**APPROVED**

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Chairman

Executive Board

Moscow Exchange

**Calculation methodology for Shariah investment indices**

**Moscow 2023**

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# Introduction

* 1. Terms and definitions
		1. For the purposes of this Calculation methodology for Shariah Investment Indices (the "Methodology"), the following terms and definitions shall apply:
			+ - Shares are shares of Russian Issuers admitted to trading on the Exchange, as well as shares and depositary receipts on shares of international Issuers doing their businesses primarily in the Russian Federation. Shares do not include the shares issued by the equity investment funds.
				- Index constituents are all securities in the Index.
				- The Exchange, Moscow Exchange is Public Joint-Stock Company Moscow Exchange MICEX-RTS.
				- Index, price Index is a benchmark calculated by the Exchange on the basis of trades executed on the Exchange measuring the aggregate price performance in RUB for a selection of securities.
				- Total Return Index is a benchmark measuring the price performance of the Index Constituents along with the income from reinvestment of constituent dividend payments.
				- Free float is an adjusting coefficient measuring the number (share) of shares or represented shares available for public trading. Free float is calculated by the Exchange in accordance with its Free Float Methodology.
				- Principles of Islamic economy - principles of financial and other economic activities which is compliant with the Sharia, a set of prescriptions and rules mandatory for Muslims.
				- Islamic Auditor is the Shariah Supervisory Board established by PayZakat, which performs compliance audits. The Head of the Shariah Supervisory Board is certified by Global Islamic Financial Services Firm.
				- Compliance is the entirety of measures aimed at the verification of securities issuers for compliance with the Principles of Islamic Economy.
				- Screening is a quarterly assessment of the financial performance of issuers that have been verified as Compliant.
				- Weight is the percentage of the value of securities of one issuer in the total value of all Index Constituents.
	2. General provisions
		1. Under this Methodology, the Exchange calculates:
			1. The composite price Index. The Index name in Russian is «Индекс МосБиржи Исламских инвестиций». The Index name in English is MOEX SHARIAH INDEX. The Index code is MXSHAR.
			2. The total return Index. The Index name in Russian is «Индекс МосБиржи Исламских инвестиций полной доходности». The Index name in English is MOEX SHARIAH TOTAL RETURN INDEX. The Index code is MXSHARTR.
		2. The word mark "MOEX Index" is a trademark of Moscow Exchange registered by the State Register of Trademarks and Service Marks of the Russian Federation on 18 September 2017 (Trademark Certificate No. 630519). The word mark "MOEX" is a trademark of Moscow Exchange registered by the Federal Service for Intellectual Property in the State Register of Trademarks and Service Marks of the Russian Federation on 29 August 2014 (trademark certificate No. 521450).
		3. This Methodology as amended from time to time is subject to approval by the Exchange and come into effect on the date determined by the Exchange.
		4. Amendments and additions to the Methodology may be made once a quarter or less frequently. Information on changes introduced, including in the form of a new version of the Methodology, shall be disclosed by the Exchange not later than three business days prior to the effective date.

# Principles of Issuer Due Diligence

* + 1. The Indexes shall include shares issued by companies having passed the Compliance check and admitted to trading on the Exchange.
		2. Compliance is verified by the Islamic auditor. The basic principles and approaches are given in Appendix 1 to the Methodology.
		3. Compliance is verified annually, as well as on an ad hoc basis if the Index needs to be updated in accordance with this Methodology.
		4. The Islamic auditor, in addition to the annual Compliance audit, performs Screening to calculate financial indicators such as the Debt Ratio, i.e. the ratio of the company's debt to equity ("Debt Ratio"), and the Dividend Adjustment Factor.

# Calculating the Index

* 1. Price index calculation
		1. The Price Index is calculated as the ratio of the total value (capitalization) of all Constituent securities, as of the moment of calculation of the Price Index to the value of the Divisor, according to the following formula:

$$I\_{n}=\frac{MC\_{n}}{D\_{n}} ,$$

where:

In – value of the price Index as of the nth moment;

MCn – total value (capitalization) of all securities as of the nth moment, determined according to paragraph 3.1.3 of the Methodology;

In – value of the Divisor as of the nth moment;

The Divisor is the total capitalization of all securities as of the first day of calculation of the Price Index, adjusted for the changes in the Index constituents and the initial value of the Price Index. On the first day of calculation of the Price Index, the Divisor is calculated according to the formula:

$$D\_{1}=\frac{MC\_{1}}{I\_{1}} ,$$

where:

MC1 – the initial capitalisation of all securities;

I1 – the initial value of the price Index.

