

Bloomberg Artificial Intelligence Select Index Methodology

March 2025

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Introduction

This document is intended to be read in conjunction with the [Bloomberg Global Equity Indices Methodology](#); these documents collectively constitute the index methodology for this Index.

The Bloomberg Artificial Intelligence Select Index is constructed to track the performance of companies that develop, facilitate, or use solutions such as deep learning, machine learning, natural language processing, and image and speech recognition utilizing data from Bloomberg Intelligence (BI). The Index selects the top 50 companies based on a combination of the revenue assessment of companies stemming from artificial intelligence products and services according to BI and their market capitalization and excludes companies based on certain ESG factors. The Index is modified market capitalization weighted where the market capitalization of a company is adjusted for its revenue assessment coming from the theme.

Section 1: Overview

| Name | Bloomberg Artificial Intelligence Select Index |
|----------------|---|
| Base date | 2015-04-20 |
| Inception Date | 2024-09-09 |
| Rebalance | Quarterly |
| Publication | Weekdays |
| Currency | USD |
| Tickers | BAIS (Price Return) BAIST (Total Return) BAISN (Net Return) |

Section 2: Index Eligibility Process

Parent Universe

To be selected for the Bloomberg Artificial Intelligence Select Index, a security must be a member of the Bloomberg World Aggregate Index (WAGGE).

Theme Eligibility

A security must belong to the Exposure Categories defined below within the Artificial Intelligence (AI) ecosystem as determined by Bloomberg Intelligence (BI). Within the Artificial Intelligence ecosystem, a security must belong to the Gold tier. Bloomberg Index Services Limited (BISL) places securities into a Gold or Silver tier in accordance with the Bloomberg Thematic Protocol. Please refer to the Bloomberg Thematic Protocol through the link below for additional details on the construction of thematic baskets.

[Bloomberg Thematic Protocol](#)

| Exposure Category | Definition |
|-------------------------|---|
| Application Software | Companies that provide AI application software development. |
| Infrastructure Software | Companies that provide AI infrastructure software development. |
| Hyperscaler | Companies integral to AI proliferation across multiple business layers. |
| Hardware | Companies that provide AI hardware and storage. |
| Semiconductors | Companies that provide semiconductor solutions for AI. |
| Application Accelerator | Companies accelerating adoption and proliferation of AI usage. |

In addition, a security must not be classified as Application Accelerator, defined above, according to BI.

Market Capitalization Eligibility

A security must have a minimum issuer free float market capitalization of \$500 million.

Liquidity Eligibility

A security must have a minimum 90-day average daily value traded of \$5 million.

Exchange Eligibility

A security must not be listed on Shanghai or Shenzhen Stock Connect exchanges (exchange codes C1 and C2).

Multiple Classes of Securities

One security per issuer is permitted. If an issuer has multiple securities, then the security currently in the Index will take precedence if it has met all other criteria for eligibility. Otherwise, the security with the highest 90-day average daily value traded is eligible for inclusion in the Index.

ESG Eligibility

Securities are screened for involvement in certain environmental and/or social activities. Data for the relevant screens are sourced from ESG data provider, Sustainalytics. The table below outlines the various exclusions that are screened as a part of this Index as well as the thresholds that are used to exclude companies. For further details on the ESG factors, please see the ESG disclosures in Appendix A.

If a security/issuer is not included in Sustainalytics research coverage for either the Product Involvement, ESG Risk Ratings, or Controversies datasets from Sustainalytics, then the Index will deem such security/issuer as ineligible for inclusion.

| Category | Description | Exclusion Criteria |
|-------------------------------|---|---|
| Resource Use ESG Risk Rating | Measure of a company's usage of raw material inputs and the management of related risks. | Researched companies having high or severe risk associated with their usage or risk management of raw material inputs are excluded from the Index. |
| Controversial Weapons | Companies involved in the manufacturing of controversial weapons or components or services thereof. | Researched companies that have any involvement in the core weapon system or components and services of the core weapon system, including significant ownership, are excluded from the Index. |
| Controversial Event Indicator | An indication of isolated or related incidents that pertain to the same ESG issues. | <p>Researched companies with any Category 5 Controversy Rating are excluded from the Index.</p> <p>Researched companies involved in controversial events, including contractor and supply chain-related controversies, with a high impact (Category 4) pertaining to the following ESG issues are excluded from the Index:</p> <ul style="list-style-type: none"> - Access to basic services - Accounting and taxation - Bribery and corruption (including contractor and supply chain incidents) - Occupational health and safety (including contractor and supply chain incidents) - Employees - human rights (including contractor and supply chain incidents) - Society - human rights (including contractor and supply chain incidents) - Land use and biodiversity (including contractor and supply chain incidents) |
| Oil Sands | Companies that extract oil sands. | Researched companies that have 5% or more revenues from extracting oil sands are excluded from the Index. |
| Adult Entertainment | Companies involved in the production or distribution of adult entertainment. | Researched companies that have 5% or more revenues from the production or |

