



INDEX METHODOLOGY

NASDAQ FUTURE AUSTRALIAN SUSTAINABILITY LEADERS INDEX

NQFASL

INDEX DESCRIPTION

The Nasdaq Future Australian Sustainability Leaders Index is designed to track the performance of a set of Australian-listed stocks that includes companies engaged in sustainable business activities, identified as “Sustainability Leaders;” excludes companies with material negative impacts on people, communities or the environment; and avoids exposure to the fossil fuel industry.

Much of the eligibility and selection relies on the Responsible Investment Committee, an external advisory committee that classifies securities as Additional Renewable Energy Securities; determines which securities pass responsible investment screens; and determines which securities meet the “Sustainability Leader” criteria. The criteria for classifying companies as Sustainability Leaders have been determined with reference to the United Nations Sustainable Development Goals (UN SDGs) and its underlying Targets (the Targets). There can be no guarantee that the activities of any company will make a direct contribution to the achievement of the SDGs or the Targets.

SECURITY ELIGIBILITY CRITERIA

Security types

A security must be classified as a common stock, ordinary share, depositary receipt, share of beneficial interest or REIT.

References to a CHESD Depositary Interest’s (CDI’s) “issuer” refer to the issuer of the underlying security.

Multiple securities per issuer

One security per issuer is permitted. If an issuer has multiple otherwise-eligible securities, only the security with the highest three-month median daily traded value may be eligible for the Index.

Listing exchanges

A security must be listed on the Australian Securities Exchange.

Market capitalization

A security must have a free float market capitalization of at least \$200 million (AUD).

A CDI's float shares are calculated as the lesser of the security's shares held in Australia as of the end of June, according to the Australian Securities Exchange, and the product of the security's free float percentage and total shares outstanding as of the end of July. Free float market capitalization is calculated as the product of float shares, as defined above, and Last Sale Price as of the end of July.

Liquidity

A security not classified as an "Additional Renewable Energy Security," as described in "ESG classification" below, must have a three-month median daily traded value of at least \$1 million (AUD).

A security classified as an "Additional Renewable Energy Security" has no liquidity eligibility minimum.

ESG classification

A security's issuer must have been identified by the Responsible Investment Committee as having passed the eligibility screens outlined in **Appendix A: Responsible Investment Screening**. These screens are designed to exclude companies that have direct or significant exposure to the fossil fuel industry or that are engaged in other activities deemed inconsistent with responsible investment considerations. Additionally, a company exposed to significant ESG-related reputational risk or controversy may be excluded if the Responsible Investment Committee considers that its inclusion would be inconsistent with the values of the Index. The Responsible Investment Committee may reference the United Nations Guiding Principles on Business and Human Rights (UNGPs) in its considerations.

A security is classified as an Additional Renewable Energy Security if its three-month median daily traded value is less than \$1 million (AUD) and its issuing company derives more than 50% of its revenue from renewable energy or activities that substantially reduce greenhouse gas emissions.

Other eligibility criteria

If, at reconstitution, Nasdaq becomes aware that an issuer or security will soon undergo a fundamental change that makes it ineligible, Nasdaq will remove the security from consideration. This includes entering into a definitive merger or acquisition agreement or other pending arrangement that would make it ineligible for Index inclusion, or a filing of bankruptcy or similar protection from creditors, or other events as described in Section 3 of **Corporate Actions and Events Manual – Equities**.

INDEX CALENDAR

Reconstitution and rebalance schedule

The Index Reconstitution is conducted annually in September by applying the Security Eligibility Criteria and Constituent Selection Process. The Index is rebalanced in conjunction with the reconstitution by applying the Constituent Weighting Process.

Reconstitution reference dates

Unless otherwise specified, the Index Reconstitution is conducted by using data as of the end of July.

Rebalance reference dates

Unless otherwise specified, the Index Rebalance is conducted by using data as of the end of August.

