

Bloomberg Global Equity Indices Corporate Action Methodology

Market-Capitalization Weighted Indices

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Bloomberg

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INTRODUCTION

The Bloomberg Global Equity Indices (the “Indices” and each an “Index”) includes investable companies from around the world. The maintenance of the Indices relies in a large part on how and when changes to the free float adjusted market capitalization relating to corporate actions are implemented. From that perspective, Bloomberg Index Services Limited (“BISL”) has defined a rules based maintenance framework that adheres to a set of governing principles:

- **Replicability** - from a global investor perspective;
- **Consistency** - over time, across size segments and across regions;
- **Cost effectiveness** - implementing in a timely manner voluntary corporate actions that have a material impact to index performance;
- **Minimal reverse turnover**; and a
- **Rational investor approach** - when a choice is offered to shareholders, the highest offer in monetary value would generally be assumed to be the one shareholders elect.

When deemed appropriate, BISL reserves the right to make exceptions to the set of general rules detailed in this methodology document in order to best align with the above framework. Please see the Expert Judgement section in the [Bloomberg Global Equity Methodology](#) for further information.

DATA SOURCES AND IMPLEMENTATION

All corporate action events are implemented relying exclusively on publicly available information such as, company websites, press releases, filings, or stock exchange announcements.

Index Share changes are reflected at the time of each corporate action ex-date, as per the terms of such events, but do not include updates to floats or shares outstanding.

In cases where new information is made public or is revised post-implementation, BISL will determine on a case-by-case basis the appropriate course of action, considering when the new information was discovered and the potential impact on the Indices. Any changes will be provided with sufficient advance notice.

If the completion of a corporate action event is announced without sufficient notice to be reflected as of the close of the last trading day prior to the ex-date, implementation of the event will occur the following business day or as soon as practical with appropriate notices sent to stakeholders. A descriptive Index publication is sent for intraday implementations as well as for additions and removals to/from large cap Indices.

All corporate action adjustments are made based on available information by the relevant Corporate Action Cut-Off Time¹ on market close prior to the ex-date. Typically, no retroactive adjustments are made, even if additional information becomes available after the market opens on the ex-date.

BISL sources corporate action information from Bloomberg’s corporate action database. Please refer to **TICKER CACS<GO>** and **TICKER DVD<GO>** for more details regarding a specific security or to the function **CACT<GO>** for past and upcoming corporate actions on the Bloomberg Terminal.

1. BANKRUPTCY / LIQUIDATION

Event description

A **bankruptcy** filing is one of the **preliminary steps a company will take in the bankruptcy process by filing a document** with the governing stock exchange and/or regulatory agency. A **liquidation** is **when the company sells its assets to pay back its creditors and existing shareholders**. A **receivership or administration** is **a procedure through which a government or regulatory agency supports creditors in recovering funds from debtors**.

¹ Refer to Appendix III: Corporate Action Cut-off Times for further information.

Event implementation

An Index member formally engaged in any of the processes described above will be removed from the Indices with at least one full day notice at last trading price.

Note that if the security is suspended or under a trading halt prior to the announcement of its removal from the Indices, the security will be removed at a zero price.

BISL reserves the right to exercise discretion and provide shorter advance notice or remove an index member at a derived price. An Index publication announcement may be sent for such cases.

2. BUY BACKSEvent description

A stock buyback (or share repurchase) occurs when a company purchases existing shares outstanding from its shareholders, as a way to increase shareholder value. Shares repurchased by the company can either be cancelled or retained in treasury.

Event implementation

Any Index Share changes related to buy backs launched via tender offer, Dutch offer or executed on the open market are implemented at the next qualifying Index Rebalance.

3. CASH DISTRIBUTIONSEvent Description

A cash dividend is a payment made by a company to its shareholders, usually as a distribution of profit. When a company earns a profit or surplus, it can either retain such funds in the business, or it can distribute them to its shareholders. A company may retain a portion of its earnings and pay the remainder as a dividend. There are three main types of cash distributions that are applicable to equity securities: regular cash, special cash and capital repayment.

Event implementation**3.1. Regular Cash Dividend**

Dividends labelled as “regular” by the company are reflected as follows:

Regular cash dividends are reflected only in the gross total return Indices and net total return Indices via a cash amount reinvestment at the market open on the ex-date. No adjustment is applied to the stock price or Index divisor to reflect regular cash dividends.

The withholding tax amount applied to the net total return Indices is based on the company’s Country of Incorporation maximum withholding tax rate applicable to foreign investors. Please refer to Appendix IV: Index Tax Framework for more details on applicable withholding tax rates.

Country Specifics

Australia: Companies in Australia make franked distributions in the form of dividend to shareholders. The dividends can be declared as fully franked, partially franked or unfranked. The franking percentage reflects the portion on which the withholding tax (WHT) was already paid by the company on behalf of the shareholders. Foreign investors need to pay withholding tax only on the unfranked portion of the dividend. In addition, Australian companies pay foreign income to foreign investors in the form of 'conduit foreign income' (CFI). CFI is ultimately received by a non-resident through interposed Australian corporate tax entities. These payments are usually exempt from withholding tax; however, when paid as an unfranked distribution through a corporate tax entity, it would be subject to withholding tax.

Net Dividend Amount = Declared dividend*(100%-final WHT rate)

Final WHT Rate = Australian WHT Rate x (100% - franking % - CFI %)

Conduit Foreign Income % can be calculated as Foreign Income/Declared Amount.

Implementation: CFI and Percent Franked are taken into account to compute the net dividend amount in net total return Indices.

Example: Company A declares dividend of AUD 0.6 with franking credit of 40% and CFI of 20%. WHT rate in Australia is 30%.

Final WHT Rate = 30%*(100%-40%-20%) = 12%

Net Dividend Amount = 0.6*(100%-12%) = AUD 0.528

Belgium: Capital reductions by way of repayment of capital are deemed to relate proportionally to taxed reserves and certain tax-free reserves. These dividends are different from return of capital, as they are partially taxed. BISL classifies this distribution type as 'pro-rata'.

Implementation: these dividends are treated as regular cash dividends.

Japan: Japanese companies provide an estimated dividend amount before the ex-date. The actual amount is not declared until after the ex-date.

