Zug, November 16th, 2022

Market Consultation on STOXX Benchmark ESG-X and STOXX Benchmark ESG-X ex Nuclear Power families of indices

Dear Sir and Madam,

STOXX Ltd., the operator of Qontigo's index business and a global provider of innovative and tradable index concepts, has decided to conduct a market consultation on proposed changes of the methodology of the STOXX Benchmark ESG-X family of indices, and STOXX Benchmark ESG-X ex Nuclear Power family of indices (including the EURO STOXX ESG-X ex Nuclear Power Single Factor indices and EURO iSTOXX ESG-X & Ex Nuclear Power Multi Factor index). These changes might affect the STOXX ESG-X Select Dividend indices, STOXX ESG-X Factor indices, and various iSTOXX indices, as the parent universe of these indices are the aforementioned families of 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 December 16th, 2022.

STOXX intends to announce the results of the market consultation, as well as an announcement about potential changes to the index methodology, by January 16th, 2023.

STOXX intends to implement the proposed changes no later than with the ordinary review on March 20th, 2023.

Motivation for the Market Consultation

As part of STOXX's ongoing methodology reviews and as sustainable investing continues to evolve, we would like to seek market opinion regarding the proposed sustainability screens for the STOXX Benchmark ESG-X family of indices, and STOXX Benchmark ESG-X ex Nuclear Power family of indices.

Proposed enhancements aim to help investors align their ESG objectives with the current developments in the sustainable finance space - i.e. Sustainable Finance Disclosure Regulation (SFDR)\(^1\) and the Markets in Financial Instruments Directive II (MiFID II)\(^2\). The new screens have the objective of a stricter ESG screening criteria as well as broadening considerations of some SFDR principal adverse impact (PAI) indicators, at the same time keeping to a consistent threshold approach and maintaining a close tracking error to the parent benchmarks.

Based on the outcome of this consultation, we may additionally evaluate the methodologies of the STOXX ESG Broad Market, STOXX SRI, STOXX ESG Target TE, STOXX ESG Target, EURO STOXX ESG 50 and STOXX ESG Leaders families of indices.

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\(^1\) [https://eur-lex.europa.eu/eli/reg_del/2022/1288](https://eur-lex.europa.eu/eli/reg_del/2022/1288)

Proposed Treatments/Amendments

STOXX is looking to enhance the methodology of the STOXX ESG-X family of indices, and STOXX ESG-X ex Nuclear Power family of indices, with these additional screens.