Reconstitution and rebalance announcement dates

Reconstitution announcements are generally made five (5) trading days prior to the reconstitution effective date.

Reconstitution and rebalance effective dates

The Index Reconstitution and Rebalance become effective at market open on the first trading day following the third Friday in September.

Holiday schedules

The Index is calculated Monday through Friday and does not close for holidays.

Index calculation and dissemination schedule

The Index is calculated during the trading day based on the Last Sale Price and disseminated once per second from 9:30:00 JST to 16:30:00 AEST. The closing value of the indexes may change after market hours due to corrections to the Last Sale Price of the Index Securities.

CONSTITUENT SELECTION

Constituent selection process

Sustainability Leader Classification

The Responsible Investment Committee assesses the issuing company of each eligible security to determine whether it meets the criteria for the security to be considered a “Sustainability Leader.” Securities identified as Sustainability Leaders are given preference in the constituent selection process.

To be classified as a Sustainability Leader, a company must satisfy at least one of the following criteria, which have been determined with reference to the UN SDGs and are provided in detail in Appendix B. (Wherein a company's business activities cover multiple categories, the aggregate revenue from identified activities will be taken into account in the identification of "Sustainability Leaders.")

- Climate adaptation
- Nutrition, agriculture and land use
- Improved industrial processes, improved materials and pollution reduction
- Healthcare
- Transportation solutions
- Education
- Water efficiency
- Renewable energy and energy efficiency
- Green buildings
- Sustainable tourism
- Sustainable and regional infrastructure
- Social and community housing
- Worker and consumer protection
- Regional and community banking
- Relevant certification

Selection

The Responsible Investment Committee provides Nasdaq with a list of securities for Index inclusion according to the following specifications.

- A sector may be represented by no more than ten securities.
- The Index may contain no more than three securities classified as "Additional Renewable Energy Securities."
- Within each sector, up to ten securities are selected as follows:
 - All Sustainability Leaders ranked within the top eight Sustainability Leaders by market capitalization are included.
 - Securities ranked nine through 12 by market capitalization are iteratively ranked along three dimensions, and the first-ranked securities are selected such that the total count of selected securities does not exceed 10.
 - First, by whether the security is a Security Leader (ranked yes to no)
 - Second, by whether the security is included in the Index as of the reconstitution reference date (ranked yes to no)
 - Third, by the security's market capitalization (ranked high to low)

CONSTITUENT WEIGHTING

Constituent weighting scheme

The Index is a modified free float market capitalization-weighted index.

Constituent weighting process

Each Index Security's initial weight is determined by dividing its free float market capitalization by the aggregate free float market capitalization of all Index Securities. For CDIs only, free float market capitalization is calculated as the lesser of the security's shares held in Australia as of the end of June, according to the Australian Securities Exchange, and the product of the security's free float percentage and total shares outstanding as of the end of August, multiplied by its Last Sale Price as of the end of August.

Initial weights are then adjusted to meet the following constraints, producing the final weights:

- No Index Security weight may exceed 4.00%.
- The weight of no "Additional Renewable Energy" Index Security may exceed 0.10%.

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

INDEX MAINTENANCE

Deletion policy

If, at any time other than an Index Reconstitution, Nasdaq becomes aware that an Index Security has become ineligible for continued inclusion, it is removed from the Index as soon as practicable. This includes events such as filing bankruptcy or similar protection from creditors, delisting or other arrangement including mergers and acquisitions. Refer to the **Corporate Actions and Events Manual – Equities** for further information.

Replacement policy

Index Securities are not replaced between Index Reconstitutions.

Addition policy

Index Securities are not added between Index Reconstitutions.

Corporate actions

Information on corporate actions and events handling can be found in the **Corporate Actions and Events Manual – Equities**.

In certain cases, corporate actions and events are handled according to the weighting scheme or other index construction techniques employed. Wherever alternate methods are described, the Index will follow the "Non-Market Cap Corporate Action Method."

