



# Innovation Meets Sustainability

Nasdaq Next Generation 100 ESG™ Index  
(NGXESG™)

June 2024 Reconstitution

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# NGXESG 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 Sustainalytics ESG Risk Rating 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).



# NGXESG Index Mechanics

- At all times, the Nasdaq Next Generation 100 ESG Index (NGXESG) consists of a selection of securities in the Nasdaq Next Generation 100 Index.
- The Nasdaq Next Generation 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 NGXESG reconstitution and rebalancing each quarter.
- Securities removed from the Nasdaq Next Generation 100 Index outside of a reconstitution are removed from the Nasdaq Next Generation 100 ESG Index and are not replaced.



# NGXESG Weighting Scheme

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



## June 2024 Reconstitution

# NGXESG ESG Exclusions: 13

Symbol	Company Name	ICB Industry	Nasdaq Next Generation 100 ESG: Reason(s) for Exclusion	Nasdaq Next Generation 100™ Weight (%)
AXON	Axon Enterprise	Industrials	Manufacture riot control protection equipment and riot control weapons.	1.51
DKNG	DraftKings	Consumer Discretionary	Revenue from gambling operations.	1.37
CASY	Casey's General Stores	Consumer Staples	Revenue from tobacco products – retail.	0.95
LNT	Alliant Energy	Utilities	Revenue from oil & gas generation and thermal coal power generation.	0.90



Data as of 6/24/2024.

Sources: Sustainalytics, Nasdaq Global Indexes.

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# NGXESG ESG Exclusions: 13

Symbol	Company Name	ICB Industry	Nasdaq Next Generation 100 ESG: Reason(s) for Exclusion	Nasdaq Next Generation 100™ Weight (%)
BIDU	Baidu	Technology	Global Standards Screening non-compliance.	0.86
EVRG	Evergy	Utilities	Revenue from nuclear production and thermal coal power generation.	0.83
WWD	Woodward	Industrials	Revenue from military contracting weapon-related products and/or services, and oil & gas supporting products/services.	0.77
CHK	Chesapeake Energy	Energy	Revenue from oil & gas production. Involvement in shale energy extraction and/or production.	0.74



Data as of 6/24/2024.

Sources: Sustainalytics, Nasdaq Global Indexes.

## June 2024 Reconstitution

# NGXESG ESG Exclusions: 13

Symbol	Company Name	ICB Industry	Nasdaq Next Generation 100 ESG: Reason(s) for Exclusion	Nasdaq Next Generation 100™ Weight (%)
APA	APA	Energy	ESG Risk Rating Score is greater than 40. Revenue from oil & gas production. Involvement in shale energy extraction and/or production.	0.72
CHDN	Churchill Downs	Consumer Discretionary	Revenue from gambling operations.	0.70
WYNN	Wynn Resorts	Consumer Discretionary	Revenue from gambling operations.	0.69
CZR	Caesars Entertainment	Consumer Discretionary	Revenue from gambling operations.	0.58



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# NGXESG ESG Exclusions: 13

Symbol	Company Name	ICB Industry	Nasdaq Next Generation 100 ESG: Reason(s) for Exclusion	Nasdaq Next Generation 100™ Weight (%)
LLYVK	Liberty Media	Consumer Discretionary	ESG Risk Rating Score has not yet been determined.	0.16