Thereafter, the Divisor remains unchanged (Dn=Dn-1), except for the cases described in paragraph 3.4.

* + 1. The initial value of the Price Index: I1=1,000 as of 29 December 2020.
		2. The total value of all securities as of nth moment of calculation is determined according to the formula:

$$MC\_{n}=\sum\_{i=1}^{N}MC\_{i} ,$$

where:

N – the total number of securities;

MCi – capitalisation of the ith security.

* + 1. Capitalisation of the ith security is calculated as follows:

$$MC\_{i}=P\_{i}∙Q\_{i}∙FF\_{i}∙W\_{i} ,$$

where:

Pi – the price of the ith Share in RUB;

Qi – the total number of ith Shares of one category (type) of an Issuer;

FFi– free float of the ith Share;

Wi – the weighting factor capping the ith Share in the Index (the Weighting Factor).

* + 1. Capitalisation MCi is calculated to four decimal places.
		2. Price Index values are expressed in points and are calculated to two decimal places.
	1. Calculating Weighting Factors
		1. Wi shall be set so that the specific weight Wghti of the ith Constituent share does not exceed the upper limit of the estimated value of one legal entity in the property structure of a mutual fund as established by laws and other regulatory acts of the Bank of Russia, reduced by 1%, as of the Index review date.
	2. Share price
		1. To determine the price (Pi) of the ith Share, the prices of trades executed on the Exchange's market in accordance with the Trading Rules for the Equity & Bond Market and the Deposit Market, are used, namely:
			+ - prices of trades in these Shares executed during the trading period on the Central Order Book T+;
				- closing prices of the Shares.
		2. Trading modes and periods, in which the executed trades are used to determine the price of the ith Share in compliance with paragraph 2.3.1 above may be changed by the Exchange's decision.
		3. The price (Pi) of the ith Share is set equal to the price of the last trade in that Share executed on MOEX (Pitdeal), except for the cases stipulated in paragraphs 2.3.4 - 2.3.5 above.

$$P\_{i}=P\_{it}^{deal} ,$$

* + 1. To eliminate non-market fluctuations of securities prices, the deviation of each trade price from the weighted average price of previous ten trades is calculated. If the last trade price (Pitdeal) deviates from the weighted average price of previous ten trades by an amount exceeding the set value, the previous price value (Pit-1) is used instead of the last trade price (Pitdeal), satisfying this condition:

$$P\_{i}=P\_{it-1}, если \left|\frac{P\_{it}^{deal}}{P\_{it}^{avg}}-1\right|>F\_{i} ,$$

where:

Pit-1 – the price of the ith Share at time t-1;

Pitdeal – the price of the last trade at time t;

Fi – limit value of deviation equal to 0.02, unless otherwise set by the Exchange;

Pitavg – the weighted average price of last ten trades, determined by the formula:

$$ P\_{it}^{avg}=\frac{\sum\_{f=t-10}^{t-1}P\_{if}^{deal}∙q\_{if}}{\sum\_{f=t-10}^{t-1}q\_{if}},$$

where:

Pifdeal – the price of the fth trade;

qif – the size of the fth trade in Shares.

If less than ten trades have been made in the ith Share since the beginning of the main trading session of this trading day in the trading mode in question, the price of the ith Share (Pi) is set equal to the price of the last trade made in this Share (Pitdeal).

* + 1. The price of the ith Share (Pi) at the end of the main trading session is equal to the closing price.
		2. If two or more issues of shares of one Issuer and one category (type), with different state registration numbers, are admitted to trading on the Exchange, to determine the price of the ith Share, buying/selling trades in the principal issue Shares are taken into account, but according to the Exchange decision, the price of an additional issue can be used.
		3. The price of the ith Share (Pi) is determined with the accuracy of the price tick set for this Share in the Trading Rules for the Equity & Bond Market.
	1. Calculating the Divisor
		1. Divisor Dn is calculated after revisions in the Index Constituents or changes in their number (Qi) and (or) upon occurrence of corporate events.
		2. Divisor Dn is calculated according to the following formula:

$$D\_{n+1}=D\_{n}∙\frac{MC\_{n}^{`}}{MC\_{n}} , $$

where:

Dn+1 – the new value of Divisor D;

Dn – the current value of Divisor D;

