



OSLO BØRS

OSLO STOCK EXCHANGE

Index Methodology - Equities

1 October 2018

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1 Introduction

1.1 Background

This booklet describes how Oslo Børs calculates and adjusts the Benchmark, Tradable, Seafood, Shipping, Small Cap, Mid Cap, All-Share and Sector Indices¹. It is aimed at users, investors and others interested in the construction and computation of such indices.

1.2 The Index Family

The index family can be divided into two groups.

The indices in the first group are focused on investability of the constituent companies and periodic stability of the index composition, while still reflecting the population of stocks from where the index was constructed. The objective of these indices is to reduce administrative routines and costs due to continuous rebalancing of the portfolio and secure tradability of the index constituents in order for the index to function as an investible index for the investment community. In the first group we find the Benchmark, Tradable, Seafood, Shipping, Small Cap and Mid Cap Indices. If, for some reason, an index is to be discontinued, Oslo Børs will notify the market in due course. A notice will be published at least 6 months before an index is to be discontinued, unless continuous calculation is not possible due to force majeure or other events outside the control of Oslo Børs. The decision to discontinue an index will be made by the Index Management Committee.

The objective of the indices in the second group is to represent the overall state and changes in the level of the economy. The second group includes the All-Share Index and the Sector Indices. The focal point of the second group is to mimic the population of stocks representing the index, without complying with liquidity and stability requirements. Since there is no filtering for liquidity, the indices themselves may not be easy to replicate in a portfolio, or benchmark against.

Oslo Børs is the sole and exclusive owner of all rights, titles and interest of the Indices². Any products based on the Indices require permission by Oslo Børs.

1.3 Information Policy and Index Governance

The index methodology as updated from time to time as well as semi-annual index rebalancing are made publicly available. Changes to the methodology, index composition and daily maintenance are made available to subscribers of the relevant index products.

¹ See Appendix 1 for list of relevant indices.

² The use of the Indices is the sole responsibility of the user. Oslo Børs shall not be liable for any loss or damage whatsoever or howsoever caused or arising in connection with the use of the Indices.

- **Methodology changes:** Material changes to the Index Methodology are normally announced 3 months before they are put into effect.
- **Semi-annual index rebalancing:** A notice is normally announced no less than 1 week prior to implementation. Oslo Børs reserves the right to alter the announced composition in case of a merger, acquisition or other major events.
- **Daily maintenance:** Adjustments of the Benchmark and Tradable Indices due to corporate events are normally announced as soon as possible after Oslo Børs has received all information needed to accomplish the adjustments and no later than the day prior to the event taking effect.

All resolutions concluded by Oslo Børs are published to all market participants, including members of the Index Advisory Group, simultaneously.

1.3.1 Products Team

Daily index maintenance is performed by the Products Team. The team is part of the Information Services department at Oslo Børs and is overseen by the Index Management Committee.

1.3.2 Index Management Committee

The Index Management Committee will ensure an orderly and objective index maintenance. The committee has the following responsibilities:

- Review and approve changes to the methodology
- Review and approve the semi-annual index rebalancing
- Review and approve the handling of complex corporate actions, escalated by the Products Team
- Approve or propose external consultations and review consultation feedback
- Decide when and to which extent the Advisory Group should be consulted
- Handle formal index related complaints, according to the “Oslo Børs Index Queries and Complaints Policy”

The Index Management Committee is internal, consisting of experienced staff from various Oslo Børs departments:

- Head of the Information Services department (the committee chair)
- Head of the Surveillance and Operations department
- Head of the Derivatives department
- Senior representative from the Secondary Market department - Equities

The committee is scheduled to meet twice a year and on an ad-hoc basis when needed. Resolutions require the attendance of at least two regular members.

1.3.3 Index Advisory Group

Oslo Børs may consult the Index Advisory Group in matters regarding the index administration, e.g. in connection with methodology changes, complex corporate actions and index rebalancing. The Index Management Committee decides when and to which extent the Advisory Group should be consulted. The Advisory Group comprises experienced practitioners representing key index Stakeholders, such as

fund managers and market makers in relevant financial products. The Advisory Group is used for advice only and does not have any decision-making power.

1.4 Index Currency

The indices are calculated and quoted in Norwegian Kroner (NOK). To calculate the index in any other currency than the quote currency, the index levels may be multiplied by the exchange rate of the new currency to the index quote currency.

1.5 Classification Standard – MSCI Inc. (MSCI) and S&P Dow Jones Indices LLC, a part of McGraw Hill Financial (S&P)

Oslo Børs has entered into a licence agreement with MSCI and S&P with respect to classification under the Global Industry Classification Standard (GICS).³

Oslo Børs has adopted the GICS as the official classification standard for all listed companies.⁴

³ The Global Industry Classification Standard (GICS) was developed by and is the exclusive property of MSCI and S&P. The standard comprises the naming, methodology, structure, coding convention and other elements for classifying securities. MSCI and S&P are the sole and exclusive owners of all rights, titles and interest in and to the GICS. Oslo Børs is entitled to distribute and permit third parties to redistribute and use the classifications made by MSCI and S&P using the Global Industry Classification Standard (GICS).

⁴ See Appendix 2 for detailed information regarding the GICS classification system.

2 Construction and Maintenance

2.1 Eligible securities

All stocks listed on Oslo Børs are normally eligible for inclusion. However, certain criteria such as liquidity may make a security ineligible for index purposes.

Oslo Børs distinguishes between primary or secondary listing. For secondary listings, only the part of the outstanding shares which is registered in VPS (the Norwegian Central Securities Depository) is eligible for inclusion.

Treasury shares are not included in the index determination process or index calculation.

If a company has listed multiple share classes, each of which is priced and traded separately, all share classes are eligible for inclusion and are treated as separate securities. Interim shares are also treated as separate securities from the company's existing share class. Interim shares may be deemed ineligible for periodically reviewed indices depending on the length of the listing period.

Index inclusion is based on objective criteria such as free float methodology, sector representation and share liquidity. It is not possible for a listed company to apply for inclusion in an index, nor is it possible to oppose it.