| | | |
|--|--|--|
| | | distribution of adult entertainment are excluded from the Index. |
|--|--|--|

Section 3: Index Construction Process

Index Selection Process

All securities that satisfy the Index Eligibility Process in Section 2 are eligible for inclusion in the Index.

The eligible securities are sorted by their Revenue Assessment (ascending order) and then their Issuer Free Float Market Capitalization (descending order).

BI’s revenue assessment reflects BI’s view of near-term revenue exposure of each company to a theme and appropriate sub-classifications as a percent of the company’s total revenue. BI analysts leverage publicly available company data such as financial disclosures, and where necessary other available research, to assess a company’s near-term (3 to 5 year) revenue exposure to a theme. An assessment of 1 reflects BI’s assessment of a company being more than 50% of revenue tied to the theme, 2 means 20-50%, and 3 means less than 20%. For more information, please refer to the Bloomberg Thematic Protocol: [Bloomberg Thematic Protocol](#).

The Issuer Free Float Market Capitalization is equal to the aggregate free float market capitalization of all securities for a particular issuer.

The top 50 securities in the sorted list as defined above are selected for inclusion in the Index.

Index Weighting

The Index is company modified market cap weighted. The initial weights, W_i , are assigned according to the Revenue Intensity, RI_i , as defined below.

$$W_i = \frac{RI_i}{\sum_1^M RI_i}$$
$$RI_i = FMC_i * RevenueMultiplier_i$$
$$RevenueMultiplier_i = \begin{cases} 1, & BI \text{ Revenue Assessment} = 1 \\ 0.5, & BI \text{ Revenue Assessment} = 2 \\ 0.2, & BI \text{ Revenue Assessment} = 3 \end{cases}$$

Where:

W_i
 M
 RI_i
 FMC_i

Weight of security i
Number of Index Members
Revenue Intensity of security i
Issuer free float market capitalization of security i

Securities’ weights are then capped such that:

- No security’s weight shall exceed 8% for the top 5 issuers by issuer free-float market cap
- No security’s weight shall exceed 4% for the securities outside of the top 5 by issuer free-float market cap
- No security’s weight shall be below 0.25%

Any excess weight from capping is distributed proportionally to all the remaining uncapped securities until all the above conditions are satisfied.

Index Rebalance and Reconstitution

The Index is reconstituted and rebalanced quarterly in January, April, July, and October.

Selection Date

The Index Eligibility Process and Index Selection Process are applied using data as of the 1st Friday in January, April, July, and October. ESG Eligibility is applied using data as of the 1st Wednesday in the previous month (December, March, June, and September, respectively).

Index Share Determination Date

Index Weighting is determined using prices as of the 1st Friday in January, April, July, and October.

Index Announcement Date

An Index reconstitution and rebalance announcement date shall be the 2nd Friday in January, April, July, and October.

Index Effective Date

The Index reconstitutions and rebalances go effective after the close of trading on the 3rd Friday in January, April, July, and October.

| | | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|----------------------------------|---------------------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| Selection Date (Eligibility) | 1 st Friday | X | | | X | | | X | | | X | | |
| Selection Date (ESG Eligibility) | 1 st Wednesday | | | X | | | X | | | X | | | X |
| Selection Date (Weighting) | 1 st Friday | X | | | X | | | X | | | X | | |
| Announcement Date | 2 nd Friday | X | | | X | | | X | | | X | | |
| Effective Date | 3 rd Friday | X | | | X | | | X | | | X | | |

Section 4: Index Maintenance**Index Calculation**

Refer to the [Bloomberg Global Equity Indices Methodology](#) for index calculation details.

Deletion Policy

Index securities are not deleted outside Index Rebalance and Reconstitution window except in the case of a delisting.