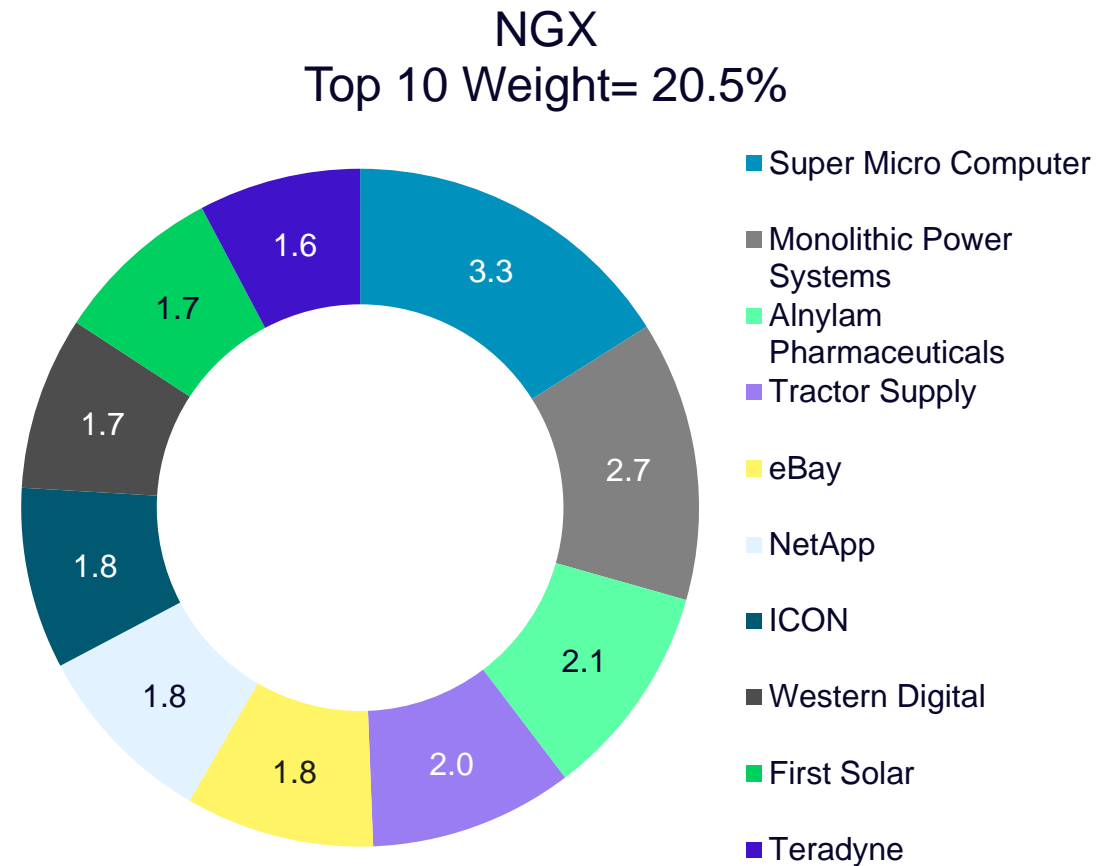
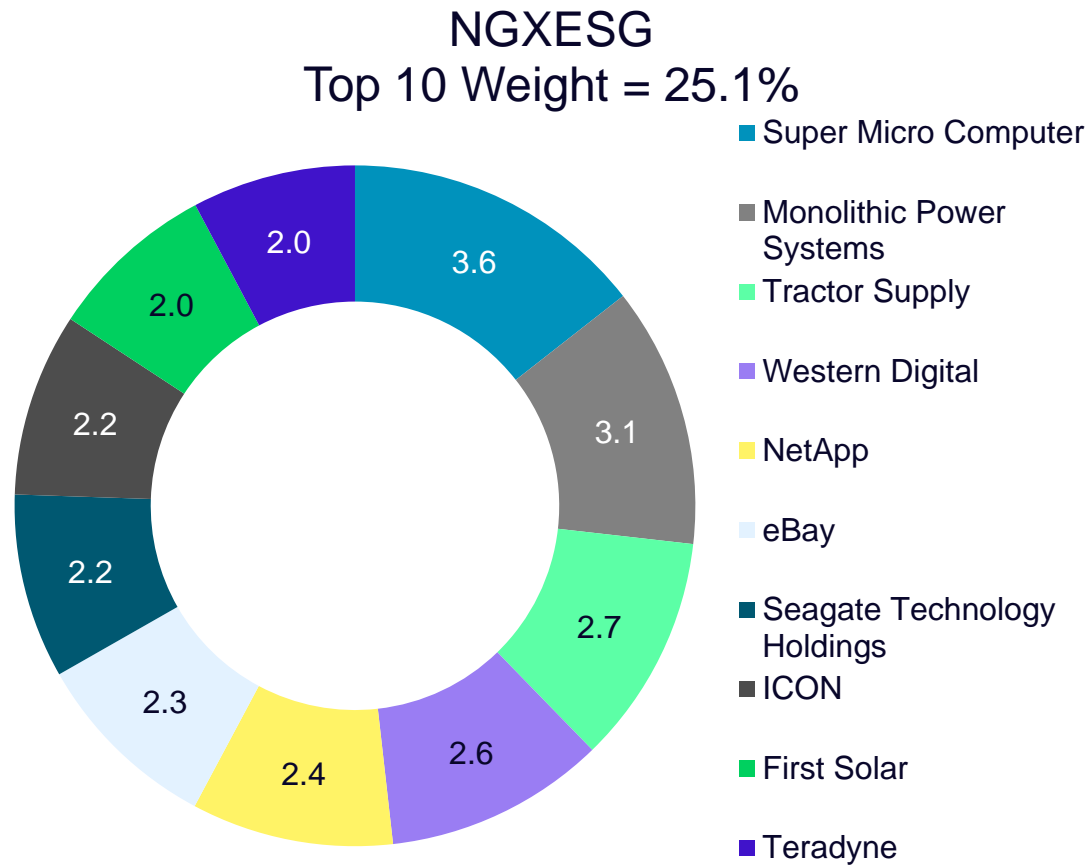
Data as of 6/24/2024.