If a company changes from secondary to primary listing, changes domicile or is transferred from another relevant market operated by Oslo Børs, the company will inherit historical turnover figures.

Security types not included in the index are closed-end funds, exchange traded funds, mutual funds, unit-investment trusts, convertible debentures, preferred shares, restricted shares, rights, equity certificates⁵, warrants, and other derivative securities.

2.2 All-Share and Sector Indices

2.2.1 General

The All-Share and Sector Indices are by construction not intended to be investible indices. The maintenance of the index compositions is carried out on a daily basis to reflect the continuous changes in outstanding shares and listed companies. New listings shall be included on the second day of listing provided that the company has been assigned the GICS classification.

2.2.2 All-Share Index

The All-Share Index consists of all shares listed on Oslo Børs.

⁵The Mid Cap Index (OSEMX) allows inclusion of equity certificates.

2.2.3 Sector Indices

A sector index is active when it includes one or more eligible securities. A sector index with no securities is closed until one or more securities are eligible for index inclusion. When resuming a sector index, an index base value and base date are both reset in the index.

Each of the Sector Indices consists of all shares listed on Oslo Børs in its respective Sector, Industry Group and Industry (GICS level 1, 2 and 3).

2.3 Benchmark Index (OSEBX/OSEFX)

2.3.1 Index rebalancing

The Benchmark Index is an investible index representing all shares listed on Oslo Børs. In order to fulfil conditions set forth in the object of the index, the Benchmark Index is rebalanced semi-annually by Oslo Børs who applies the criteria in 2.3.2-2.3.4. In the period between reviews, the number of shares for each security applied in the index calculation is fixed with the exception of adjustments for corporate actions with priority for existing shareholders. Oslo Børs will provide both an uncapped and a capped version of the Benchmark Index, the market capitalisation limit is described in 2.3.4.

The rebalance is conducted based on closing data on the last trading day of October and April.

A security transferred to Oslo Børs from another relevant market operated by Oslo Børs will be eligible for inclusion in the upcoming index rebalancing if the transfer is conducted on or before the last trading day of October or April.

Implementation of the rebalanced index will take effect from the first trading day of December and June, respectively. Rebalancing will be undertaken using closing prices the day prior to implementation.

2.3.2 Liquidity and industry target criteria

The following four-step process is applied when selecting the securities that constitute the index:

- (i) To avoid seasonal fluctuations all eligible securities listed on Oslo Børs are ranked according to the previous 12 months official turnover. The 12 days with the highest turnover for each security are excluded from the calculation.
- (ii) Securities with lowest turnover according to (i) corresponding to 40% in number are deemed ineligible.
Existing constituents are deemed ineligible when ranked at 35% or below.
- (iii) The 30 highest ranked securities according to (i) are deemed to qualify for inclusion. Existing constituents are deemed to qualify if ranked at 35 or above.
- (iv) Within each industry group (GICS level 2), securities are ranked according to their free float-adjusted market cap from largest to smallest, and selected top-down until at least 80% of the industry group's free float-adjusted market cap is reached.
Existing constituents are selected unless they are ranked below 90% of the industry group's free float-adjusted market cap.
Securities deemed to qualify according to (iii) are added. Securities deemed ineligible according to (ii) are removed. Consequently, the target of at least 80% of each industry group's free float-adjusted market cap may not be reached.

Oslo Børs may also decide that a security is ineligible for index inclusion due to a number of days with limited or no transactions. Securities which have been traded less than 90% of the period's or listing period's trading days, whichever is shorter, will normally be considered ineligible.

If a company gains control of the outstanding shares in another company, according to 4.8, in the period between October 31 / April 30 and time for publishing the preliminary composition, the acquired company will not be included in the selection process.

During a merger or acquisition when the outcome is uncertain Oslo Børs reserves the right to publish more than one preliminary composition.

2.3.3 Free float criteria

Free float is defined as the portion of the share capital of a company, which is freely available for trading in the market. The objective of introducing free float criteria is to avoid a distortion in the price of a security and to improve the index' overall investability.

A low free float will not exclude a company from an index but will restrict the percentage portion of the outstanding shares, which is included in the Benchmark Index calculation. The free float criterion may be applied for secondary listings if the number of shares in the index calculation is based on at least a majority of the total capital in the security.

Free float is measured by identifying the ownership of the ten largest investors as of 15 October / April, or the preceding day if this is not a trading day. For companies with a foreign domicile, the ownership, if available, is identified based on information as of 15 October / April, or the closest date hereto if no ownership is available on the given date. Only publicly available information is used in calculating the free float restriction, and Oslo Børs performs the calculations on a best-effort basis.

The following ownership is in general considered as restricting free float:

- Government holdings - Shareholdings owned by governments. This does not include shareholdings owned by a municipality.
- Controlling shareholders – Ownership stakes exceeding 30% are considered as non-free float. If one ownership stake exceeding 10% combined with another ownership stake exceeds 40%, they are considered as non-free float. If three or more ownership stakes, all exceeding 10%, combined exceeds 50%, they are considered as non-free float. Shareholdings owned by a company in the same industry group exceeding 10% of the capital are always considered as non-free float. Portfolio investments such as pension funds, unit trusts (mutual funds) and shares held by insurance companies are not considered to restrict the free float. Exceptions can be made when analysis show that these holdings are unlikely to be made available in the market as free float.
- Company Insider stakes – Shares owned by persons included in the insider list from the Financial Supervisory Authority. Including treasury shares owned by the company itself. Shares owned by companies with representatives on the board are considered as insider stakes.
- Cross holdings – Shares owned by an index constituent or a non-constituent. Note: The holdings are only classified as non-free float if both companies own shares in each other.

Securities with a free float greater than 15% will be included in the index with a free float factor rounded up to the closest 5%. Securities with a free float less than 15% will be included in the index with a free float factor rounded down to the closest 1%. The constituent's free float is generally not changed

between the review dates unless the index ability to mimic the total market is seriously deteriorated or the free float has changed considerably as a result of a corporate event.

