



INDEX METHODOLOGY

## NASDAQ CTA CYBERSECURITY EXCLUSIONS™ INDEX NQCYBRE™

### INDEX DESCRIPTION

The Nasdaq CTA Cybersecurity Exclusions Index is designed to track the performance of companies engaged in the Cybersecurity segment of the technology and industrial sectors. The Index includes companies primarily involved in the building, implementation and management of security protocols to provide protection of the integrity of data and network operations, applied to private and public networks, computers and mobile devices. The companies are selected based on classification by Consumer Technology Association (CTA).

### SECURITY ELIGIBILITY CRITERIA

#### Security universe index

The Index consists of a selection of securities in the Nasdaq CTA Cybersecurity™ Index (NQCYBR™) as of the Reconstitution Effective Date. Please refer to the NQCYBR 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 and Rebalance schedule

The Index follows the same Reconstitution and Rebalance schedule as the Nasdaq CTA Cybersecurity Index (NQCYBR). Please refer to the NQCYBR methodology for further information.

### Holiday schedules

The Index is calculated Monday through Friday and does not close for holidays, as it is a Global Index.

### 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

Every security that meets every applicable security eligibility criterion is included in the Index.

## CONSTITUENT WEIGHTING

### Constituent weighting scheme

The Index is a modified free float market capitalization-weighted index.

### Constituent weighting process

Each Index Security's Initial Weight is determined by dividing its free float market capitalization by the aggregate free float market capitalization of all Index Securities.

Initial Weights are then adjusted using a three-stage process to determine final constituent weights.

**Stage 1.** Initial Weights are proportionally redistributed to meet the following Stage 1 constraint, producing the Stage 1 Weights:

- No security weight may exceed 8% of the Index.

**Stage 2.** Stage 1 Weights are proportionally redistributed to meet the following Stage 2 constraint, producing the Stage 2 Weights:

- For Index Securities with the five largest free float market capitalizations, Stage 1 Weights are maintained.

- For all other Index Securities, no weight may exceed 4% of the Index.

**Stage 3.** Stage 2 Weights are proportionally redistributed to meet the following Stage 3 constraint, producing the final weights:

- No weight may be lower than 0.25% of the Index.

The final weights meet the following constraints:

- No Index Security weight may exceed 8%.
- For any Index Security whose free float market capitalization is not ranked among the top five, its weight may not exceed 4%.
- No Index Security weight may be lower than 0.25%.

For additional information about security weighting, see **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

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 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 **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

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, please refer to the **Nasdaq Index Methodology Guide**.

## APPENDIX A: EVENT RATINGS ELIGIBILITY

At each semi-annual 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 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
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%

## APPENDIX C: METHODOLOGY CHANGE LOG

Effective Date	Methodology Section	Previous	Updated
6/24/2024	Constituent weighting: Constituent weighting process	<p>Stage 1. Initial Weights are proportionally redistributed to meet the following Stage 1 constraint, producing the Stage 1 Weights:</p> <ul style="list-style-type: none"> <li>No security weight may exceed 6% of the Index.</li> </ul> <p>Stage 2. Stage 1 Weights are proportionally redistributed to meet the following Stage 2 constraint, producing the Stage 2 Weights:</p> <ul style="list-style-type: none"> <li>For Index Securities with the five largest free float market capitalizations, Stage 1 Weights are maintained.</li> <li>For all other Index Securities, no weight may exceed 3% of the Index.</li> </ul> <p>Stage 3. Stage 2 Weights are proportionally redistributed to meet the following Stage 3 constraint, producing the final weights:</p> <ul style="list-style-type: none"> <li>No weight may be lower than 0.25% of the Index.</li> </ul> <p>The final weights meet the following constraints:</p> <ul style="list-style-type: none"> <li>No Index Security weight may exceed 6%.</li> <li>For any Index Security whose free float market capitalization is not ranked among the top five, its weight may not exceed 3%.</li> <li>No Index Security weight may be lower than 0.25%.</li> </ul>	<p>Stage 1. Initial Weights are proportionally redistributed to meet the following Stage 1 constraint, producing the Stage 1 Weights:</p> <ul style="list-style-type: none"> <li>No security weight may exceed 8% of the Index.</li> </ul> <p>Stage 2. Stage 1 Weights are proportionally redistributed to meet the following Stage 2 constraint, producing the Stage 2 Weights:</p> <ul style="list-style-type: none"> <li>For Index Securities with the five largest free float market capitalizations, Stage 1 Weights are maintained.</li> <li>For all other Index Securities, no weight may exceed 4% of the Index.</li> </ul> <p>Stage 3. Stage 2 Weights are proportionally redistributed to meet the following Stage 3 constraint, producing the final weights:</p> <ul style="list-style-type: none"> <li>No weight may be lower than 0.25% of the Index.</li> </ul> <p>The final weights meet the following constraints:</p> <ul style="list-style-type: none"> <li>No Index Security weight may exceed 8%.</li> <li>For any Index Security whose free float market capitalization is not ranked among the top five, its weight may not exceed 4%.</li> <li>No Index Security weight may be lower than 0.25%.</li> </ul>

## 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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