Implementation: the estimated amount will be used in the calculation of the gross and net total return Indices. If an estimated amount is not available a zero value will be applied. Any difference between the actual and estimated amount will be applied on the next business day of the information becoming available. However, if the security is no longer an Index Member at the time of the announcement, no adjustment will be made.

Korea: Companies may declare dividend amounts after the ex-date, without providing an estimate.

Implementation: the dividends are applied in the calculation of the gross and net total return Indices on the day following the announcement.

New Zealand: Companies pay non-residents supplementary dividends in addition to the declared dividend distributions. These additional payments are intended to offset non-resident withholding tax in order to ensure equitable treatment between residents and non-residents.

Implementation: the supplementary dividends will be included in the calculation of the gross and net total return Indices.

3.2. Special Cash Dividend

Dividends labelled as "special" by the company are reflected as follows:

All **special dividends**, regardless of their size, **are reflected in the price, gross total and net total return Indices via divisor adjustment at the market open on the ex-date.**

The withholding tax amount applied to the net total return Indices is based on the company's Country of Incorporation maximum withholding tax rate applicable to foreign investors. For all distributions treated as special cash dividends the withholding tax component is applied as a negative return in the net total return Indices.

Please refer to [Appendix IV: Index Tax Treatment](#) for more information on applicable withholding tax rates.

Country Specifics

France: Companies may report tax-exempt dividends deducted out of their 'premium account'. Dividends from this account are considered as reimbursements of paid-in capital and as such are not subject to withholding tax. BISL classifies these dividends as 'return premiums'.

Implementation: these dividends are treated as special cash dividends and a divisor adjustment will be made. There are, however, cases where cash dividends are reported with a premium component. In such cases the entire amount is treated as regular cash dividends.

Japan: Companies announce commemorative or memorial dividends.

Implementation: These dividends will be treated as special cash dividends. For all special cash dividends, a divisor adjustment will be made on the ex-date, only if the dividend amount is available on or before the ex-date. If the dividend amount is only available after the ex-date or if the dividend amount is changed after the ex-date, the dividend will be treated as a regular cash dividend with no divisor adjustment.

3.3. Capital Repayment (or Return of Capital)

In some countries, such as Switzerland, Brazil or Germany, companies distribute cash to their shareholders in the form of capital repayment, or return of capital, for tax purposes.

All capital repayments, regardless of their size and frequency, are reflected in the price, gross total and net total return Indices through a divisor adjustment at the market open on the ex-date of the capital repayment.

Capital repayments are generally not subject to withholding tax.

Country Specifics

Brazil: Regular distributions are made in the form of interest on capital.

Implementation: these distributions are treated as regular cash dividends.

Japan: Corporate tax laws allow companies to maintain two separate sets of books for financial and tax purposes. This can result in deferred tax assets or liabilities. Some companies in Japan distribute the deferred tax assets in a form of dividends known as an Allowance for Temporary difference Adjustment (ATA). These dividends are announced as a part of return of capital.

Implementation: the ATA portion of a capital repayment will be treated as regular cash dividends.

Sweden: Companies split shares into 1 ordinary share and 1 redemption share. The redemption share has a cash value associated with it.

Implementation: the cash value will be treated as a capital repayment and will result in a divisor adjustment.

Switzerland: Return of Capital dividends are common in Switzerland amounting to approximately 35% of all dividends.

Implementation: due to the frequency of these distributions they will be treated as regular cash dividends.

3.4. Optional Dividend

Many countries provide a SCRIP option for dividends where the investor can choose to receive the dividend in either cash or stock.

BISL assumes that shareholders elect for the cash option and is therefore treated as regular cash dividend.

Any share adjustments due to optional dividends will be made at the next qualifying Index Rebalance.

4. CONVERSIONS

Event Description

Shares are reclassified when a company exchanges (reclassifies) current shares into a different class or into a different type of security.

Event Implementation

The Indices differentiate between the following scenarios regarding **mandatory conversions**. Voluntary equity conversions are implemented on a case-by-case basis.

4.1. Mandatory Equity Conversion of an Index Member into a different eligible share class

The Index Member is maintained with an Index Share change (if terms are different than 1-for-1) at the time of the event as per the terms of the exchange offer.

4.2. Mandatory Equity Conversion of an Index Member A into a different Index Member B

On the Effective Date of the conversion, Index Member A is removed, and shares of Index Member B are increased as per the terms of the exchange offer.

4.3. Mandatory Equity Conversion of an Index Member into a different ineligible share class

The Index Member is removed from the Index and a divisor adjustment is applied at market open on the Effective Date of the conversion.

4.4. Debt Conversion into new shares of an Index Member

These changes are reflected at the next qualifying Index Rebalance.

4.5. Depository Receipt change in Ratio

Depository receipts offer the holder a set-ratio of shares in an underlying security. If there is a reclassification event and the ratio is adjusted there will typically be an accompanying Stock Split or Stock Dividend with the same ex-date. Therefore, no additional adjustments will be made.

5. DELISTINGSEvent Description

A delisting occurs when a security is **no longer traded on an exchange** either voluntarily through company decisions or **involuntarily by failing to meet certain listing requirements**. Completion of major acquisitions and corporate restructurings are also signaled by a delisting action.

Event Implementation**5.1. Delisting of an Index Member's secondary listing**

No Change is made to the Index

5.2. Delisting of an Index Member from its primary listing, with no secondary listing

The Index Member **will be removed from the Index**. A divisor adjustment **will be made to account for the drop in the Index's market capitalization**. The security is removed prior to market open of its delisting date **at its closing market price on its last trading day**. If the security is no longer trading prior to its removal from the Index, it is removed at its last closing market price, unless specified otherwise.

5.3. Delisting of an Index Member from its primary listing, with an eligible secondary listing

The Index Member will remain in the Index with a change in identifiers if it meets the eligibility requirements. The country of classification will be assessed as part of the next qualifying Reconstitution.

If the Index Member becomes ineligible, it is removed from the Index and a divisor adjustment is made.

Country Specifics

Euronext markets²: Every security listed, or to be listed, on EURONEXT requires a 'Market of Reference'. A change in Market of Reference results in a primary listing change between EURONEXT exchanges. Given there is no delisting from the previous Market of Reference, it does not constitute a change in listing.

Germany, India and China: BISL determines the primary listing of German and Indian listed securities. If there is a change in primary listing to an ineligible exchange there will be no advanced notice. Similarly, for Chinese securities accessed via Stock Connect there will be no advanced notice for a delisting.

