



INDEX METHODOLOGY

NASDAQ-100 SUSTAINABLE ESG SELECT™ INDEX

NDXSES™

INDEX DESCRIPTION

The Nasdaq-100 Sustainable ESG Select Index is designed to measure the performance of the companies in the Nasdaq-100 Index® that meet specific ESG criteria. Companies are evaluated and weighted based on their business activities, controversies, and ESG Risk Ratings, in accordance with the [Nasdaq Sustainable ESG Index Methodology](#) and issuer policies and index specific enhancements.

SECURITY ELIGIBILITY CRITERIA

Security universe

The Nasdaq-100 Sustainable ESG Select Index consists of a selection of securities in the Nasdaq-100 Index® (NDX®) (“Parent Index”) as of the effective date of the Nasdaq-100 Sustainable ESG Select Index Reconstitution. Please refer to the Parent Index methodology for further information on its Constituent Selection.

ESG eligibility

The Sustainable ESG Screen, as detailed in the [Nasdaq Sustainable ESG Index Methodology](#), is applied to this Index.

In addition to the Sustainable ESG Screen, a security’s issuer must not be positively identified by Sustainalytics as exhibiting any of the following characteristics:

- Having an ESG Risk Rating Score of 40 or higher.
- Involvement in specific business activities, as defined in Appendix A.

Wherein data are unavailable for any security for a given field from Sustainalytics, the security is deemed ineligible.

In instances where there are overlapping criteria between the Sustainable ESG Screen and those captured in this Index Methodology, the more stringent will take precedence.

INDEX CALENDAR

Reconstitution schedule

The Index is reconstituted semi-annually in June and December.

Reconstitution reference dates

The Security Eligibility Criteria are applied using the latest available ESG Data delivered to Nasdaq from the data provider.

Reconstitution announcement dates

Index Reconstitutions are announced in June and December.

Reconstitution effective dates

Index Reconstitutions become effective at market open on the first trading day following the third Friday of June and December, respectively.

Rebalance schedule

The Index is rebalanced on a quarterly basis in March, June, September, and December.

Rebalance reference dates

The Index Rebalance uses the Total Shares Outstanding ("TSO") and Last Sale Price ("LSP") of all Index Securities as of the prior month-end (February, May, August, and November, respectively), and the latest available ESG Data delivered to Nasdaq from the data provider.

Rebalance announcement dates

Index Rebalance changes are announced in March, June, September, and December.

Rebalance effective dates

Index Rebalance changes become effective at market open on the first trading day following the third Friday of March, June, September, and December, respectively.

Holiday schedule

Nasdaq Sustainable ESG Indexes follow the holiday schedule of the Parent Index.

Index calculation and dissemination schedule

The Index is calculated during the trading day based on the Last Sale Price and are disseminated once per second from 09:30:01 to 17:16:00 ET. The closing value of the indexes may change up until 17:15:00 ET due to corrections to the Last Sale Price of the Index Securities.

CONSTITUENT SELECTION

Constituent selection process

All securities that meet the applicable Security Eligibility Criteria are included in the Index.

CONSTITUENT WEIGHTING

Constituent weighting scheme

The Index is a modified ESG Risk Score-Adjusted Market Capitalization-Weighted Index as calculated by the formula below.

Constituent weighting process

An ESG Risk-Adjusted NDX Market Value is calculated for each Index Security by multiplying a security's Nasdaq-100 Market Value by a scaled additive inverse ESG Risk Score¹:

$$ESG\ Risk - Adjusted\ Market\ Value = \frac{40 - ESG\ Risk\ Score}{ESG\ Risk\ Score} \times Market\ Value$$

Initial security weights are calculated by dividing a security's ESG Risk-Adjusted NDX Market Value by the sum of the ESG Risk-Adjusted NDX Market Values of all Index Securities. Initial weights are then adjusted by the following four-stage weight adjustment process:

Stage 1

If no initial issuer weight exceeds 24%, initial weights are used as Stage 1 weights; otherwise, initial weights are adjusted to meet the following Stage 1 constraint, producing the Stage 1 weights:

- No issuer weight may exceed 20% of the index.