<table>
<thead>
<tr>
<th>CURRENT SCREENS</th>
<th>PROPOSED SCREENS</th>
<th>REASONS</th>
<th>LINK WITH PAI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Standards Screen</td>
<td>STOXX will exclude companies that are non-compliant based on the Sustainalytics Global Standards Screening assessment.</td>
<td>Unchanged</td>
<td>PAI 10 (fully aligned)</td>
</tr>
<tr>
<td>Controversial Weapons</td>
<td>STOXX will exclude the companies that Sustainalytics identifies to be involved with controversial weapons.</td>
<td>Unchanged</td>
<td>PAI 14 (fully aligned)</td>
</tr>
<tr>
<td>(a) Tobacco</td>
<td>STOXX will exclude companies that Sustainalytics identifies to be tobacco producers (0% revenue threshold).</td>
<td>Expand the tobacco screen to exclude companies that are involved in tobacco-related products and services or distribution of tobacco products</td>
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<td></td>
<td>STOXX will exclude companies that Sustainalytics identifies to have:</td>
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<tr>
<td></td>
<td>&gt; 0% revenues from manufacturing tobacco products</td>
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<tr>
<td></td>
<td>&gt; 5% revenues from supplying tobacco-related products/services</td>
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<td></td>
<td>&gt; 5% revenues from the distribution and/or retail sale of tobacco products</td>
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<tr>
<td>(b) Thermal Coal</td>
<td>STOXX will exclude companies that Sustainalytics identifies to have:</td>
<td>Stricter thresholds for companies involved in thermal coal extraction and power generation</td>
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<td></td>
<td>&gt; 25% revenues from thermal coal extraction (including thermal coal mining and exploration)</td>
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<td></td>
<td>&gt; 25% power generation capacity: coal-fired electricity, heat or steam generation capacity / thermal coal electricity production (including utilities that own/operates coal-fired power plants)</td>
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<tr>
<td></td>
<td>STOXX will exclude companies that Sustainalytics identifies to have:</td>
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</tbody>
</table>
| (c) Small Arms  | STOXX will exclude companies that Sustainalytics identifies to have:  
> 0% revenues from manufacturing and selling assault weapons to civilian customers  
> 0% revenues from manufacturing and selling small arms (non-assault weapons) to civilian customers  
> 0% revenues from manufacturing and selling key components of small arms  
> 5% revenues from retail and/or distribution of assault weapons  
> 5% revenues from retail and/or distribution of small arms (non-assault weapons)  
> 5% revenues from manufacturing and selling small arms to military/law enforcement customers | New criterion: Reduce exposure to companies involved in manufacturing and selling small arms, or key components of small arms, and distribution of small arms (both assault and non-assault weapons). | |
| (d) Military Contracting | STOXX will exclude companies that Sustainalytics identifies to have:  
> 10% aggregated revenues from manufacturing military weapons systems and/or integral, tailor made components of these weapons and from tailor made products and/or services that support military weapons | New criterion: Reduce exposure to companies involved in military contracting | |
<table>
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<th>REASONS</th>
<th>LINK WITH PAI</th>
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<tbody>
<tr>
<td>(e) Unconventional Oil &amp; Gas</td>
<td></td>
<td>STOXX will exclude companies that Sustainalytics identifies to have:</td>
<td>New criterion: Expand the fossil fuel screen to exclude companies involved in unconventional oil &amp; gas exploration and/or production</td>
<td>PAI 4 and 5 (partially aligned)</td>
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<td></td>
<td>&gt; 5% revenues Oil &amp; Gas exploration &amp; extraction in Arctic regions</td>
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<td></td>
<td>&gt; 5% revenues from extracting oil sands. This category evaluates oil sands’ share of total oil and gas average production in barrels of oil equivalent per day</td>
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<td></td>
<td></td>
<td>&gt; 5% revenues from shale energy exploration and/or production</td>
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<tr>
<td>(f) ESG Controversy</td>
<td></td>
<td>STOXX will exclude companies that Sustainalytics identifies to have a Controversy Rating of Category 5 (Severe)</td>
<td>New criterion: Expand the existing screen to exclude companies involved in incidents that may negatively impact shareholders, environment or company operations beyond UN Global Compact</td>
<td></td>
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<tr>
<td>(g) ESG Laggards</td>
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<td>STOXX will exclude companies that have an ESG score of below 50 or no ESG score, sourced from Sustainalytics ESG Rating dataset</td>
<td>New criterion: Exclude companies that score poorly on ESG based on Sustainalytics ESG Rating dataset</td>
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<tr>
<td>Nuclear Power</td>
<td><strong>STOXX ESG-X ex Nuclear Power indices only</strong></td>
<td><strong>STOXX ESG-X ex Nuclear Power indices only</strong></td>
<td><strong>STOXX ESG-X ex Nuclear Power indices only</strong></td>
<td><strong>Unchanged</strong></td>
</tr>
<tr>
<td></td>
<td>&gt; 25% revenues from nuclear power production:</td>
<td>&gt; 25% revenues from nuclear power production:</td>
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<tr>
<td></td>
<td>&gt; 25% revenues from nuclear power supporting products / services</td>
<td>&gt; 25% revenues from nuclear power supporting products / services</td>
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<tr>
<td></td>
<td>&gt; 25% revenues from nuclear power distribution</td>
<td>&gt; 25% revenues from nuclear power distribution</td>
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</tbody>
</table>
Impacted Indices