In such cases, BISL will continue to hold the affected security in the Index for 2 business days at the closing price prior to the change to provide appropriate notice to stakeholders.

6. INITIAL PUBLIC OFFERINGS

Event Description

A listing action that represents **a company issuing publicly traded securities on a stock exchange for the first time.** Different listing types include: initial public offerings (IPO), dual listings and direct listings.

Event Implementation

6.1. Qualifying companies for fast-track addition

If the newly listed security **meets the below criteria for the first 5 consecutive days of trading**, the security will be **added to the Indices with a 3-business day notice**. A divisor adjustment will be implemented on the market open of the security's **9th trading day**.

- The company is assigned to an eligible Developed or Emerging Market³
- The newly listed security is trading on an eligible exchange and it has an eligible security type
- The security's free float is at least 10%⁴
- The company's total market capitalization has been greater than the relevant country Large Cap cut-off⁵ on each of its first 5 consecutive trading days⁶

Note that there is no minimum float-adjusted market capitalization, no minimum volume and no seasoning of securities requirements for Fast Track additions.

Any new addition to the index will result in a divisor adjustment to account for any change in the market capitalization of the index.

Over-allotment options are not included in the Index Shares unless it is exercised and issued on or prior to the close of security's 5th trading day.

Companies that start trading via direct route listing are typically not eligible for inclusion as part of the Fast Track rules. Exceptions may apply on a case-by-case basis.

6.2. Non-qualifying companies for Fast Track addition

Companies that fail to qualify for early inclusion are reviewed for potential inclusion at the next qualifying

² <https://www.euronext.com/en/trade/trading-platform>

³ Refer to Appendix VII - Market Classification of the Bloomberg Global Equity Indices Methodology for more information

⁴ A security with free float below 10% can still be eligible if its security free float market capitalization is greater than half the country large cap cut-off taken from the latest Index Reconstitution.

⁵ From the most recent Index Reconstitution Selection Date

⁶ Based on its closing market price adjusted by the latest available London 4:00 PM FX rate from BFIX

Reconstitution.

Information about upcoming IPOs can be found on **IPO<GO>** on the Bloomberg Terminal.

7. MERGERS & ACQUISITIONS

Event Description

7.1. Tender Offer

When a company wishes to make an acquisition via tender offer (friendly, unsolicited or hostile) in exchange of an offer consideration (generally in the form of cash, shares or cash and shares).

The acquisition completion depends on several factors such as obtaining various regulatory approvals and having sufficient shareholders of the target company to validly tender their shares prior to the end of the offer period in exchange for the offer consideration.

Tender offers can have different outcomes:

- **Full acquisition**: the delisting of the target company, if all regulatory approvals are received and the number of shares of the target company validly tendered during the offer period(s) is sufficient to request the target security delisting.
- **Partial-acquisition**: the decrease in Index Shares of the target security, if the number of shares of the target company validly tendered during the offer period(s) is sufficient to be kept by acquirer but, not sufficient to lead to the target company's delisting.
- **No change**: if the number of shares of the target company validly tendered during the offer period(s) is below the minimum acceptance level and the acquirer drops its offer or if the deal is blocked by regulators.

7.2. Agreement

When the management of both the acquiring and the target companies mutually agree the terms and conditions of a deal.

The completion of the acquisition depends on several factors such as obtaining regulatory approvals and the required majority vote by the shareholders of both companies.

Agreements can have different outcomes:

- Full acquisition: delisting of the target company if all regulatory approvals are received and if shareholders of both companies vote in favor of the deal.
- No change: if any of the two companies do not receive their shareholders' approval or if the deal is blocked by regulators.

Event Implementation

Index Membership	Offer consideration: Cash only	Offer consideration: Shares
Acquirer and target are Index Members	<p>Target is removed from the Index on the Effective Date at the last available closing price.</p> <p>No change to the acquirer.</p> <p>Divisor will be adjusted to preserve</p>	<p>Target is removed from the Index on the Effective Date.</p> <p>Changes in Index Shares of the acquirer are implemented on the Effective Date as per the terms of the acquisition.</p>

	the Index Value due to the change in the Index market value.	<p>NOTE: Latest share/float updates are not reflected together with the event.</p> <p>A divisor adjustment may be warranted to compensate for any change in the Index market value to preserve the Index Value.</p>
Acquirer is in the Index but not the target	No change to the Index.	<p>No change to the Index.</p> <p>NOTE: Changes in Index Shares of the acquirer are generally implemented at the next qualifying Index Rebalance.</p>
Target is in the Index but not the acquirer	<p>No change to the acquirer.</p> <p>Target is removed from the Index on the Effective Date at the last available closing price.</p> <p>Divisor will be adjusted to preserve the Index Value due to the change in the Index market value.</p>	<p>Target is removed from the Index on the Effective Date and is not replaced by the acquirer at the time of the event.</p> <p>Divisor will be adjusted to preserve the Index Value due to the change in the Index market value.</p>

Timing and Notices

BISL coincides the implementation of an acquisition with the delisting date of the target company and is therefore dependent on the delisting notice to be publicly available. BISL aims to provide a two-day notice. When delistings are announced with short notice, BISL holds the target in the Index for at least an additional day post-delisting to provide sufficient advance notice. The notice will include information regarding the price used for the removal of the target, generally derived from the acquisition terms.

Target companies subject to suspensions

Target companies will generally be deleted at the start of suspension date. However, in cases where the suspension is not announced or captured in advance, BISL will remove the target company on or prior the delisting date, at a price derived from the acquisition terms. Note that BISL aims to provide a two-day notice for such removals.

For cross-border acquisitions, due to different time zones files may be delayed while awaiting markets to close.