Sources: Sustainalytics, Nasdaq Global Indexes.



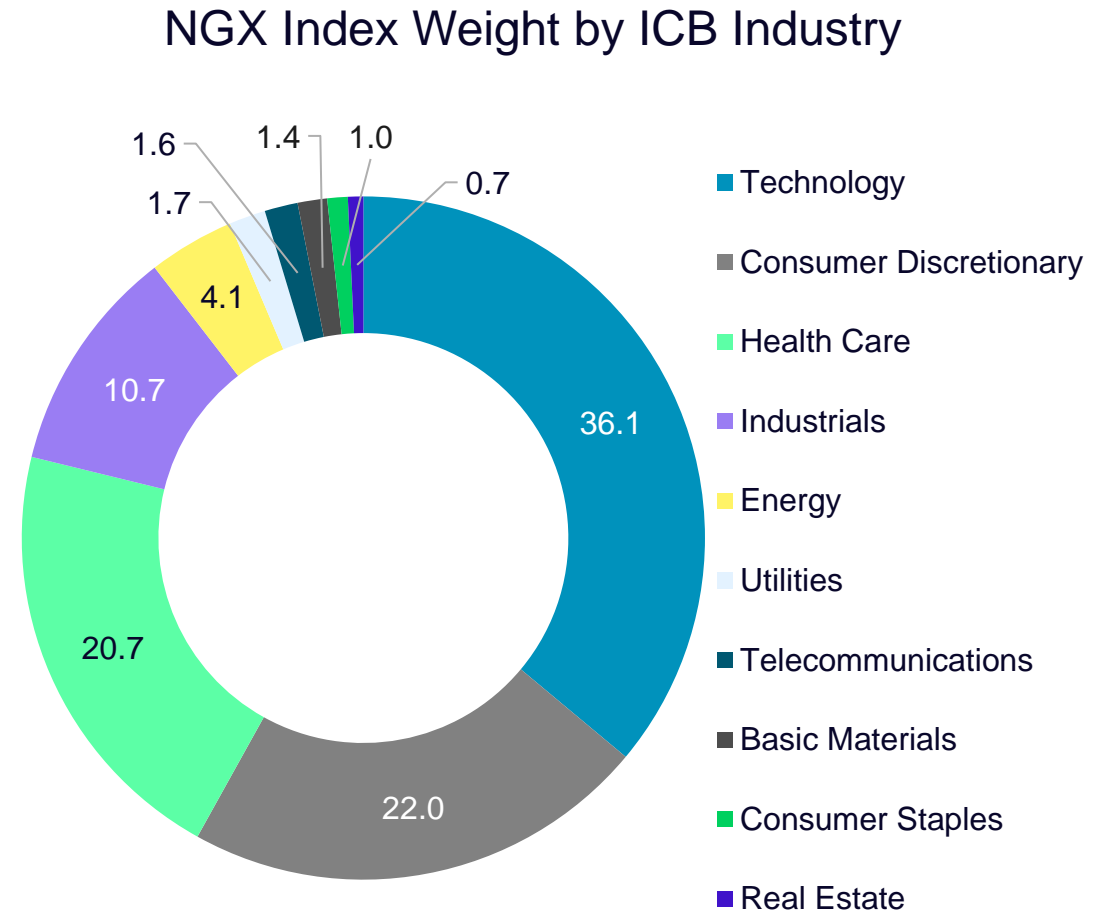
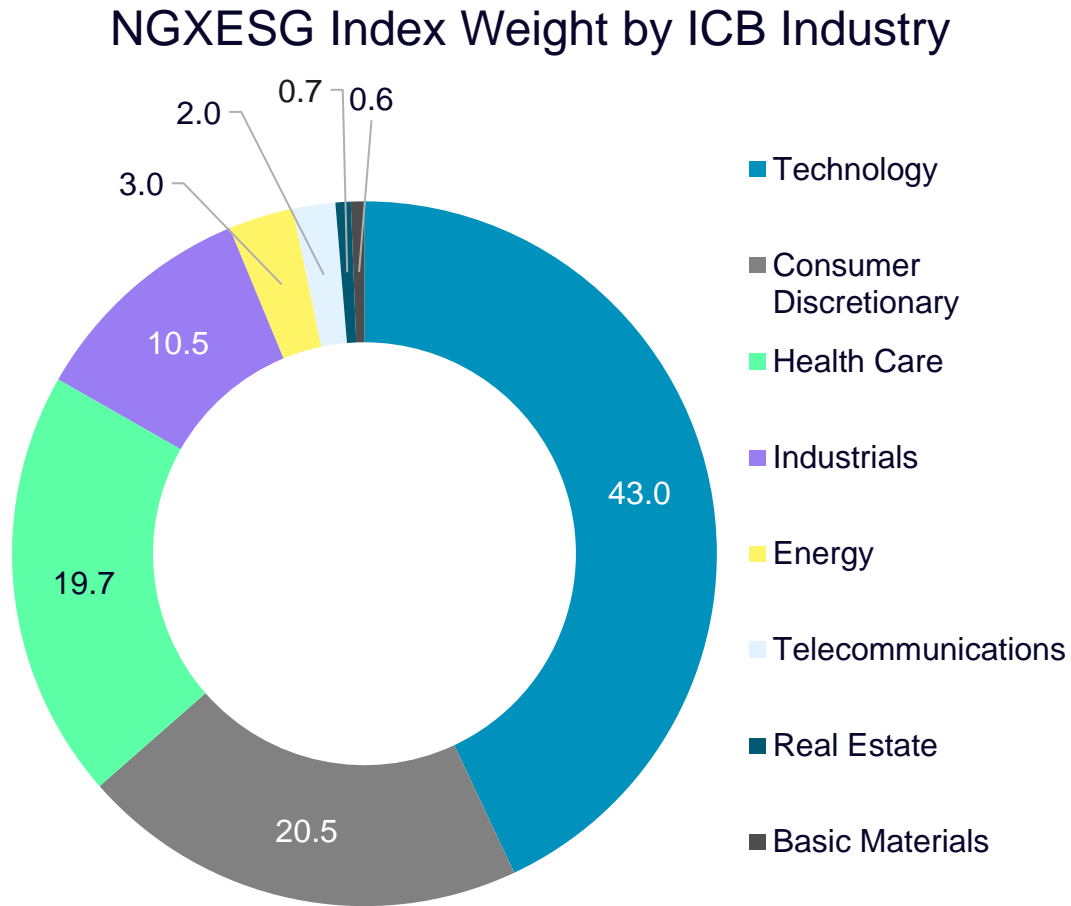
## June 2024 Reconstitution

