July 2026

[POLICY ON INDEX MANAGEMENT]

SECTION 1 - Introduction

1.1. General Policies

1.1.1. This document sets out the policy of the Philippine Stock Exchange, Inc. (PSE or Exchange) for the management of the PSE Index Series.

1.1.2. The PSE Index Series was created to provide investors and market participants a set of benchmarks that measures the performance of Philippine stock market and its specific industry segments.

1.1.3. Any change or revision in the policies contained herein shall be duly announced to the public for the information and guidance of all concerned.

1.2. The PSE Index Series

1.2.1. The PSE Index Series consists of the PSEi, PSE Dividend Yield (PSE DivY) Index, PSE MidCap Index, six sector indices, and the All Shares Index. With the exception of the All Shares Index, all these indices are free float-adjusted.

PSEi. The PSEi is the main index of the Exchange. It is composed of a fixed basket of 30 companies, whose selection is based on a specific set of criteria. The PSEi measures the relative changes in the free float-adjusted market capitalization of the 30 largest and most active common stocks listed at the PSE. By gauging changes in the stock prices of select listed companies, the PSEi provides a snapshot of the market's overall condition. The base level of the PSEi was pegged at 1,022.045 points. This was reckoned according to the close of the index on February 28, 1990, which is the PSEi's base date.

The name PSEi was adopted by the Exchange in April 2006. In the past, various labels were used to refer to the Exchange's main index, such as the Phisix and the PSE Composite Index.

PSE DivY Index. The PSE DivY Index is composed of a fixed basket of 20 companies, selected based on a defined set of standards. The PSE DivY Index calculates the performance of the top companies in terms of three-year average dividend yield. The base level of the PSE DivY Index was set on December 30, 2010 at 1,000.00 points.

PSE MidCap Index. The PSE MidCap Index represents the mid-cap segment of the Philippine market. It is composed of a fixed basket of 20 companies with the largest market capitalization after constituents of the PSEi and passed the criteria set out in this Policy. The base value of the PSE MidCap was set on December 30, 2010, at 1,000.00 points.

Sector Indices. To track the performance of specific sectors of the market, the PSE also maintains six sector indices representing each major sector under the industry classification of the Exchange. These indices are the (1) Financials Index; (2) Industrial Index; (3) Holding Firms Index; (4) Property Index; (5) Services Index; and (6) Mining & Oil Index. Below is a summary of the base date and base value of each index:

Table 1. Base date and values of PSE Sector Indices

Indices	Base date	Base value
Financials	14-Nov-96	1,000.00
Industrial*	28-Feb-90	1,422.20
Holding Firms	29-Dec-05	1,000.00
Property**	30-Sep-94	1,000.00
Services	29-Dec-05	1,000.00
Mining & Oil*, ***	28-Feb-90	4,752.45

Notes:

**Base date shown is the date when the market capitalization method was first used to compute the indices. Base value refers to the average index level quoted at that time by PSE's two precursors, the MSE and MKSE.*

***Originally 100.00 but the index was realigned to the 1,000.00 level starting November 15, 1996 (all prior values x 10).*

****Previously separate, the Mining and Oil sectors, along with their respective indices, were folded together on January 2, 2006, with the combined index continuing the level of the Mining index.*

All Shares Index. The All Shares Index is a complementary index to the PSEi. It is considered a broader barometer of the market, because it includes all the common stocks of companies listed at the Exchange. The base value of the All Shares Index was set on November 14, 1996, at 1,000.00 points. The full market capitalization method is used in computing the All Shares Index. The All Shares index excludes those listed in the Small, Medium and Emerging (SME) Board.

1.3. Index Calculation Mode

1.3.1. The PSE Index Series is calculated and broadcasted through the trading engine.

1.3.2. The index levels calculated are displayed on all the computer terminals linked to the trading engine and are broadcasted to members and data vendors. In addition, the indices may be monitored through radio, television, the PSE website and other websites that provide reports on the performance of the stock market.