Example: Both Acquirer and Target in Index - 100% Stock Deal

Parameters: Company B is acquired by Company A

Acquisition Ratio: 0.4

Adjustment: Company B is removed from the Index

Company A adjusted for increase in Index Shares

Pre-corporate action Index

Company	Price	Index Shares	MarketCap	Weight	Index	
A	120	4,000	480,000	40.0%	Market Cap	1,200,000
B	48	7,500	360,000	30.0%	Divisor	12,000
C	80	4,500	360,000	30.0%	Value	100

Post-corporate action Index

Company	Price	Index Shares	MarketCap	Weight	Index	
A	120	7,000	840,000	70.0%	Market Cap	1,200,000
C	80	4,500	360,000	30.0%	Divisor	12,000
					Value	100

Example: Both Acquirer and Target in Index – Stock and Cash Deal

Parameters: Company B is acquired by Company A

Acquisition Ratio: 0.25 + \$18 cash

Adjustment: Company B is removed from the Index

Company A adjusted for increase in Index Shares

Divisor adjustment to preserve Index Value

Pre-corporate action Index

Company	Price	Index Shares	MarketCap	Weight	Index	
A	120	4,000	480,000	40.0%	Market Cap	1,200,000
B	48	7,500	360,000	30.0%	Divisor	12,000
C	80	4,500	360,000	30.0%	Value	100

Post-corporate action Index

Company	Price	Index Shares	MarketCap	Weight	Index	
A	120	5,875	705,000	66.2%	Market Cap	1,065,000
C	80	4,500	360,000	33.8%	Divisor	10,650
					Value	100

8. RIGHTS ISSUES

Event Description

A rights offering, or an entitlement, is a method for a company to expand its equity capital by issuing new securities. A rights issue results in an increase in the number of shares outstanding. An offer of rights to a company's current shareholders qualifies them to purchase extra shares, during a defined period proportionally to what they already own. The subscription price at which every share may be bought is usually set at a discount to the current market price. Rights are sometimes transferable, permitting the holder to sell them on the open market. Transferable rights, also known as renounceable rights, are issued to existing shareholders and are tradable on an exchange.

Event Implementation

8.1. In-the-Money Rights Issues

If the security's price is greater than the subscription price of the rights the day prior to the ex-date, the rights issue is assumed to be fully subscribed on a pro-rata basis and the shares in the Index are increased as per the rights offering

terms.

The Index divisor is updated to take into account the increase in market capitalization and the price is adjusted to reflect the discounted price at which shareholders can subscribe to the shares.

Any difference between the number of shares issued, and the increase implemented in the Index, will be reflected at the next qualifying Index Rebalance.

Example:

Rights Offering

Parameters: Rights Ratio: 1 per 5

Subscription price: 80

Closing company price: 120

Adjustment: Company A Index Shares increased in proportion to the rights ratio

Divisor adjusted for increase in float market capitalization

Adjustment Factor: $(120 + (80 \times 0.2)) / (120 + (120 \times 0.2)) = 0.9444$

Pre-corporate action Index

Company	Price	Index Shares	MarketCap	Weight	Index	
A	120	4,000	480,000	40.0%	Market Cap	1,200,000
B	48	7,500	360,000	30.0%	Divisor	12,000
C	80	4,500	360,000	30.0%	Value	100.00

Post-corporate action Index

Company	Price	Index Shares	MarketCap	Weight	Index	
A	113.3	4,800	544,000	43.0%	Market Cap	1,264,000
B	48	7,500	360,000	28.5%	Divisor	12,640
C	80	4,500	360,000	28.5%	Value	100.00

8.2. Out-the-Money Rights Issues

If the subscription price of the rights is greater than the closing price of the shares prior to the ex-date, the action is ignored. Any share/float changes will be reflected at the next qualifying Index Rebalance, even if the rights issue is fully underwritten.

8.3. Rights Issues For Other Assets

If the rights are for new shares in another Index Member or for a non-Index Member, the rights issue is ignored.

If the rights are for unlisted assets (e.g. warrants), the value of the rights and/or an adjustment factor cannot be computed, then the rights issue is ignored.

Country Specifics

Australia: Companies may offer rights in two tranches, separating the institutional entitlement from the retail. For the institutional component the announcement is often made on the ex-date and trading on the stock is suspended around this time.

If the announcement is made prior to ex-date it is treated as a regular rights issue. If the announcement is made on or after the ex-date, no immediate adjustment will be made. Index Shares will be updated at the next Index Review.

Hong Kong: Companies may offer bonus shares for every right with the same record date. The additional shares will be considered a part of the Rights Ratio in determining the adjustment factor.

India: Companies may offer partly-paid shares upon which the issuer may make calls for additional payment. Rights for partly-paid shares will not be considered as they represent a partial par value to the ordinary shares which increases with each installment call.

Norway: For shares issued in a private placement the company will often structure the offering to include a subsequent repair offering to all existing shareholders that were not invited to participate in the private placement. A repair offer is treated as regular rights issue.

Sweden: Paid subscription shares (BTA) and paid subscription units (BTU) in Sweden are treated as regular rights issues.

UK: Companies may offer investors with rights through an open offer. Open offers differ from regular rights offers in two ways:

- The right that is offered in an open offer is non-renounceable.
- The open offer notice period to shareholders can run concurrently with a general meeting notice period. This implies that companies can structure open offers in such a way that they are publicized to non-shareholders on the ex-date of the offer.

Open Offers are often announced pre-market on the ex-date.

If the announcement is made prior to ex-date they are treated as a regular rights issue. A material change in shares outstanding resulting from an open offer announced on the ex-date will be subject to discretion.

9. SHARE OFFERING / BLOCK SALE

Event Description

Share offerings can be in the form of a secondary offering of new shares or existing shares (also called a block sale). A listed company can issue new shares, which results in an increase in the number of shares outstanding. However, a secondary offering of existing shares by a current shareholder does not generally change the number of shares outstanding but results in a change in free-float shares.

Event Implementation

Share changes due to a secondary offering of new or existing shares are implemented at the next qualifying Index Rebalance. To qualify for implementation at an Index Rebalance, the event must be completed and sufficient information must be publicly available to compute the security's Index Shares prior to the next Index Review.

10. STOCK SPLITS

Event Description

A stock split is a corporate action in which a company divides its existing shares into multiple shares (split) or consolidates

its existing shares (reverse split). The number of shares outstanding and the price of each share will change in proportion to the split ratio; however the value of the shares held by each shareholder remains the same. For example, if a stock split ratio is 2:1 and there were 100 shares outstanding with a price per share of \$50, after the split, the company will have 200 shares outstanding at a price of \$25 per share.

Event Implementation

Index Shares will be increased (for split) or decreased (for reverse splits) in proportion to the split ratio on the ex-date of the stock split (e.g., 2 times for a 2:1 stock split).

The price of the stock in the Index will be adjusted by the same factor.

