



INDEX METHODOLOGY

## NASDAQ BIOTECHNOLOGY INDEX®

### NBI

#### INDEX DESCRIPTION

The Nasdaq Biotechnology Index is designed to measure the performance of a set of Nasdaq-listed biotechnology and pharmaceutical companies.

#### SECURITY ELIGIBILITY CRITERIA

##### Eligible security types

Eligible security types generally include American Depositary Receipts (ADRs), common stocks, ordinary shares, shares of beneficial interest and limited partnership interests.

If the security is a depositary receipt representing a security of a non-U.S. issuer, then references to the “issuer” are references to the underlying security and the total shares outstanding is the actual depositary shares outstanding as reported by the depositary banks.

##### Multiple classes of securities

If an issuer has listed multiple security classes, all security classes are eligible, subject to meeting all other Security Eligibility Criteria.

##### Eligible exchanges

The issuer of a security’s primary U.S. listing must exclusively be listed on the Nasdaq Global Select Market or the Nasdaq Global Market.

##### Geographic eligibility

There is no geographic eligibility criterion.

## Industry or sector eligibility

The security must be classified under the Biotechnology Subsector or Pharmaceuticals Subsector according to the Industry Classification Benchmark (ICB), a product of FTSE International Limited that is licensed for this use.

## Market capitalization eligibility

Each security must have a minimum market capitalization of \$200 million.

## Liquidity eligibility

Each security must have a minimum average daily trading volume (ADTV) of 100,000 shares (measured from the start of the year up to the Reconstitution reference date).

## Seasoning eligibility

The security must have traded for at least three full calendar months, not including the month of initial listing, on an eligible exchange, which includes Nasdaq (Nasdaq Global Select Market, Nasdaq Global Market, or Nasdaq Capital Market), NYSE, NYSE American or CBOE BZX. Eligibility is determined as of the constituent selection reference date, and includes that month. [A security that was added to the index as the result of a spin-off event will be exempt from the seasoning requirement.](#)

## Float eligibility criteria

There is no float eligibility criterion.

## Other eligibility criteria

The issuer of the security generally may not currently be in bankruptcy proceedings.

The issuer of the security generally may not have entered into a definitive agreement or other arrangement that would make it ineligible for Index inclusion and where the transaction is imminent as determined by the Index Management Committee.

## INDEX CALENDAR

### Reconstitution schedule

Nasdaq selects constituents once annually in December.

### Reconstitution reference dates

The Security Eligibility Criteria are applied using market data as of the end of October and total shares outstanding as of the end of November.

## **Reconstitution announcement dates**

Index Reconstitutions are announced in early December.

## **Reconstitution effective dates**

Index Reconstitutions become effective after the close of trading on the third Friday in December.

## **Rebalance schedule**

The Index is rebalanced on a quarterly basis in March, June, September and December.

## **Rebalance reference dates**

The Index Rebalance uses the Total Shares Outstanding ("TSO") and Last Sale Price ("LSP") of all Index Securities as of the prior month-end (February, May, August and November respectively).

## **Rebalance announcement dates**

Index Rebalance changes are announced in early March, June, September and December.

## **Rebalance effective dates**

Index Rebalance changes become effective after the close of trading on the third Friday in March, June, September and December.

# **CONSTITUENT SELECTION**

## **Constituent selection process**

All securities that meet the applicable Security Eligibility Criteria are included in the Index.

# **CONSTITUENT WEIGHTING**

## **Constituent weighting scheme**

The Index is a modified market capitalization-weighted index.

## **Constituent weighting process**

NBI employs a two-stage weight adjustment scheme.

Index Securities' initial weights are determined by dividing each Index Security's market capitalization by the aggregate market capitalization of all Index Securities.

**Stage 1:** Initial index weights are adjusted to meet the following Stage 1 constraint, producing the Stage 1 weights:

- No Index Security weight may exceed 8%.

