



# Innovation Meets Sustainability

Nasdaq-100 ESG™ Index

March 2024 Reconstitution

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# NDXESG™ Index Objectives

- Reduce the degree to which the portfolio's economic value is at risk because of Environmental, Social, and Governance (ESG) factors, or more technically, aim to significantly improve the portfolio's ESG score;
- Exclude enterprises that create reputational risks or violate fundamental values;
- Eliminate business exposures that are off-limit for most ESG-conscious investors and
- Aim to deliver similar performance to the Nasdaq Next Generation 100™ Index (NGX™) (very low tracking error).

# NDXESG Index Mechanics

- At all times, the Nasdaq-100 ESG™ Index (NDXESG™) consists of a selection of securities in the Nasdaq-100 Index.
- The Nasdaq-100 Index is reconstituted annually in December.
- The ESG characteristics of the underlying issuers are re-evaluated each quarter (March, June, September, and December). Hence, there is an NDXESG reconstitution and rebalancing each quarter.
- Securities removed from the Nasdaq-100 Index outside of a reconstitution are removed from the Nasdaq-100 ESG Index and are not replaced.

# NDXESG Weighting Scheme

- The Nasdaq-100 ESG Index is a modified market capitalization-weighted index that considers a company's ESG Risk Rating Score as an adjustment factor.
- Two factors play into the index weight of an issuer:
  - The Nasdaq-100 and
  - The ESG Risk Rating Score.
- In general, for each issuer:
  - Everything else equal, the higher the weight in the Nasdaq-100 and/or the better ESG risk rating, the higher the weight in the NDXESG Index, and vice versa.

## March 2024 Reconstitution

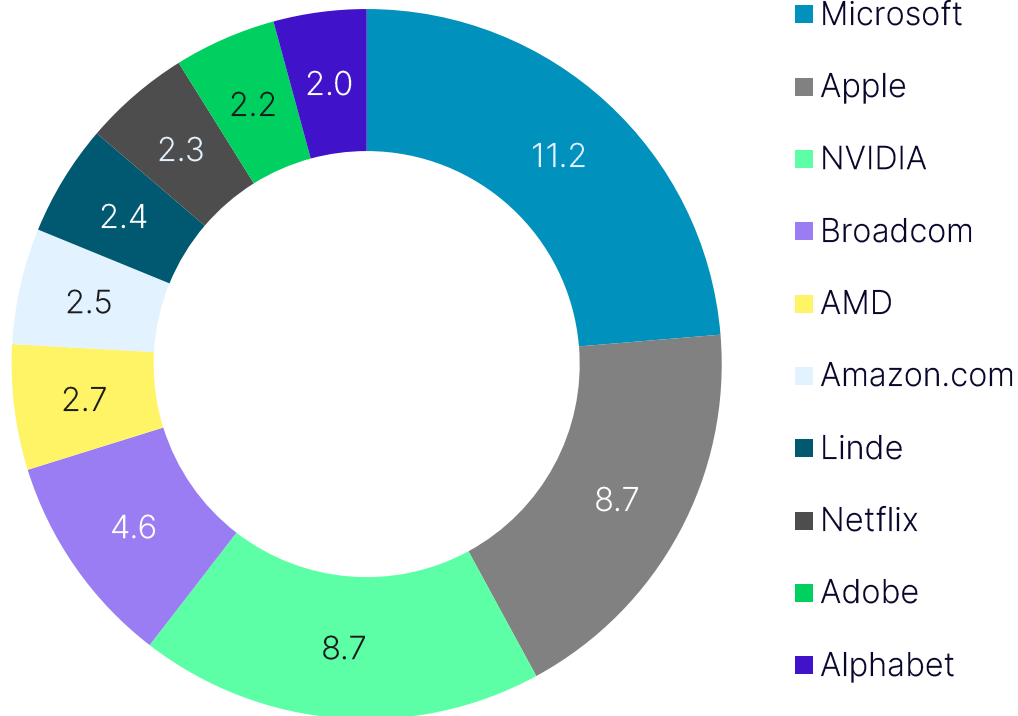
# NDXESG™ ESG Exclusions: 7

Symbol	Company Name	ICB Industry	Nasdaq-100 ESG: Reason for Exclusion	Nasdaq-100® Weight (%)
HON	Honeywell International	Industrials	Revenue from military contracting weapons. Involvement in Controversial Weapons: Tailor-made and essential.	0.97
ADI	Analog Devices	Technology	Revenue from military contracting weapon-related products and/or services.	0.71
CEG	Constellation Energy	Utilities	Revenue from nuclear production and oil & gas generation.	0.42
AEP	American Electric Power	Utilities	Revenue from thermal coal power generation, nuclear production, and oil & gas generation.	0.33
FANG	Diamondback Energy	Energy	Revenue from oil & gas production. Involvement in shale energy extraction and/or production.	0.26
BKR	Baker Hughes	Energy	Revenue from oil & gas supporting products/services.	0.24
XEL	Xcel Energy	Utilities	Revenue from thermal coal power generation, nuclear production, oil & gas production, and oil & gas generation.	0.22