11. STOCK DIVIDENDS

Event Description

A stock dividend is an event in which a company distributes a payment to shareholders in the form of shares of stock, as opposed to cash, while increasing the total number of shares outstanding.

Event Implementation

A stock dividend will receive treatment similar to stock split. For example, a 100% stock dividend will be treated like a 2:1 stock split.

12. SANCTIONS

Event Description

Bloomberg recognizes the sanction lists issued by any of the following entities, the US Office of Financial Assets Control (OFAC), the US Department of Defense (DoD), the European Union (EU), the United Nations (UN) and the United Kingdom (UK).

Event Implementation

Index Member subject to comprehensive economic sanctions imposed by any of the above entities will be assessed and may result in, but may not be limited to, an immediate removal or the freeze of the Index Shares.

Any changes are implemented as soon as practically possible with a 2-business day notice and index members are removed at market value.

A security removed due to sanctions will not be reconsidered for inclusion until at least 6 months⁷ following the lifting of the relevant sanctions⁸.

13. SPIN-OFFS

Event Description

In a spin-off, a parent company distributes shares of a newly created child company, typically a subsidiary, to its shareholders. Split-offs and in-specie splits are also classified as spin-off events. Typically, no adjustment is made for a split-

⁷ Calculated as 180 calendar days

⁸ Refer to Appendix VIII – Handling of Sanctions of the Bloomberg Global Equity Indices Methodology for more information.

off. In-specie splits are treated the same as any other spin-offs.

Event Implementation

As a general rule, a price adjustment is applied to the market price of the parent company on the ex-date. Simultaneously, if the child's security type and exchange listings are eligible as defined in the [Bloomberg Global Equity Indices Methodology](#), it is added to the same index as the parent company and inherits the parent company attributes. However, if the child has not commenced trading after 20 business days from the ex-date, it will be reviewed, and maybe removed at a zero price with a 2 day notice.

No price adjustment will be applied to the parent company and the child company will not be added to the Index, for spin-offs of private companies, ineligible asset classes or listings.

Index divisor adjustments will be made depending on the child company trading status

13.1. The child security does not trade prior to the ex-date

The divisor will be adjusted using the closing price of the parent and the child's market price will be valued as the minimum units for the child currency (typically 0.01).

13.2. The child is trading prior to the ex-date (i.e. partial spin-off, or trading when-issued)

No divisor change, as the Index will use the closing prices of both the parent and child prior to the ex-date to reflect the spin-off.

Example: Company A spins off Company D which has been trading 'when-issued'

Parameters:	Child closing price:	90
	Parent closing price:	120
	Parent adjusted price:	80
	Distribution ratio:	0.444

Adjustment: No divisor change

Adjustment Factor: $1 - (90 \times 0.444) / 120 = 0.6667$

Pre-corporate action Index

Company	Price	Index Shares	Market Cap	Weight	Index	
A	120	4,000	480,000	40.0%	Market Cap	1,200,000
B	48	7,500	360,000	30.0%	Divisor	12,000
C	80	4,500	360,000	30.0%	Value	100

Post-corporate action Index

Company	Price	Index Shares	Market Cap	Weight	Index	
A	80	4,000	320,000	26.7%	Market Cap	1,200,000
B	48	7,500	360,000	30.0%	Divisor	12,000
C	80	4,500	360,000	30.0%	Value	100
D	90	1,778	160,000	13.3%		

Index Inclusion

Following its addition to the Index, the child's attributes are systematically reviewed. BISL also reviews the Parent company's attributes in cases where its profile has fundamentally changed following the spin-off⁹.

On the Determination Date¹⁰, BISL assesses:

- The Index eligibility of the child as described in the [Bloomberg Global Equity Indices Methodology](#), with the exception of the minimum trading volume, seasoning and consecutive trading days requirements
- The country classification
- The market size segment
- The sector classification

NOTE: The country size segment cut-offs will not be recalculated and size buffers for the designated country will be applied to reduce turnover.

On the Approval Date¹¹, based on its assessment, BISL announces whether the child and the parent company, when applicable, qualify to remain in the same Indices, should be removed from all Indices or migrated to different Indices. Changes are implemented with a 2 day notice from the Approval Date.

Country Specific

India: When a parent company distributes shares of a newly created child company, the child generally does not start trading before at least 20 business days after the ex-date. For such spin-offs, no price adjustment are applied to the parent company and the child company is not added to the Index.

14. **SUSPENSIONS**

If a security is suspended, the most recent **closing price will be carried forward until the suspension is lifted.**

14.1. Prolonged Suspension

If a security remains suspended for 60 consecutive calendar days, it will be removed from the Index at a zero price with a 2-day notice, regardless of if it is pending a corporate action. The removal will be announced at the end of the day on the 60th day of suspension.

If after the removal, the suspension is lifted the security will be eligible for inclusion at the next qualifying Reconstitution.

⁹ Defined as a decrease in market price of at least 50% between its closing market price on the cum-date and ex-date. Note that this review is only applied when the child's price is available prior to the ex-date.

¹⁰ Determination Date is the market close on the later of 1) the ex-date, 2) the first business day the child company commences trading or 3) the spin-off pay-date (considered only if pay date is publicly available 3 business days before the ex-date)

¹¹ Business day following the Determination Date

APPENDIX I: DIVISOR AND ADJUSTMENT FACTOR FORMULAS

Certain corporate actions such as mergers and acquisitions, spin-offs and rights issues lead to an adjustment of the Index divisor. New index divisor following such corporate actions is calculated as below:

$$Divisor_{new} = Divisor_{old} \times \frac{Market\ Value_{t-1,adj}}{Market\ Value_{t-1,unadj}}$$

Where:

$$Market\ Value_{t-1,adj} = \sum_{i=1}^n TF_{i,t-1} \times CAC_{i,t-1,post} \times N_{i,t-1,post} \times P_{i,t-1,post} \times FX_{i,t-1}$$

$$Market\ Value_{t-1,unadj} = \sum_{i=1}^n TF_{i,t-1} \times CAC_{i,t-1,pre} \times N_{i,t-1,pre} \times P_{i,t-1,pre} \times FX_{i,t-1}$$

$TF_{i,t-1}$ Tilt Factor for stock i on calculation date t-1;

$CAC_{i,t-1,pre}$ Corporate Action Coefficient of the stock i prior to implementation of all corporate actions Effective day t-1

$CAC_{i,t-1,post}$ Corporate Action Coefficient of the stock i after implementation of all corporate actions Effective day t-1