1.3.3. The PSE Index Series is calculated in Philippine Pesos (Php) and is broadcasted on a continuous mode where index levels are broadcasted periodically at a frequency that can be configured for each index. (Please see 5.2. Calculation Frequency for details)

SECTION 2 - Index Construction

2.1. Eligible Securities

2.1.1. Only companies with common stocks listed in the main board of the PSE for at least 12 months during the review period are eligible for inclusion in the PSEi, PSE DivY, PSE MidCap, and sector indices, subject to complying with the requirements for market capitalization, liquidity, and free float.

2.1.2. Foreign companies whose shares are simultaneously listed at the PSE and in other exchanges overseas are not eligible for the PSEi, PSE DivY, and PSE MidCap, but may be included in the sector indices.

2.1.3. Convertible preferred shares are excluded until converted.

2.1.4. Exchange Traded Funds or other forms of investment funds which prices are derived from underlying holdings of other listed issues at the PSE are not eligible for inclusion in the PSE indices.

2.1.5. Dollar Denominated Securities shall not be eligible for inclusion in the PSE indices.

2.1.6. Companies shall be considered ineligible for inclusion in the index due to conditions that may cause their stocks to be unavailable for trading for a significant period of time for the next six months from the scheduled review of the indices. Such conditions include, among others, the commencement of delisting proceedings against the company, or when it is suspended from being traded in the PSE.

2.2. Market Capitalization

2.2.1. The full market capitalization is computed using the volume-weighted average price (VWAP) of the company's stock price during the 12-month period in review.

If a company has common stocks that are classified (e.g., Class "A" and Class "B"), the activity of all share classes or types is taken together.

2.2.2. Only companies that fall within the top 98% of the cumulative total market capitalization of the eligible securities shall qualify for inclusion in the PSEi, PSE DivY, PSE MidCap, and sector indices.

2.3. Liquidity

2.3.1. Each company shall be tested for liquidity using two criteria: the Median Trading Activity Ratio (MTAR) and the Monthly Average Daily Value Turnover (MADV).

If a company has common stocks that are classified (e.g., Class "A" and Class "B") or has an underlying PDR issue, the activity of all share classes or types is taken together.

2.3.2. The MTAR shall be defined as the twelve-month cumulative sum of the monthly trading activity ratios. Each monthly trading activity ratio shall be calculated by multiplying the median daily value traded by the number of days the security was traded during the month, with the resulting product divided by the company's free-float market capitalization as of the end of that month.

a) To be eligible for the PSEi, PSE DivY, and PSE MidCap, a company must have an MTAR of at least 15%. For existing index constituents, this threshold shall be lowered to 10%.
b) To be eligible for the sector indices, the company must have an MTAR of at least 7%.

2.3.3. In conjunction with the MTAR requirement, a company's MADV shall be computed for each month in the review period by dividing the total value traded during the month by the number of trading days in the month.

a) To be eligible for the PSEi, PSE MidCap, and PSE Dividend Yield Index, the company must rank among the top 25% in terms of average daily value traded per month for 9/12 months during the review period.

b) To be eligible for the sector indices, the company must rank among the top 50% in terms of average daily value traded per month for 8/12 months during the review period.

2.3.4. If the application of the foregoing liquidity requirements results in an insufficient number of eligible constituents, the PSE Management Committee may:

a) Lower the applicable MTAR threshold in increments of one percentage point (i.e. from 15% to 14%, 13%, and so on); and/or

b) Expand the MADV threshold in increments of five percentage points (i.e. from the top 25% to the top 30%, top 35%, and so on), until the required number of index constituents is achieved.

2.4. Free Float

2.4.1. Only the free float shares of a company are factored in when computing the indices. Free float, also known as public float, refers to the portion of the outstanding shares that are freely available and tradable in the market, or those shareholdings which are non-strategic in nature.

2.4.2. A company's free float shares must be at least 20% of its outstanding shares at the end of the 12-month period in review. However, for companies with a market capitalization of at least Two Hundred Fifty Billion Philippine Pesos (Php250,000,000,000), the minimum free float requirement may be lowered to at least 15% of outstanding shares.

The public float requirement shall also apply for membership in the sector indices.

The Exchange, if it deems necessary, may impose a higher free float level requirement.