# Top 10 Constituents by Index Weight (%)



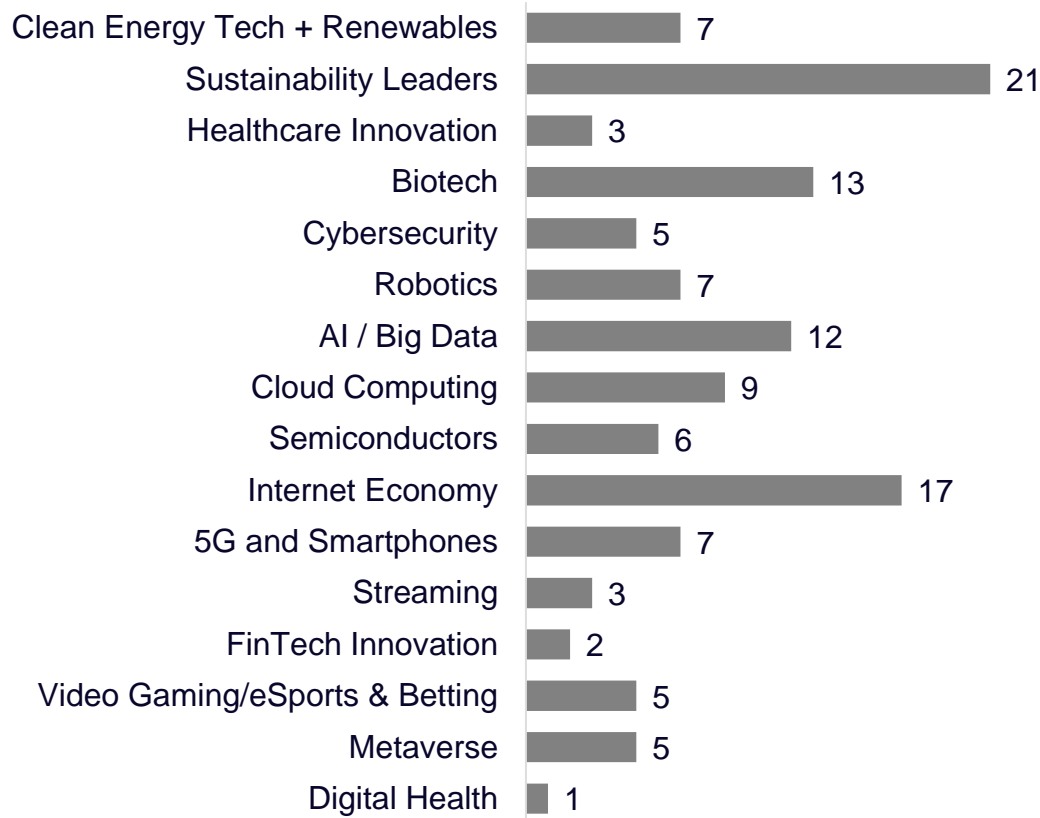
June 2024 Reconstitution

# Sector Exposure by Index Weight (%)

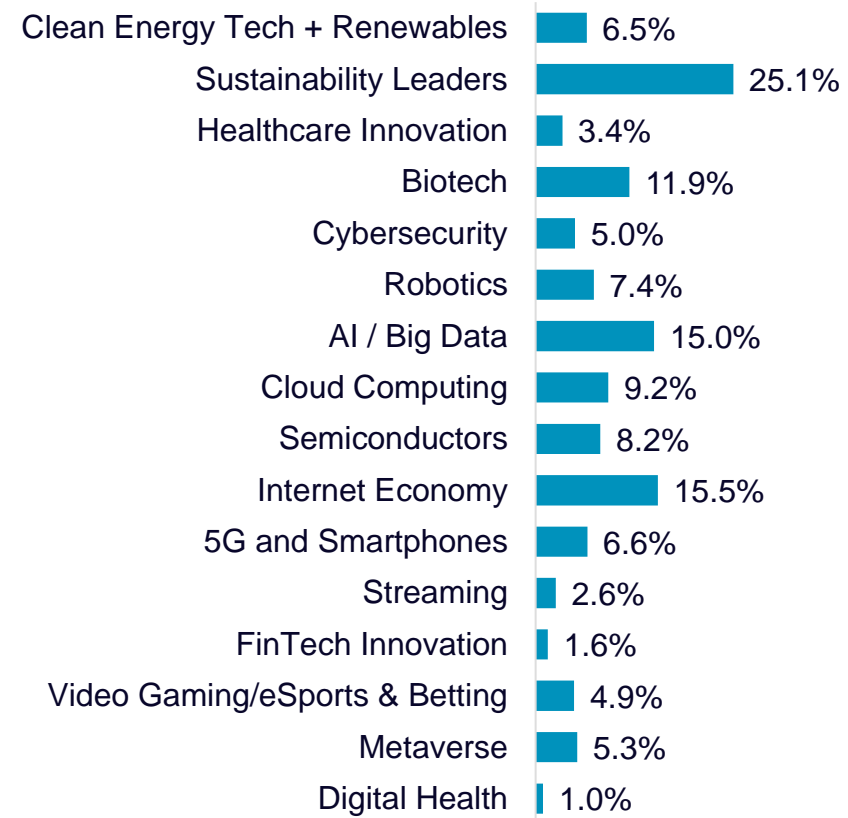


# Thematic Exposure: Nasdaq Next Generation 100

# of Constituents per Theme



Index Weight per Theme

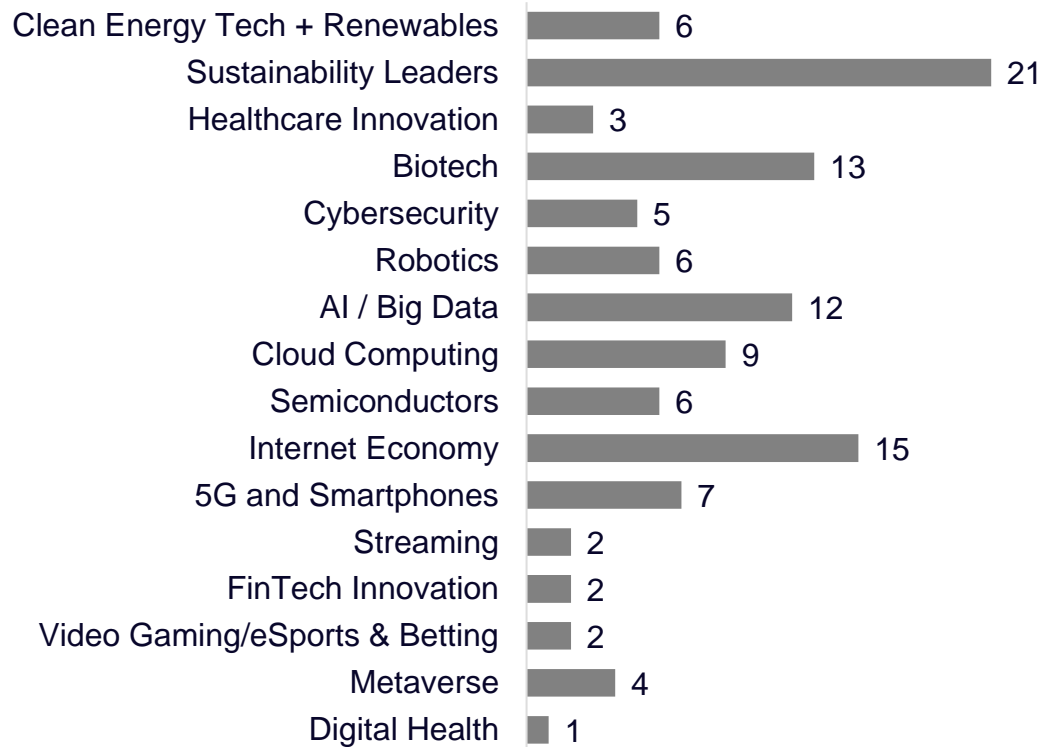


Source: Nasdaq, FactSet. Data as of 6/28/2024.

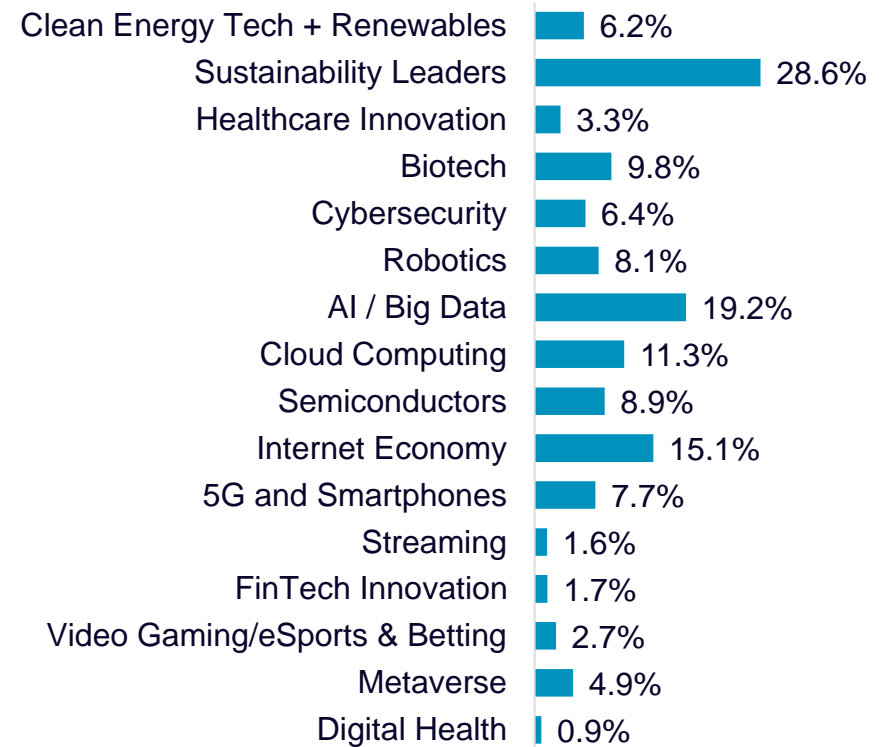
Based on overlap with existing Nasdaq Thematic Indexes, except for 5G and Smartphones, Streaming, and Video Gaming/eSports & Betting where competitor products were analyzed.