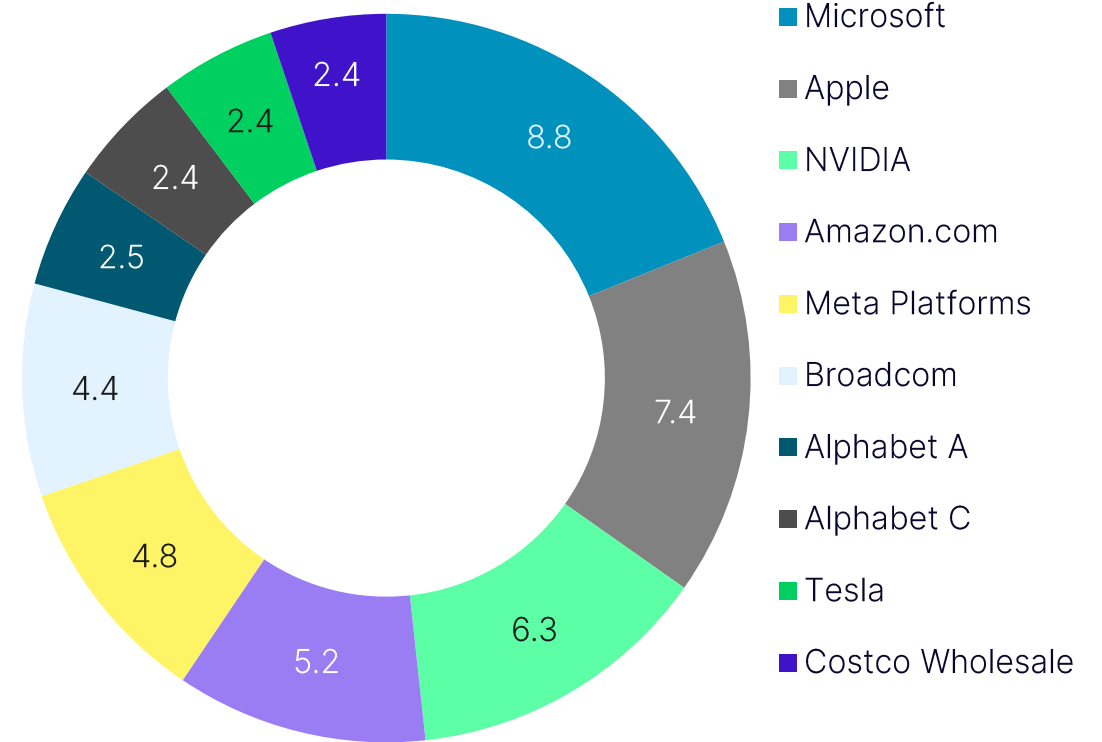
## March 2024 Reconstitution

# Top 10 Constituents by Index Weight (%)

NDXESG  
Top 10 Weight = 47.4%



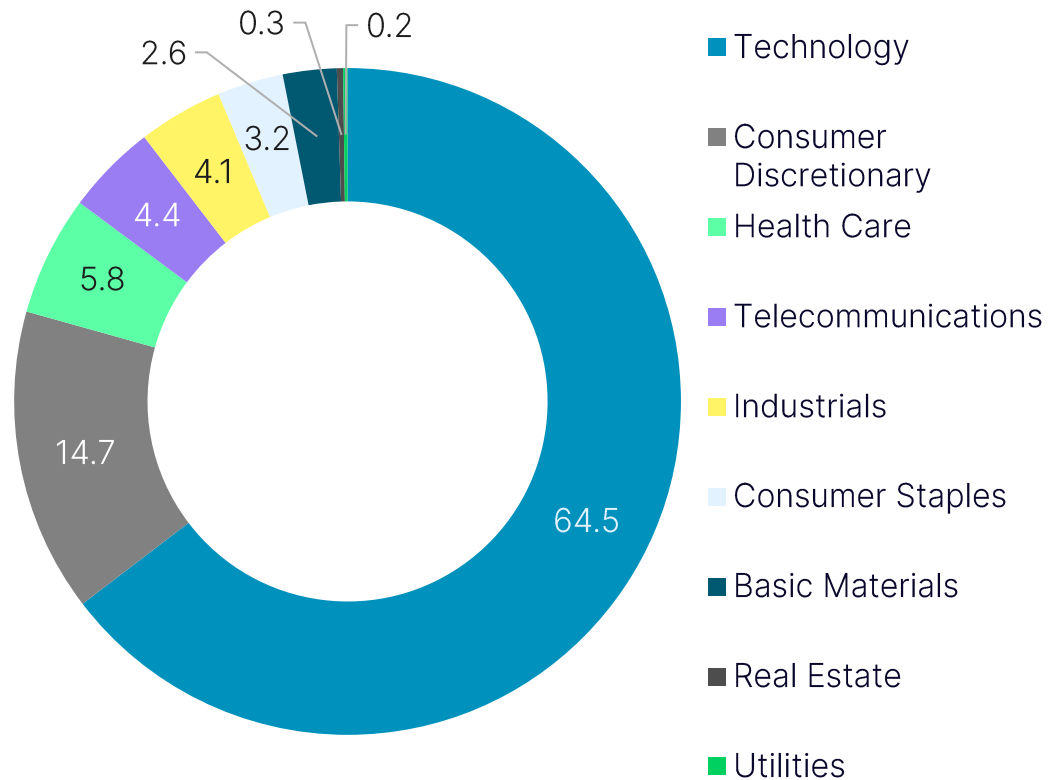
NDX  
Top 10 Weight = 46.6%



