

Press Release

December 11, 2020

Revision in methodology of Nifty100 ESG and Nifty100 Enhanced ESG indices

The Index Maintenance Sub-Committee (Equity) of NSE Indices Limited has decided to make the following revision to the methodology of the Nifty100 ESG and Nifty100 Enhanced ESG indices.

The change shall become effective from January 1, 2021 (close of December 31, 2020).

Proposed Methodology changes for Nifty100 ESG Index

Parameter	Existing method	Proposed method
Parent Index	<ul style="list-style-type: none"> Nifty 100 	<ul style="list-style-type: none"> Same as existing method
Exclusions	<ul style="list-style-type: none"> Companies engaged in the business of tobacco, alcohol, controversial weapons and gambling operations are excluded. Controversial Weapons include chemical weapons, biological weapons, anti-personnel mines and cluster bombs. Information for excluding companies based controversial weapons is provided by Sustainalytics Companies with controversy category of 4 and 5 shall be excluded (scale: 1-5, category 1 being least controversial) 	<ul style="list-style-type: none"> Same as existing method
Sustainalytics' ESG metric used	<ul style="list-style-type: none"> ESG Score 	<ul style="list-style-type: none"> ESG Risk Score
Weighting	<ul style="list-style-type: none"> Each constituent within sector is tilt weighted based on ESG score i.e. the constituent weight is derived from its free float market capitalization and ESG score 	<ul style="list-style-type: none"> Each constituent is tilt weighted based on its Modified ESG Risk Score i.e. the constituent weight is derived from its Normalised Modified ESG Risk Score and

	<ul style="list-style-type: none"> Weight of sectors will be based on free float market capitalization of the eligible constituents Sector with weight > 25% in the parent index, is capped in the ESG Indices at the same weight as that in the parent index Sector with weights < 25% in the parent index, will be capped at 25% in the ESG Indices (in case of breach) Constituent weight is capped at 10% 	<p>square root of its free float market capitalisation</p> <p>(Please see Methodology document for detailed explanation)</p> <ul style="list-style-type: none"> Sector and stock caps will be applied as follows: <ul style="list-style-type: none"> Sector with weight \geq 25% in the parent index will be capped in the ESG Indices at the same weight as that in the parent index Sector with weight < 25% in the parent index, will be capped at 25% in the ESG Indices (in case of breach) Constituent weight is capped at the lower of 8% or 5 times the weight of the stock in the index based only on free float Mcap
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Proposed Methodology changes for Nifty100 Enhanced ESG Index

Parameter	Existing method	Proposed method
Parent Index	<ul style="list-style-type: none"> Nifty100 ESG Index 	<ul style="list-style-type: none"> Same as existing method
Sustainalytics' ESG metric used	<ul style="list-style-type: none"> ESG Score 	<ul style="list-style-type: none"> ESG Risk Score
Stock Eligibility	<ul style="list-style-type: none"> For inclusion in NIFTY100 Enhanced ESG Index, the company should have 	<ul style="list-style-type: none"> Companies in the Severe ESG Risk category as per Sustainalytics (ie. companies with ESG Risk Score \geq 40)

	normalized ESG score of at least 50%	are ineligible for inclusion to the Nifty100 Enhanced ESG Index
Weighting	<ul style="list-style-type: none"> Each constituent within sector is tilt weighted based on ESG score i.e. the constituent weight is derived from its free float market capitalization and ESG score Weight of sectors will be based on free float market capitalization of the eligible constituents Sector with weight > 25% in the parent index, is capped in the ESG Indices at the same weight as that in the parent index Sector with weights < 25% in the parent index, will be capped at 25% in the ESG Indices (in case of breach) Constituent weight is capped at 10% 	<ul style="list-style-type: none"> Each constituent is tilt weighted based on its Modified ESG Risk Score i.e. the constituent weight is derived from its Normalised Modified ESG Risk score and square root of its free float market capitalisation <p>(Please see Methodology document for detailed explanation)</p> <ul style="list-style-type: none"> Sector and stock caps will be applied as follows: <ul style="list-style-type: none"> Sector with weight $\geq 25\%$ in the parent index will be capped in the ESG Indices at the same weight as that in the parent index Sector with weight < 25% in the parent index, will be capped at 25% in the ESG Indices (in case of breach) Constituent weight is capped at the lower of 8% or 5 times the weight of the stock in the index based only on free float Mcap

About National Stock Exchange of India Limited (NSE):

National Stock Exchange of India Ltd. (NSE) is the world's largest derivatives exchange by trading volume as per the statistics published by Futures Industry Association (FIA) for 2019 and ranked 3rd in the world in the cash equities segment by number of trades as per the statistics published by the World Federation of Exchanges (WFE). NSE was the first exchange in India to implement electronic or screen-based trading. It began operations in 1994 and is ranked as the largest stock exchange in India in terms of total and average daily turnover for equity shares every year since 1995, based on SEBI data. NSE has a fully-integrated business model comprising exchange listings, trading services, clearing and settlement services, indices, market data feeds, technology solutions and financial education offerings. NSE also oversees compliance by trading and clearing members with the rules and regulations of the exchange. NSE is a pioneer in technology and ensures the reliability and performance of its systems through a culture of innovation and investment in technology. NSE believes that the scale and breadth of its products and services, sustained leadership positions across multiple asset classes in India and globally enable it to be highly reactive to market demands and changes and deliver innovation in both trading and non-trading businesses to provide high-quality data and services to market participants and clients.

For more information, please visit: www.nseindia.com

About NSE Indices Limited:

NSE Indices Limited (formerly known as India Index Services & Products Ltd. - IISL), a subsidiary of NSE, provides a variety of indices and index related services for the capital markets. The company focuses on the index as a core product. The company owns and manages a portfolio of indices under the NIFTY brand of NSE, including the flagship index, the NIFTY 50. NIFTY equity indices comprises of broad-based benchmark indices, sectoral indices, strategy indices, thematic indices and customised indices. NSE Indices Limited also maintains fixed income indices based on Government of India securities, corporate bonds, money market instruments and hybrid indices. Many investment products based on NIFTY indices have been developed within India and abroad. These include index based derivatives traded on NSE, NSE IFSC and Singapore Exchange Ltd. (SGX) and a number of index funds and exchange traded funds. The flagship 'NIFTY 50' index is widely tracked and traded as the benchmark for Indian Capital Markets.

For more information, please visit: www.niftyindices.com

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