2.4.3. In determining a company's free float, its outstanding shares shall be adjusted to exclude shares classified as being held strategically. The following are viewed as strategic in nature and are deducted from the outstanding shares:

a) Shares held by founders, directors and officers, and their families. For this purpose, directors shall refer to anyone owning at least one share capital of the corporation of which he is elected as a director and also refers to independent directors defined under Rule 38 of the IRR of the Securities Regulation Code (SRC). Officers shall refer to the president, secretary and treasurer, as specified under the Corporation Code, and other officers elected by the board of directors of a corporation, as may be provided for in the corporation's by-laws;
b) Shares held by pension funds and government-run social security funds SSS and GSIS, where the fund holds a board seat in the company;
c) Restricted shares or shares under lock-up;
d) Treasury shares;
e) Shares held by employees under stock ownership plans;
f) Shares held by affiliates. For this purpose, an affiliate shall refer to a person who directly or indirectly, through one or more intermediaries, controls or is controlled by, or is under common control with the person specified, through the ownership of voting shares or other means, such as contractual agreements, as defined under the PSE Revised Listing Rules;
g) Shares held by principal shareholders or those who individually or collectively control 10% or more of the outstanding shares; and

h) Shares held by controlling shareholders or those who are individually or collectively under a common control or bound by a voting trust agreement that exerts control over the company. For this purpose, a voting trust agreement shall refer to an agreement or a contract executed among shareholders giving them control of the company.

2.4.4. Shares lodged under the PCD Nominee Corp. account of the Philippine Depository and Trust Corporation (PDTC) are classified as free float except the shareholdings of an entity whose shares lodged at the PDTC comprise 10% or more of the outstanding shares of a company or are defined as shares held strategically based on Section 2.4.3.

2.4.5. The underlying shares of Philippine Deposit Receipts (PDRs) are considered as free float except when the shares that underlie the PDR-holding of an entity constitute 10% or more of the company's outstanding shares or are defined as shares held strategically based on Section 2.4.3.

2.4.6. The underlying shares of depositary receipts issued in overseas exchanges are also considered as free float except when the shares that underlie the depositary holding of an entity constitute 10% or more of the company's outstanding shares or are defined as shares held strategically based on Section 2.4.3.

2.4.7. In computing the free float shares of dual-listed companies or those companies which shares are likewise listed in other exchanges, only the number of shares that are deemed traded in the PSE or those shares held by locally domiciled investors shall be treated as free float.

2.4.8. Data on free float shares are based on the Public Ownership Reports (PORs) that the listed companies submit to the Exchange every quarter or at other periodic intervals as may be required by the Exchange.

2.5. Dividend Yield

2.5.1. To be eligible for the PSE DivY Index, the company should have declared cash dividends at least once every year for the past three (3) consecutive years. Companies that have been listed for less than three (3) years may be eligible for inclusion if it has an existing dividend policy.

2.5.2. The Exchange may recalculate the dividend yield to cover significant changes on account of the following: a) non-recurring items; b) extraordinary events; or c)

other events or corporate actions which may not properly represent its historical dividend performance.

2.6. Final Selection

2.6.1. For the final selection of the PSEi and PSE MidCap Index, companies that pass the liquidity and public float eligibility requirements are ranked from highest to lowest according to their full market capitalization.

The 30 largest companies based on full market capitalization are to be included in the PSEi. The 20 largest companies based on full market capitalization, excluding constituents of PSEi, are to be included in the PSE MidCap Index.

2.6.2. For the final selection of the PSE DivY Index, companies that pass the public float, liquidity, and dividend yield eligibility requirements are ranked from highest to lowest according to their three-year average dividend yield.

The top 20 companies based on three-year average dividend yield are to be included in the PSE DivY Index.

2.6.5. The PSE may also take into consideration relevant financial criteria to ensure that index constituents are closely representative of the market or a particular sector. These financial criteria will be applied to the following:

a) New entrants to the PSEi, PSE DivY Index, and PSE MidCap Index; and
b) Qualified companies for sector index membership.