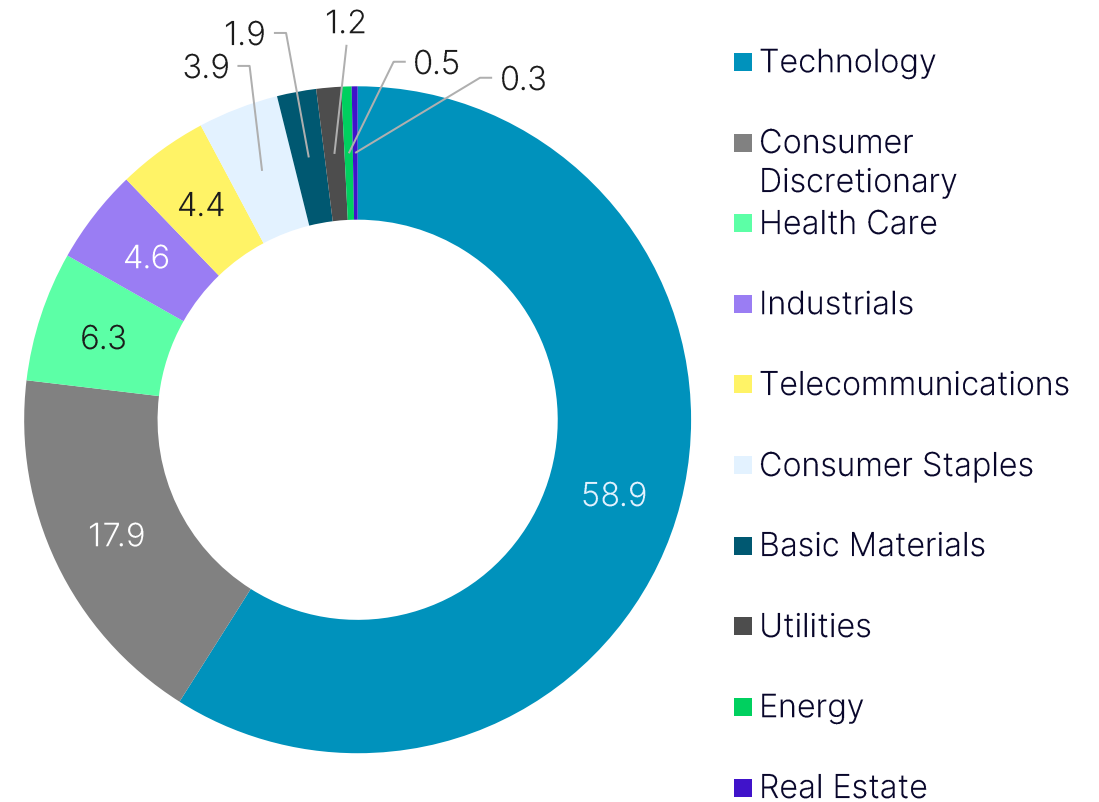


# Sector Exposure by Index Weight (%)

NDXESG Index Weight by ICB Industry



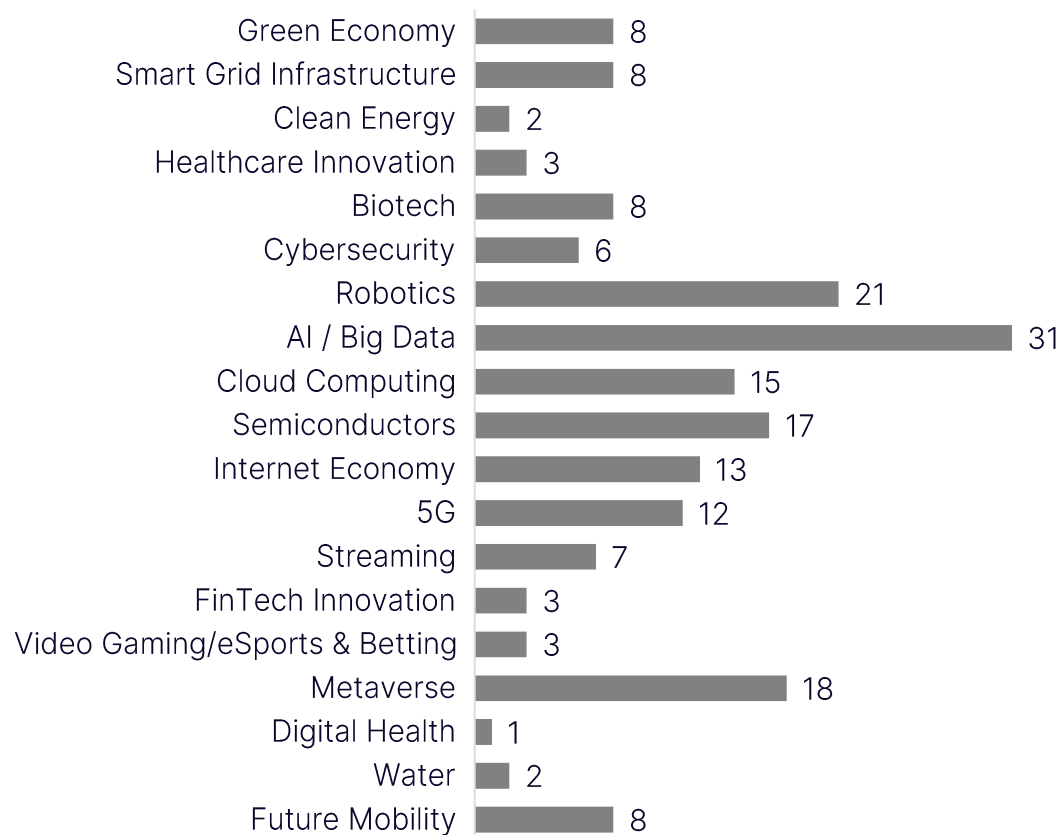
NDX Index Weight by ICB Industry



