

# TECH 100 AI Governance & Ethics Index

Methodology Document

Version 1.1 – December 2025

SustainaCore Research

## 1. Overview

### 1.1 Purpose

The TECH 100 AI Governance & Ethics Index (“the Index”) provides investors and researchers with a transparent measure of large-capitalisation, technology-oriented companies that demonstrate leading practices in ethical artificial-intelligence development, governance, and disclosure. The methodology and implementation are designed to be reproducible and open-source: constituent selection and scoring are generated from publicly accessible information using open methods, and the Index publishes only derived outputs (scores and index levels), not proprietary or copyrighted source datasets.

Interpretation of public information. Index scores, rankings, and narrative summaries reflect SustainaCore’s research interpretation of publicly available information reviewed at the time of each rebalance. They may include subjective judgements about the presence, clarity, and specificity of public disclosures. They are not statements of fact about any company’s internal practices, intent, or legal compliance.

### 1.2 Key Highlights

- Universe: A rules-based universe of 100 large-capitalisation, technology-oriented companies listed on the Nasdaq stock market, built independently from public listings and issuer disclosures (not from any proprietary exchange index feed).
- Scoring: Natural Language Processing (NLP) models evaluate companies on five AI governance pillars using publicly available corporate disclosures and other public evidence.
- Selection: Top 25 companies by composite AI Governance & Ethics Score (AIGES), subject to sector and peer-group concentration constraints.
- Weighting: Equal-weighted to mitigate mega-cap bias.
- Maintenance: Annual universe refresh; quarterly refresh of scores and equal-weight rebalance.
- Open Access: Methodology and code are published under permissive open-source licences; the index level series is distributed with an open data licence. Third-party source materials remain under their original rights and are not redistributed.

## 2. Index Universe

### 2.1 Eligible Universe

Eligible securities are Nasdaq-listed ordinary shares whose primary business model is technology, innovation, or digitally enabled services. American Depository Receipts (ADRs) are excluded. Constituent composition is derived independently from publicly available information rather than from any proprietary index constituent or weight feed. Eligibility checks and size/liquidity measures are computed from public share-count, free-float disclosures, and publicly accessible trading information. Where useful, the resulting universe may be sanity-checked against other public, non-contractual disclosures (for example, publicly posted holdings of regulated Exchange Traded Funds (ETFs)) strictly for validation.

### 2.2 Size & Liquidity Filters

- Free-float market capitalisation  $\geq$  USD 10 billion (as of the last trading day of March).
- Three-month average daily trading value  $\geq$  USD 5 million.
- Free-float factor  $\geq$  20% (based on publicly disclosed float or equivalent public indicators).

### 2.3 Exclusions

The following are removed from the universe: (i) securities subject to trading suspension or pending delisting; (ii) companies without sufficient public disclosure to calculate AIGES; (iii) non-ordinary share classes (preferred, warrants, etc.).

## 3. Data Inputs, Rights, and Reproducibility

### 3.1 Public Information Inputs

The Index relies on information that is publicly accessible and intended for broad public consumption, including:

- Company websites and investor-relations portals (annual reports, sustainability/ESG reports, AI principles, governance charters).
- Regulatory filings and public registries (for example, U.S. Securities and Exchange Commission (SEC) EDGAR and comparable non-U.S. repositories).
- Public listings and issuer disclosures relevant to shares outstanding, free-float, and corporate actions.
- Public research and policy references used as context signals (for example, OECD AI policy materials and academic/think-tank reports).
- Publicly accessible news and press releases; where permitted, articles are referenced via links and short quotations, with no redistribution of full text.

### **3.2 Market Data and Redistribution Boundary**

Index calculations require end-of-day price and corporate-action inputs. SustainaCore's implementation is designed to avoid redistribution risks: (i) raw third-party market datasets are not republished; (ii) the Index disseminates only derived outputs (index levels, weights, and scores) and audit-friendly metadata; (iii) any externally sourced price files used for internal computation must be obtained from sources that explicitly permit the intended use. Where a data source restricts redistribution, SustainaCore treats it as an internal computation input and publishes only derived results.

### **3.3 Data Acquisition & Quality Control**

Open-source scripts automate collection, de-duplication, and storage of source documents in structured formats. Hash-based checks are used to track document integrity; changes trigger re-processing and re-scoring. All steps are version-controlled to support reproducibility and auditability.

### **3.4 Disputed, incomplete, or evolving information**

Public reporting may be incomplete, contested, or later corrected. Where information is uncertain, SustainaCore aims to use neutral language (for example, "reported", "stated", or "publicly discussed") and may reflect uncertainty in the score rationale. SustainaCore does not purport to adjudicate legal liability or factual disputes.