MCn – total value of all securities before the occurrence of the circumstance that is the basis for recalculation of Dividend D in accordance with clause 3.4.1 of this Methodology;

MCn' – total value of all securities after the occurrence of the circumstance that is the basis for recalculation of Dividend D in accordance with clause 3.4.1 of this Methodology;

* + 1. Divisor Dn is calculated to four decimal places using the mathematical rounding rule.
	1. Calculating the Total Return Index
		1. The Total Return Index is calculated using the Constituents, values and parameters of the Price Index including dividend payments on the securities in the Price Index.
		2. Dividends are included in the calculation of the Total Return Index on the day when the persons entitled to receive dividends are determined (the "Record Date"). If the Record Date is not a trading day, dividends shall be taken into account on the trading day preceding the Record Date.
		3. If the Exchange becomes aware of the dividend announcement after the date when the dividend must be accounted for in accordance with paragraph 3.5.2, then the dividend is included on the day the Exchange gets the information.
		4. Sources of information about the dividend announcement are information agencies authorized to disclose information and issuers of securities.
		5. The initial value of the Total Return Index: I1=1,000 as of 29 December 2020.
		6. The Total Return Index is calculated without taking into account taxation of income received in the form of dividends.
		7. The amount of dividends taken into account in the calculation of the Total Return Index is determined by the formula:

$$TD\_{n}=\sum\_{i=1}^{N}Div\_{in}∙(1-KDP\_{in})∙Q\_{in}∙W\_{in} , $$

where:

TDn – total dividends on securities included in the Index taken into account on day n;

N – number of securities in the relevant Index;

Divin – amount of dividends on the ith security, RUB;

KDPin – the Dividend Adjustment Factor expressed as a percentage, determined by the Islamic auditor;

Qin – total number of ith securities of one category (type) of one issuer used to calculate the Index on day n;

Win – the weighting factor used to calculate the Index on day n.

* + 1. Dividends expressed in points of the Total Return Indexes:

$$ID\_{n}=\frac{TD\_{n}}{D\_{n}} ,$$

where:

Dn – the value of the Divisor of the price Index at nth moment.

* + 1. The yield resulting from reinvestment of dividends is determined according to the formula:

$$TR\_{n}=\frac{I\_{n}+ID\_{n}}{I\_{n-1}} ,$$

where:

In – the Price Index value on day n;

In-1– the Price Index value on day n-1.

* + 1. The Total Return Index is determined as follows:

$$ITR\_{n}=ITR\_{n-1} ∙TR\_{n} .$$

* + 1. The Total Return Index is expressed in points and calculated to two decimal places.

# Index construction and review

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* 1. Index construction principles
		1. The Price Index universe includes shares admitted to trading on the Exchange and being in the MOEX Russia Broad Market Index.
		2. Liquidity factor LC is determined for all Shares:

$$LC\_{i}=\frac{Median\left(V\_{i}\right)}{Average(P\_{i}∙Q\_{i})∙FF\_{i}}∙WorkDays∙100\%,$$

Where

Median(Vi) – the median of the daily trading volume in RUB of the ith Share calculated for three months preceding the Index construction day;

WorkDays – number of trading days per year, 247 by default. The Exchange may decide to set a different value.

Average(Pi  Qi) – average capitalization of the ith Share calculated for three months preceding the Index construction day;

FFi– free float factor of the ith Share.

* + 1. Criteria for inclusion of a Share in the Index:
			1. The Issuer of the Shares has undergone a Compliance Review.
			2. The indebtedness ratio of the Issuer of the Shares is not more than 30%.
			3. Free float of the Share is at least 5%.
			4. Liquidity ratio is not less than 15%.
		2. Criteria for removing a Share from the Index:
			1. The Issuer of the Share has not passed the Compliance verification.
			2. The Debt Ratio of the Issuer is more than 33%.
			3. Free float is less than 5%.
			4. Liquidity ratio is less than 10%.
		3. The Index review date is the first business day of March, June, September and December.
		4. The list of Index Constituents shall contain names of securities as well as indication of their category (type).
		5. The Total Return Index Constituents are similar to Constituents of the Price Index.