# Thematic Exposure: Nasdaq Next Generation 100 ESG

# of Constituents per Theme



Index Weight per Theme



June 2024 Reconstitution

# Top 10 Largest Overweights: NGXESG vs. NGX

Symbol	Company Name	ICB Industry	NGXESG Weight (%)	NGX Weight (%)	Weight Difference (%)
WDC	Western Digital	Technology	2.6	1.7	0.9
TSCO	Tractor Supply	Consumer Discretionary	2.7	2.0	0.8
STX	Seagate Technology Holdings	Technology	2.2	1.5	0.7
ZBRA	Zebra Technologies	Industrials	1.7	1.1	0.6
LOGI	Logitech International	Technology	1.6	1.0	0.6
NTAP	NetApp	Technology	2.4	1.8	0.6
FLEX	Flex Ltd	Technology	1.3	0.8	0.5
TRMB	Trimble	Industrials	1.5	0.9	0.5
POOL	Pool	Consumer Discretionary	1.3	0.8	0.5
JBHT	JB Hunt Transport Svcs	Industrials	1.6	1.1	0.4



## June 2024 Reconstitution

# Top 10 Largest Underweights: NGXESG vs. NGX

Symbol	Company Name	ICB Industry	NGXESG Weight (%)	NGX Weight (%)	Weight Difference (%)
ALNY	Alnylam Pharmaceuticals	Health Care	1.3	2.1	-0.8
STLD	Steel Dynamics	Basic Materials	0.6	1.4	-0.8
UAL	United Airlines Holdings	Consumer Discretionary	0.5	1.1	-0.6
RIVN	Rivian Automotive	Consumer Discretionary	0.4	0.9	-0.5
RPRX	Royalty Pharma	Health Care	0.5	0.8	-0.3
VTRS	Viatis	Health Care	0.6	0.9	-0.3
ARGX	argenx	Health Care	0.7	0.9	-0.2
SWKS	Skyworks Solutions	Technology	1.0	1.2	-0.2
JD	JD.com	Consumer Discretionary	0.7	0.8	-0.2
HOLX	Hologic	Health Care	1.0	1.2	-0.2

