Zug, September 25th, 2025

Market consultation on proposed changes to STOXX Paris-Aligned and Climate Transition Benchmark Indices

Dear Sir and Madam,

STOXX Ltd., the operator of ISS STOXX index business and a global provider of innovative and tradable index concepts, has decided to conduct a market consultation on proposed changes to STOXX Paris-Aligned and Climate Transition Benchmark Indices.

The market consultation may or may not lead to changes in the index methodology.

Process and timeline

STOXX invites relevant stakeholders and interested third parties to submit responses to consultation@stoxx.com.

The consultation is open to all market participants until October 10th, 2025.

STOXX intends to announce the results of the market consultation, as well as an announcement about potential changes to the index methodology, by October 17th, 2025.

STOXX intends to implement the potential changes resulting from this consultation at the index review in December 2025 or March 2026.

Motivation for the market consultation

The proposed changes aim to enhance regulatory alignment, improve data precision, and maintain index performance.
By applying more granular activity exclusions, we respond to client feedback and ensure better differentiation across fossil fuel types and high-emission power sources. Transitioning to ISS ESG for norms-based and controversial weapons screens supports broader data consistency in the indices. Adjusting the treatment of companies without science-based targets helps mitigate tracking error and reflects market realities. Updating the carbon budget model is necessary due to the decommissioning of the current scenario, while adding a tracking error constraint supports performance stability. Finally, shifting to a quarterly review schedule and aligning the decarbonization trajectory accordingly ensures responsiveness to evolving sustainability regulations and facilitates timely implementation of index changes.

Proposed treatments/Amendments

#	Changes	Current	Proposed
a	Update the Paris-Aligned Benchmark activity exclusions to more granular screens	a) 10% or higher revenues from fossil fuel exploration, production, refining, transportation and/or storage b) 1% or higher revenues from coal exploration, production (excluding power generation) distribution and supporting product and services	a) 10% or higher revenues from extraction of oil (including crude oil, condensate, shale oil, bitumen, synthetic crude oil from oil/tar sands, and heavy oils) combined with revenue from refining of oil (including liquefied petroleum gas, naphtha, gasoline, kerosene, diesel, fuel oil, and other combustive oil products) and revenues for the company's involvement in the distribution of oil

	(applies STOXX PAB indices only)	c) 50% or higher revenues from power generation with carbon intensity of lifecycle GHG emissions higher than 100g CO2e/kWh. For this data point, ISS ESG considers coal, oil and gas-based power generation revenues	50% or higher revenues from extraction of natural gas (including coalbed/coal seam methane) combined with revenue from natural gas processing and gas-to-liquids operations and revenues for the company's involvement in the distribution of gas b) 1% or higher revenues from coal mining, including thermal and metallurgical coal combined with the revenue from the company's involvement in the processing of coke, coal-to-liquids operations and coal gasification (syngas for thermal use) and marketing of coal. c) 50% or higher revenues from power generation with carbon intensity of lifecycle GHG emissions higher than 100g CO2e/kWh. For this data point, ISS ESG considers coal, oil, gas and biomass-based power generation revenues
b	Switching the norms-based and controversial weapons screens to ISS ESG	Global Standards Screening: Global Standards Screening identifies companies that violate or are at risk of violating commonly accepted international norms and standards, enshrined in the United Nations Global Compact (UNGC) Principles, the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights (UNGPs), and their underlying conventions. Controversy Rating: Additionally, STOXX will exclude companies that Sustainalytics identifies to have a Controversy Rating of Category 5 (Severe). Sustainalytics assesses companies' involvement in incidents with negative environmental, social and governance (ESG) implications. Controversy involvement is one key measure of ESG performance. A controversy is defined as an event or aggregation of events relating to an ESG topic. An event is assessed on its severity on a scale of 1 to 5 (1- Low, 2- Moderate, 3- Significant, 4- High, 5- Severe). The highest Event rating under a controversy indicator, automatically becomes the Controversy Rating for a given company Controversial Weapons: Companies that are involved in Controversial Weapons activities are not eligible for selection. The following weapons are considered controversial: anti-personnel mines,	Norms Based Screening: Companies are assessed against their adherence to international norms on human rights, labor standards, environmental protection and anti-corruption established in the UN Global Compact and the OECD Guidelines. Companies identified as 'Red' are excluded. ISS- ESG identifies companies are 'Red', if they are failing to respect established norms and where the issue remains unaddressed Controversial Weapons: Not involved in Controversial Weapons activities, as identified by ISS-ESG. The following weapons are considered controversial: anti-personnel mines, biological weapons, chemical weapons, cluster munitions, depleted uranium program, nuclear weapons (including Non-NPT) and white phosphorus. ISS ESG's Controversial Weapons Research is designed to identify all companies in a corporate structure that have control over the relevant business activities, i.e., all immediate parent companies up to the ultimate parent. Companies identified as 'Red' are excluded.