Index share adjustments

Other than as a direct result of corporate actions, the Index does not normally experience share adjustments between scheduled Index Rebalance and Reconstitution events.

APPENDIX A: RESPONSIBLE INVESTMENT SCREENING

Screening is generally applied only to the relevant company itself and to its subsidiaries. Minority holdings (less than 50% ownership) generally are not considered for screening purposes.

“Total revenue” refers to a company’s total gross revenue as reported in its audited financial statements. When a company does not disclose gross revenue from a particular product or business activity, an (conservative) estimate may be used for the purpose of applying negative screens.

Industry/Activity	Exposure Limit Guidelines (% of total revenue where applicable)	Explanatory notes
Fossil Fuels - Direct	0%	Companies which have fossil fuel reserves, fossil fuel infrastructure, produce petrochemicals or are involved in the mining, extraction or burning of fossil fuels
Fossil Fuels – High Dependency		Industry sectors with very high use of fossil fuels (note: mining companies engaged in the extraction of critical minerals, as defined by Geoscience Australia, and companies with demonstrated use of sustainable business practices are exempt from this exclusion)
Fossil Fuels - Service Providers	5% for products and services	Companies which provide products or services which are specific to and significant for the fossil fuel industry
Fossil Fuels – Finance and Underwriting	Exclude the largest global financiers of fossil fuel companies, projects and infrastructure.	Companies which provide lending to fossil fuel companies or otherwise provide significant financing to fossil fuel project or infrastructure
	Exclude the largest global insurers of fossil fuel companies, projects and infrastructure.	Companies that provide significant insurance or re-insurance of fossil fuel companies or projects
Gambling	<ul style="list-style-type: none"> 0% for casinos, manufacture of gaming products and poker machine operations 5% for distribution of gambling products 	

Tobacco	<ul style="list-style-type: none"> • 0% for production or manufacture • 5% for sale of tobacco products 	
Uranium and Nuclear Energy	<ul style="list-style-type: none"> • 0% for uranium mining and nuclear energy • 5% for products and services to nuclear energy 	
Armaments and Militarism	<ul style="list-style-type: none"> • 0% for manufacture of armaments and weapons • 5% for specific and significant services to military and armaments manufacture 	
Destruction of Valuable Environments	0%	Companies which have direct negative impact on recognised World Heritage and High Value Conservation areas
Animal Cruelty	0%	Companies involved in live animal export, animal testing for cosmetic purposes, factory farming or controversial animal products (ivory, foie gras etc.)
Chemicals of Concern	0%	Companies which produce or use chemicals of concern recognised by UN Environmental Programs, or controversial agricultural chemicals
Mandatory Detention of Asylum Seekers and for-profit prisons	0%	Companies which operate detention centres or for-profit prisons
Alcohol	<ul style="list-style-type: none"> • 5% for production • 20% for sale of alcohol 	
Junk Foods	33%	Companies which produce or sell junk foods
Pornography	<ul style="list-style-type: none"> • 0% for production of pornography • 5% for distribution of pornography 	Companies which produce or sell pornography

Human and Labour Rights	n/a	Evidence of human rights violations including child labour, forced labour, sweatshops, bribery and corruption
Board Diversity	n/a	No women on board of directors
Predatory lending	0%	Lending practices that impose unfair or abusive terms on a borrower

APPENDIX B: SUSTAINABILITY LEADER CLASSIFICATION

Sustainability Leader Criterion	Detail
Climate adaptation	Companies that earn 50% or more of revenue from the manufacture or sale of climate adaptation technologies, or associated research, consulting or engineering services
Nutrition, agriculture and land use	<ul style="list-style-type: none"> Companies that earn 50% or more of revenue from the production or sale of healthy and nutritious foods, with a particular focus on plant-based foods Companies that earn 50% or more of revenue from activities associated with sustainable agriculture, sustainable aquaculture, reduced food waste and other activities identified by Project Drawdown®, a non-profit organisation which conducts rigorous review and assessment of climate solutions, as Food, Agriculture and Land Use Sector solutions
Improved industrial processes, improved materials and pollution reduction	<ul style="list-style-type: none"> Companies that earn 50% or more of revenue from pollution reduction technologies Companies that earn 50% or more of revenue from wastewater treatment Companies that earn 50% or more of revenue from activities associated with waste remediation, recycling, recycled materials, alternative refrigerants, plastic reduction, waste to energy and other activities identified by Project Drawdown® as Industry Sector solutions Companies employing circular economy strategies as critical elements in their operations