2.3.4 Market capitalisation limit – Capping (OSEFX)

Oslo Børs will provide uncapped and capped versions of the Benchmark Index.

If one or few constituent dominates the index due to a large weight in the index, two problems arise. The constituent or its industry may be over-represented in the index and skew the index performance compared to the investment universe of all stocks listed on Oslo Børs. The index is no longer investible for a majority of the users who benchmark against the index due to possible investment restrictions.

Consequently, to comply with demands of an investible index, the capped version of the Benchmark Index is constructed in a manner that complies with the investment restrictions implied by legislation regulating investments in mutual funds.

The following index weight restrictions must be met to comply with the legislation regulating investments in mutual funds:

- The market value of securities issued by the same body may not exceed 10% of the index total market value.
- The market value of securities issued by the same body exceeding 5% index weight must not combined exceed 40% of the index' total market value.

The procedure maintaining these restrictions is applied subsequently to application of criteria 2.3.2.

Oslo Børs is maintaining the weighting restrictions by using a quarterly and daily procedure. The weighting restrictions will be imposed by adjusting the number of shares of the constituents $q_{i,t}$. Quarterly capping is applied on the first trading day in March, June, September and December respectively.

Quarterly adjustment:

Selection of constituents to the 40% group on quarterly basis:

Securities are ranked by their company market value. Securities issued by the same body exceeding the 9% limit will be capped at 9%. Securities are separated into two groups. The first group is filled with securities issued by the same body weighting between 4.5% and 9% until the total weight has reached the maximum of 36%.

The initial capping limit for the second group will be 4.5%. This means that limits are used initially for all constituents in the index when the weights are set on quarterly basis. The limits imposed by legislative authorities (5%, 10% and 40%) will in the daily capping process be used as threshold values for the capped companies.

The process of the quarterly division of groups will be applied intra quarterly in the event of a fast entry according to 4.11.

Daily adjustment:

“As needed” rebalancing is done at the close of each day. Securities issued by the same body exceeding the 10% limit will be capped at 9%. Securities issued by the same body initially capped at 4.5% and 9% will be allowed to float freely up to 10%. If the total weight of the securities issued by the same body above 5% exceeds 40%, the securities issued by the same body above 5% with the smallest weight are capped to 4.5%. Using a stepwise approach index constituents are reduced in weight until all weight restrictions are satisfied. This procedure is applied once a day, and as a consequence, the weight of the index constituents may exceed the 40% and 10% limits during the day.

2.4 Tradable Index (OBX)

2.4.1 General

The OBX is a tradable index which is constructed mainly for the purpose of derivatives trading. The index is aimed to be a highly liquid composition of shares that reflects the Oslo Børs investment universe. The underlying securities in the index are liquid with good lending possibilities.

2.4.2 Index rebalancing

The index normally consists of 25 constituents and the index portfolio is rebalanced semi-annually. The rebalance is conducted on the basis of figures as of after closing on the last trading day of November and May. Implementation of the rebalanced index will take effect immediately after the December and June derivatives expiration. Rebalancing will be undertaken using closing prices the day prior to implementation.

A security transferred to Oslo Børs from another relevant market operated by Oslo Børs will be eligible for inclusion in the upcoming index rebalancing if the transfer is conducted on or before the last trading day of November or May.

The following method is used in the selection of constituents to the index portfolio:

- (i) The calculation period is the 6 months prior to the selection of a new OBX composition.
- (ii) OBX normally consists of the 25 most traded shares on Oslo Børs in the calculation period.
- (iii) Only officially registered trades shall be included in the calculation.
- (iv) The 6 days with the highest turnover for each security are excluded from the calculation.
- (v) Oslo Børs may set aside the provisions above and choose other index constituents in defining the OBX composition if special circumstances so indicate.

All shares are included based on free float-adjusted market cap as set forth in 2.3.3. In the period between reviews the number of shares for each security applied in the index calculation is fixed with the exception of adjustments for corporate actions with priority for existing shareholders as set out in section 4 and “as needed” capping as described in 2.4.3.

2.4.3 Capping

The following index weight restrictions must be met by index funds tracking indices in order to comply with UCITS and Verdipapirfondloven (Vpfl.):

- The market value of the largest constituent may not exceed 35% of the index total market value.
- The market value of each constituent other than the largest may not exceed 20% of the index total market value.

Oslo Børs is maintaining the weighting restrictions by using a semi-annual and an “as needed” procedure.

Semi-annual adjustment:

- (i) Adjustments will come into effect on the first trading day after expiration in June and December. The largest security, if exceeding 30% of the OBX total market value, will be capped at 30%.
- (ii) The weight removed from the largest security will be distributed amongst the remaining securities in proportion to their relative weights.
- (iii) Securities registered in countries outside the EEA (European Economic Area) will be capped as a group at 10% if the sum of the market value of these securities exceeds 10% of the OBX total market value.
The securities registered outside the EEA will be capped in proportion to their relative weights. Oslo Børs will base its assessment on the ISIN of the security to determine if the security is registered within the EEA or not.
Oslo Børs may in some cases decide whether a security, regardless of ISIN, shall be considered to be a part of the EEA or not.
The weight removed from the securities registered outside EEA will be distributed amongst the remaining securities in proportion to their relative weights.
- (iv) Other securities, if exceeding 15% of the OBX total market value, will be capped at 15%.
- (v) The capping is repeated if necessary until all securities are within the capping limits of 30%, 10% and 15%.

“As needed” adjustment:

- (i) The index may be recapped on an “as needed” basis in between rebalancing times.
- (ii) The “as needed” adjustment will be activated if the largest security exceeds 35% and/or other securities exceed 20% of the OBX total market value.
- (iii) The securities will be capped until the weight restrictions are satisfied as for the semi-annual adjustment.

Corporate actions and fast entry/exit may result in additional adjustments.

Securities are ranked by their free float adjusted market value.

All cappings will be done based on the uncapped OBX (OBXU).

The weighting restrictions will be imposed by adjusting the number of shares of the constituents. The number of shares used is based on the closing prices two trading days before the capping comes into effect.