* 1. Index review
		1. Securities are added to and removed from the Index at the Index reviews.
		2. Regular index reviews shall be carried out once a quarter, except for cases provided by this Methodology. Index review changes become effective from the beginning of the main trading session of the trading day following the third Thursday of March, June, September and December. The Exchange ay set other effective dates for Index review changes.
		3. An extraordinary review of the Index may be carried out if the following events occur:
			+ - Admission of securities to trading has been terminated;
				- as a result of a regular or extraordinary verification for Compliance;
				- when the debt ratio increases to more than 33%;
				- Trading in securities has been restricted;
				- in case of reorganization or liquidation of a securities issuer, placement of additional issue of securities, cancellation (redemption) of securities, including as a result of their conversion, redemption (purchase) of securities by their issuer;
				- in other cases that may have a material impact on the calculation of the Index.
		4. Regular review of the Index Constituents by the Exchange's decision and/or recalculation of the Index Parameters shall be notified not later than one week before the reviewed Index Constituents and/or new Index Parameters take effect.
		5. Extraordinary review of the Index Constituents by the Exchange's decision and/or recalculation of the Index Parameters shall be notified not later than the day preceding the date of entry into force of the reviewed Constituents and/or new Parameters.

# Calculation timing and disclosure of the Indices

* 1. Schedule of index calculation
		1. The price index is calculated once every 5 minutes during the main trading session. The Total Return Index is calculated once a day at the end of the main trading session. This single value of the Total Return Index for the day is both the current value and the closing value before the next calculation of such Index on the next trading day.
	2. Control over the index calculation
		1. In the event of a technical failure during the calculation of the Indices or a technical failure during the receipt of price data required for their calculation, recalculation of the previously calculated values is permitted. This recalculation shall be carried out within the shortest possible time from the moment of detection of the technical failure.
		2. In the event of circumstances that may adversely affect the adequacy of Indices' representation of the actual performance of the financial market, the Exchange may take any actions required to ensure the Indices adequacy, including deletion of securities from the Indices, inclusion of securities into the Indices, setting values of parameters used for calculation of indicatiors provided for by this Methodology, etc.

* 1. Disclosure
		1. Disclosure of information provided for by this Methodology, is made on the Exchange official website.
		2. The values of the Price Index and the Total Return Index are disclosed every trading day not later than one hour after the end of the main trading session of the given trading day.

# Appendix 1

**Calculation methodology for Shariah investment indices**

**Basic principles of compliance screening**

**Regulatory framework (the Islamic rules):**

* norms established by the Shariah, a set of religious, legal, and everyday rules based on scripture (Quran) and tradition (Sunnah);
* international standards and rules of Shariah Compliance.

**STAGES OF ANALYSIS AND VERIFICATION OF THE ISSUER:**

**1. BUSINESS ACTIVITY SCREENING**

**Securities of issuers (the companies), which are engaged in the following activities, are excluded from the list of securities admitted to trading on the Exchange:**

1. **Deriving revenue from activities related to ALCOGOL,** including:
2. producers of any alcoholic beverages involved in any stage of production, bottling, packaging and other ancillary activities (in particular, specialized cultivation of crops solely for alcohol production, production of alcohol as a by-product from sugar production, transportation of alcohol products, etc.);
3. distributors/sellers of alcoholic beverages regardless of the form of distribution including but not limited to retail, wholesale, restaurants, bars, clubs, food courts, stores, supermarkets, etc.);
4. manufacturers of any machinery/goods (including but not limited to bottles, labels, etc.) related to the production, bottling and packaging of alcohol products;
5. landlords of real estate for producers/distributors of alcoholic beverages. In this case, it is necessary to analyze how much space is used for the sale of alcohol, rather than the proportional share of income from the sale of alcohol. For example, a company that owns a shopping centre has leased space to a supermarket. This supermarket also sells alcohol. The company that owns the mall receives $100 of rental income from the supermarket. So if, based on market data, about 10% of the supermarket's income comes from the sale of alcohol, it can be proportionately argued that 10% of the mall owner's rental income comes from an impermissible source, i.e. from the sale of alcohol. Thus, the mall owner's impermissible revenue in this case would be $100 x 10% = $10. However, the Shariah Committee argues that the impermissible revenue for the mall owner must correspond to the area used by its tenant for the impermissible activity, not its financial value. Therefore, assuming that about 5% of the supermarket area is used to store/display alcoholic beverages, the impermissible income for the mall owner would be $100 x 5% = $5.
6. **Sports clubs and hotels**
	1. Unsegregated by gender sports clubs
	2. Traditional hotels and their sports clubs
	3. Mixed pools
7. **Financial Services / Finance:**
* Commercial banks
* Investment banks
* Mortgage lenders
* Mortgage agencies
* Capital markets, including stock exchanges
* Specialised financial houses
* Financial brokerage agencies
* Investment management firms / agencies
* Stockbrokers
* Pawnshops / agencies
* Mutual funds and all other financial funds
* Insurers
* Insurance companies
* Insurance agencies
* Insurance brokers

**Islamic banks, Islamic financial institutions and Islamic insurance companies are excluded as:**

1. They have a supervising Shariah committee or Shariah specialist in their organizational structure
2. Their products are certified according to Shariah rules;
3. Their investments and activities are Islamic;
4. Their accounting has gone through all stages of Shariah screening.