## **4. AI Governance & Ethics Scoring Model**

### **4.1 Five-Pillar Framework**

- Transparency – public disclosures of AI use-cases, model documentation, and user-facing explainability.
- Ethical Principles – published commitments to fairness, privacy, security, and accountability.
- Governance Structure – board-level oversight, dedicated AI governance roles, and escalation mechanisms.
- Regulatory Alignment – evidence of readiness for the European Union (EU) AI Act or comparable regulation.
- Stakeholder Engagement – mechanisms for user feedback, civil-society engagement, or external assurance.

### **4.2 Indicator Library**

Each pillar comprises 5–10 binary or scaled indicators, totalling 34 indicators. Indicators are evaluated using a combination of rule-based patterns and transformer-based models, informed by a manually labelled training set and periodic sampling for quality review.

## 4.3 Natural Language Processing (NLP) Pipeline

The pipeline tokenises text, extracts entities, and classifies passages containing AI governance signals. Model outputs are aggregated into a 0–100 score per pillar, and then combined into a composite AIGES.

## 5. Index Construction

### 5.1 Selection Method

The 25 companies with the highest AIGES on the selection day form the Index, subject to the constraints described in this methodology.

### 5.2 Weighting Scheme

Constituents are equally weighted (4% target weight each at rebalance). Weights may be analysed on a free-float-adjusted basis for tracking-error diagnostics, but the published Index applies equal weights at each rebalance.

## 6. Rebalancing & Reconstitution

### 6.1 Annual Refresh of the 100-Company Universe

On the first trading day of April each year, the 100-company universe is refreshed using the market-cap snapshot at the prior month-end. New entrants must meet all eligibility rules.

### 6.2 Quarterly Refresh of Scores & Equal-Weight Rebalance

On the first trading day of January, April, July, and October, the Natural Language Processing (NLP) pipeline is re-run on the latest available disclosures. Weights are reset to equal weight after any membership change.

### 6.3 Corporate Actions Handling

- Ordinary cash dividends: assumed reinvested; reflected through the use of adjusted closing prices in index calculation.
- Splits and bonuses: share count adjusted; divisor unchanged.
- Mergers and acquisitions: deleted at \$0 price effective close of last trading day before delisting.
- Spin-offs: parent remains; spin-off evaluated for eligibility at next review.

## 7. Index Calculation

### 7.1 Base Date & Value

Base date: 2 January 2025. Base value: 1,000 points (total return). The Index uses adjusted closing prices to reflect reinvested dividends and corporate actions.

## 7.2 Index Formula

This total-return formula ensures that each constituent contributes equally at rebalance and that structural changes do not distort index values. Adjusted closing prices are used to account for reinvested dividends and stock splits.

$$\text{Index Level} = \frac{\sum_{i=1}^N (P_i \times W_i)}{\text{Divisor}}$$

Where:

N = number of constituents in the index

P<sub>i</sub> = last traded (adjusted) price of constituent i

W<sub>i</sub> = number of shares held of constituent i (set at last rebalance to achieve equal weighting)

Divisor = adjustment factor to maintain index continuity after corporate actions

## 7.3 Divisor Adjustments

The Divisor is adjusted for corporate actions so that such events do not artificially move the Index level.

## 7.4 Currency

All calculations are in U.S. dollars.

# 8. Governance & Oversight

## 8.1 Methodology Committee

A small committee of SustainaCore researchers oversees Index construction, approves methodology changes, and adjudicates edge cases.

## 8.2 External Advisory Panel

An external panel comprising academics and civil-society experts may provide non-binding recommendations periodically.

## 8.3 Change-Management Policy

Material changes to this methodology are version-controlled and, where appropriate, subject to a public consultation period prior to release.

## 8.4 Conflicts of interest

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### 9.1 Daily Dissemination

Index levels (end-of-day), constituent membership, and derived scores are published on sustainacore.org and via a public application programming interface (API). The Index does not publish or redistribute raw third-party price datasets or copyrighted source documents.

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## **Appendix A – Glossary**

- AIGES: AI Governance & Ethics Score.
- Free-float Market Capitalisation: Market capitalisation × free-float factor.
- Natural Language Processing (NLP): Methods for analysing and classifying text using computational models.

## **Appendix B – References**

- OECD AI policy materials (publicly available).
- Stanford HAI AI Index Report (publicly available).
- Public inventories and meta-studies of AI ethics principles (publicly available).