2.4.4 Intra-periodic rebalance of the index

If in special circumstances Oslo Børs considers an index constituent to be unsuitable, Oslo Børs may decide to remove it from the OBX.

2.5 Tradable Index (OBOSX)

2.5.1 General

The Oslo Børs OBX Oil Service Index (OBOSX) is intended to be an investible index with a composition of highly liquid shares within the oil service sector. The index is a hybrid of the OBX index (as set out in section 2.4) and the OSE101010 Energy Equipment & Service index, and contains only the companies that are members of both the OBX index and the OSE101010 Energy Equipment & Service index. The OSE101010 Energy Equipment & Service index consists of all shares listed within the Oil Service sector on Oslo Børs.

2.5.2 Index rebalancing

The OBOSX is rebalanced semi-annually. The rebalance is conducted on the basis of figures as of after closing on the last trading day of November and May. Implementation of the rebalanced index will take effect the first Friday after the third Thursday of June and December each calendar year. Rebalancing will be undertaken using closing prices the day prior to implementation.

In the period between reviews, the number of shares for each security applied in the index calculation is fixed with the exception of adjustments for corporate actions with priority for existing shareholders as set out in section 4.

2.6 Seafood Index (OBSFX)

The Oslo Børs Seafood Index consists of seafood related shares from the GICS sector 30202030 Packaged Foods & Meats listed on Oslo Børs. The calculation is based on free float number of shares, and the maximum weight of shares issued by the same body is 30% of the index market value. Shares registered in countries outside the EEA (European Economic Area) will be capped as a group at 10% if the sum of the market value of these shares exceeds 10% of the index market value. Oslo Børs will base its assessment on the ISIN of the share to determine if the share is registered within the EEA or not.

Cappings are only performed during the semi-annual rebalance.

Shares need to be traded at least 90% of all trading days during the last 6 months period prior to the rebalance. If a security has been listed for less than 6 months, the security must have been traded at least 90% of the days listed.

The Seafood Index is rebalanced semi-annually and conducted on the basis of figures as of after closing on the last trading day of October and April. A security transferred to Oslo Børs from another relevant market operated by Oslo Børs will be eligible for inclusion in the upcoming index rebalancing if the transfer is conducted on or before the last trading day of October or April.

The implementation of the rebalanced index will take effect from the first trading day of December and June, respectively. Rebalancing will be undertaken using closing prices the day prior to implementation.

If corporate actions (section 4) cause adjustments to the index, the free float number of shares is changed to fully reflect the new free float market capitalisation of the company in the index.

2.7 Shipping Index (OBSHX)

The Oslo Børs Shipping Index consists of shares from the GICS sectors 10102040 Oil & Gas Storage & Transportation and 20303010 Marine listed on Oslo Børs. The calculation is based on free float number of shares, and the maximum weight of shares issued by the same body is 30% of the index market value.

Cappings are only performed during the semi-annual rebalance.

Shares need to be traded at least 90% of all trading days during the last 6 months period prior to the rebalance. If a security has been listed for less than 6 months, the security must have been traded at least 90% of the days listed.

The Shipping Index is rebalanced semi-annually and conducted on the basis of figures as of after closing on the last trading day of October and April. A security transferred to Oslo Børs from another relevant market operated by Oslo Børs will be eligible for inclusion in the upcoming index rebalancing if the transfer is conducted on or before the last trading day of October or April.

The implementation of the rebalanced index will take effect from the first trading day of December and June, respectively. Rebalancing will be undertaken using closing prices the day prior to implementation.

If corporate actions (section 4) cause adjustments to the index, the free float number of shares is changed to fully reflect the new free float market capitalisation of the company in the index.

2.8 Small Cap Index (OSESX)

The Oslo Børs Small Cap Index consists of the 10% lowest market capitalised shares at Oslo Børs. The selection process is based on total market capitalisation for each share/company while the calculation is based on free float market capitalisation.

The Small Cap Index is rebalanced semi-annually and conducted on the basis of figures as of after closing on the last trading day of October and April. A security transferred to Oslo Børs from another relevant market operated by Oslo Børs will be eligible for inclusion in the upcoming index rebalancing if the transfer is conducted on or before the last trading day of October or April.

The implementation of the rebalanced index will take effect from first trading day of December and June, respectively. Rebalancing will be undertaken using closing prices the day prior to implementation.

If corporate actions (section 4) cause adjustments to the index, the free float number of shares is changed to fully reflect the new free float market capitalisation of the company in the index.

2.9 Mid Cap Index (OSEMIX)

The Oslo Børs Mid Cap Index consists of shares and equity certificates at Oslo Børs. The selection process is based on total market capitalisation for each security while the calculation is based on free float market capitalisation. Securities with a total market value between NOK 1 – 15 billions qualify for inclusion. Securities need to be traded at least 90% of all trading days during the last 6 months period prior to the rebalance. If a security has been listed for less than 6 months, the security must have been traded at least 90% of the days listed.

The Mid Cap Index is rebalanced semi-annually and conducted on the basis of figures as of after closing on the last trading day of October and April.

A security transferred to Oslo Børs from another relevant market operated by Oslo Børs will be eligible for inclusion in the upcoming index rebalancing if the transfer is conducted on or before the last trading day of October or April.

The implementation of the rebalanced index will take effect from the first trading day of December and June, respectively. Rebalancing will be undertaken using closing prices the day prior to implementation.

If corporate actions (section 4) cause adjustments to the index, the free float number of shares is changed to fully reflect the new free float market capitalisation of the company in the index.

3 Index Calculation

3.1 General

Oslo Børs calculates index values in real-time.

3.2 Formula

The main objective of the index calculation is to exceedingly reflect the changes in value of a portfolio consisting of the index constituents.