Stage 2

If the aggregate weight of the subset of issuers whose Stage 1 weights exceed 4.5% does not exceed 48%, Stage 1 weights are used as Stage 2 weights; otherwise, Stage 1 weights are adjusted to meet the following Stage 2 constraint, producing the Stage 2 weights:

- The aggregate weight of the subset of issuers whose Stage 1 weights exceed 4.5% is set to 40%.

¹ As determined by the ESG data provider.

Stage 3

If no Stage 2 security weight exceeds 15%, Stage 2 weights are used as Stage 3 weights; otherwise, Stage 2 weights are adjusted to meet the following Stage 3 constraint, producing the Stage 3 weights:

- No security weight may exceed 14% of the index.

Stage 4

If the aggregate Stage 3 weight of the subset of Index Securities with the five largest Stage 3 weights is less than 40%, Stage 3 weights are used as final weights; otherwise, Stage 3 weights are adjusted to meet the following constraints, producing the final weights:

- The aggregate weight of the subset of Index Securities with the five largest Stage 3 weights is set to 38.5%.

No security with a Stage 3 weight outside the largest five may have a final index weight exceeding the lesser of 4.4% or the final index weight of the Index Security ranked fifth by Stage 3 weight.

During the semi-annual Reconstitutions of the Index only, the Index' Portfolio-Weighted ESG Risk Score is compared to the Parent Index, and calculated according to the following formula for both NDX® and the ESG screened Portfolio:

$$\text{Portfolio – Weighted ESG Risk Score} = \sum_{i=1}^k \text{Weight} \times \text{ESG Risk Score}$$

Where k is the number of stocks in the given Portfolio.

A lower Portfolio-Weighted ESG Risk Score is favored as it signifies reduced ESG risk. If the Portfolio-Weighted ESG Risk Score of the Index is less than 10% *lower* than that of NDX® (indicating an improvement of less than 10%), the following process is applied:

1. The company with the smallest weight is removed.
2. The weighting restarts from **Stage 1**.
3. This process is repeated until the Portfolio-Weighted ESG Risk Score of the Index is at least 10% *lower* than that of NDX®.

For additional information about index weighting, see **Nasdaq Index Weight Calculations**.

INDEX MAINTENANCE

Ongoing review and maintenance

Please refer to the Ongoing Review and Maintenance from the [Nasdaq Sustainable ESG Index Methodology](#).

Corporate action changes in the parent index

Removal of an Index Security from the Parent Index

- All Index Securities removed from the Parent Index are removed concurrently from the Index with the same Effective Date.

Addition of an Index Security to the Parent Index

- No Index Securities may be added to the Index outside of a scheduled Reconstitution. In the case of spinoffs added to the Parent Index, the spinoff security may be temporarily added to the Index but will be subsequently removed as soon after as is practical.

All other changes to Index Securities in the Parent Index

- Cash dividend payments (where applicable for Gross or Net Total Return indexes), Stock Splits/Dividends, Rights Offerings, changes in Outstanding Number of Shares, and any other Corporate Action that does not change the Parent Index Securities list are implemented in the Nasdaq Sustainable ESG Index concurrent with the Parent Index implementation.

Please refer to the **Nasdaq Corporate Actions and Events Manual – Equities** for more information on specific actions and events and their respective adjustments.

Index share adjustments

For handling of changes in TSO greater than or equal to 10.0% arising from other corporate events, please refer to **Nasdaq Corporate Actions and Events Manual – Equities**.

ADDITIONAL INFORMATION

Announcements

Nasdaq announces Index-related information via the Nasdaq Global Index Watch (GIW) website at <http://indexes.nasdaq.com>.

For more information on the general Index Announcement procedures, refer to the **Nasdaq Index Methodology Guide**.

Unexpected market closures

For information on Unexpected Market Closures, refer to the **Nasdaq Index Methodology Guide**.