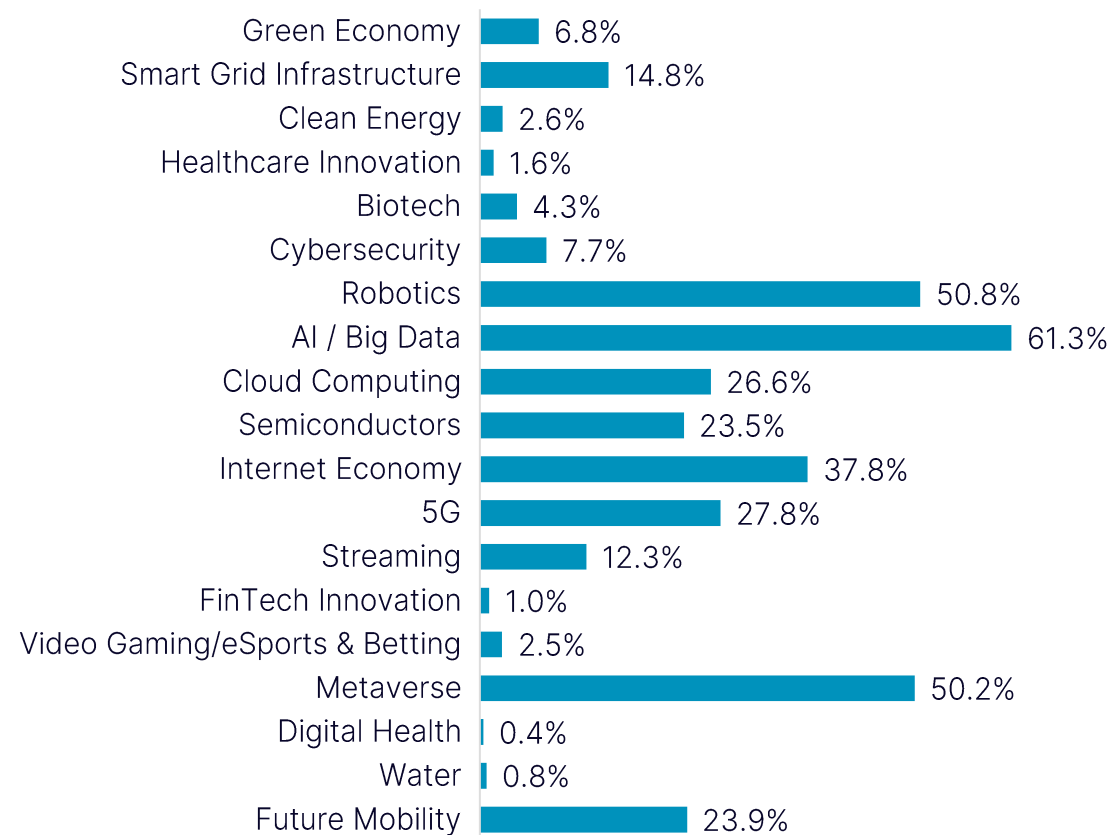
## March 2024 Reconstitution

# Thematic Exposure: Nasdaq-100®

### # of Constituents per Theme



### Index Weight per Theme



Source: Nasdaq, FactSet. Data as of 3/28/2024.

