



INDEX METHODOLOGY

THE EUROPE CAPITAL STRENGTH™ INDEX

NQCAPSTDMEU™

INDEX DESCRIPTION

The Europe Capital Strength Index seeks to provide exposure to well-capitalized companies in European Developed Markets with strong market positions. The companies are screened for strong balance sheets, a high degree of liquidity, the ability to generate earnings growth and a record of financial strength and profit growth. The Index is composed of 50 securities selected objectively based on cash on hand, debt ratios and volatility. Companies are also evaluated on the basis of their business activities, controversies, and ESG Risk Ratings.

SECURITY ELIGIBILITY CRITERIA

To qualify for index inclusion, securities must meet the following Security Eligibility Criteria, which are applied as of the Reconstitution reference date.

Security universe

A security must be included in the Nasdaq Developed Markets Europe™ Index (NQDMEU™). Please refer to that methodology for further information on its constituent selection.

Multiple classes of securities

One security per company is permitted. If a company has multiple otherwise-eligible securities, only the security with the highest three-month average daily value traded (ADVT) may be eligible.

Seasoning

A security must have at least four years of trade data.

For example, to be considered for inclusion at the October Reconstitution, a security must have been listed and available for trading no later than the last trading day of September from four years prior, with seasoning occurring over the following 48 months.

Liquidity

A security must have a three-month ADVT of at least \$5 million (USD).

ESG eligibility

A security's issuer must not be positively identified by Sustainalytics as exhibiting any of the following characteristics:

- A Controversy Rating higher than four (4).
- An ESG Risk Rating for 'Resource Use' above "Medium."
- An Event Rating higher than three (3) for the Events listed in Appendix A.
- Involvement in specific business activities, as defined in Appendix B.

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.

If data from Sustainalytics is unavailable for a given security's issuer, the issuer remains eligible for Index inclusion.

Market capitalization

A security must rank in the top 500 by free float market capitalization among the set of securities in the Security universe that meet the *Security Eligibility Criteria* for Multiple classes of securities, Liquidity, Seasoning, and ESG eligibility, as well as have positive shareholder equity.

Other eligibility criteria

A security must have at least \$250 million (USD) in cash or short-term investments, after removing restricted cash.

A security must have a long-term debt to market cap ratio less than 30%.

A security must have positive shareholder equity.

A security must have a return on equity greater than 15%.

If, at reconstitution, Nasdaq becomes aware that an issuer or security will soon undergo a fundamental change that makes it ineligible, Nasdaq will remove the security from consideration. This includes entering into a definitive merger or acquisition agreement or other pending arrangement that would make it ineligible for Index inclusion, or a filing of bankruptcy or similar protection from creditors, or other events as described in Section 3 of **Corporate Actions and Events Manual – Equities**.

CONSTITUENT SELECTION

Constituent selection process

An Index Reconstitution is conducted semiannually based on the Reconstitution reference date.

Securities that meet the applicable *Security Eligibility Criteria* are considered for inclusion in the Index according to the following steps:

Step 1: Each security receives two ranks, with ranks of 1 representing the lowest values:

- By three-month annualized realized volatility
- By twelve-month realized volatility

Step 2: The two ranks are summed to obtain a single Combined Rank.

Step 3: Securities ranked outside the lowest 15 by Combined Rank within each Industry, as determined by the Industry Classification Benchmark (ICB), a product of FTSE International Limited that is used under license, are excluded. In the event that multiple securities share the fifteenth-lowest Combined Rank, only the security among them with the highest free float market capitalization may be selected.

Step 4: Securities ranked outside the lowest 15 by Combined Rank within each country as classified within the Nasdaq Developed Markets Europe Index (NQDMEU), are excluded. In the event that multiple securities share the fifteenth-lowest Combined Rank, only the security among them with the highest free float market capitalization may be selected.

Step 5: The 50 securities with the lowest Combined Ranks are selected.

- In the case of ties in Combined Ranks, the security with highest free float market capitalization is selected.

CONSTITUENT WEIGHTING

Constituent weighting scheme

The Index is an equal-weighted index.

Constituent weighting process

The Index employs an equal weighting scheme: all Index Securities have equal index market value.

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

INDEX CALENDAR

Reconstitution & Rebalancing schedule

Reconstitution Frequency	Semiannually
Rebalance Frequency	Semiannually
Reconstitution Reference Dates	Last trading day of March and September, respectively
Reconstitution Announcement Dates	After the close on the sixth trading day prior to the Reconstitution effective date
Reconstitution Effective Dates	At market open on the first trading day following the third Friday in April and October, respectively
Rebalance Reference Dates	Third Friday in April and October, respectively
Rebalance Announcement Dates	After the close on the sixth trading day prior to the Rebalance effective date
Rebalance Effective Dates	At market open on the first trading day following the third Friday in April and October, respectively

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

Index Values are made available on each trading day via the Nasdaq Global Index Watch (GIW) website at <https://indexes.nasdaqomx.com/>. Where applicable, Index values are available throughout the trading day.

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 the **Corporate Actions and Events Manual – Equities** for further information.

Replacement policy

Index Securities are not replaced between Index Reconstitutions.

Corporate actions

In the interim periods between scheduled index reconstitution 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 **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 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.

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 reconstitution, a security's issuer with an Event Rating higher than three (3) for the following Events, as determined by Sustainalytics, is excluded from the eligible universe:

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

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 reconstitution, a security's issuer engaged in the following business activities, as determined by Sustainalytics, is deemed ineligible for Index inclusion if it does not meet the specified criteria in the table below.

Category of Involvement	Description	Acceptable Involvement Range	Acceptable Ownership Range
Adult Entertainment: Distribution	The company is involved in the distribution of adult entertainment materials.	<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
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 user 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	<10%
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	<10%
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
Oil Sands: Extraction	The company extracts oil sands.	<5% of revenues	n/a

APPENDIX C: METHODOLOGY CHANGE LOG

Effective Date	Methodology Section	Previous	Updated
6/12/2025	Index name	The EU Capital Strength Index	The Europe Capital Strength Index

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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