EURO STOXX 50 ESG-X
EURO STOXX Banks ESG-X
EURO STOXX ESG-X
EURO STOXX Large ESG-X
EURO STOXX Mid ESG-X
EURO STOXX Small ESG-X
EURO STOXX Total Market ESG-X
EURO STOXX Total Market Large ESG-X
EURO STOXX Total Market Mid ESG-X
STOXX Asia/Pacific 600 ESG-X
STOXX Australia 150 ESG-X
STOXX Australia Total Market ESG-X
STOXX Canada 240 ESG-X
STOXX Canada 60 ESG-X
STOXX Developed Markets 2400 ESG-X
STOXX Developed Markets Total Market ESG-X
STOXX Developed Markets Total Market Large ESG-X
STOXX Developed Markets Total Market Mid ESG-X
STOXX Emerging Markets 1500 ESG-X
STOXX Emerging Markets 50 ESG-X
STOXX Emerging Markets 800 LO ESG-X
STOXX Emerging Markets Total Market ESG-X
STOXX Emerging Markets Total Market Large ESG-X
STOXX Europe 50 ESG-X
STOXX Europe 600 ESG-X
STOXX Europe 600 Banks ESG-X
STOXX Europe Large 200 ESG-X
STOXX Europe Mid 200 ESG-X
STOXX Europe Small 200 ESG-X
STOXX Europe Total Market ESG-X
STOXX France 90 ESG-X
STOXX Germany Total Market ESG-X
STOXX Global 1800 ESG-X
STOXX Global 3000 ESG-X
STOXX Italy 45 ESG-X
STOXX Japan 600 ESG-X
STOXX Nordic 30 ESG-X
STOXX Nordic Total Market ESG-X
STOXX North America 600 ESG-X
STOXX Singapore 75 ESG-X
STOXX Spain 30 ESG-X
STOXX UK 180 ESG-X
STOXX USA 500 ESG-X
STOXX USA 900 ESG-X
STOXX Asia/Pacific 600 ESG-X Ax Low Risk
STOXX Asia/Pacific 600 ESG-X Ax Momentum
STOXX Asia/Pacific 600 ESG-X Ax Multi-Factor
STOXX Asia/Pacific 600 ESG-X Ax Quality
STOXX Asia/Pacific 600 ESG-X Ax Size
STOXX Asia/Pacific 600 ESG-X Ax Value
STOXX Europe 600 ESG-X Ax Low Risk
STOXX Europe 600 ESG-X Ax Momentum
STOXX Europe 600 ESG-X Ax Multi-Factor
STOXX Europe 600 ESG-X Ax Quality
STOXX Europe 600 ESG-X Ax Size
STOXX Europe 600 ESG-X Ax Value
STOXX Global 1800 ESG-X Ax Low Risk
STOXX Global 1800 ESG-X Ax Momentum
STOXX Global 1800 ESG-X Ax Multi-Factor
STOXX Global 1800 ESG-X Ax Quality
STOXX Global 1800 ESG-X Ax Size
STOXX Global 1800 ESG-X Ax Value
STOXX Japan 600 ESG-X Ax Low Risk
STOXX Japan 600 ESG-X Ax Momentum
STOXX Japan 600 ESG-X Ax Multi-Factor
STOXX Japan 600 ESG-X Ax Quality
STOXX Japan 600 ESG-X Ax Size
STOXX Japan 600 ESG-X Ax Value
STOXX USA 500 ESG-X Ax Low Risk
STOXX USA 500 ESG-X Ax Momentum
STOXX USA 500 ESG-X Ax Multi-Factor
STOXX USA 500 ESG-X Ax Quality
STOXX USA 500 ESG-X Ax Size
STOXX USA 500 ESG-X Ax Value
STOXX USA 900 ESG-X Ax Low Risk
STOXX USA 900 ESG-X Ax Momentum
STOXX USA 900 ESG-X Ax Multi-Factor
STOXX USA 900 ESG-X Ax Quality
STOXX USA 900 ESG-X Ax Size
STOXX USA 900 ESG-X Ax Value
EURO STOXX ESG-X Select Dividend 30
STOXX Asia/Pacific ESG-X Select Dividend 30
STOXX Europe ESG-X Select Dividend 30
STOXX North America ESG-X Select Dividend 40
STOXX Global ESG-X Select Dividend 100
iSTOXX Europe 600 ESG-X GR Decrement 5%
iSTOXX Europe 600 ESG-X NR Decrement 4.75%
iSTOXX Global ESG Eurozone Leg Equal Weight
iSTOXX Global ESG US Leg Equal Weight
iSTOXX Global ESG Japan Leg Equal Weight
iSTOXX Global ESG 120
iSTOXX Global ESG 120 Decrement
iSTOXX Global ESG Eurozone Leg 50
iSTOXX Global ESG US Leg 50
iSTOXX Global ESG Japan Leg 50
iSTOXX Global ESG 150
iSTOXX Global ESG 150 Decrement
iSTOXX France ESG 40
iSTOXX France ESG 40 Decrement 50
EURO STOXX ESG-X ex Nuclear Power
STOXX Europe 600 ESG-X ex Nuclear Power
Questions

1. Do you agree that STOXX ESG-X index series should be enhanced to reflect the current developments in the sustainable finance space?

2. Do you agree that the proposed screens below would bring the STOXX ESG-X index series in closer alignment to relevant regulatory requirements?

3. Do you agree that the tobacco screen [see (a) Tobacco in the table] should be expanded to exclude companies that are involved in tobacco-related products and services or distribution of tobacco products?

4. Do you agree that there should be stricter thresholds for companies involved in thermal coal extraction and power generation [see (b) Thermal Coal in the table]?

5. Do you agree that there should be reduced exposure to companies involved in manufacturing and selling small arms, or key components of small arms, and distribution of small arms (both assault and non-assault weapons) [see (c) Small Arms in the table]?

6. Do you agree that there should be reduced exposure to companies involved in military contracting [see (d) Military Contracting in the table]?

7. Do you agree that there should be reduced exposure to companies involved in unconventional oil & gas exploration and/or production [see (e) Unconventional Oil & Gas in the table]?

8. Do you agree that ESG Controversy should be included as a screen [see (f) ESG Controversy in the table]?

9. Do you support a fast exit rule for severe ESG Controversies intra-quarter?

10. Should there be a minimum ESG Ratings screen [see (g) ESG Laggards in the table]?

If your answer to any of the above questions is NO, please also kindly explain your reasons behind it.

11. Are there any other product involvement screens that you think should be included in the methodology?

12. The proposed screens have full or partial alignments to some of the PAIs. Are there additional PAIs that should be included in the methodology for an SFDR Article 8 fund?

13. The ESG-X index series have threshold-based screening for product involvement. Would you support an improvement-vs-the-benchmark criterion for these indices? If so, which metrics should be considered and how?

14. As the European Commission issues further clarity on SFDR, MiFID II, and BMR criteria, should the methodology be adapted in accordance with the requirements?