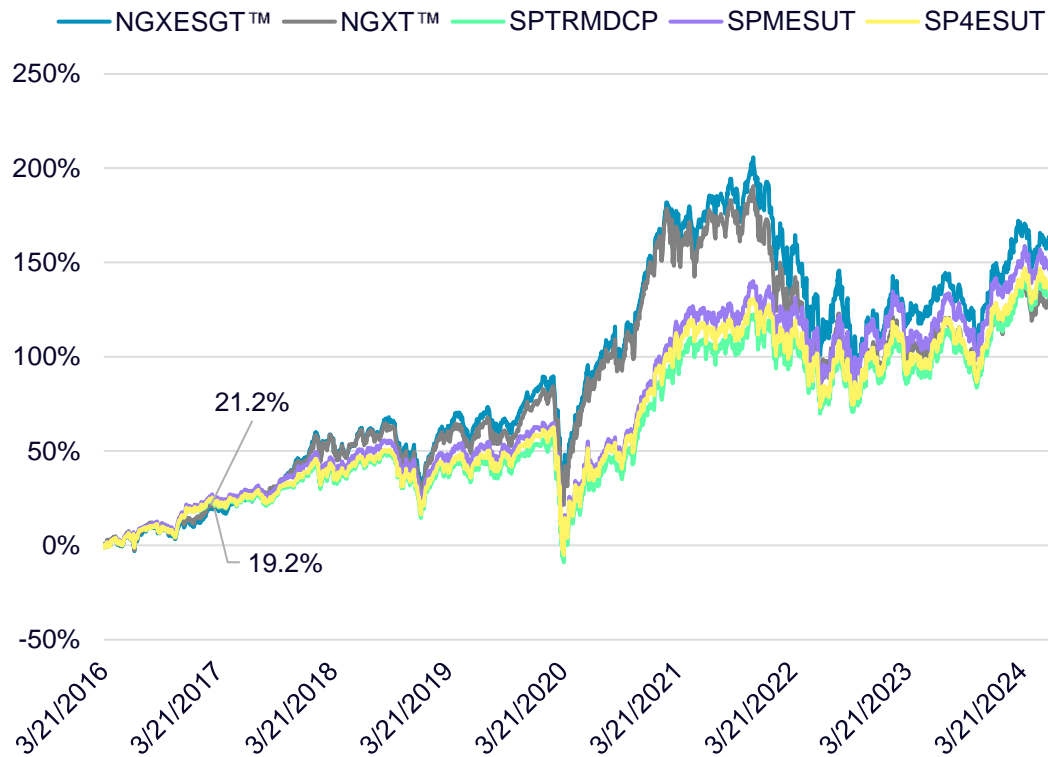


## June 2024 Reconstitution

# Performance – NGXESG vs. NGX

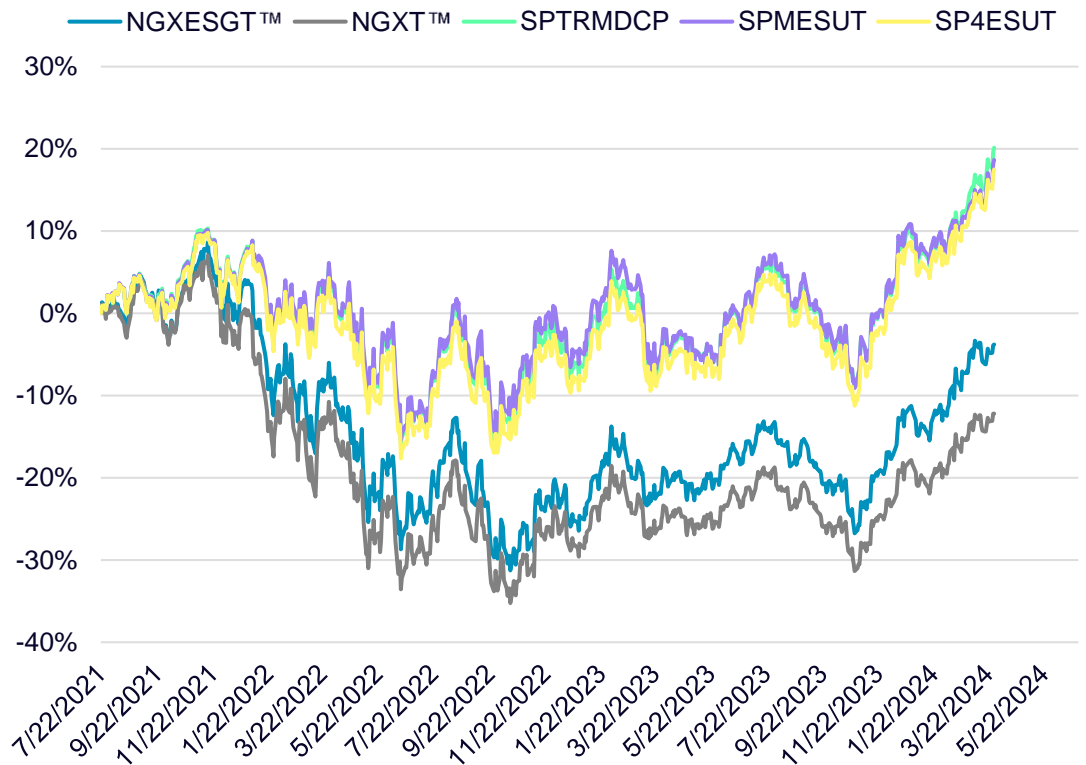
### Since Beginning of NGXESG Backtest

3/21/2016 – 6/28/2024



### Since NGXESG Inception

7/22/2021 – 6/28/2024



Total Return Data\* as of 6/28/2024.  
Source: Nasdaq Global Indexes, FactSet, Bloomberg..

\*NGXT: Nasdaq Next Generation 100 Total Return™; NGXESGT: Nasdaq Next Generation 100 ESG Total Return™; SP4ESUT: S&P Sustainability Screened TR; SPTRMDCP: S&P MidCap 400 TR ; SP4ESUT: S&P MidCap 400 ESG TR

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# ESG Comparisons – NGXESG vs. NGX

Index Name	Benchmark Index	# of Securities	% Exclusion from the Benchmark	Sustainalytics ESG Risk Rating Score	
				Weighted Average	Simple Average
Nasdaq Next Generation 100™ Index	--	103	--	19.6	19.8
Nasdaq Next Generation ESG 100™ Index	Nasdaq Next Generation 100™	90	13%	17.2	18.7
S&P MidCap 400 Index	--	398	--	22.1	22.2
S&P MidCap 400 Sustainability Screened Index	S&P MidCap 400	367	8%	21.6	21.6
S&P MidCap 400 ESG Index	S&P MidCap 400	283	29%	21.1	21.2



Data as of 6/28/2024.

Source: Nasdaq Global Indexes, Sustainalytics, FactSet, Bloomberg.



# RESOURCES



## RESOURCES

# Nasdaq Next Generation 100 ESG Index (NGXESG)

- Overview
  - <https://indexes.nasdaqomx.com/Index/Overview/NGXESG>
- Methodology
  - [https://indexes.nasdaqomx.com/docs/methodology\\_NGXESG.pdf](https://indexes.nasdaqomx.com/docs/methodology_NGXESG.pdf)
- Research
  - [https://indexes.nasdaqomx.com/docs/NGXESG\\_Research.pdf](https://indexes.nasdaqomx.com/docs/NGXESG_Research.pdf)