Addition Policy

Index securities are not added outside of the Index reconstitution.

Replacement Policy

Index securities are not replaced outside of the Index reconstitution.

Corporate Actions

Refer to [Bloomberg Global Equity Indices Non-Market Cap Corporate Action Methodology](#) for the treatment of corporate actions.

Index Rebalance Holiday Impact

Each Effective Date follows the exchange calendar for NYSE trading days. Should an Effective Date fall on a NYSE exchange holiday, it will be postponed to the next business day.

Section 6: Document Version History

| Date | Update |
|------------|--|
| March 2025 | Index Rebalance and Reconstitution: Added rule that should an Effective Date fall on a NYSE exchange holiday, it will be postponed to the next business day. |

Appendix A: Environmental, Social and Governance (ESG) Disclosures

If a security/issuer is not included in Sustainalytics research coverage for either the Product Involvement, ESG Risk Ratings, or Controversies datasets from Sustainalytics, then the Index will deem such security/issuer as ineligible for inclusion.

| EXPLANATION OF HOW ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) FACTORS ARE REFLECTED IN THE KEY ELEMENTS OF THE BENCHMARK METHODOLOGY | | | |
|--|------------------------------|--|--|
| 1. Name of the benchmark administrator. | | Bloomberg Index Services Limited ("BISL") | |
| 2. Type of benchmark | | Equity | |
| 3. Name of the benchmark or family benchmarks. | | Bloomberg Artificial Intelligence Select Index | |
| 4. Does the benchmark methodology for the benchmark or family of benchmarks take into account ESG factors? | | Yes | |
| 5. Where the response to Item 4 is positive, please list below, for each family of benchmarks, those ESG factors that are taken into account in the benchmark methodology, taking into account the ESG factors listed in Annex II to Delegated Regulation (EU) 2020/1816. Please explain how those ESG factors are used for the selection, weighting or exclusion of underlying assets. The ESG factors shall be disclosed at an aggregated weighted average value at the level of the family of benchmarks. | | | |
| a) List of environmental factors considered: | | See below. | |
| b) List of social factors considered: | | See below. | |
| c) List of governance factors considered: | | See below. | |
| 6. Where the response to Item 4 is positive, please list below, for each benchmark, those ESG factors that are taken into account in the benchmark methodology, taking into account the ESG factors listed in Annex II to Delegated Regulation (EU) 2020/1816, depending on the relevant underlying asset concerned. Please explain how those ESG factors are used for the selection, weighting or exclusion of underlying assets. The ESG factors shall not be disclosed for each constituent of the benchmark, but shall be disclosed at an aggregated weighted average value of the benchmark. Alternatively, all of this information may be provided in the form of a hyperlink to a website of the benchmark administrator included in this explanation. The information on the website shall be easily available and accessible. Benchmark administrators shall ensure that information published on their website remains available for five years. | | | |
| List of social factors considered: | Resource Use ESG Risk Rating | Exclusion | <p>The Resource Use ESG Risk Ratings measure the degree to which a company's economic value is at risk driven by ESG factors or, more technically speaking, the magnitude of a company's unmanaged ESG risks. Resource Use includes risks associated with their usage or risk management of raw material inputs. For each company, unmanaged risk is measured by evaluating a set of material ESG issues based on both the company's exposure to and management of those issues. The resulting unmanaged risk for each issue is then summed to provide one score that represents the company's overall ESG risk.</p> <p>Based on their quantitative scores, companies are grouped into one of five risk categories (negligible, low, medium, high, severe). These risk categories are absolute, meaning that a 'high risk' assessment reflects a comparable degree of unmanaged ESG risk across all subindustries covered.</p> <p>Researched companies having high or severe risk associated with their usage risk management of raw material inputs are excluded from the Index.</p> <p>Please see the here for further information on the ESG Risk Rating Methodology.</p> |
| | Controversial Weapons | Exclusion | <p>Researched companies that have any involvement in the core weapon system or components and services of the core weapon system, including significant ownership, are excluded from the Index.</p> <p>Please see here for further information on the Controversial Weapons methodology.</p> |