Calculation types

For information on the Index calculation types as well as the mathematical approach used to calculate the Index(es), refer to the **Calculation Manual – Equities and Commodities**.

Recalculation and restatement policy

For information on the Recalculation and Restatement Policy, refer to the **Nasdaq Index Recalculation Policy**.

Data sources

For information on data sources, refer to the **Nasdaq Index Methodology Guide** and the [Nasdaq Sustainable ESG Index Methodology](#).

Contact information

For any questions regarding an Index, contact the Nasdaq Index Client Services team at indexservices@nasdaq.com.

Index dissemination

Index values and weightings information are available through Nasdaq Global Index Watch (GIW) website at <https://indexes.nasdaq.com/> as well as the Nasdaq Global Index FlexFile Delivery Service (GIFFD) and Global Index Dissemination Services (GIDS). Similar to the GIDS offerings, Genium Consolidated Feed (GCF) provides real-time Index values and weightings for the Nordic Indexes.

For more detailed information regarding Index Dissemination, refer to the **Nasdaq Index Methodology Guide**.

Website

For further information, refer to Nasdaq GIW website at <https://indexes.nasdaq.com/>.

FTP and dissemination service

Index values and weightings are available via FTP on the Nasdaq Global Indexes FlexFile Delivery Service (GIFFD). Index values are available via Nasdaq's Global Index Dissemination Services (GIDS).

GOVERNANCE

All Nasdaq Indexes are managed by the governance committee structure and have transparent governance, oversight, and accountability procedures for the Index determination process. For further details on the Index Methodology and Governance overlay, refer to the **Nasdaq Index Methodology Guide**.

GLOSSARY OF TERMS AS USED IN THIS DOCUMENT

For the glossary of key terms, refer to the **Nasdaq Index Methodology Guide**.

APPENDIX A: PROHIBITED AREAS OF BUSINESS INVOLVEMENT

At each semi-annual reconstitution, companies engaged in the following business activities, as determined by Sustainalytics, are excluded from the eligible universe.

Category of Involvement	Description	Acceptable involvement range	Acceptable ownership range
Adult Entertainment: Distribution	The company is involved in the distribution of adult entertainment materials	<5% of revenues	n/a
Adult Entertainment: Production	The company is involved in the production of adult entertainment and/or owns/operates adult entertainment establishments.	<5% of revenues	n/a
Alcoholic Beverages: Production	The company manufactures alcoholic beverages.	<5% of revenues	n/a
Alcoholic Beverages: Related Products/ Services	The company is a supplier of alcohol-related products/services to alcoholic beverage manufacturers.	<5% of revenues	n/a
Alcoholic Beverages: Retail	The company derives revenues from the distribution and/or retail sale of alcoholic beverages.	<5% of revenues	n/a
Arctic Oil & Gas Exploration: Extraction	The company is involved in oil and gas exploration in Arctic regions.	0% of revenues	n/a
Arctic Oil & Gas Exploration: Significant ownership (extraction)	The company owns 10-50 per cent of another company with involvement in oil and gas exploration in Arctic regions.	n/a	0%
Cannabis: Production (Recreational Cannabis)	The company is involved in the development and/or cultivation of cannabis for recreational purposes.	0% of revenues	n/a