SECTION 3 – Regular Review of Index Constituents

3.1. Review Dates

3.1.1. The Exchange conducts a semi-annual review of the PSE indices and the results become the basis also for a recomposition of the PSE Index Series.

3.1.2. The data used for the review encompasses a one-year period. The first review or examination, which covers the period January to December for the immediately preceding year, becomes the basis for the PSE Index Series recomposition every mid-February of the year that follows the period under examination. The second review, which covers the period July of the immediately preceding year up to June of the current year, becomes the basis for the PSE Index Series recomposition every mid-August.

3.1.3. Announcements regarding the outcome of the review and changes in the composition of the indices will be made, as much as practicable, at least five trading days prior to their implementation. The notice shall be made by way of press release and the publication of a memorandum in the PSE website.

3.2. Rules for Insertions and Removals

3.2.1. The rules for additions and removals during the semi-annual review are designed to provide stability in the selection of constituents of the PSE indices and at the same time to ensure that the indices are representative of the market by including and/or excluding those companies which have risen or fallen significantly.

3.2.2. The rules for insertions and removals for the PSEi are as follows:

a) A company shall be inserted in the PSEi if it rises to the 25th position and above by full market capitalization for the current review period, or if it rises to the 30th position and above by full market capitalization for four (4) consecutive review periods. It shall replace the company that ranks the lowest in terms of full market capitalization.

b) A company shall be deleted in the PSEi if it falls to the 36th position and below by full market capitalization for the current review period, or if it ranks 31st and below in terms of full market capitalization for four (4) consecutive review periods. It shall be replaced by the company with the highest market capitalization from the list of companies that passed the public float and liquidity eligibility requirements.

3.2.3. The rules for insertions and removals for the PSE DivY Index are as follows:

a) A company that passes all the specified criteria shall be inserted in the PSE DivY Index if it rises to the 17th position and above in terms of three-year average dividend yield for the current review period, or if it ranks 20th or above in terms of three-year average dividend yield for four (4) consecutive review periods. It shall replace the company that ranks the lowest in terms of three-year average dividend yield for the current review period.

b) A company shall be deleted in the PSE DivY Index if it falls to the 23rd position and below in terms of three-year average dividend yield for the review period, or if it ranks 21st and below in terms of three-year average dividend yield for four (4) consecutive review periods. It shall be replaced by the company with the highest three-year average dividend yield from the list of companies that passed the public float and liquidity eligibility requirements for the current review period.

3.2.4. The rules for insertions and removals for the PSE MidCap Index are as follows:

a) A company that passes all the specified criteria shall be inserted in the PSE MidCap Index if it rises to the 17th position and above by full market capitalization[1] for the current review period, or if it rises to the 20th position and above by full market capitalization for four (4) consecutive review periods. It shall replace the company that ranks the lowest in terms of full market capitalization for the current review period.

b) A company shall be deleted from the PSE MidCap Index if it falls to the 23rd position and below by full market capitalization[1] for the current review period, or if it ranks 21st and belowin terms of full market capitalization for four (4) consecutive review periods. It shall be replaced by the company with the highest market capitalization from the list of companies that passed the public float, liquidity, and market capitalization eligibility requirements for the current period.

[1] Among companies that passed all the specified criteria, as defined in Section 2 of this Index Policy, excluding constituents of the PSEi.

SECTION 4 – Changes to Constituent Companies

4.1. Removal and Replacement

4.1.1. A company shall be removed from the list of constituents if any of the following events occur:
a) the constituent is delisted;
b) a corporate action causes a significant change in the constituent's ability to satisfy the requirements stated in this policy;
c) the constituent ceases to have a reliable price or in the opinion of the PSE Index Management Committee has ceased to be a viable index constituent.

4.1.2. The vacancy created following the removal of the company from the indices shall be replaced by the company which eligibility is determined using the same methodology for PSEi inclusion stated in this policy. The Exchange shall base its computation on the latest available data during the 12-month period preceding the removal.

4.1.3. The removal and replacement are effected simultaneously, no later than five (5) trading days from the announcement.