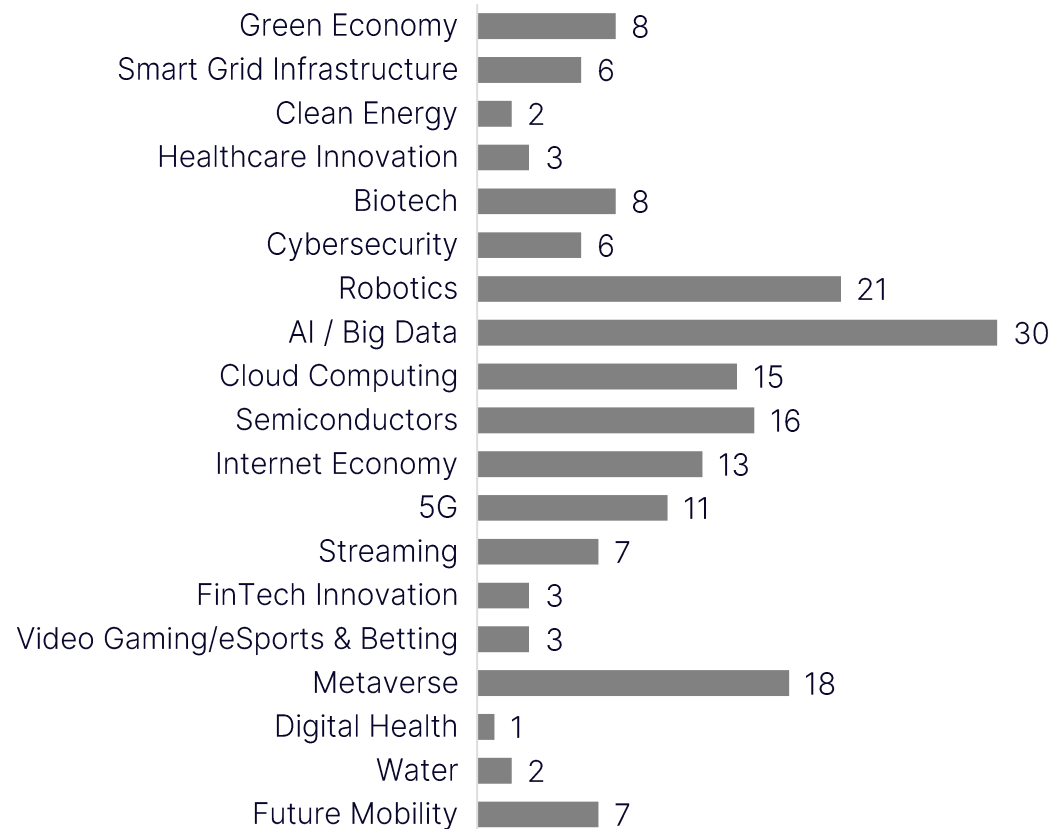
Based on overlap with existing Nasdaq Thematic Indexes, except for 5G, Streaming, and Video Gaming/eSports & Betting where competitor products were analyzed.



