

## Methodology of the Gretai Labor Employment 88 Index

### I. Eligibility

Common stocks that are listed on the GTSM are eligible for inclusion in the Gretai Labor Employment 88 Index, with the exception of managed stocks, emerging stocks, and stocks with an altered trading method as announced by the GTSM.

### II. Constituent Selection Criteria

1. The stock has passed the liquidity test.
2. Stocks that have passed the liquidity test but report accumulated deficit for the last fiscal year are excluded.
3. Employee contribution (operating profit/number of employees): Stocks are ranked from high to low based on the result of operating profit for the last fiscal year divided by "the number of all local employees hired in Taiwan by parent company and subsidiaries included in the consolidated financial statements" in the last year, and stocks ranked in the bottom 20% and stocks having negative result are excluded.
4. Stocks with the number of employees reduced by 50% or more as compared to the previous year in the last two years are excluded.

### III. Constituent Selection Process

1. Stocks that have passed the liquidity test and other fundamental criteria are selected as candidates. The candidates are then ranked by "the number of all local employees hired in Taiwan by the parent company and subsidiaries included in the consolidated financial statements" in the most recent year in descending order, and the top 88 stocks are selected as constituents. When two stocks have the same number of employees, they are ranked by capitalization.
2. To ensure the representation of the index and maintain the stability of constituents, constituents will be added or deleted according to the following principles at the time of selection:
  - (1) Prospective constituent stocks that are ranked in the top 70 by the number of employees will be considered in order for inclusion.
  - (2) Existing constituent stocks that are ranked in the top 106 by the number of employees will be given priority consideration for retention.

### IV. Liquidity Test

1. Prospective constituent stocks at the time of initial review and subsequent annual reviews: Stocks with monthly turnover reaching 1% of float-adjusted shares outstanding in at least ten out of the 12 months prior to the review will be qualified for inclusion in the index.
2. Existing constituents: Constituents with monthly turnover below 1% of float-adjusted shares outstanding in 4 or more out of the 12 months prior to the annual review will be deleted.
3. Stocks having a minimum trading record of at least 20 business days and with monthly turnover reaching 1% of float-adjusted shares outstanding prior to the annual review will

also be qualified for inclusion in the index.

4. If a stock has not been traded for one month or longer, monthly turnover will be computed on a pro rata basis.
5. The aforementioned free float restrictions include the following:
  - (1) Shares held by directors, supervisors, managerial officers, including those held by their spouses, minor children, and under the names of other parties;
  - (2) Shares held by shareholders holding more than ten percent of the total shares, including those held by their spouses, minor children, and under the names of other parties; and
  - (3) Shares with any trading restrictions imposed on them by the competent authority.

## V. Index Calculation

The Greta Labor Employment 88 Index is calculated and published in real time every 5 seconds during the trading hours of the GTSM based on the latest transaction prices of constituents. A closing index will be calculated after the market closes each day. The GTSM will also compile a total return index based on ex dividend adjustment of the Greta Labor Employment 88 Index to reflect the dividend-included return on the constituent stocks. The total return index is calculated and published at the end of each business day.

The index is calculated using the following algorithm:

$$\sum_{i=1}^n \frac{(p_i \times s_i)}{d} \times 100$$

Where:

- i = The number of stocks in the index, wherein  $n \leq 88$
- p = The latest trading price of the constituent
- s = Shares in issue
- d = Divisor, representing the base value of index

## VI. Changes to Constituents

1. Periodic review: Annual review of the Greta Labor Employment 88 Index takes place in April every year. The closing data on the last business day in March the same year are used for review. Any change to constituents will be implemented on the first business day of May.
2. Special review: When a constituent is deleted during a special review, it will not be immediately replaced by another stock. Thus it is likely that the number of constituents may fall below 88 between two periodic reviews.

A constituent stock that satisfies any of the following conditions will be removed from the constituent list:

- (1) The company is acquired.
- (2) The stock is announced by the GTSM as placed under an alternate trading method.

- (3) The stock has trading suspended as announced by the GTSM; the stock may remain in the index if trading suspension is due to issue of replacement shares as a result of capital decrease or consolidation.
- (4) The stock is delisted.
- (5) Other cause for which the GTSM deems removal necessary.

#### VII. Changes to Constituent Weightings

1. If a corporate action results in a change in the number of shares outstanding for a constituent, the change in shares will apply simultaneously on the date the corporation action takes effect.
2. If changes in shares outstanding did not arise from any corporate actions, weighting adjustment will take place on the ex-dividend day or the first business day of the following month (whichever comes first) to avoid frequent changes to constituent weightings.
3. Except where otherwise prevented by market conditions, all adjustments are made before the start of index calculation for the day.