Healthcare	<ul style="list-style-type: none"> • Companies that earn 50% or more of revenue from hospital treatment, medical services or personal health insurance • Companies that earn 50% or more of revenue from activities associated with reproductive and maternal health • Companies that earn 50% or more of revenue from activities which have a specific focus on vaccine development or the treatment of communicable diseases • Companies that earn 50% or more of revenue from activities which have a specific focus on the treatment of non-communicable diseases
Transportation solutions	Companies that earn 50% or more of revenue from activities associated with traffic safety systems, autonomous vehicles (excluding military applications), electric vehicles, public transit, high speed rail, energy efficient transportation solutions, telepresence and other activities identified by Project Drawdown® as Transportation Sector solutions
Education	Companies that earn 50% or more of revenue from early childhood education, vocational education, tertiary education or providing other educational services
Water efficiency	Companies that earn 50% or more of revenue from the manufacture or sale of water efficiency technology or that have a 5-star or higher National Australian Built Environment Rating System (NABERS) water rating
Renewable energy and energy efficiency	Companies that earn 50% or more of revenue from activities associated with renewable energy and energy efficiency, including building automation, building technologies, lighting solutions, energy storage, improved electrical grids and other activities identified by Project Drawdown® as Electricity Sector solutions
Green buildings	Companies/REITs that have an average 4.75 star or better NABERS energy rating or earn 50% of revenue from activities identified by Project Drawdown® as Buildings Sector solutions
Sustainable tourism	Companies that earn 50% or more of revenue from sustainable tourism

Sustainable and regional infrastructure	<ul style="list-style-type: none"> Companies that earn 50% or more of revenue from sustainable infrastructure or alternative cement Telecom companies that provide communication infrastructure that benefits rural and regional communities
Social and community housing	Companies that earn 50% or more of revenue from social and community housing
Worker and consumer protection	Companies that earn 50% or more of revenue from legal activities focussed on workers' rights, consumer rights or otherwise protecting vulnerable people
Regional and community banking	<ul style="list-style-type: none"> Companies with 20% or more of revenue from regional and community banking Companies with 50% or more of revenue from the provision of microfinance
Relevant certification	<ul style="list-style-type: none"> Certified B Corporations Supply Nation registered businesses Companies with a Reconciliation Action Plan (RAP) Elevate Companies with 50% or more of revenue from the sale or manufacture of Fairtrade certified products

APPENDIX C: METHODOLOGY CHANGE LOG

Effective Date	Methodology Section	Description or Summary of Changes
September 19, 2022	Index description	The description is updated to reflect changes to the Sustainability Leader classification and responsible investment screen.
September 19, 2022	Eligibility criteria: Multiple securities per issuer	The basis of the determination of which security may represent an issuer with multiple otherwise-eligible securities is changed from the securities' three-month average daily traded values to their three-month median daily traded values.
September 19, 2022	Eligibility criteria: Market capitalization	The free float market capitalization minimum is changed from \$100 million (USD) to \$200 million (AUD).