**The following types of companies are excluded from the above-admitted companies:**

* + Companies that have compliant products but derive realization income (other than interest income) from impermissible investment activities. For example, Islamic insurance companies that only sell takaful products may invest their shareholders' funds in conventional financial instruments, extracting impermissible income.
	+ an Islamic financial institution that derives its revenues from Islamic products, maintains its investments in accordance with Shariah, but has no Shariah supervisory board or Shariah scholar overseeing its operations.
1. **Deriving revenue from activities related to gambling, including online gambling:**
2. **Deriving revenue from pork-related activities,** including: pork producers (companies engaged in breeding, raising, slaughtering, processing and packaging of pork, livestock companies, companies producing feed for pigs), and distributors of products containing pork (restaurants, stores, supermarkets).
3. **Deriving revenue from activities related to tobacco products, including**: manufacturers, processors, packers, distributors, sellers of tobacco products, and manufacturers of paper for curling cigarettes, and filters.
4. **Deriving revenue from media and entertainment related activities.**
5. Producers, distributors and broadcasters of music, movies, TV shows and music radio shows, cinematographers.
6. Companies earning revenue from advertising;
7. Companies that produce, broadcast, distribute or sell entertainment content, such as feature films, music, television shows, etc. media.

**Exceptions:**

* News Channels. Advertising revenues from news channels are deemed relevant as it is assumed that advertising content on such channels would be less unacceptable from a Shariah point of view;
* Newspapers. Advertising content in newspapers is usually textual rather than graphic. Income from textual advertising is deemed Shariah compliant;
* Sports channels. Advertising revenues from sports channels are considered Shariah compliant, as it is assumed that advertising content on such channels would be less inappropriate from a Shariah perspective.
* Channels for kids
* Educational channels

**Moreover, the following factors are taken into account:**

* Revenue from textual advertising is allowed;
* Producers of advertising content are considered non-compliant. Media companies that place such advertisements and derive revenue from them are considered non-compliant;
* Producers/distributors of animated films and media content are deemed compliant;
* The share of revenue generated from supermarkets and bookstores selling CDs or DVDs of music and movies is considered inappropriate.
1. **Trade in gold and silver with deferred delivery.** According to Sharia, gold and silver are a medium of exchange and as such cannot be traded with deferred delivery. Although the main activities of gold/silver mining companies are in compliance with Sharia principles, these companies are not allowed to sell their gold/silver shares for hedging purposes.

**Moreover, the following factors are taken into account:**

* Companies in the exploration phase that do not have revenues but have hedged their future gold/silver production are non-compliant;
* Companies that have a loss on derivatives but have hedged more than 1/3 of their gold/silver production are non-compliant.

**2. FINANCIAL SCREENING**

Once companies with non-compliant operations are excluded, additional scrutiny is conducted to ensure compliance with accounting and financial reporting requirements, as some of their ratios and indicators may violate Sharia principles. The focus is on three areas: debt, cash, and the share of revenues generated by non-compliant activities. All of them are subject to evaluation on an ongoing basis.

1. Cash matching: there should be a cash match on the balance sheet:

*Accounts receivable / Market value of equity (36 months average) <49%.*

Accounts receivable are estimated as the sum of:

* + Total accounts receivable;
	+ Other non-business/non-trading receivables;
	+ Other debit balances;
	+ Murabaha Receivables.