$N_{i,t-1,pre}$ number of shares of the stock i prior to implementation of all corporate actions Effective day t

$N_{i,t-1,post}$ number of shares of the stock i after implementation of all corporate actions Effective day t

Event Type	Price Adjustment Factor Formula	
Rights Issue for underlying shares	$AF = \frac{P_t + [S_t \times R]}{P_t + [P_t \times R]}$	P_t = Closing price of the company on the last trading day prior to the ex-date;
Rights Issue where exchange provides a Basis Price	$AF = \frac{B}{P_t}$	S_t = Subscription price of the rights issue; R = Rights ratio; and B = Basis price
Spin-Off, child with a price estimate or already trading prior to the ex-date	$AF = 1 - \frac{P_{c,t} \times R \times FX_{c,t}}{P_{p,t}}$	$P_{p,t}$ = Closing price of the parent company on the last trading day prior to the ex-date; $P_{c,t}$ = Closing price or valuation of the child on the last trading day prior to ex-date; R = Spin-off ratio; and $FX_{c,t}$ = The BFIX London 4 PM rate on the last trading day prior to the spin-off to convert the local currency price of the child to the parent pricing currency.
Special Cash Dividend / Capital Repayment	$AF = \frac{P_t - D}{P_t}$	P_t = Closing price of the company on the last trading day prior to the ex-date; and D = special dividend or capital repayment amount per share
Stock Dividend	$AF = \frac{1}{[1 + S]}$	S = stock dividend %
Stock Split	$AF = \frac{1}{S}$	S = split ratio, e.g. 5 for 1 split, $S = 5$

APPENDIX II: MARKET DISRUPTIONS

Should a market disruption occurring during trading hours and the relevant stock exchange does not resume normal activity prior to market close, for one or more listed securities, BISL will use the last available price up to the disruption.

In cases where the market prices for Index Members are revised by the stock exchange following a disruption, the impact of the discrepancy is assessed, and actions are determined as per the rules stated in the Appendix I - Restatement Policy of the [Bloomberg Global Equity Indices Methodology](#) for more information.

In cases where a market disruption occurs on the implementation of a corporate action, or a Rebalance, decisions to maintain or postponed the planned changes will be made on a case-by-case basis and will be communicated accordingly.

APPENDIX III: CORPORATE ACTION CUT-OFF TIMES

Country	Exchange Codes	Exchange Name(s)	Cut-Off Time (Local)
Australia	AT	Australian Securities Exchange	17:30
Austria	AV	Vienna Stock Exchange	18:30
Belgium	BB	Euronext Brussels	18:30
Brazil	BS	Bovespa (Sao Paulo) B3 Equity	19:05
Canada	CT	TSX Toronto Exchange	17:15
Chile	CC	Bolsa de Comercio de Santiago	17:40
China	CG, CS, C1, C2, HK	Shanghai Stock Exchange, Shenzhen Stock Exchange, SH-HK Connect, SZ-HK Connect, Hong Kong Stock Exchange	16:40
Colombia	CX	Bolsa de Valores de Colombia	17:30
Czechia	CK	Prague Stock Exchange	17:45
Denmark	DC	NASDAQ OMX Copenhagen	17:30
Egypt	EC	Egyptian Exchange	15:45
Finland	FH	NASDAQ OMX Helsinki	19:00
France	FP	Euronext Paris	18:30
Germany	GE, GQ, GY	XETRA	20:30
Greece	GA	Athens Stock Exchange	17:30
Hong Kong	HK	Hong Kong Stock Exchange	16:40
Hungary	HB	Budapest Stock Exchange	18:15
India	IB, IS	Mumbai Stock Exchange, National Stock Exchange of India	18:00
Indonesia	IJ	Indonesia Stock Exchange	16:50
Ireland	ID	Euronext Dublin	17:30
Israel	IT	Tel Aviv Stock Exchange	18:30
Italy	IM	Borsa Italiana	19:00
Japan	JT	Tokyo Stock Exchange	16:05
Kuwait	KK	Boursa Kuwait	14:45
Malaysia	MK	Bursa Malaysia	18:30
Mexico	MF	Mexico Stock Exchange	17:15
Netherlands	NA	Euronext Amsterdam	18:30
New Zealand	NZ	New Zealand Exchange	18:30
Norway	NO	Oslo Bors	17:45
Peru	PE	Lima Stock Exchange	17:30
Philippines	PM	Philippine Stock Exchange	16:45
Poland	PW	Warsaw Stock Exchange	18:15
Portugal	PL	Euronext Lisbon	17:30
Qatar	QD	Qatar Exchange	14:00
Saudi Arabia	AB	Saudi Arabian Stock Exchange	19:15
Singapore	SP	Singapore Exchange	18:30
South Africa	SJ	Johannesburg Stock Exchange	18:15
South Korea	KP, KQ	KOSPI Stock Market, KOSDAQ	18:30
Spain	SQ	Sociedad de Bolsas (SIBE)	18:00
Sweden	SS, SF	NASDAQ OMX Stockholm, First North Stockholm	18:30

Switzerland	SE, XW	SIX Swiss Exchange	18:30
Taiwan	TT	Taipei Exchange	16:45
Thailand	TB	The Stock Exchange of Thailand	18:15
Turkey	TI	Borsa Istanbul	19:15
United Arab Emirates	DH, DB, DU	Abu Dhabi Securities Exchange, Dubai Financial Market, NASDAQ Dubai	16:00
United Kingdom	LN, LI	London Stock Exchange Domestic, London Stock, Exchange International	18:30
United States	UN, UA, UP, VF, UR, UW, UQ, UF	NYSE American, CBOE BZX Exchange, New York Stock Exchange, NYSE ARCA, NASDAQ Capital Market, NASDAQ Global Market, NASDAQ Global Select, IEX	16:35

APPENDIX IV: INDEX TAX FRAMEWORK

All withholding rates are researched and supplied by Bloomberg Tax & Accounting (BTAX). Withholding rates are applied to each Index Member in the Index based on its Country of Incorporation.

BISL does not take into account specialized or individualized tax situations of investors or companies when applying withholding tax to the net dividend Index calculation. In some instances, special tax exemptions are offered to companies who might generate profit from promoting tourism, or reducing carbon emissions, or structuring capital repayments. In other instances, some investors may benefit from certain tax statuses, treaties, or reinvestment strategies.