| | | | |
|---|-------------------------------|--|---|
| | Controversial Event Indicator | Exclusion | <p>The Controversy Rating reflects a company's level of involvement in issues and how it manages these issues. A controversy as an event or aggregation of events relating to an ESG topic. When incidents are found in the news, they are tagged and grouped together before being rated on a scale from 1 to 5. This provides investors with a simple and straightforward way of assessing the severity of a company's exposure to controversies. The highest Event rating under a controversy indicator automatically becomes the Controversy Rating. The methodology takes into account incidents and events, analyzing the severity by taking into account impact, risk and management of the issues.</p> <p>Researched companies involved in controversial events, including contractor and supply chain-related controversies, with a high impact (Category 4) pertaining to the following ESG issues are excluded from the Index:</p> <ul style="list-style-type: none"> - Access to basic services - Accounting and taxation - Bribery and corruption (including contractor and supply chain incidents) - Occupational health and safety (including contractor and supply chain incidents) - Employees - human rights (including contractor and supply chain incidents) - Society - human rights (including contractor and supply chain incidents) - Land use and biodiversity (including contractor and supply chain incidents) <p>Please see here for further information on the Controversies Methodology.</p> |
| | Oil Sands | Exclusion | <p>Researched companies that have 5% or more revenues from extracting oil sands are excluded from the Index.</p> <p>Please see here for further information.</p> |
| | Adult Entertainment | Exclusion | <p>Researched companies that have 5% or more revenues from the production or distribution of adult entertainment are excluded from the Index.</p> <p>Please see here for further information.</p> |
| 7. Data and standards used. | | | |
| <p>a) Data input.</p> <p>(i) Describe whether the data are reported, modelled or, sourced internally or externally.</p> <p>(ii) Where the data are reported, modelled or sourced externally, please name the third party data provider.</p> | | <p>All ESG data for the benchmarks is sourced externally from Sustainalytics (reported and modelled from Product Involvement, Controversy, and Risk Ratings data libraries).</p> <ul style="list-style-type: none"> - For Product Involvement Screens, please see here for further information. - For ESG Ratings, please see the here for further information. - For Controversial Weapons please see here for further information. - For Controversies Rating, please see here for further information. <p>Please refer to this link for additional details on Sustainalytics.</p> | |
| <p>b) Verification of data and guaranteeing the quality of those data.</p> <p>Describe how data are verified and how the quality of those data is ensured.</p> | | <p>Sustainalytics has processes in place to validate the quality and reliability of the data.</p> <ul style="list-style-type: none"> • Universe Management <ul style="list-style-type: none"> o Centralized universe definitions and processes for rebalancing; o Quarterly rebalances of Sustainalytics' standard coverage and compliance universes; o Clear, transparent and consistent approach to the allocation of research versus coverage entities. • Company Research <ul style="list-style-type: none"> o Continuous improvement and maintenance of quality and research standards; o Feedback that is received from Companies in Sustainalytics' Coverage Universe and that are a part of Sustainalytics ESG Risk Ratings and controversy research is taken into consideration, and whenever relevant included; | |

| | |
|--|--|
| | <ul style="list-style-type: none"> ○ Quality reviews of ESG assessments before publication; ○ Reviewing controversy ratings by the Events Oversight Committee – focus on controversy level changes to and from level 4 and 5. • Data and deliverable management <ul style="list-style-type: none"> ○ Quality and reliability of Sustainalytics Covered Company and identifier data through automated quality assurance; ○ Quality and reliability of Sustainalytics proprietary (i.e. research) data through automated quality assurance, prior to publication; ○ Quality and reliability of standard deliverables through end-of-gate quality assurance process. ○ Quality and reliability of custom client deliverables through end-of-gate quality assurance processes (automated and manual); ○ Monitoring and investigating ESG score fluctuations and their root causes using automated tools. • Update cycle <ul style="list-style-type: none"> ○ Sustainalytics aims for annual updates of management indicators for the Covered Companies; ○ Continuous updates are made as incidents occur and feed into updates of event indicators, which is not disclosure driven; ○ Annual updates to the rating framework (selection of material ESG issues, weighting of indicators). |
| c) Reference standards <i>Describe the international standards used in the benchmark methodology.</i> | Controversial Weapons Controversial Weapons include Non-proliferation Treaty (1968), Biological and Toxin Weapons Convention (1972), Chemical Weapons Convention (1997), Anti-Personnel Mine Ban Convention (1999), Convention on Cluster Munitions (2008), United Nations Convention on Certain Conventional Weapons (1980), and Convention on the Physical Protection of Nuclear Material (1980). |
| Date on which information has been last updated and reason for the update: | September 2024, Index launch |

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