

# NASDAQ OMX Clean Edge Smart Grid Infrastructure Index<sup>SM</sup> Methodology

## Index Description

The NASDAQ OMX Clean Edge Smart Grid Infrastructure Index is designed to act as a transparent and liquid benchmark for the smart grid and electric infrastructure sector. The Index includes companies that are primarily engaged and involved in electric grid; electric meters, devices, and networks; energy storage and management; and enabling software used by the smart grid and electric infrastructure sector.

## Index Calculation

The NASDAQ OMX Clean Edge Smart Grid Infrastructure Index is a float adjusted modified market capitalization weighted index. The value of the Index equals the aggregate value of the Index share weights, also known as the Index Shares<sup>1</sup>, of each of the Index Securities multiplied by each such security's Last Sale Price<sup>2</sup>, and divided by the divisor of the Index. The divisor serves the purpose of scaling such aggregate value to a lower order of magnitude which is more desirable for reporting purposes. The Index began on September 22, 2009 at a base value of 250.00.

The formula for index value is as follows:

$$\text{Aggregate Adjusted Market Value/Divisor}$$

The formula for the divisor is as follows:

$$(\text{Market Value after Adjustments/Market Value before Adjustments}) \times \text{Divisor before Adjustments}$$

Two versions of the Index are calculated – a price return index and a total return index.

- The price return index (Nasdaq: QGRD) is ordinarily calculated without regard to cash dividends on Index Securities.
- The total return index (Nasdaq: QGDY) reinvests cash dividends on the ex-date.

All Indexes reflect extraordinary cash distributions.

The Indexes are calculated during the trading day and are disseminated once per second. The Indexes are calculated five (5) days a week, Monday through Friday, starting by the earliest time zone Asia/Tokyo and close by the latest time zone America/New York.

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<sup>1</sup> Index Shares are the free float shares outstanding determined by multiplying the total shares outstanding by the free float factor provided by Thomson Reuters.

<sup>2</sup> For purposes of this document, Last Sale Price refers to the following:  
For a security listed on Nasdaq, it is the last sale price on Nasdaq, which normally would be the Nasdaq Official Closing Price (NOCP) when Nasdaq is closed. For any other security, it is the last regular way trade reported on such security's primary listing market. If a security does not trade on its primary listing market on a given day or the primary listing market has not yet opened for trading, the most recent last sale price from the primary listing market (adjusted for corporate actions, if any) is used.

## **Eligibility**

Index eligibility is limited to specific security types only. The security types eligible for the Index include common stocks, ordinary shares, depositary receipts (both American and Global), depositary shares, shares of beneficial interest or limited partnership interests and tracking stocks.

## **Eligibility Criteria**

To be included in the Index, a security must meet the following criteria:

- be classified as a smart grid, electric infrastructure EV network, smart building, software, and/or other grid related activities company according to Clean Edge;
- be listed on an index-eligible global stock exchange;
- one security per issuer is permitted<sup>3</sup>;
- have a minimum worldwide market capitalization of \$100 million;
- have a minimum three-month average daily dollar trading volume of \$500 thousand;
- a minimum free float of 20%; and
- the security's foreign ownership restriction limitations have not been met.

## **Index-Eligible Global Stock Exchanges**

Global stock exchanges are reviewed periodically for eligibility. In general, a global exchange will be deemed ineligible if securities cannot be readily obtained either due to foreign investment restrictions or otherwise.

## **Index Evaluation**

The Index Securities are evaluated semi-annually in March and September. In each evaluation, Clean Edge will provide Nasdaq a list of smart grid, electric infrastructure, and other grid-related companies as they have identified. Clean Edge identifies each eligible company as Pure Play or Diversified. In order to qualify as Pure Play, a company must receive a significant portion of revenue from smart grid and grid infrastructure activities. In order to qualify as Diversified, a company must have activities that contribute to broader grid modernization and smart grid market. The above Eligibility Criteria are applied to list of companies provided using market data through the end of February and August. Securities meeting the criteria are included in the Index. Security additions and deletions are made effective after the close of trading on each third Friday in March and September.

