



**The India  
Internet & Ecommerce  
ESG Screened Index**

**Index Methodology**

**December 28, 2021**

## INQQ ESG Screened Index Methodology

### Overview

**INQQ The India Internet & Ecommerce ESG Screened Index** (“**INQQ ESG Screened Index**”, “**INQQ ESG Index**” or “**the Index**”) measures and monitors the performance of an investable universe of publicly traded Internet & Ecommerce companies in India. The Index was created and is owned by EMQQ LLC. The index is maintained by Solactive AG (the “**Index Administrator**”).

### Index Construction

The **INQQ ESG Screened Index™** is comprised of the public securities of issuers that meet the specific and objective criteria listed below.

#### 1. INQQ ESG Screened Index Eligibility Criteria

To be considered for inclusion in the Index, the following criteria must be met:

- A. **India Internet Exposure.** The primary criteria for selecting a company for inclusion in the index is that the company derives a majority of its assets or revenue from Internet & Ecommerce activities in India.
  - Constituents are from but not limited to sectors including Internet Services, Internet Retail, Internet Broadcasting, Internet Media, Online Advertising, Online Travel, Online Gaming, Search Engines, Social Networks, etc.
- B. **Equity Securities.** Only publicly issued common equity securities are eligible for inclusion in the index. Debt or quasi-debt securities, such as convertible securities, are not eligible for inclusion.
- C. **ADRs.** Exchange-traded American Depositary Receipts (ADR’s), American Depositary Shares (ADSs), Global Depositary Receipts (GDR’s), and International Depositary Receipts (IDR’s) are eligible for inclusion in the index.
- D. **Market Capitalization.** The Index will include equity securities of companies of all capitalizations. Constituents must have a free-float adjusted market capitalization of USD \$300 Million or greater for initial inclusion in the index. A free-float adjusted USD \$200 Million minimum is required for ongoing index inclusion.
- E. **Liquidity.** To ensure adequate liquidity, constituents must have three (3) month average daily turnover of at least USD \$1 million USD. Recent IPOs that do not have three (3) months of trading shall be included in the index if they have average daily turnover of at least \$5 million during the period for which trading value data is available and meet all other inclusion requirements.
- F. **Foreign Ownership Restrictions.** Companies traded in markets with restrictions on foreign ownership may be excluded from the index.

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G. **ESG Screen.** The companies selected after completion of the above steps will be screened for compliance with UN Global Compact principles in addition to any operational business involvement in the fields of fossil fuels, tobacco or controversial weapons as listed below:

**i. Controversial Weapons**

1. Companies involved in the production development or maintenance of Anti-personnel Mines, Biological or Chemical weapons, Cluster munitions, Depleted uranium, Nuclear Weapons, or any other weapon that violate humanitarian principles through normal use.
2. Companies that produce or develop key and dedicated components for controversial weapons.
3. Companies involved in the production and/or services tailor made for the defense industry or the military.
4. Companies that hold  $\geq 20\%$  stake in a company that is involved in controversial weapons.
5. Companies currently  $\geq 50\%$  owned by a company that is involved in controversial weapons.

**ii. Conventional Weapons**

1.  $>10\%$  revenue from the production or distribution of arms, both public and private

**iii. Tobacco**

1.  $>5\%$  revenues from tobacco manufacturing.
2.  $>5\%$  revenue from tobacco distribution and/or sale of tobacco products.

**iv. Thermal Coal**

1.  $>10\%$  revenues from the exploration mining or refining of thermal coal.
2. Companies that base 30% or more of their operations on thermal coal.
3. Companies that produce  $>20$  million tons of thermal coal annually and are actively expanding. All companies violating any of the exclusion criteria above are excluded.

All companies for which an evaluation of these exclusion criteria is not possible due to insufficient and/or missing information or data are excluded.

## 2. Target Weights

The Index uses a modified float-adjusted market capitalization weighting methodology to weight individual positions.