Oslo Børs is calculating the indices using the below formula.

$$I_t = \frac{\sum_{i=1}^n q_{i,t} * p_{i,t}}{\sum_{i=1}^n q_{i,t} * (p_{i,t-1} - d_{i,t}) * j_{i,t}} * I_{t-1},$$

where

I_t = Index level at time t

$q_{i,t}$ = Number of shares of company i applied in the index at time t

$p_{i,t}$ = Price of a share in company i at time t

$d_{i,t}$ = Dividend only used for total return indices

$j_{i,t}$ = Adjustment factor for adjusting the share price of a constituent security due to corporate actions by the issuing company at time t

3.3 Price Algorithm

To represent the price of a share, $p_{i,t}$ in the formula in 3.2, Oslo Børs applies the following rule:

The officially registered trading price for an index constituent on each trading day shall be corrected for cancelled trades before it is applied to the calculation of index values on the next trading day. If an officially registered trading price for an index constituent has not been quoted on the relevant trading day, the last quoted trading price shall be used in the calculation. If a bid has been quoted higher than the last quoted trading price, the bid shall be applied in the calculation. If an ask has been quoted lower than the last quoted trading price, the ask shall be applied in the calculation.

In algorithmic form:

If an official trade exists, then:

if bid > trade then $p_{i,t}$ = bid

if ask > 0 and ask < trade then $p_{i,t}$ = ask

else $p_{i,t}$ = trade

where:

bid = best official buying order
ask = best official selling order
trade = last official trade in the security

3.4 Number of Shares

3.4.1 All-Share and Sector Indices

The number of shares of a company applied in the index, $q_{i,t}$ in the formula in 3.2, is the current outstanding number of shares (treasury shares not included). If corporate actions cause adjustments to the index, the number of shares is changed to fully reflect the new market capitalisation of the company in the index.

For secondary listings, the number of shares for each security applied in the index calculation is changed by Oslo Børs on the first trading day of each month. The adjustment is based on the number of shares registered in VPS.

3.4.2 Benchmark Index

The number of shares of a constituent applied in the index, $q_{i,t}$ in the formula in 3.2 is a result of the semi-annual rebalance and is fixed in the period between reviews with the exception of adjustments for corporate actions with priority for existing shareholders. Oslo Børs will provide both an uncapped and a capped version of the Benchmark Index, the market capitalisation limit is described in 2.3.4.

3.4.3 Tradable Index

The number of shares of a constituent applied in the index, $q_{i,t}$ in the formula in 3.2 is a result of the semi-annual rebalance and is fixed in the period between reviews with the exception of adjustments for corporate actions with priority for existing shareholders, and intra-period cappings.

3.4.4 Seafood Index, Shipping Index, Small Cap Index and Mid Cap Index

The number of shares of a constituent applied in the index, $q_{i,t}$ in the formula in 3.2 is a result of the semi-annual rebalance and is fixed in the period between reviews with the exception of adjustments for corporate actions with priority for existing shareholders.

3.5 Dividends

Oslo Børs calculates both total return (GI) and price (PI) versions of all indices, except for the OBOSX index where only a total return version is available.

In the event that a company offers shareholders the choice of receiving cash or shares, Oslo Børs assumes that investors elect the cash option and treats the dividend as a regular cash dividend.

3.5.1 Gross Indices (GI)

To reflect the true performance of an index, dividends are reinvested in the total return version of the index. The reinvestment is carried out by adjusting the $p_{i,t-1}$ in the denominator in the index with subtraction of dividends from this price on the ex-dividend date t . This adjustment reinvests the dividend in all index constituents in proportion to their respective weights. Adjustment shall also be made for

scrip dividends, other cash distributions or for capital reductions where the whole or part of the cash distribution or the amount of the reduction replaces an ordinary dividend.

$$\tilde{P}_{i,t-1} = P_{i,t-1} - \text{dividend}$$

3.5.2 Price Indices (PI)

In a price return index no cash dividend is reinvested in the index. Hence, the price return index only yields the performance of share price movements. The difference in rate of return for the total and price return version of an index is attributable to the dividend yield of the index.

3.5.3 Net total return Indices (NI)

Investors normally pay withholding tax on dividends received on foreign exchange investments and the index must be able to reflect the tax rate on the distributed dividend.

The withholding tax level used for the Oslo Børs net total return indices is 15%.

$$\tilde{P}_{i,t-1} = P_{i,t-1} - (\text{dividend} \cdot (1 - WT))$$

3.6 Adjustment Factor

If a company carries through with a corporate action with priority for existing shareholders, any diluting effects must be adjusted for in order to reflect the true performance of the security and index. In the event of a corporate action undertaken by a constituent company, Oslo Børs will calculate the adjustment factor applied in the index calculation, $j_{i,t}$ in the formula in 3.2, according to the rules in section 4.

The adjustment factor expresses the theoretical percentage change in the share price as a result of the dilution.

3.7 Fixing Value

Oslo Børs calculates fixing values for indices on a daily basis. The fixing value is calculated by using volume weighted average prices for each constituent instead of the ordinary price algorithm described in 3.3.

Oslo Børs is using the following formula to calculate fixing values:

$$\bar{I}_t = \frac{\sum_{i=1}^n q_{i,t} * \bar{P}_{i,t}}{\sum_{i=1}^n q_{i,t-1} * P_{i,t-1} * j_{i,t}} * I_{t-1},$$

where

$$\bar{p}_{i,t} = \frac{\sum_{j=1}^m n_{j,t} * p_{j,t}}{n_{m,t}}$$

The variable $n_{j,t}$ is the number of shares in trade j on day t and $n_{m,t}$ is the total number of shares traded on day t . The other variables are as in the formula in 3.2. When calculating the average price for the index constituent, only transactions which have been carried out during opening hours at a price which is within the range of the highest bid price and the lowest ask price for such stock at the time of the transaction shall be taken into account (automatically matched trades).

3.8 Suspension and Trading Halt

Index constituents that are subject to a matching halt or are suspended from quotation on Oslo Børs shall be included in index calculations at the last quoted price.

4 Corporate Actions

This section lists the most common corporate actions undertaken by listed companies and describes the appropriate adjustment applied by Oslo Børs to maintain the correct representation of the index performance. Rebalancing will be undertaken using closing prices the day prior to implementation.

The following corporate actions may lead to an adjustment of the indices.