Category of Involvement	Description	Acceptable involvement range	Acceptable ownership range
Cannabis: Significant ownership (Production Recreational Cannabis)	The company owns 10-50 per cent of another company with involvement in the development and/or cultivation of cannabis for recreational purposes.	n/a	0%
Cannabis: Retail (Recreational Cannabis)	The company derives revenues from the distribution and/or retail sale of cannabis for recreational purposes.	0% of revenues	n/a
Gambling: Operations	The company owns and/or operates a gambling establishment.	<5% of revenues	n/a
Gambling: Specialized Equipment	The company manufactures specialized equipment used exclusively for gambling.	<5% of revenues	n/a
Gambling: Supporting Products/ Services	The company provides supporting products/services to gambling operations.	<5% of revenues	n/a
Military Contracting: Weapons	The company manufactures military weapon systems and/or integral, tailor-made components or these weapons.	0% of revenues	n/a
Military Contracting: Significant ownership (Weapons)	The company owns 10-50 per cent of another company with involvement in manufacturing military weapon systems and/or integral, tailor-made components or these weapons.	n/a	0%
Military Contracting: Weapon related products and/or services	The company provides tailor-made products and/or services that support military weapons.	<5% of revenues	n/a
Nuclear Power: Production	The company produces nuclear power.	0% of revenues	n/a
Nuclear Power: Supporting Products and Services	The company provides products/services that support the nuclear power industry.	0% of revenues	n/a
Oil & Gas: Supporting Products/ Services	The company provides tailor-made products and services that support oil and gas exploration, production, refining, transportation and storage.	<5% of revenues	n/a
Oil Sands: Extraction	The company extracts oil sands.	0% of revenues	n/a
Oil Sands: Significant ownership (extraction)	The company owns 10-50 per cent of another company with involvement in extraction of oil sands.	n/a	0%

Category of Involvement	Description	Acceptable involvement range	Acceptable ownership range
Riot Control: Protection equipment and riot control weapons	The company manufactures protection equipment and riot control weapons.	No involvement	n/a
Riot Control: Significant ownership (Protection equipment and riot control weapons)	The company owns 10-50 per cent of another company with involvement in manufacturing protection equipment and riot control weapons.	n/a	0%
Shale Energy: Extraction	The company is involved in shale energy exploration and/or production.	0% of revenues	n/a
Shale Energy: Significant ownership (extraction)	The company owns 10-50 per cent of another company with involvement in shale energy exploration and/or production.	n/a	0%
Small Arms: Civilian customers (Assault weapons)	The company manufactures and sells assault weapons to civilian customers.	0% of revenues	n/a
Small Arms: Significant ownership (Civilian customers – assault weapons)	The company owns 10-50 per cent of another company that manufactures and sells assault weapons to civilian customers.	n/a	0%
Small Arms: Military/law enforcement customers	The company manufactures and sells small arms to military/law enforcement.	0% of revenues	n/a
Small Arms: Significant ownership (Military/law enforcement customers)	The company owns 10-50 per cent of another company manufactures and sells small arms to military/law enforcement.	n/a	0%
Small Arms: Key components	The company manufactures and sells key components of small arms.	<5% of revenues	n/a
Small Arms: Retail/distribution (assault weapons)	The company is involved in the retail and/or distribution of assault weapons.	<5% of revenues	n/a
Small Arms: Retail/distribution (Non-assault weapons)	The company is involved in the retail and/or distribution of small arms (non- assault weapons).	<5% of revenues	n/a
Small Arms: Civilian customers (Non-assault weapons)	The company manufactures and sells small arms (non-assault weapons) to civilian customers.	0% of revenues	n/a

Category of Involvement	Description	Acceptable involvement range	Acceptable ownership range
Small Arms: Significant ownership (Civilian customers – non-assault weapons)	The company owns 10-50 per cent of another company that manufactures and sells small arms (non-assault weapons) to civilian customers.	n/a	0%
Tobacco Products: Production	The company manufactures tobacco products.	No involvement	n/a
Tobacco Products: Significant ownership (production)	The company owns 10-50 per cent of another company with involvement in manufacturing tobacco products.	n/a	0%
Tobacco Products: Related Products/ Services	The company supplies tobacco-related products/services.	<5% of revenues	n/a
Tobacco Products: Retail	The company derives revenues from the distribution and/or retail sale of tobacco products.	<5% of revenues	n/a

DISCLAIMER

Nasdaq may, from time to time, exercise reasonable discretion as it deems appropriate in order to ensure Index integrity, including but not limited to, quantitative inclusion criteria. Nasdaq may also, due to special circumstances, if deemed essential, apply discretionary adjustments to ensure and maintain the high quality of the index construction and calculation. Nasdaq does not guarantee that any Index accurately reflects future market performance.

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