- Fact Sheet
  - [https://indexes.nasdaqomx.com/docs/FS\\_NGXESGT.pdf](https://indexes.nasdaqomx.com/docs/FS_NGXESGT.pdf)
- Carbon Credit Report
  - NGXESG: <https://indexes.nasdaqomx.com/docs/Carbon%20Footprint%20Report%20-%20NGXESG.pdf>
  - NGX: <https://indexes.nasdaqomx.com/docs/Carbon%20Footprint%20Report%20-%20NGX.pdf>



# APPENDIX

## APPENDIX

# NGXESG Exclusions Based on ESG Risk

Companies with a “Severe” ESG Risk Rating Score 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

# NGXESG Exclusions Based on ESG Risk – continued

- Exclude any company that has a Controversy Rating 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 / NGXESG Exclusions Based on International Norms

- A company must not violate the United Nations Global Compact and related international norms and standards, such as the Organization for Economic Cooperation and Development (OECD) Guidelines and United Nations (UN) Guiding Principles.
  - 10 principles around human rights, labor, environment, and anti-corruption.
  - <https://www.unglobalcompact.org/what-is-gc/mission/principles>
- Securities are excluded from NDXESG/NGXESG 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

# NGXESG 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

# NGXESG Weighting Scheme

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

- 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 NGXESG.
- (All the above applies for NGX and NGXESG, as well.)





## APPENDIX

# NGXESG 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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