Because BISL cannot know the individual circumstances of each company or investor, and many exemptions must be applied for each fiscal year, BISL chooses to apply a withholding rate that has the widest general applicability. We recommend consulting with a tax specialist to advise on specific tax treatments.

Withholding rates are as follows. Changes to withholding rates are monitored and supplied by BTAX. Should a rate change, BISL will supply a communication to subscribed stakeholders regarding the change and ensuing implementation date for the updated rate.

Bloomberg Withholding Tax Rates

Country	Country ISO	Country ISO (3)	Rate (%)	REIT Rate (%)
Afghanistan	AF	AFG	20	
Albania	AL	ALB	8	
Algeria	DZ	DZA	15	
American Samoa	AS	ASM	30	
Andorra	AD	AND	0	
Angola	AO	AGO	10	
Anguilla	AI	AIA	0	
Antigua & Barbuda	AG	ATG	25	
Argentina	AR	ARG	7	
Armenia	AM	ARM	5	
Aruba	AW	ABW	10	
Australia	AU	AUS	30	
Austria	AT	AUT	27.5	
Bahamas	BS	BHS	0	
Azerbaijan	AZ	AZE	5	
Bahrain	BH	BHR	0	
Bangladesh	BD	BGD	20	
Barbados	BB	BRB	25	
Belarus	BY	BLR	15	
Belgium	BE	BEL	30	
Belize	BZ	BLZ	15	
Benin	BJ	BEN	15	
Bermuda	BM	BMU	0	
Bhutan	BT	BTN	10	
Bolivia	BO	BOL	12.5	
Bonaire	BQ	BES	15	
Bosnia Herzegovina	BA	BIH	10	

Botswana	BW	BWA	10	
Brazil	BR	BRA	0	
British Virgin Islands	VG	VGB	0	
Brunei	BN	BRN	0	
Bulgaria	BG	BGR	5	
Burkina Faso	BF	BFA	12.5	
Burundi	BI	BDI	15	
Cabo Verde	CV	CPV	10	
Cambodia	KH	KHM	14	
Cameroon	CM	CMR	16.5	
Canada	CA	CAN	25	
Cayman Islands	KY	CYM	0	
Central African Republic	CF	CAF	15	
Chad	TD	TCD	20	
Chile	CL	CHL	35	
China	CN	CHN	10	
Colombia	CO	COL	20	
Comoros	KM	COM	10	
Cook Islands	CK	COK	15	
Costa Rica	CR	CRI	5	
Côte D'Ivoire	CI	CIV	15	
Croatia	HR	HRV	10	
Curacao	CW	CUW	0	
Cyprus	CY	CYP	0	
Czechia	CZ	CZE	35	
Democratic Republic of Congo	CD	COD	20	
Denmark	DK	DNK	27	
Djibouti	DJ	DJI	0	
Dominica	DM	DMA	15	
Dominican Republic	DO	DOM	10	
Ecuador	EC	ECU	10	
Egypt	EG	EGY	5	
El Salvador	SV	SLV	5	
Equatorial Guinea	GQ	GNQ	25	
Eritrea	ER	ERI	0	
Estonia	EE	EST	0	
Eswatini	SZ	SWZ	15	
Ethiopia	ET	ETH	10	
Falkland Islands	FK	FLK	0	
Faroe Islands	FO	FRO	18	
Fiji	FJ	FJI	0	
Finland	FI	FIN	20	
France	FR	FRA	25	
French Polynesia	PF	PYF	10	

Gabon	GA	GAB	20	
Gambia	GM	GMB	15	
Georgia	GE	GEO	5	
Germany	DE	DEU	25	
Ghana	GH	GHA	8	
Gibraltar	GI	GIB	0	
Greece	GR	GRC	5	
Greenland	GL	GRL	36	
Grenada	GD	GRD	15	
Guam	GU	GUM	30	
Guatemala	GT	GTM	5	
Guernsey	GG	GGY	0	
Guinea	GN	GIN	15	
Guinea-Bissau	GW	GNB	30	
Guyana	GY	GUY	20	
Haiti	HT	HTI	20	
Honduras	HN	HND	10	
Hong Kong	HK	HKG	0	
Hungary	HU	HUN	0	
Iceland	IS	ISL	20	0
India	IN	IND	20	
Indonesia	ID	IDN	20	
Iraq	IQ	IRQ	0	
Ireland	IE	IRL	25	
Isle of Man	IM	IMN	0	
Israel	IL	ISR	25	
Italy	IT	ITA	26	
Jamaica	JM	JAM	33.33	
Japan	JP	JPN	15.315	
Jersey	JE	JEY	0	
Jordan	JO	JOR	0	
Kazakhstan	KZ	KAZ	15	
Kenya	KE	KEN	15	
Kiribati	KI	KIR	0	
Kosovo	XK		0	
Kuwait	KW	KWT	0	
Kyrgyzstan	KG	KGZ	10	
Lao People's Democratic Republic	LA	LAO	10	
Latvia	LV	LVA	0	
Lebanon	LB	LBN	10	
Lesotho	LS	LSO	0	
Liberia	LR	LBR	15	
Libya	LY	LBY	0	
Lichtenstein	LI	LIE	0	

Lithuania	LT	LTU	15	
Luxembourg	LU	LUX	15	
Macao	MO	MAC	0	
Madagascar	MG	MDG	10	
Malawi	MW	MWI	0	
Malaysia	MY	MYS	0	10
Maldives	MV	MDV	10	
Mali	ML	MLI	10	
Malta	MT	MLT	0	
Marshall Islands	MH	MHL	0	
Mauritania	MR	MRT	10	
Mauritius	MU	MUS	0	
Mexico	MX	MEX	10	30
Micronesia	FM	FSM	0	
Moldova	MD	MDA	6	
Monaco	MC	MCO	0	
Mongolia	MN	MNG	20	
Montenegro	ME	MNE	15	
Montserrat	MS	MSR	0	
Morocco	MA	MAR	12.5	
Mozambique	MZ	MOZ	20	
Myanmar	MM	MMR	0	
Namibia	NA	NAM	20	
Nauru	NR	NRU	0	
Nepal	NP	NPL	0	
Netherlands	NL	NLD	15	
New Caledonia	NC	NCL	18	
New Zealand	NZ	NZL	15	
Nicaragua	NI	NIC	15	
Niger	NE	NER	0	
Nigeria	NG	NGA	10	
Niue	NU	NIU	0	
North Macedonia	MK	MKD	10	
Northern Mariana Islands	MP	MNP	30	
Norway	NO	NOR	25	
Oman	OM	OMN	0	
Pakistan	PK	PAK	15	0
Palau	PW	PLW	4	
Palestine	PS	PSE	0	
Panama	PA	PAN	10	
Papau New Guinea	PG	PNG	15	
Paraguay	PY	PRY	15	
Peru	PE	PER	5	
Philippines	PH	PHL	25	