*(Cash + interest bearing securities) / Market value of equity (36 months average) 33%.*Cash + interest bearing securities are valued as the amount of:

* + Cash on the balance sheet;
	+ Cash in current accounts;
	+ Cash deposits;
	+ Time deposits;
	+ Short-term interest-bearing securities;
	+ Securities with market value estimation;
	+ Short-term investments held for sale/speculation;
	+ Government bonds (if classified as short-term investments);
	+ Investments in mutual funds, other equity funds held for sale/speculation.
	**Exceptions:**
	+ Islamic investment
1. **Compliance in the use of borrowed funds.**

Measured as follows: *Debt / market value of equity (36-month average) <33%.* Debt is measured as:

* + Long-term debt disclosed by company management;
	+ Short-term debt disclosed by management;
	+ Current portion of long-term debt disclosed by management;
	+ Short-term liabilities such as overdrafts, bridge loans, etc. Exclusions:
	+ Short-term interest-free operating payables for goods and services, inventories, etc;
	+ Long-term/short-term Islamic debt;
	+ Long-term/short-term non-interest bearing debt;
	+ Loans from sovereigns not based on interest (according to SIDF).
1. **Average market capitalization of shares**

The average market capitalization of X over n months is calculated by multiplying the moving average daily closing price of X over n months (to be adjusted for corporate actions) (P avg) by the total number of shares outstanding for X.

For multi-class stocks, this is estimated as P avg / P last \* M, where M is the current market capitalization and P last is the last closing price X (for P avg and P last, the figures for the main class of stock are used).

For companies that do not have a long enough price history (e.g., recent IPOs), the P avg is calculated as the moving average of the daily closing price of X over n days, where n is the number of days that X traded, or the number of days that the daily closing price for X was available.

The performance of the average market capitalization is taken into account in screening.

**3. DIVIDEND PURIFICATION/PERMITTED SHARE OF DIVIDENDS FROM ALL DIVIDENDS**

Companies whose revenue from prohibited business activities is less than 5% are considered to have passed industry audits.

But the proportion of dividends relating to income derived from such impermissible business activities and interest income should be cleared.

Dividend purification is the process of cleansing the income received from activities/sources that are not Shariah compliant from the total income.

When Shariah compliant securities receive dividends or any other prohibited income under Shariah in the ordinary course of business of a company, a purification process shall be carried out.

Any portion of the income derived from activities inconsistent with Shariah principles may be paid to the charity and thus "cleared".

To clear the dividend, a dividend adjustment factor is calculated (see below) and the corresponding amount is deducted (withheld) from the income. Thus, the investor receives a dividend net of this amount.

The dividend adjustment factor KDP is calculated as follows:

*KDP = income from prohibited activities, incl. interest income/ total income*

The following elements are taken into account in calculating the dividend adjustment factor:

* + - Interest income from depositing cash in banks;
		- Interest income on time deposits;
		- Interest income received on bonds and debentures;
		- Interest income derived from the money market;
		- Any other interest income received;
		- Prohibited investment income (shares, derivatives, mutual funds, etc.)
		- Revenue from the sale of alcohol, if applicable;
		- Revenue from financial services, if applicable;
		- Revenue from the sale of insurance, if applicable;
		- Revenue from finance lease, if applicable;
		- Revenue from the sale of pork, if applicable;
		- Revenue from gambling, if applicable;
		- Revenue from pornography, if applicable;
		- Revenue from the sale of tobacco, if applicable;
		- Gold and silver trading revenue on a deferred cash basis, if applicable;
		- Any other identified prohibited revenue. The sum of the above items is divided by total revenue.

The dividend adjustment factor determines how much of the dividend received must be cleared by dedicating a certain amount to charity. For example, a KDP of 0.10 (i.e., 10%) means that 10% of the dividend must be given to charity. A KDP of 1.0 means that 100% must be allocated to charity.

Indicators for calculating the dividend adjustment factor are taken from the latest available annual reports. If no annual report is available, detailed quarterly reports/prospectus are used.

1. **SOME FEATURES ALSO TAKEN INTO ACCOUNT IN THE ANALYSIS:**
* **Consolidated statements.** Generally, consolidated financial statements are used in certain regions (e.g., Japan and India); companies often publish separate consolidated and unconsolidated balance sheets and income statements. However, it has been observed that these companies are usually large conglomerates with a large number of subsidiaries, often with less than 100% ownership in each subsidiary. In such cases, the use of a consolidated company report often leads to a distortion of Shariah rules (e.g. debt to equity ratio of 200% or higher);
* **Use of audited or unaudited results.** In determining Shariah compliance, the most recent financial report is used for inclusion in the product, regardless of whether the most recent report is quarterly, semi-annual or annual. Annual reports are generally audited, while quarterly and semi-annual reports often remain unaudited;

**Interim or quarterly results.** The most recent report is used in the analysis process, regardless of whether the most recent report is quarterly, semi-annual or annual. If the most recent report is available in all three of these formats, the annual report is preferred because it is more likely to be audited and is often more comprehensive.