4.2. Eligibility for Early Inclusion

4.2.1. Companies that have been listed for at least six (6) months may be eligible for early inclusion in the PSE Index Series, provided it ranks at least in the 25th position by market capitalization at the end of the review period, and meets the liquidity criteria set out in this section.

4.2.2. REITs that have been listed for at least six (6) months may likewise be eligible for early inclusion in the PSE DivY Index, provided it ranks at least in the 17th position by three-year average dividend yield (in lieu of the market capitalization ranking under Section 4.2.1), and meets the liquidity criteria set out in this section.

4.2.3. To be eligible for the PSE Index Series, a company must have an MTAR of at least 15%, and must rank among the top 20% in terms of MADV for at least six (6) months or 75% of the total number of months it has been listed, whichever is higher.

4.2.4. Companies eligible for early inclusion must also satisfy the free float requirements under Section 2.4.

4.3. Takeovers, Mergers and Acquisitions

4.3.1. When two index companies merge, the surviving entity will remain a member of the index. The slot vacated by the merged company shall be filled by another company based on the process provided in Section 4.1.

4.4. Suspension

4.4.1. When an index constituent is suspended, it may remain in the index for up to 10 business days and the last traded price of the suspended constituent shall be used in the index computation.

4.4.2. When the suspension lasts for more than 10 trading days, the PSE Management Committee shall decide on whether the company shall be removed from the index or not on the basis of whether trading is likely to resume.

4.4.3. Replacement of constituents shall be done in accordance to Section 4.1 of this document.

4.4.4. A suspended constituent that has been removed from the indices and has subsequently resumed its trading shall wait for the next regular semi-annual review to be included in the indices.

4.5. Rebalancing or Changes to Constituent Weightings

4.5.1. Adjustments in the free float level of index constituents arising from corporate actions shall be made accordingly on a quarterly basis.

4.5.2. As part of the semi-annual index recomposition, a full review shall be made based on the end-December and end-June POR submissions. Adjustments to free float levels are applied regardless of the amount of change in the free float level for each company.

4.5.3. A rebalancing of the free float levels of index constituents shall also be conducted based on POR submissions as of end-March and end-September, effective every May and November. The free float level for each index constituent is amended only when it changes by at least five percent (5%) on a cumulative basis, to prevent a large number of insignificant weighting changes. The rebalancing of float levels does not affect the composition of the PSE Indices.

4.5.4. For primary and secondary offerings, the shares shall be updated after the receipt by the PSE of an updated POR or other relevant reports from the company that reflect the changes arising from the public offering.

4.5.5. The Exchange may adjust the free float level of an index constituent outside of the quarterly rebalancing schedule should there be any corporate actions that may significantly affect the reliability of the indices.

4.5.6. Float adjustments shall be effective no later than five (5) trading days from the announcement.

4.6. Industry Classification Changes

4.6.1. Any change in an index constituent's industry classification will be implemented simultaneously with a relevant change in its membership in the relevant indices.

SECTION 5 – Index Calculation

5.1. Prices

5.1.1. The PSE Index Series use actual last traded prices for computing the index levels.

5.2. Calculation Frequency

5.2.1. The base calculation frequency of the PSE Index Series is set to 15 seconds. The broadcast mode of the index levels, which is a multiple of the base calculation frequency, is set to 60 seconds. As a result, calculated PSE index levels are broadcasted every minute.

5.3. Index Calculation

5.3.1. All index levels broadcasted will be displayed up to two decimal places.

5.3.2. For any trading day, the PSEi and PSE MidCap Index are computed using the following formula:

$$PSE\ Index_t = \frac{\sum_{i=1}^{n} P_{i,t} \times S_{i,t} \times F_{i,t}}{Divisor_t}$$

$PSE\ Index_t$: The index level being calculated for the current trading day, t
$P_{i,t}$: The last traded price of constituent company i as of day t
$S_{i,t}$: The number of outstanding shares of constituent company i as of day t
$F_{i,t}$: The free float factor of constituent company i as of day t, expressed as a number between zero and 1, where 1 represents 100% free float
n: The number of constituents of the index
$Divisor_t$: The index's divisor at day t, as recalculated under Section 5.3.4.