- Rights issue
- Split / Reverse split and change in face value
- Private placement
- Repair issue
- Spin-off
- Merger / Acquisition
- Redemption and cancellation of shares

Each event is described in detail below.

4.1 Discretionary adjustments

Oslo Børs decides which adjustment alternative shall be employed. Oslo Børs may in the cases described below make other adjustments than those stated, if warranted by special circumstances. Oslo Børs may also make adjustments to an index in other cases than stated below.

4.2 Daily vs. periodic rebalance of number of shares in the index

There is a fundamental difference in the treatment of adjusting number of shares in indices that only rebalance number of shares periodically compared to that of indices rebalancing number of shares on a daily basis.

Indices rebalancing number of shares on a daily basis include all shares outstanding or thereof implied number of shares in the event of corporate actions.

For indices where the number of shares is rebalanced periodically, the number of new shares is determined in accordance with the terms of the corporate action.

4.3 Rights issue

A share issue is an offer by the company to existing shareholders to take part in a new issue of shares. The new shares are offered in proportion to each shareholder's existing holding, generally at a reduced price. The issue of shares at below-market-price results in dilution of the head shares. In a rights issue both the number of shares outstanding and market capitalisation of the company increases.

Effective from the ex-date, the number of shares and price of the constituent are adjusted to reflect its true performance.

It is assumed that the rights issue is fully subscribed. For indices rebalancing number of shares on a daily basis and in the case of a not fully subscribed offering, the number of shares included in the index will be adjusted to reflect the actual number of shares subscribed.

For indices where the number of shares is rebalanced periodically and in the case of a not fully subscribed offering, the number of shares included in the index may be adjusted to reflect the actual number of shares subscribed.

For repair issues, please refer to section 4.6.1.

Oslo Børs is calculating the adjustment factor using the following formula:

$$\text{Adjustment factor } j = \left(\frac{P_{\text{ex}}}{P_{\text{cum}}} \right)$$

$$P_{\text{ex}} = \left(\frac{P_{\text{cum}} \cdot m + P \cdot n}{m + n} \right)$$

p_{cum} = Security price cum-rights

p_{ex} = Theoretical security price ex-rights

P = Subscription price

m = Number of head shares

n = Number of new shares

4.3.1 Conditional ex-date

If a share trades exclusive the right to participate in a rights issue prior to the General Meeting's approval of the rights issues in question, Oslo Børs may suspend the share in indices until such approval is submitted. Each case should be reviewed individually.

4.4 Bonus issue

A bonus issue or stock dividend is an issue of shares free of charge to existing shareholders, the shares being brought into existence by the capitalisation of the company's reserves. The new shares are issued in proportion to each shareholder's existing holding. The issue of bonus shares is merely an accounting transaction and results in no flow of capital into or out of the company. The number of shares increases but the market capitalisation of the company remains unchanged.

Oslo Børs will increase the number of shares of the constituent security, by the number of additional shares, on the day that the index constituent is first available for trading on the exchange ex rights (ex-day).

4.5 Split / Reverse split

A stock split or reverse split is the action of a company in splitting or recouping its shares, reducing or increasing, respectively, par value in proportion and so increases or decreases, respectively, the number

of shares. The economic effect of a stock split or reverse stock split is equivalent to bonus issue, as there is no flow of capital into or out of the company. The number of shares increases or decreases but the market capitalisation of the company remains unchanged.

4.6 Private placement

Issues where existing shareholders have waived their pre-emptive right to subscribe in the issue are usually offered to the public, directly to a person or an organisation. The issue of new shares results in flow of capital into the company, the number of shares increases and the market capitalisation of the company changes.

Effective on the ex-date, the number of shares of the constituent security is adjusted in indices that rebalance the number of shares on a daily basis in order to reflect the new market capitalisation of the company. For indices rebalancing the number of shares on a periodically basis, new shares from the issue are not included before implementation of the new index composition at the next index rebalancing.

4.6.1 Repair issue

Repair issues are sometimes launched subsequent to a private placement to compensate shareholders that did not participate in the private placement. The terms for such issues are normally announced on the ex-date.

As a main rule, Oslo Børs does not adjust for repair issues.

For indices rebalancing number of shares periodically, the new shares are included at the next index rebalancing.

For indices rebalancing number of shares on a daily basis, the new shares are included when the final result of the issue is available.

4.7 Spin-off

A spin-off results in outflow of capital in form of capital transfer from the parent company to the new company. In a spin-off the number of shares outstanding normally remains unchanged. However, the price of the company will be affected.

The adjustment method used depends on whether the spin-off is listed on Oslo Børs on the ex-date or not. The method used may vary for indices rebalancing number of shares on a daily basis and periodically rebalanced indices.

4.7.1 Spin-off listed on the ex-date

Direct Inclusion:

If the spin-off is listed on the exchange on the ex-day and the new security by a high degree of probability is expected to be liquid so prices will be obtained on the ex-day, the security will be included in the index on the ex-day with starting price 0.

For periodically rebalanced indices, the spin-off will as a main rule remain in the index until the next semi-annual rebalance as long as the liquidity is satisfactory.

For sector indices, and other indices that rely on GICS representation, where the spin-off is not in the same GICS group as the parent company, the spin-off will be removed from the indices after its first trading day.

4.7.2 Spin-off not listed on the ex-date

Valuation Method:

Where valuation of the spin-off can be obtained, the opening price of the index constituent $P_{i,t-1}$ on the ex-day shall be determined as the most recent price on the preceding bank day less the calculated value of the spin-off. Thereafter the regular index calculation shall take place employing the most recent transaction prices.

The valuation of the spin-off will be based on publicly available information from the company itself, and/or on minimum three estimates from members of Oslo Børs.

Fixed price method:

If no satisfactory valuation of the spin-off has been obtained, effective on the ex-date only, the index is calculated using the closing share price from the previous trading day. This price is used in the calculation of the index up to and including that day the first closing price is registered excluding spin-off. The following day, a new base value is calculated on the basis of the previous day's closing price.