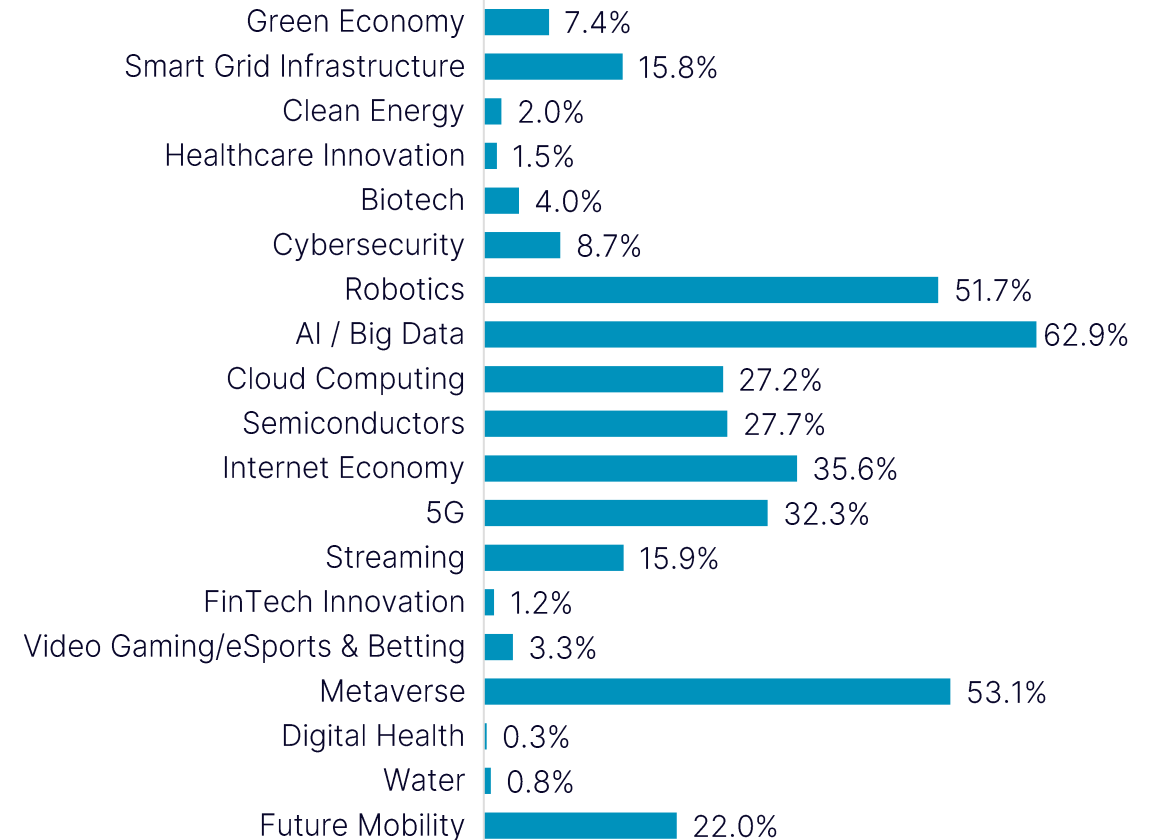
## March 2024 Reconstitution

# Thematic Exposure: Nasdaq-100 ESG™

# of Constituents per Theme



Index Weight per Theme



Source: Nasdaq, FactSet. Data as of 3/28/2024.

Based on overlap with existing Nasdaq Thematic Indexes, except for 5G, Streaming, and Video Gaming/eSports & Betting where competitor products were analyzed.

March 2024 Reconstitution

# Top 10 Largest Overweights: NDXESG vs NDX

Symbol	Company Name	ICB Industry	Nasdaq-100 ESG Weight (%)	Nasdaq-100 Weight (%)	Weight Difference (%)
MSFT	Microsoft	Technology	11.2	8.8	2.5
NVDA	NVIDIA	Technology	8.7	6.3	2.3
AAPL	Apple	Technology	8.7	7.4	1.3
LIN	Linde	Basic Materials	2.4	1.6	0.8
AMD	AMD	Technology	2.7	2.1	0.6
CSCO	Cisco Systems	Telecommunications	2.0	1.5	0.5
ADBE	Adobe	Technology	2.2	1.6	0.5
AMAT	Applied Materials	Technology	1.7	1.2	0.5
NFLX	Netflix	Consumer Discretionary	2.3	1.9	0.4
QCOM	QUALCOMM	Technology	1.7	1.4	0.4

## March 2024 Reconstitution

# Top 10 Largest Underweights: NDXESG vs NDX

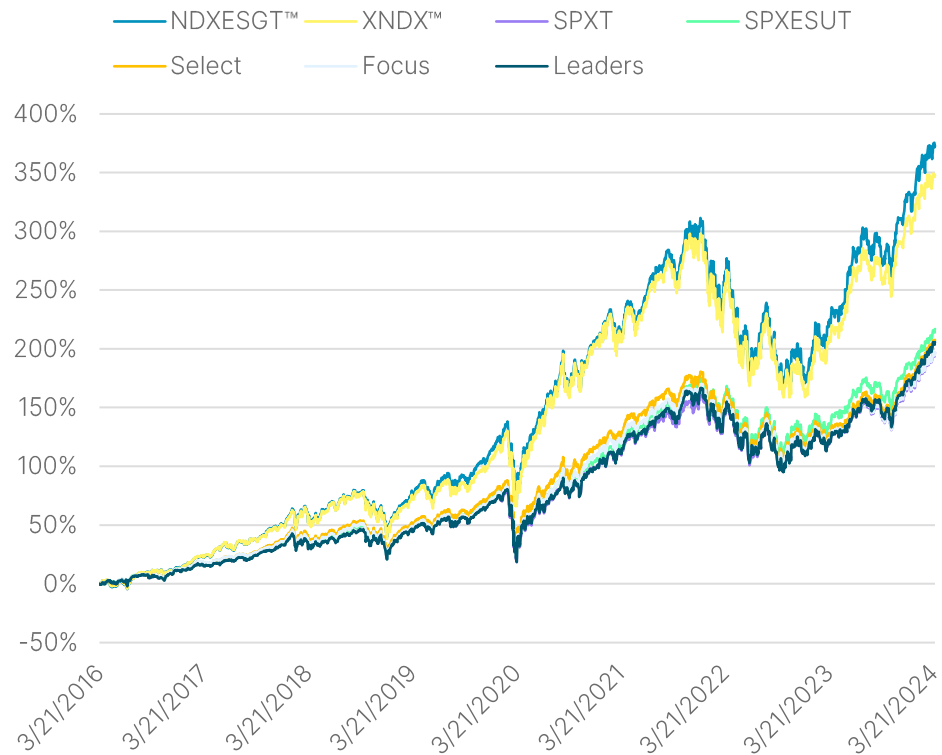
Symbol	Company Name	ICB Industry	Nasdaq-100 ESG Weight (%)	Nasdaq-100 Weight (%)	Weight Difference (%)
META	Meta Platforms	Technology	1.6	4.8	-3.2
AMZN	Amazon.com	Consumer Discretionary	2.5	5.2	-2.7
COST	Costco Wholesale	Consumer Discretionary	1.7	2.4	-0.7
TSLA	Tesla	Consumer Discretionary	1.8	2.4	-0.6
GOOGL	Alphabet A	Technology	2.0	2.5	-0.4
GOOG	Alphabet C	Technology	2.0	2.4	-0.4
TMUS	T-Mobile US	Telecommunications	1.1	1.4	-0.3
MNST	Monster Beverage	Consumer Staples	0.2	0.4	-0.3
PDD	PDD Holdings	Technology	0.3	0.6	-0.2
KHC	Kraft Heinz	Consumer Staples	0.1	0.3	-0.2