September 19, 2022	Eligibility criteria: Market capitalization	Calculation of a CDI's float shares is changed from the product of the security's free float percentage and total shares outstanding as of the Reconstitution Reference Date to the lesser of that product and the security's shares held in Australia as of the end of June, according to the Australian Securities Exchange.
September 19, 2022	Eligibility criteria: Liquidity	The minimum threshold for a security not classified as an Additional Renewable Energy Security is changed from a three-month average daily traded value of \$750,000 (USD) to a three-month median daily traded value of \$1 million (AUD).
September 19, 2022	Eligibility criteria: ESG classification	The maximum liquidity threshold for a security to be classified as an Additional Renewable Energy Security is changed from a three-month average daily traded value of \$750,000 (USD) to a three-month median daily traded value of \$1 million (AUD).
September 19, 2022	Index calendar: reconstitution reference dates	An exception to the Reconstitution Reference Date is made in the section Eligibility: Market Capitalization.
September 19, 2022	Index calendar: rebalance reference dates	The Rebalance Reference Date is changed from the last trading day in July to the last trading day in August.
September 19, 2022	Index calendar: rebalance reference dates	An exception to the Rebalance Reference Date is made in the section Constituent Weighting: Constituent weighting process.
September 19, 2022	Selection: Sustainability leader classification	The criteria used by the Responsible Investment Committee to classify companies as Sustainability Leaders are changed, and are detailed in Appendix B.
September 19, 2022	Constituent Weighting: Constituent weighting process	Calculation of a CDI's float shares is changed from the product of the security's free float percentage and total shares outstanding as of the Rebalance Reference Date to the lesser of that product and the security's shares held in Australia as of the end of June, according to the Australian Securities Exchange.

September 19, 2022	Appendix A: Responsible Investment Screening	<ul style="list-style-type: none"> • The Fossil Fuels – direct screen now includes petrochemical producers. • The Fossil Fuels – high dependency screen is added. • The Fossil Fuels – indirect screen is separated into screens for finance and underwriting service providers and for all other service providers. Underwriting service is added. • The Payday Lending screen is changed to Predatory Lending
May 23, 2022	Appendix A: Responsible Investment Screening	The Alcohol production screen changed from 20% to 5%.
September 20, 2021	Index calendar: Rebalance reference dates	The rebalance reference date is changed from the third Friday in August to the last trading day in July.

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**.

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

Index 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**.

Nasdaq Index Management Committee

The Nasdaq Index Management Committee is responsible for the overall oversight of activities related to the development, issuance, and operation of Nasdaq Indexes. The Committee reviews and approves all new Index Methodologies as well as updates to existing methodologies. For a detailed overview of the Index Management Committee, refer to the **Nasdaq Index Methodology Guide**.

Nasdaq U.S. Oversight Committee

The U.S. Oversight Committee is responsible for the oversight of the overall Benchmark determination process and is responsible for the overall governance of the U.S.-based Index business including review and approval of the control framework, certain policies and procedures, certain methodologies and methodology changes and other Index management oversight.

For a detailed overview of the U.S. Oversight Committee, refer to the **Nasdaq Index Methodology Guide**.

Internal reviews of methodology

All new methodologies or updates to existing methodologies must be reviewed by the Index Management Committee. Additionally, all in-scope Index methodologies are subject to an annual review by the Index Management Committee and U.S. Oversight Committee. For a detailed description on internal reviews of the Methodology, refer to the **Nasdaq Index Methodology Guide**.

Communication with stakeholders and consultations

In certain circumstances, Nasdaq will seek feedback from clients and market participants via consultations. For a detailed description on Consultations and Communications with Stakeholders, refer to the **Nasdaq Index Methodology Guide**.

Index cessation

Nasdaq has a documented procedure that is followed for Index Cessation that includes termination/retirement of an Index or Index Family. For more information, refer to the **Nasdaq Index Cessation Policy**.

Discretionary adjustment

This Index Methodology was created by Nasdaq to achieve the aforementioned objective of measuring the underlying purpose of each Index governed by this methodology document. Any deviations from this methodology are made in the sole judgment and discretion of Nasdaq so that the Index continues to achieve its objective.

For more information on potential adjustments including Calculation and Pricing Disruptions, Expert Judgment, and Unexpected Reconstitution/Rebalances, 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**.

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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