5.3.3. For any trading day, the PSE DivY Index is computed using the following formula:

$$PSE\ DivY\ Index_t = \frac{\sum_{i=1}^{n} P_{i,t} \times S_{i,t} \times F_{i,t} \times DY_{i,t} \times C_{i,t}}{Divisor_t}$$

$PSE\ DivY\ Index_t$: The index level being calculated for the current trading day, t
$P_{i,t}$: The last traded price of constituent company i as of day t
$S_{i,t}$: The number of outstanding shares of constituent company i as of day t
$F_{i,t}$: The free float factor of constituent company i as of day t, expressed as a number between zero and 1, where 1 represents 100% free float
$DY_{i,t}$: The dividend yield of constituent company i as of day t
$C_{i,t}$: The capping factor applied to constituent company i as of day t, expressed as a number between zero and 1
n: The number of constituents of the index
$Divisor_t$: The index's divisor at day t, as recalculated under Section 5.3.4.

Weights are capped to reduce concentration risk from large-cap companies that may significantly affect index movements. Prior to each rebalancing, the constituent weights are capped such that the highest weight in the index does not exceed 10%. A capping factor is applied in the index calculation to reflect each affected company's capped weight.

5.3.4. At the end of each trading day, each index's divisor for the next trading day is recalculated using the following formula:

$$Divisor_t = \left(\frac{\sum_{i=1}^{n} AP_{i,t} \times S_{i,t} \times F_{i,t}}{CloseMarketCap_{t-1}}\right) \times Divisor_{t-1}$$

$Divisor_t$: The next trading day's divisor being calculated at end-of-day
$Divisor_{t-1}$: The current trading day's divisor, used to calculate the current index closing value
$AP_{i,t}$: The adjusted previous closing price of constituent company i, which is the current trading day's last traded price adjusted for any corporate actions scheduled for the next trading day
$S_{i,t}$: The number of outstanding shares of constituent company i, adjusted for any corporate actions or share changes scheduled for the next trading day
$F_{i,t}$: The free float factor of constituent company i, adjusted for any free float or constituent changes scheduled for the next trading day
$CloseMarketCap_{t-1}$: The free float-adjusted market capitalization used to calculate the current closing index value

n: The number of constituents of the index

For the PSE DivY Index, as indicated in the formula in Section 5.3.3, the numerator shall include the dividend yield and capping factor for each constituent company.

The above values shall reflect any corporate actions including, but not limited to, stock dividend declarations, stock rights offerings, stock splits, and reverse stock splits, or constituent changes scheduled for the next trading day.

5.3.5. The Total Return Index (TRI) levels for the PSE Index Series shall be calculated using the same methodology set out in Sections 5.3.2, 5.3.3, and 5.3.4, except that gross cash dividends shall be subtracted from the adjusted previous closing prices of constituent companies when recalculating divisors.

5.4. Index Correction

5.4.1. Corrections on index values will be made for errors where the discrepancy is greater than 0.10%.

5.4.2. Only significant index errors discovered within ten (10) trading days will be corrected and retroactively computed by the Exchange. Errors discovered beyond the prescribed period will no longer be corrected. Management may, however, provide exceptions in instances where the retroactivity of applying corrections beyond the ten-day limit may be deemed necessary to ensure the integrity of the data series maintained by the Exchange.

5.4.3. Discovery is counted from the day the error occurred to the day it is observed or reported. An error may be observed during the daily checking of index values using End-Of-Day output files or on the day erroneous price or shares data used in the computation is discovered.

5.4.4. Reports on data error (index, price, outstanding shares, and free float) will be investigated immediately. The error is "discovered" on the day a valid report is received. Correction(s) will be made on the trading day following the discovery of the error.

5.4.5. The corrected values will be announced in the Daily Quotation Report. Data vendors shall also be emailed of the corrections.

Disclaimer

This policy was created by the PSE for the sole purpose of providing guidance on the calculation of the PSEi as a barometer of the market's overall condition. The PSE thus reserves the right to change or amend the contents of this document as appropriate to enable the index to achieve its objective.

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