## March 2024 Reconstitution

# Performance – NDXESG vs. NDX

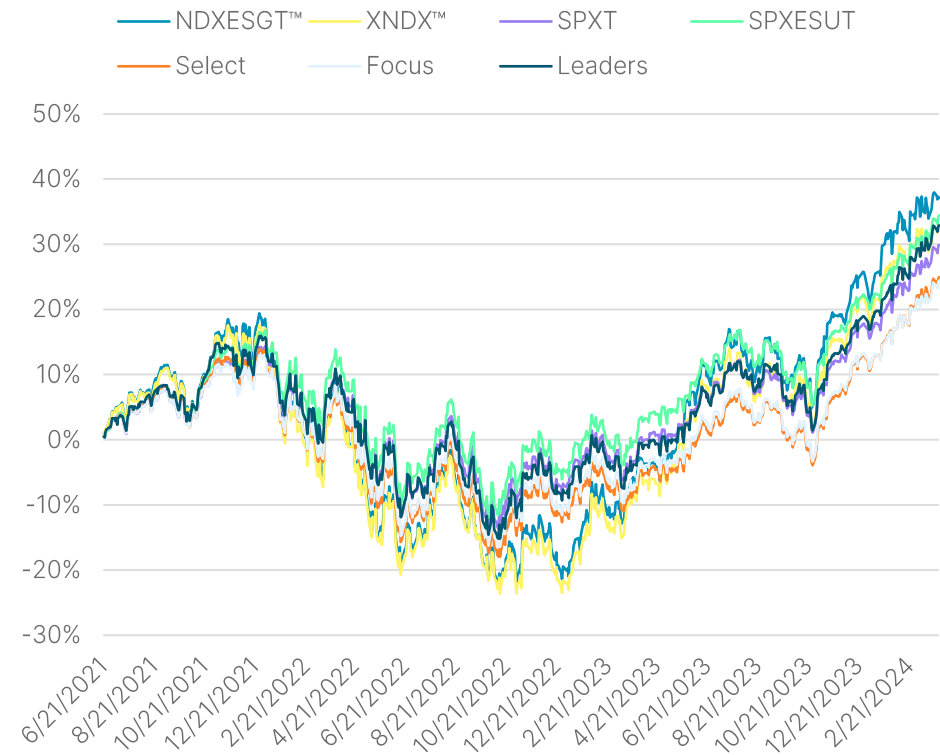
### Since Beginning of NDXESG Backtest

3/21/2016 – 3/28/2024



### Since NDXESG Inception

6/21/2021 – 3/28/2024



## March 2024 Reconstitution

# ESG Comparisons – NDXESG/NDX

Index Name	Benchmark	# of Securities	% Exclusion from the Benchmark	Sustainalytics ESG Risk Score	
				Weighted Average	Simple Average
Nasdaq-100 Index®	--	101	n/a	20.0	20.1
Nasdaq-100 ESG™ Index	Nasdaq-100®	94	7%	18.1	19.6
MSCI USA Index	--	609	n/a	21.3	21.5
MSCI USA Extended ESG Focus Index	MSCI USA	284	53%	20.4	20.4
MSCI USA Extended ESG Leaders Index	MSCI USA	281	54%	18.8	19.9
MSCI USA ESG Universal Select Business Screens Index	MSCI USA	564	7%	19.6	21
S&P 500 Index	--	503	n/a	21.3	21.4
S&P 500 ESG Index	S&P 500	315	37%	20.1	20.5

