

## Q&amp;A

# Methodology changes to headline DAX<sup>®</sup> Selection indices

Version 1.1

October 15, 2020

General topics	
When will the new rules come into effect?	The exact effective dates for the respective adjustment to the rules will be published when the final rules have been defined. We expect most rule changes to come into effect during the year 2021.
Will the rules also apply to other indices beyond DAX <sup>®</sup> like MDAX <sup>®</sup> , SDAX <sup>®</sup> and TecDAX <sup>®</sup> ?	The proposed rule changes (unless explicitly stated otherwise) will apply to the mentioned indices as well as all indices that are derived from these indices.
Can the rules still be changed during or after the consultation?	After conclusion of the consultation STOXX will carefully review the results of the consultation and decide upon final changes to the index rules. In this process rules may be added, deleted or modified as deemed necessary by STOXX.

<p>Why have some suggestions that were discussed in public not been considered in this consultation?</p>	<p>We have carefully considered all suggestions we have received both from public sources as well as from individual discussions. However, based on various pre-discussions with different stakeholder groups including the advisory board for the DAX indices, not all suggestions were considered. Market participants are of course invited to submit further suggestions and commentaries as part of the consultation.</p>
<p>Can I change my response to the consultation?</p>	<p>Yes, it is possible to re-submit the consultation form at any time during the consultation period. The latest submission during the consultation period will be considered as the final response.</p>
<p><b>Which Ranking List Data and Index compositions have been used for the Supporting Material?</b></p>	<p>The supporting material for proposals 1.1.1 and 1.1.2 is based on the ranking list with cut-off 31 August 2020.</p> <p>The supporting material for proposals 1.1.3, 1.1.4, 1.1.5, 1.1.6 and 1.1.7 is based on the index composition as of September 21.</p>
<p>Can STOXX specify the company names instead of the pure quantity of companies affected from proposed changes?</p>	<p>We intend to receive objective feedback. The name of the companies that could be initially affected from the proposed changes should not guide the</p>

	respondents when stating their opinion. The situation of all companies may change before any new or amended rules could become effective. The proposed changes aim to ensure the proper functioning of the indices under the reasonably foreseeable circumstances.
1.1.1.Replacement of requirement of listing on Prime Standard with requirement of listing on Regulated Market of Frankfurt Stock Exchange.	
What will the new basis criteria require with regards to quarterly reports? Are complete quarterly reports compulsory or are quarterly reports with reduced information requirements according to the requirements of the Prime Standard sufficient?	Detaching the basic criteria for the DAX Index Family from Prime Standard requirements will not result in a change of the requirements. This means, the same prerequisites are set with regards to quarterly reporting. Hence, the quarterly notice is still sufficient.
1.1.2.Replacement of turnover ranking in the Selection process with requirement of minimum liquidity coverage.	
How is the 12-month turnover calculated?	The turnover is calculated according to the same methodology as in the current rulebook (ref. section 2.10, 4.1.1.2)
How is the free float market capitalization calculated?	The free float market capitalization is calculated according to the same

	methodology as in the current rulebook (ref. section 2.3, 2.4).
How often is the minimum turnover checked?	The compliance with minimum turnover will be checked at the quarterly review. Companies that do not meet the minimum liquidity requirement will not be receive a rank on the ranking list and will be removed from the indices as part of the quarterly index review following the application of the index review rules.
If a company is removed based on this rule, when could it return to the index?	As soon as a company fulfills the criteria for inclusion in the indices again it will receive a rank on the ranking list and can be included according to the respective index rules.
1.1.3. Introduction of requirement of audited annual reporting with fast exit in case of non-compliance.	
What happens if a company or its auditor withdraws the audited annual report?	If the 30-day grace period following the initial 90-day period has already passed, the company will be removed from the indices with 2 trading days notice. If the grace period has not yet passed the rule will be applied at the end of the grace period (if no new audited report has been published).

1.1.4. Introduction of requirement of quarterly reporting with fast exit in case of non-compliance.	
What happens if a company withdraws the quarterly report?	If the 30-day grace period following the initial 45-day period has already passed, the company will be removed from the indices with 2 trading days notice. If the grace period has not yet passed the rule will be applied at the end of the grace period (if no new report has been published).
What will the new basis criteria require with regards to quarterly reports? Are complete quarterly reports compulsory or are quarterly reports with reduced information requirements according to the requirements of the Prime Standard sufficient?	Detaching the basic criteria for the DAX Index Family from Prime Standard requirements will not result in a change of the requirements. This means, the same prerequisites are set with regards to quarterly reporting. Hence, the quarterly notice is still sufficient.
1.1.5. Introduction of requirement that Audit Committee in supervisory board exists and is staffed.	
How is this requirement controlled?	We will monitor the annual declaration of compliance with the German Corporate Governance Code published by the respective company.
How will this rule be applied?	If a company states non-compliance with the recommendations listed in the rule in its most current declaration of compliance the

	company will no longer be eligible for inclusion in the indices and will be removed at the next quarterly review.
What happens if no declaration of compliance is published by the company?	If the declaration of compliance is not published according to the legal requirements, we may consider the declaration to be non-existent and hence consider this criterion to be breached.
Will this rule apply immediately?	The rule will be applied immediately for new companies entering the indices, for companies that are already a member of a selection index a grandfathering of at least 12 months will apply.
<b>1.1.6. Introduction of exclusion of involvement with controversial weapons.</b>	
How is this requirement controlled?	We will rely on ratings provided by an external research provider to assess the involvement of companies with controversial weapons.
How is transparency ensured?	We will publish the non-compliance of any company on the respective monthly index ranking lists and the company will not receive a rank on such ranking lists.
How will this rule be applied?	If a company is listed as non-compliant with this rule the company will no longer be eligible

	for inclusion in the indices and will be removed within 2 trading days notice.
<b>1.1.7. Introduction of profitability requirement.</b>	
How is this requirement measured?	The EBITDA data from the last two published annual reports of the company will be used.
What if a company makes losses after index inclusion?	The rule will only be applied at the time of first inclusion in the DAX index. It will not be applied to current members of the index.
Does the rule also apply to MDAX, SDAX and TecDAX?	No, this rule is applied to DAX only.
What happens if a company in MDAX or TecDAX is eligible for the DAX index by all other criteria but does not meet the profitability criterion?	The company will not be included in DAX. It will however remain in MDAX and/or TecDAX.
<b>1.2.1 Abolishment of ranking by turnover.</b>	
How is investability of the indices ensured?	This rule can only be introduced in combination with the introduction of a minimum liquidity rule as described in chapter 1.1.2
<b>1.2.2 Addition of Regular review of DAX index in March.</b>	
What will be the exact rules applied?	The same rules as in September will also be applied in March. Reviews in June and December remain unchanged.
<b>3.2. DAX 40</b>	
Which buffer rules will be eligible for inclusion/exclusion from a DAX 40	Buffers for selection in DAX 40 are set to: Fast Exit 60/60

	Fast Entry: 33/33 Regular Exit: 53/53 Regular Entry: 40/40 Countercandidates: 47/47
What is the motivation behind the proposal of increased number of components in DAX?	We received ongoing suggestions to increase the number of components in DAX, in particular from media. We therefore considered it appropriate to add this question to the market consultation to collect objective feedback, independent from the proposals made for the measure packages.