**Stage 2:** Stage 1 weights are adjusted to meet the following Stage 2 constraints, producing the final weights:

- For Index Securities with the five largest market capitalizations, Stage 1 weights are maintained.
- For all other Index Securities, no weight may exceed 4%.

The final weights meet the following constraints:

- No Index Security weight may exceed 8% of the index; five may exceed 4%.

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

## INDEX MAINTENANCE

### Deletion policy

If, at any time other than an Index Reconstitution, Nasdaq determines that an Index Security ~~has or will undergo a fundamental alteration that would make it~~ is ineligible for Index inclusion, the Index Security is removed as soon as practicable and is not replaced.

~~Such alterations~~ This may include:

- ~~A listings switch to~~ Listing on an ineligible Index Exchange.
- ~~A security is not classified under the Biotechnology Subsector or Pharmaceuticals Subsector according to the Industry Classification Benchmark (ICB), a product of FTSE International Limited that is licensed for this use.~~
- Merger, acquisition, or other major corporate event that would otherwise adversely impact the integrity of the Index.

In the case of mergers and acquisitions, the effective date for the removal of an Index Issuer or security will be largely event-based, with the goal to remove the issuer or security as soon as completion of the acquisition or merger has been deemed highly probable. Notable events include, but are not limited to, completion of various regulatory reviews, the conclusion of material lawsuits and/or shareholder and Board approvals.

~~Securities that are added as a result of a spin-off may be deleted as soon as practicable after being added to the index. This may occur when Nasdaq determines that a security is ineligible for inclusion because of reasons such as ineligible exchange, security type, or industry. Securities that are added as a result of a spin-off may be maintained in the index until a later date and then removed, for example if a spin-off security has liquidity or market capitalization characteristics that diverge materially from the security eligibility criteria and could affect the integrity of the index.~~

## Replacement policy

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

## ~~Addition policy~~

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

## Corporate actions

In the 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. With the exception(s) noted below, 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 “Market Cap Corporate Action Method.”

At the quarterly rebalancing, no changes are made to the Index from the previous month end until the quarterly share change effective date, with the exception of corporate actions with an ex-date.

## ~~Corporate action exceptions~~

### ~~Spin-offs~~

- ~~• If the parent is an Index Security and there is a when-issued market for the spinco, the price of the parent is adjusted downward for the value of the spinco. The value of the spinco is calculated as the spin-off ratio multiplied by the when-issued Last Sale Price (“LSP”) of the spinco. There is no adjustment to the Index Shares of the parent. This will result in a divisor adjustment. The spinco is not added to the Index.~~
- ~~• If there is no when-issued market for the spinco, then no price or Index Share adjustment is made to the Index Security. The spinco is not added to the Index.~~

## Index share adjustments

For handling of changes in TSO greater than or equal to 10.0% arising from other corporate events, please refer to **Nasdaq Corporate Actions and Events Manual – Equities**.

## 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**.

### **Holiday schedules**

The Indexes are calculated Monday through Friday, except on days when the Nasdaq exchange is closed.

### **Unexpected market closures**

For information on Unexpected Market Closures, please refer to the **Nasdaq Index Methodology Guide**.

### **Calculation types**

For information on the Index calculation types as well as the mathematical approach used to calculate the Index(es), please refer to the **Nasdaq Index Policies & Procedures: Calculation Manual – Equities & Commodities**.

### **Recalculation and restatement policy**

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

### **Data sources**

For information on data sources and the classification of dividends and associated tax rates, 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**.

## **Index calculation and dissemination schedule**

The Indexes are calculated during the trading day based on the Last Sale Price and are disseminated once per second from 09:30:01 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.

## **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**

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**

A methodology document is created for all new Index Methodologies. The methodology document includes the following: Index Objective, Security Eligibility Criteria, Index Construction, Index Maintenance, Index Governance, Index Policy and Index Dissemination.

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

See **Nasdaq Index Methodology Guide**.

## 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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