		biological and chemical weapons, cluster weapons, depleted uranium, nuclear weapons and white phosphorus weapons. The criteria for involvement are: - Internal production or sale of controversial weapons - The ultimate holding company owns >10% of voting rights of an involved company - >10% of voting rights of a company is owned by the involved company	
c	Update companies without science-based targets phase out	Corporate Target Setting = (1 + 1/3) if a company has verified science-based targets in accordance to the SBTi and has reduced its GHG intensity by an average of at least 7% per annum for at least 3 consecutive years = (1 + 1/5) if a company has verified science-based targets in accordance to the SBTi but has not fulfilled the above GHG intensity reduction criteria = (1 – min(1, Y/10)) if a company is committed to reducing its GHG emissions but does not have science-based targets approved by the SBTi = (1 – min(1, Y/5)) if a company is not committed to reducing its GHG emissions	Corporate Target Setting = (1 + 1/3) if a company has verified science-based targets in accordance to the SBTi and has reduced its GHG intensity by an average of at least 7% per annum for at least 3 consecutive years = (1 + 1/5) if a company has verified science-based targets in accordance to the SBTi but has not fulfilled the above GHG intensity reduction criteria = (1 – min(**8/10**, Y/10)) if a company is committed to reducing its GHG emissions but does not have science-based targets approved by the SBTi = (1 – min(**4/5**, Y/5)) if a company is not committed to reducing its GHG emissions
d	Update carbon budget model to IEA Net Zero by 2050 temperature scenario	The emission pathway of the index must be below its carbon budget for the SDS pathway of the current year and 2050. This is to ensure that the index is aligned with the SDS pathway decarbonization trajectory until 2050. A company's Carbon Budget Risk is calculated as: $CBR_i = \frac{\sum\varphi_j * ln\left(\frac{current\ carbon\ emission_i}{carbon\ budget_{i,j}}\right)}{\sum\varphi_j}$ where: $\varphi_j = (1-\lambda) * \lambda^j, \quad j = 0, \dots, 2050 - current\ year$ $\lambda = 0.94$ (standard decay factor)	The cumulative projected emissions of the index, based on the company's GHG reduction targets, must be below its carbon budget for the IEA Net Zero by 2050 temperature scenario in the current year and 2050. This is to ensure that the index is aligned with the decarbonization trajectory for the IEA Net Zero by 2050 temperature scenario until 2050. A company's Carbon Budget Risk is calculated as: $CBR_i = -\frac{\sum carbon\ budget_{i,j} - \sum carbon\ emissions_{i,k}}{\sum carbon\ budget_{i,j}}$ Where: j = 2020, …, 2050 k = 2020, …, current year
e	Add tracking error constraint		At most 1.5% ex-ante tracking error relative to the parent index. To compute the tracking error, STOXX will use Axioma Fundamental Factor Medium Horizon Risk Models.

f	Update decarbonisation trajectory in line with review schedule	Year-on-year GHG intensity reduction of at least 7% starting from 2022 with respect to 2021. The year-on-year carbon reduction included is calculated as: $1-\left(\frac{Index\ GHG\ Intensity_{current}\cdot Cumulative\ Inflation\ Adjustment\ Factor}{Index\ GHG\ Intensity_{2021\ year-end}}\right)^{1/T}$ where T is the number of years since 2021	Year-on-year GHG intensity reduction of at least 7% starting from 2022 with respect to 2021. The year-on-year carbon reduction included is calculated as: $1-\left(\frac{Index\ GHG\ Intensity_{current}\cdot Cumulative\ Inflation\ Adjustment\ Factor}{Index\ GHG\ Intensity_{2021\ year-end}}\right)^{1/(\frac{Y}{4})}$ where Y is the number of quarterly rebalancings since December 2021.
g	Change index review schedule to quarterly	The review is conducted on an annual basis in March. On a quarterly basis in June, September and December, the indices are rebalanced to consider changes in free-float or shares in issue, or ISS ESG carbon and climate related indicators.	The review is conducted on a quarterly basis in March, June, September and December.

Table 1: Overview of current and proposed Changes

Affected indices

CTB

EURO STOXX Climate Transition Benchmark

EURO STOXX Total Market Climate Transition Benchmark

STOXX Europe 600 Climate Transition Benchmark

STOXX Global 1800 Climate Transition Benchmark

STOXX USA 500 Climate Transition Benchmark

STOXX USA 900 Climate Transition Benchmark

PAB

EURO STOXX Paris-Aligned Benchmark

EURO STOXX Total Market Paris-Aligned Benchmark

STOXX Europe 600 Paris-Aligned Benchmark

STOXX Global 1800 Paris-Aligned Benchmark

STOXX USA 500 Paris-Aligned Benchmark

STOXX USA 900 Paris-Aligned Benchmark

Questions

For PAB indices:

1. Do you agree to the changes a to f as shown in table 1 (a-e)?
2. Do you agree to change the index review schedule from annual in March to quarterly (March, June, September and December) as shown in table 1 (f-g)?

For CTB indices:

3. Do you agree to the changes as shown in table 1 (b-e)?
4. Do you agree to change the index review schedule from annual in March to quarterly (March, June, September and December) as shown in table 1 (f-g)?

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