4.7.3 Spin-off historical turnover figures

For index rebalancing purposes, Oslo Børs links the turnover history based on the terms of the spin-off. If no official terms are available, the closing price on the ex-day compared to the closing price on the preceding business day is used for calculating the adjustment factor. If in doubt, Oslo Børs decides which company is the parent company.

4.8 Merger / Acquisition

A merger or acquisition is to combine the ownership of two companies into a new company or that one company obtains the ownership of the other.

The target company is deleted from the index when Oslo Børs considers the event to be final, unless the company is deemed unsuitable for index purposes earlier.

An acquisition is considered final when the acquiring company controls at least 90% of the outstanding shares in the acquired company, no legal action is pending, and other relevant conditions have been met.

The target company is deleted from the indices at market close if the notice is published before market opening, or at closing the following day if the notice is published during opening hours.

In indices rebalancing the number of shares daily:

- (i) If both the acquiring company and the acquired company are listed on Oslo Børs, the acquired company is deleted from the index when the company is delisted from Oslo Børs or when shares issued to the shareholders in the acquired company is subject for trading in the acquiring company.
- (ii) If the acquiring company is not listed, the acquired company is deleted from the index.

In indices rebalancing the number of shares periodically:

- (i) If both the acquiring company and the acquired company are constituents and the acquisition is settled entirely or partly in eligible shares, the market capitalisation of the acquiring company is increased in accordance with the terms of the offer or merger. The acquired company is deleted from the index.
- (ii) If the acquiring company is not listed on Oslo Børs, the acquired company is deleted from the index.
- (iii) If the acquired company is a constituent and the acquiring company is not a constituent but listed on the same market operated by Oslo Børs on or before the ex-date of the event, the acquiring/surviving company is generally included in the index in accordance with the terms of the offer or merger based on the shares attributable to the acquired company only. The acquired company is deleted from the index.
- (iv) If the acquiring company is a constituent and the acquired company is not a constituent, the market capitalisation of the acquiring company is not increased.

If an acquisition is cancelled after Oslo Børs has deemed the event final, the deleted company will be reincluded in the indices from which it was deleted. The company will be reincluded at market close as soon as possible after Oslo Børs has considered the event cancelled.

4.9 Repurchase of own shares

In the event a company whose shares constitute an index constituent repurchases its own shares, and/or repurchases and cancels its own shares, Oslo Børs adjusts the number of shares included in the indices rebalanced on a daily basis. The adjustment shall take place through a reduction in the number of shares included in the index constituent.

In indices rebalancing number of shares periodically however, the companies' treasury- shares are only adjusted in connection with the semi-annual rebalancing of the indices.

4.10 Suspension from the index

Where information concerning a corporate action is seen as insufficient in order to perform a satisfactory adjustment, the constituent security may be suspended from the index on the ex-date only. However, if no price has been obtained on the ex-day, the constituent security will remain suspended from the index until the day after the first price observation.

4.11 Fast entry

A new security listed on Oslo Børs is generally not considered for inclusion in the index composition until the next periodic review. However if omission of a newly listed security from the index composition is considered by Oslo Børs to result in a substantial deterioration of the index' ability to mimic the population of stocks representing the market, fast entry may be considered. A fast entry is subject to decision by the Index Management Committee.

If a fast entry is decided, the new security is included on or around its tenth day of trading. No existing constituents are excluded as a result of the fast entry.

For the All-Share and Sector Indices the new security is included on its second day of trading.

4.12 Fast exit

If a security is delisted from Oslo Børs, a replacement constituent is not included in the index composition. The exclusion of an index constituent will usually be carried out on its last trading day unless the security is deemed unsuitable for index purposes earlier.

5 Limits of liability

Oslo Børs assumes no liability for loss or damages related to or arising out of the use of the Indices. Oslo Børs expressly disclaims all warranties of accuracy, completeness, merchantability or fitness for a particular purpose with respect to the Indices. Neither Oslo Børs nor any third party make any express or implied warranties or representations in respect of the Indices, the results to be obtained by the use hereof or the value of the Indices at any given time.

Appendix 1 – Indices Oslo Børs

Main Indices

Index Name	Index code	ISIN code
OBX Total Return Index	OBX	NO0000000021
Oslo Børs All-Share Index_GI	OSEAX	NO0007033900
Oslo Børs Benchmark Index_GI	OSEBX	NO0007035327
Oslo Børs Mutual Fund Index_GI	OSEFX	NO0007035335
Oslo Børs Small Cap Index_GI	OSSESX	NO0007035343
Oslo Børs OBX Oil Service Index	OBOSX	NO0010590086
Oslo Børs Mid Cap Index	OSEMX	NO0010735640
Oslo Børs Seafood Index	OBSFX	NO0010760663
Oslo Børs Shipping Index	OBSHX	NO0010771934
OBX Price Index	OBXP	NO0007035376

Sector Indices

Indices level 1 – Sector	Index code	ISIN code
OSE10 Energy_GI	OSE10GI	NO0007033991
OSE15 Materials_GI	OSE15GI	NO0007034007
OSE20 Industrials_GI	OSE20GI	NO0007034015
OSE25 Consumer Discretionary_GI	OSE25GI	NO0007034023
OSE30 Consumer Staples_GI	OSE30GI	NO0007034031
OSE35 Health Care_GI	OSE35GI	NO0007034049
OSE40 Financials_GI	OSE40GI	NO0007034080
OSE45 Information Technology_GI	OSE45GI	NO0007034098
OSE50 Communication Services_GI	OSE50GI	NO0007034106
OSE55 Utilities_GI	OSE55GI	NO0007034114
OSE60 Real Estate_GI	OSE60GI	NO0010770290