Poland	PL	POL	19	
Portugal	PT	PRT	25	
Puerto Rico	PR	PRI	10	
Qatar	QA	QAT	0	
Republic of the Congo	CG	COG	15	
Romania	RO	ROU	8	
Russia	RU	RUS	15	
Rwanda	RW	RWA	15	
Saint Kitts and Nevis	KN	KNA	15	
Saint Lucia	LC	LCA	0	
Saint Martin	MF	MAF	0	
Samoa	WS	WSM	0	
San Marino	SM	SMR	0	
Sao Tome and Principe	ST	STP	20	
Saudi Arabia	SA	SAU	5	
Senegal	SN	SEN	10	
Serbia	RS	SRB	20	
Seychelles	SC	SYC	15	
Sierra Leone	SL	SLE	10	
Singapore	SG	SGP	0	10
Saint Maarten	SX	SXM	0	
Slovakia	SK	SVK	0	
Slovenia	SI	SVN	15	
Solomon Islands	SB	SLB	30	
Somalia	SO	SOM	0	
South Africa	ZA	ZAF	20	
South Korea	KR	KOR	22	
South Sudan	SS	SSD	0	
Spain	ES	ESP	19	
Sri Lanka	LK	LKA	15	
St Vincent and the Grenadines	VC	VCT	0	
Sudan	SD	SDN	0	
Suriname	SR	SUR	25	
Sweden	SE	SWE	30	
Switzerland	CH	CHE	35	
Taiwan	TW	TWN	21	15
Tajikistan	TJ	TJK	12	
Tanzania	TZ	TZA	10	
Thailand	TH	THA	10	
Timor-Leste	TL	TLS	0	
Togo	TG	TGO	0	
Tonga	TO	TON	15	
Trinidad and Tobago	TT	TTO	10	
Tunisia	TN	TUN	10	

Turkey	TR	TUR	10	
Turkmenistan	TM	TKM	15	
Turks and Caicos Islands	TC	TCA	0	
Tuvalu	TV	TUV	0	
US Virgin Islands	VI	VIR	11	
Uganda	UG	UGA	15	
Ukraine	UA	UKR	15	
United Arab Emirates	AE	ARE	0	
United Kingdom	GB	GBR	0	20
United States	US	USA	30	
Uruguay	UY	URY	7	
Uzbekistan	UZ	UZB	10	
Vanuatu	VU	VUT	0	
Venezuela	VE	VEN	0	
Vietnam	VN	VNM	0	
Wallis and Futuna	WF	WLF	0	
Yemen	YE	YEM	0	
Zambia	ZM	ZMB	20	
Zimbabwe	ZW	ZWE	15	

GLOSSARY OF TERMS

Term	Definition
Effective Date	Date (at the open) as of which the index change is reflected in the Index.
Fast Track	The methodology that allows securities from an initial public offering to be added to an Index in advance of the next Reconstitution.
Index Member	A security that is a constituent of an Index.
Index Review	The quarterly or semi-annual review process to determine the Index Shares and Index Members.
Index Shares	Shares of an Index Member within an Index. The number of Index Shares are updated at each quarterly rebalance and adjusted intra-quarter for corporate actions.
Rebalance	The process of applying a selection and re-weighting of securities to an Index.
Rebalance Date	The date upon which a Rebalance is made effective. For the avoidance of doubt the Rebalance becomes effective on the close of the Rebalance Date.
Reconstitution	The process of determining the Index Members for an Index.
Share Update	The process of determining the number of Index Shares for each Index Member in an Index.

METHODOLOGY BOOK CHANGES**May 2021**

- **Sanctions**

Clarifications to the sanctions implementation framework

- **Appendix I: Divisor and Adjustment Factor Formulas**

Addition of the Divisor formula

- **Appendix IV: Index Tax Framework**

Updated table

June 2021

- **Spin-offs**

Update to spin-off inclusion process

July 2021

- **Spin-offs**

Update to spin-off Divisor adjustment process

September 2021

- **M&A**

Clarification on timing and handling

July 2022

- **Bankruptcy/Liquidation**

Clarification of event implementation

December 2022

- **Qualifying Companies for Fast-Track addition**

Clarification of criteria to qualify for fast-track addition for companies with free float below 10%

March 2023

- **Suspensions**

Clarification on timing and handling

May 2023

- **Bankruptcy/Liquidation**

Clarification of event implementation

- **Spin offs**

Implementation of spin offs in India

- **Franking dividends in Australia**

Clarification of franking calculation

- **Special cash dividend**

Clarification of Japanese special dividend implementation

August 2023

- **Section 3.4: Optional Dividend**

Clarification of the treatment of optional dividends

- **Section 4.1: Mandatory Equity Conversion of an Index Member into a different eligible share class**

Clarification of the treatment of such conversion

- **Section 12: Sanction**

Clarification of event implementation timing

- **Appendix III: Corporate Action Cut-Off Times**

Updates to the cut-off times

- **Appendix IV: Index Tax Framework**

Rate update for Pakistan REIT

November 2023

- **Section 8.3: Rights Issues for Other Assets**

Updates to Country Specifics

December 2023

Replace Czech Republic by Czechia throughout the document

- **Section 7: M&A: Timing & Notices**

Clarification of the treatment of M&As where the target company is suspended prior to its delisting date

March 2024

Removal of Pakistan from the Emerging Markets classification

- **Section 12: Sanctions**

Clarification of the entities that are considered for potential ineligibility. Addition of US Department of Defense (DOD)

- **Appendix III: Corporate Action Cut-Off Times**

Removal of Pakistan

- **Appendix IX: Index Tax Framework**

Change of withholding tax rates applicable for Azerbaijan, Morocco and Tajikistan

ACCESSING INDEX DATA

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