# RESOURCES

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## RESOURCES

# Nasdaq-100 ESG Index (NDXESG)

- Overview
  - <https://indexes.nasdaqomx.com/Index/Overview/NDXESG>
- Methodology
  - [https://indexes.nasdaqomx.com/docs/methodology\\_NDXESG.pdf](https://indexes.nasdaqomx.com/docs/methodology_NDXESG.pdf)
- Research
  - [https://indexes.nasdaqomx.com/docs/NDXESG\\_Research.pdf](https://indexes.nasdaqomx.com/docs/NDXESG_Research.pdf)
- Fact Sheet
  - [https://indexes.nasdaqomx.com/docs/FS\\_NDXESGT.pdf](https://indexes.nasdaqomx.com/docs/FS_NDXESGT.pdf)
- Carbon Credit Report
  - NDXESG: <https://indexes.nasdaqomx.com/docs/Carbon%20Footprint%20Report%20-%20NDXESG.pdf>
  - NDX: <https://indexes.nasdaqomx.com/docs/Carbon%20Footprint%20Report%20-%20NDX.pdf>



# APPENDIX

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## APPENDIX

# NDXESG Exclusions Based on ESG risk

Companies with a “Severe” ESG Risk Rating are automatically disqualified from inclusion.

- A rating of greater than 40 is considered “Severe”; 30-40 is considered “High”; 20-30 is “Medium”; 10-20 is “Low”; and 0-10 is “Negligible”.

Exclude any company that has not been researched yet.

## APPENDIX

# NDXESG Exclusions Based on ESG risk – continued

- Exclude any company that has a controversy score equal to 5:
  - The controversy rating reflects:
    - Incidents with negative Environmental, Social, and Governance (ESG) implications.
    - A company's level of involvement in and how it manages these issues.
  - Categorical scores are on a scale of 1 to 5.

## APPENDIX

# NDXESG Exclusions Based on International Norms

- A company must not violate the *United Nations Global Compact*:
  - 10 principles around human rights, labor, environment, and anti-corruption.
  - <https://www.unglobalcompact.org/what-is-gc/mission/principles>
- Securities are excluded from NDXESG that are classified as non-compliant.
  - Each company in the index is therefore classified as either compliant or on the watch-list with the UN Global Compact framework for following international norms.

## APPENDIX

# NDXESG Exclusions Based on Business Involvements

## Business Involvements Considered\*:

1. Energy (Arctic Oil & Gas; Nuclear Power; Oil & Gas; Oil Sands; Shale Energy; Thermal Coal)
2. Health & Life (Alcohol; Recreational Cannabis; Tobacco)
3. Defense & Military (Controversial weapons; Military Contracting; Riot Control; Small Arms)
4. Values-Based (Adult Entertainment; Gambling)

## APPENDIX

# NDXESG Weighting Scheme

$$ESG \text{ Risk – Adjusted NDX Market Value} = \frac{40 - ESG \text{ Risk Rating Score}}{40} \times NDX \text{ Market Value}$$

- 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.
- Afterwards, the same four-stage weight adjustment process as exists for NDX at its annual reconstitution is applied to produce final weights on a quarterly basis for NDXESG.

## APPENDIX

# NDXESG Weighting Scheme – continued

Security	Parent Index Market Value	ESG Risk Rating Score	(40-ESG Risk Rating Score)/40	ESG Adjusted Market Value	Weight in ESG Index (before capping)	Weight in Parent Index	ESG Excess Weight
Company A	157,440,900.96	9.669091	0.76	119,383,139.64	5%	2%	3%
Company B	408,425,550.79	10.14988	0.75	304,788,747.93	12%	5%	7%
Company C	466,765,510.49	10.33926	0.74	346,115,277.80	14%	6%	8%
Company D	337,399,212.20	10.56613	0.74	248,274,134.49	10%	4%	6%
Company E	36,052,270.56	12.02819	0.70	25,211,182.25	1%	0%	1%
Company F	590,398,129.57	16.18527	0.60	351,504,303.67	14%	7%	7%
Company G	268,545,835.16	19.19268	0.52	139,692,956.82	6%	3%	2%
Company H	311,917,708.29	20.84302	0.48	149,385,045.36	6%	4%	2%
Company I	547,470,308.53	22.79236	0.43	235,516,830.87	10%	7%	3%
Company J	24,733,442.74	24.69826	0.38	9,461,619.64	0%	0%	0%
Company K	435,838,825.61	27.38121	0.32	137,493,977.85	6%	5%	0%
Company L	118,577,295.32	27.73561	0.31	36,356,957.07	1%	1%	0%
Company M	307,719,744.86	28.36004	0.29	89,546,103.32	4%	4%	0%
Company N	441,090,355.41	33.1488	0.17	75,549,938.88	3%	6%	-2%
Company O	834,726,757.15	35.35263	0.12	96,982,201.14	4%	10%	-7%
Company P	550,834,597.82	37.24048	0.07	38,001,025.35	2%	7%	-5%
Company Q	269,359,777.85	37.4192	0.06	17,379,073.33	1%	3%	-3%
Company R	844,981,656.98	38.72938	0.03	26,841,302.95	1%	11%	-10%
Company S	359,845,558.64	39.02818	0.02	8,742,612.50	0%	5%	-4%
Company T	646,652,051.08	39.70698	0.01	4,736,994.67	0%	8%	-8%

*For Illustrative Purposes Only.*

*The information included on this slide is not based on actual data.*



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