the CPQ methodology for further information on its Constituent Selection.

#### ESG eligibility

A security's issuer must meet the following criteria, as determined by Sustainalytics:

- Not have an Event Rating higher than three (3) for the Events listed in Appendix A.
- Not be involved in specific business activities as defined in Appendix B.
- Not have a controversy level higher than four (4).
- Not have an ESG Risk Rating for 'Resource Use' above "Medium."

Sustainalytics' ESG Risk Ratings issue – Resource Use – focuses on how efficiently a company uses its raw material inputs (excluding energy and petroleum-based products) in production and how it manages related risks.

## INDEX CALENDAR

### Reconstitution schedule and Rebalance schedule

The Index follows the same Reconstitution and Rebalance schedule as the ISE CTA Cloud Computing Index (CPQ). Please refer to the CPQ methodology for further information.

### Holiday schedules

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

### Index calculation and dissemination schedule

The Index is calculated during the trading day and is disseminated once per second from 09:00:01 to 17:16:00 ET. The closing value of the indexes may change up until 17:15:00 ET due to corrections to the Last Sale Price of the Index Securities.

## CONSTITUENT SELECTION

### Constituent selection process

Every security that meets the applicable Security Eligibility Criteria is included in the Index.

## CONSTITUENT WEIGHTING

### Constituent weighting scheme

The Index is a modified theme strength-weighted index.

### Constituent weighting process

The Consumer Technology Association (CTA) provides each security with a binary score of 0 or 1 for each category (IaaS, PaaS, and SaaS) defined above. A score of 1 indicates that the company operates in that category; a score of 0 indicates that the company does not operate in that category.

The Cloud Score  $CS_i$  for each security  $i$  is defined as  $CS_i = 3 \times IaaS_i + 2 \times PaaS_i + SaaS_i$ , where  $IaaS_i$ ,  $PaaS_i$ , and  $SaaS_i$  are the security's three binary scores.

Each Index Security's initial weight is determined by dividing its Cloud Score by the sum of the Cloud Scores of all Index Securities.

Initial security weights are then adjusted to meet the following constraints, producing the final weights:

- No Index Security weight may exceed 4.5% of the Index.

- No Index Security weight may exceed 10% of the ratio between the Index Security's free float market capitalization and the median free float market capitalization of all Index Securities.
- No Index Security weight may be lower than 0.25%.

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

## INDEX MAINTENANCE

### Deletion policy

If, at any time during the year other than the Index Reconstitution(s), an Index Security no longer meets the Eligibility Criteria, or is otherwise determined to have become ineligible for inclusion in the Index, it is removed from the Index. This includes circumstances when an Index Security is determined to be ineligible for continued inclusion in the Index due to bankruptcy, delisting, or a definitive agreement that would likely result in the security no longer being Index eligible. Please refer to Nasdaq's **Corporate Actions and Events Manual – Equities** for detailed handling of the aforementioned event types.

### 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 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 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 **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](mailto: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 follow the same governance structure. For a detailed list of this information, please see the **Nasdaq Index Methodology Guide**.

### **Nasdaq Index Management Committee**

The Nasdaq Index Management Committee approves all new Index Methodologies. This committee is comprised of full-time professional members of Nasdaq. The committee meets regularly, and reviews items including, but not limited to, pending corporate actions that may affect Index constituents, statistics comparing the composition of the indexes to the market, companies that are being considered as candidates for addition to an Index, and any significant market events.

For a detailed overview of the Index Management Committee, please see the **Nasdaq Index Methodology Guide**.

### **Internal reviews of methodology**

For a detailed description on internal reviews of the Methodology, please see the **Nasdaq Index Methodology Guide**.

### **Communication with stakeholders and consultations**

For a detailed description on Consultations and Communications with Stakeholders, please see 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, please 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, please 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: EVENT RATINGS ELIGIBILITY**

At each quarterly reconstitution, companies with Event Ratings higher than three (3) for the following Events, as determined by Sustainalytics, are excluded from the eligible universe:

- Land Use and Biodiversity
- Land use and Biodiversity Supply Chain
- Employees – Human Rights
- Employees – Human Rights Supply Chain
- Society – Human Rights
- Society – Human Rights Supply Chain
- Access to Basic Services
- Occupational Health and Safety
- Occupational Health and Safety Supply Chain
- Bribery and Corruption
- Bribery and Corruption Supply Chain
- Accounting and Taxation

Event Ratings range from 1 to 5, with higher ratings indicating more severe impact on the environment and society, and the greater the business risk for the company.

**APPENDIX B: PROHIBITED AREAS OF BUSINESS INVOLVEMENT**

At each quarterly 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
Oil Sands: Extraction	The company extracts oil sands.	<5% of revenues	n/a
Adult Entertainment: Production	The company is involved in the production of adult entertainment and/or owns/operates adult entertainment establishments.	<5% of revenues	n/a

Adult Entertainment: Distribution	The company is involved in the distribution of adult entertainment materials.	<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: Non tailor-made or non essential	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%

## 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.

Neither Nasdaq, Inc., nor any of its affiliates makes any recommendation to buy or sell any security or any representation about the financial condition of any company. Investors should undertake their own due diligence and carefully evaluate companies before investing. The information contained herein is provided for informational and educational purposes only, and nothing contained herein should be construed as investment advice, either on behalf of a particular security or an overall investment strategy. **ADVICE FROM A SECURITIES PROFESSIONAL IS STRONGLY ADVISED.**