Indices level 2 – Industry Group	Index code	ISIN code
OSE1010 Energy_GI	OSE1010GI	NO0007034122
OSE1510 Materials_GI	OSE1510GI	NO0007034130
OSE2010 Capital Goods_GI	OSE2010GI	NO0007033942
OSE2020 Commercial & Professional Services_GI	OSE2020GI	NO0007033959
OSE2030 Transportation_GI	OSE2030GI	NO0007033652
OSE2510 Automobiles & Components_GI	OSE2510GI	NO0007033660
OSE2520 Consumer Durables & Apparel_GI	OSE2520GI	NO0007033678
OSE2530 Consumer Services_GI	OSE2530GI	NO0007033686
OSE2550 Retailing_GI	OSE2550GI	NO0007033702
OSE3010 Food & Staples Retailing_GI	OSE3010GI	NO0007033710
OSE3020 Food, Beverage & Tobacco_GI	OSE3020GI	NO0007033728
OSE3030 Household & Personal Products_GI	OSE3030GI	NO0007033736
OSE3510 Health Care Equipment & Services_GI	OSE3510GI	NO0007033744
OSE3520 Pharmaceuticals, Biotechnology and Life Sciences_GI	OSE3520GI	NO0007033751
OSE4010 Banks_GI	OSE4010GI	NO0007033785
OSE4020 Diversified Financials_GI	OSE4020GI	NO0007033793

OSE4030 Insurance_GI	OSE4030GI	NO0007033801
OSE4510 Software & Services_GI	OSE4510GI	NO0007033835
OSE4520 Technology Hardware & Equipment_GI	OSE4520GI	NO0007033843
OSE4530 Semiconductors & Semiconductor Equipment_GI	OSE4530GI	NO0010183486
OSE5010 Telecommunication Services_GI	OSE5010GI	NO0007033850
OSE5020 Media & Entertainment_GI	OSE5020GI	NO0010829963
OSE5510 Utilities_GI	OSE5510GI	NO0007033868
OSE6010 Real Estate_GI	OSE6010GI	NO0010770316

Indices level 3 - Industry

	Index code	ISIN code
OSE101010 Energy Equipment & Services_GI	OSE101010GI	NO0007042299
OSE203030 Marine_GI	OSE203030GI	NO0010183478

Special Indices

Index Name	Index code	ISIN code
Oslo Børs Equity Certificate Index	OSEEX	NO0000000062
OBX BID Index	OBXBID	NO0010642168
OBX ASK Index	OBXASK	NO0010642176
OBX International Index	OBXI	NO0010597073
OBX Volume-weighted Index	OBXW	NO0000000013
OSLO Seafood Index	OSLSFX	NO0010580624
OSLO Shipping Index	OSLSHX	NO0010580640
OSLO Energy Index	OSLENX	NO0010580590
OSLO Energy Drilling Index	OSLDRX	NO0010580665
OSLO Energy Exploration & Production I.	OSLEPX	NO0010580632
OSLO Energy Equipment & Services Index	OSLESX	NO0010580616
OSLO Energy Integrated Oil & Gas Index	OSLIOGX	NO0010580657
OSLO Energy Renewable Index	OSLREX	NO0010580673

The rules for the special indices are not covered in this index methodology.

Appendix 2 – Global Industry Classification Standard (GICS)

The Classification

GICS aims at easing the investment research and asset management process for financial professionals worldwide. It is the result of numerous discussions with asset holders, asset managers, and investment analysts around the world and is designed to respond to the global financial community's need for an accurate, complete and standard industry definition.

GICS consists of 11 sectors, 24 industry groups, 69 industries and 158 sub-industries. MSCI and S&P classify all equities on Sub-Industry level. The Exchanges may decide to calculate indices on various levels, but the Exchanges will as a minimum and for the purpose of direct comparison compute indices at the Sector level and the Industry Group level.

The key features of the GICS are:

- **Universal:** The classification applies to companies globally
- **Accurate:** The structure accurately reflects the state of the industries in the equity investment universe
- **Flexible:** Four levels of analysis, ranging from the most general sector to the most specialised sub-industry
- **Evolutionary:** Annual reviews will be conducted to ensure that the classification remains fully representative of the universe

Structure of the Global Industry Classification Standard

The classification is structured into four levels, where the 11 sectors at the first level are represented here:

10 Energy
15 Materials
20 Industrials
25 Consumer Discretionary
30 Consumer Staples
35 Health Care
40 Financials
45 Information Technology
50 Communication Services
55 Utilities
60 Real Estate

Company Classification Guidelines

The GICS assigns each company into a sub-industry according to the definition of its principal business activity. Since the classification is strictly hierarchical at each of the four levels, a company can only belong to one grouping.

The classification aims at providing an accurate, complete and long-term view of the global investment universe from an industrial perspective. For most companies, revenues reflect more precisely

companies' activities than earnings, as they are less volatile than earnings. Furthermore, industrial and geographical breakdowns of revenues are available for most companies while many companies still do not provide earnings' breakdowns. Nevertheless, company valuations are more closely related to earnings than revenues and therefore remain an important consideration. Consequently, companies are classified primarily on the basis of revenues, while earnings are considered as a second criterion.

The primary source of information used to classify shares is the companies' annual reports and accounts. Other sources include brokers' reports and other published research literature. As a general rule, a company is classified into the sub-industry whose definition most closely describes the business activities that generate the majority of the company's revenues. However, a company engaged in two or more substantially different business activities, none of which contributes 60% or more of revenues, is classified in the sub-industry, which provides the majority of both the company's revenues and earnings. When no sub-industry provides the majority of both the company's revenues and earnings, classification will be determined based on MSCI and S&P's analysis.

In addition, a company significantly diversified across three or more sectors, none of which contributes the majority of revenues or earnings, is classified either in the Industrial Conglomerates sub-industry (Industrial Sector) or the Multi-Sector Holdings sub-industry (Financial Sector).

In the case of a new issue, the classification will be determined primarily on the basis of the description of the company's activities and pro forma results as given in the prospectus.

A Company's industry classification will be reviewed either when a significant corporate restructuring occurs or when the new annual report is made available. In any case, in order to provide a stable industry classification, when reviewing a company's classifications, MSCI and S&P will attempt to minimise changes in the industry classification by disregarding temporary fluctuations in the results of a company's different business activities.

In the event that the above guidelines should not appropriately capture a particular company's business activity, its classification will be determined on the basis of a more extensive analysis.

MSCI and S&P shall have sole decision-making responsibility with respect to classifications under the Global Industry Classification Standard (GICS).