Additionally, if at any time during the year other than the Evaluation, an Index Security no longer meets the Eligibility Criteria, or is otherwise determined to have become ineligible for inclusion in the Index, the security is removed from the Index and is not replaced. Furthermore, any Index Security that reaches its foreign investment limit between quarterly rebalances is removed from the Index. Ordinarily, a security will be removed from the Index at its Last Sale Price. If, however, at the time of its removal the Index Security is halted from trading on its Index Market and an official closing price cannot readily be determined, the Index Security may, in Nasdaq's discretion, be removed at a zero price. The zero price will be applied to the Index Security after the close of the market but prior to the time the official closing value of the Index is disseminated, which is ordinarily 17:16:00 ET.

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<sup>3</sup> If an issuer has multiple securities, the security with the highest dollar trading volume will be selected for possible inclusion into the Index.

## **Index Maintenance**

Changes in the price and/or Index Shares driven by corporate events such as stock dividends, stock splits and certain spin-offs and rights issuances are adjusted on the ex-date. If the change in total shares outstanding arising from other corporate actions is greater than or equal to 10.0%, the change is made as soon as practicable. Otherwise, if the change in total shares outstanding is less than 10.0%, then all such changes are accumulated and made effective at one time on a quarterly basis after the close of trading on the third Friday in March, June, September and December, respectively. Intra-quarter the Index Shares are adjusted by the same percentage amount by which the total shares outstanding have changed.

Changes to the free float factor will be made as soon as practical if the change is greater than 10%, otherwise free float factor changes as of the end of February, May, August and November will be updated and made effective after the close of trading on the third Friday in March, June, September and December, respectively in conjunction with the quarterly share changes noted above.

A special cash dividend announced by the listing exchange, will result in an adjustment to the Last Sale Price of an Index Security prior to market open on the ex-date for the special amount distributed. A special dividend may also be referred to as extra, extraordinary, non-recurring, one-time, unusual, etc.

Ordinarily, whenever there is a change in Index Shares, a change in an Index Security or a change to the price of an Index Security due to spin-off, rights issuances or special cash dividends as mentioned above, the divisor is adjusted to ensure that there is no discontinuity in the value of the Index which might otherwise be caused by any such change. All changes are announced in advance and are reflected in the Index prior to market open on the Index effective date.

## **Index Rebalancing**

The Index employs a float adjusted modified market capitalization weighting methodology. At each Evaluation, the Index Securities are classified as Pure Play or Diversified. The Pure Play securities are given a collective weight of 80% and the diversified securities are given a collective weight of 20% in the Index.

Within the Pure Play Sector, the Index Securities are ranked by market capitalization. At each quarter, the Index is rebalanced such that the maximum weight of any pure play Index Security does not exceed 8% and no more than 5 securities are at the cap. The excess weight of any capped security is distributed proportionally across the remaining Index Securities in the pure play sector. If after redistribution, any of the 5 highest ranked pure play Index Securities are weighted below 8%, they are not capped. Next, any remaining pure play Index Securities in excess of 4% are capped at 4% and the excess weight is redistributed proportionally across the remaining pure play Index Securities. The process is repeated, if necessary, to derive the final weights for the pure play sector.

Within the Diversified Sector, the Index Securities are ranked by market capitalization. At each quarter, the Index is rebalanced such that the maximum weight of any diversified security does not exceed 2%. The excess weight of any capped security is distributed proportionally across the remaining Index Securities in the diversified sector. The process is repeated, if necessary, to derive the final weights for the diversified sector.

The modified market capitalization weighting methodology is applied to the float-capitalization of each Index Security, using the Last Sale Price of the security at the close of trading on the last trading day in February, May, August and November and after applying quarterly and free float changes to the total shares outstanding. Index Shares are then calculated multiplying the weight of the security derived above by the new market value of the Index and dividing the modified market capitalization for each Index Security by its corresponding Last Sale Price. The changes are effective after trading on the third Friday in March, June, September and December.

Nasdaq may, from time to time, exercise reasonable discretion as it deems appropriate in order to ensure Index integrity.

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