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**A. Security Weight – Maximum.** The target weight of any one position is limited to 8.0% of the Index. Semi-annually, all individual securities with an index weighting greater than 8.0% will be rebalanced back to 8.0%. Excess exceeding 8.0% will be applied proportionally to all remaining index constituents. Then, all positions whose float adjusted market capitalization weights are over 5% are added together. If the total is less than 50%, no further modifications are made. If the total is equal to or greater than 50% then the highest weighted position is capped at 8%. The excess weight is then applied on a pro-rata basis to all the remaining index constituents and the process is then repeated, if necessary, with the next largest stock being capped at a weight 0.5% less than the previous constituent (examples: 7.5%, 7.0%, 6.5%, 6.0%, 5.5%, 5.0%, 4.5%) until 50% is reached. The 4.5% maximum target weight is then applied to all the remaining stocks.

Once set, either initially or at a semi-annual rebalance, target weights are free to float due to market actions. Weights are reviewed and the index rebalanced according to the rules under Index Maintenance below.

### **Index Maintenance**

Index Maintenance is the responsibility of the Index Administrator, Solactive AG. Index maintenance includes monitoring and implementing any adjustments, additions and deletions to the index as per this index methodology and any adjustments, additions and deletions due to corporate actions.

#### **Additions**

Additions to the index will be made at a semi-annual rebalance on the third Friday of June or December. Any addition will be funded on a pro-rata basis from the remainder of the Index, net of any deletions.

#### **Fast Entry Additions**

New IPOs that have a market capitalization greater than \$10 Billion USD and satisfy all eligibility requirements other than 1 E will be included in the index on a fast-entry basis three (3) trading days following the company's initial trade date.

#### **Deletions**

A constituent will be deleted from the index immediately due to bankruptcy, acquisition, delisting or merger of the company by or into another company, spin-offs, tender offers or other similar corporate actions. At each quarter end, any security which has been continuously suspended or halted since the prior quarter will be deleted from the index at zero value. In the case of such deletions, including any relisting of suspended constituents, no replacements will be made until the annual rebalance. Any proceeds resulting from the deletions will be applied on a pro-rata basis over the remainder of the Index, net of any additions.

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### Index Reconstitution and Semi-Annual Rebalance

Index Reconstitution is the responsibility of the Index Administrator and is performed semi-annually in June and December based on data as of the last business day in May and November respectively. Index Reconstitution includes:

- 1. Additions to the Index.** New constituents will be added to the index if they meet the eligibility requirements as defined above under Eligibility Criteria. Any additions will be funded on a pro-rata basis from the remainder of the Index, net of deletions.
- 2. Deletions from the Index.** Constituents will be deleted from the index if they no longer meet the eligibility requirements as defined above under Eligibility Criteria with one exception. Constituents that fall below the initial capitalization minimum of USD \$300 Million will be retained unless their capitalization falls below the minimum of USD \$200 Million. Constituents falling below the minimum of USD \$200 Million will be deleted. Any proceeds resulting from the deletions will be applied on a pro-rata basis over the remainder of the Index, net of additions.
- 3. Rebalancing.** The Index will be rebalanced to accommodate any additions or deletions to the index as described above and to enforce the target weights as described above under Index Construction.

### Index Administration

Solactive AG serves as the Index Administrator. These responsibilities include monitoring and implementing adjustments, additions and deletions to the indices due to eligibility rules described above and corporate actions.

### Index Calculation

Solactive AG serves as the Calculation Agent for the indices. The Calculation Agent is responsible for compiling, calculating, maintaining, and disseminating the value of the indices.

### Index Reconstitution

Solactive AG will review and adjust the Index on a semi-annual basis (“Index Reconstitution”) on the third Friday of June and December. Changes to an index resulting from the Index Reconstitution are implemented before the market open on the first trading day following the reconstitution.

### INQQ ESG Screened Index Committee

The INQQ ESG Screened Index Committee solely maintains The INQQ ESG Screened Index Methodology and is not involved in any way in the day-to-day maintenance or administration of the index.

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The Index Committee will meet semi-annually to review the methodology. Any changes to the methodology will be publicly disclosed at [www.INQQindex.com](http://www.INQQindex.com) prior to implementation. At minimum ten (10) days prior notice will be given prior to the implementation of any such change by the Index Administrator.

### Contact

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