

Type:	Policy
Reference number:	201907-03
Subject:	Changes to Methodology
Scope:	STOXX Benchmarks
Approved by:	Management Board (“ MB ”)
Approval date:	1 st June 2022
Responsible department:	Product Development (“ Product ”)
Relevant documents:	Terms of Reference – Index Management Committee (“ IMC ”) Terms of Reference / Index Governance Committee (“ IGC ”) Terms of Reference – Oversight Committee (“ OC ”) Terms of Reference – (“ MB ”)
Valid from:	Date of STOXX Recognition within the meaning of art. 32 Regulation (EU) 2016/1011
Valid until:	Revocation
Version (Updated):	3.1

1. Background

The regulations of benchmarks in the various jurisdictions and for the various types of regulated entities vary in detail, but the general approach is equivalent in principle. In addition, the various rules and regulations use different language and terminology while content-wise is very similar. As such, this Policy uses a harmonized language, which is to be read in conjunction with the specific (national) legal terminology. The most relevant parts of the legislative framework applicable can be summarized as follows:

- **Global:**

Administrators of benchmarks need to comply with requirements of Principle 12 (Changes to the Methodology) of the IOSCO Principles for Financial Benchmarks FR07/13.

- **European Union:**

Administrators of benchmarks used in the EU need to comply with the requirements Regulation (EU) No. 2016/1011 “**EU Benchmark Regulation**” or “**EU BMR**”.

- **United Kingdom¹:**

Administrators of benchmarks used in the UK need to comply with the requirements of Section 3(1) European Union (Withdrawal) Act 2018 (UK) in conjunction with EU BMR (“**UK BMR**”).

¹ After the Brexit with an effective date of 31 January 2020, STOXX needs to register for recognition by FCA under UK BMR with a new filing by the end of 2022; until then, UK market access is ensured according to UK BMR transitional provisions.

2. Objective and Purpose²

The Policy addresses the requirements that must be addressed by STOXX Ltd., Zug, Switzerland (“**STOXX**”) when changing the benchmark methodology.

3. Scope

This Policy applies to all benchmarks STOXX administers within the meaning of Art. 3 (1), (5), and (6) EU BMR and any similar or equivalent regime (“**STOXX Benchmarks**”).

4. Benchmark Integrity

Product must ensure that a change of methodology does not violate any of the requirements on benchmark methodology as described in the Policy on Benchmark Design.

After a change in methodology is implemented, the revised methodology must remain executable and result in an accurate and reliable representation of the economic realities of the interest the benchmark seeks to measure.

Under no circumstances will STOXX retroactively change any of its rules and/or methodology.

5. Approval of Changes and Stakeholder Consultation

The following STOXX Committees are responsible for making the decisions on amendments of an Index Methodology:

The IMC decides on changes to the index methodology, unless:

- a material change to the Index Methodology is proposed, or
- the change is triggered by an Unclear Rule or Insufficient Rule (as part of a Limitation, as described in the Index Guides), or
- financial products relating to the index have a notional value/notional amount of more than EUR 100 m.

If any of the conditions a. to c. above is met, the decision is taken by IGC.

In case the proposed changes to the Index Methodology are deemed material, a consultation will be performed in accordance with STOXX Consultation Policy.

A change to an index methodology shall be considered material in the event of:

- a substantial change in the index objective or market/economic reality the index aims to represent (e.g. market leader components vs. mid-cap companies), or
- a substantial change of the index methodology in aspects such as, but not limited to, the ones listed below and that would result in altering the overall concept or the nature of the index:
 - i) calculation methods or formulas with a substantial impact on the index performance, or
 - ii) rules regarding the determination of index constituents by application of the index methodology, or

² Cases or situations not covered by this policy will be covered by processes in the respective STOXX or DAX Index Guides.

iii) rules regarding the determination of the weights of index constituents by application of the index methodology,

iv) rules the treatment of corporate actions.

On the contrary, index methodology updates resulting from the application of existing methodology principles or minor clarifications of existing rules or corrections without altering the overall concept or the nature of the index are generally considered non-material.

The IMC determines whether an amendment is material as defined above. In case such determination is not possible, the proposed amendment shall be treated as material.

6. Climate Transition Benchmark (CTB)/Paris aligned Benchmark (PAB),

In case of a Climate Transition Benchmark (CTB) or Paris aligned Benchmark (PAB), independent from being material or not, STOXX as the Index Provider has to perform a market consultation then followed by the usual process for material changes Publication of Changes

The effective date for benchmark methodology changes is aligned, where feasible, with the periodic benchmark review dates when the benchmark composition is changed, and a rebalancing is triggered to avoid extraordinary impact for clients. Material methodology changes should generally be publicly announced 3 months before implementation. IGC may decide to shorten the notice period:

- In exceptional or urgent cases such as extreme or exceptional market conditions or analogous extraordinary situations
- in situations where there is no stakeholder impact and where it has been agreed that the notice period has to be shortened but immediate communication is not possible. A case that requires urgent action is for example a situation in which the investor's ability to replicate the index benchmark performance with his or her portfolio is no longer ensured. In such cases, changes or amendments to the published index methodology ("Index Guides") must be made on the same day the new rule or change is implemented.
- to align with the period benchmark review dates and the rebalancing of the benchmarks.

In case of any proposed material change in its methodology, STOXX shall share its view on the key elements of the methodology that will be impacted by a proposed material change. Furthermore, STOXX shall include an assessment as to whether the representativeness of the benchmark and its appropriateness for its intended use are put at risk in case the proposed material change is not put in place. In case of any changes or amendments to the Index Guides, Operations and Product will work together to ensure both the public and subscribers are provided with detailed information about the nature and rationale of the change as well as the implications and terms for the new methodology to enter into force.

Product is responsible for adding any change or amendment to the benchmark methodology in the respective Index Guides. Any change or amendment must also be added to the Index Guides' change history.

7. Policy Revision

This Policy will be reviewed in accordance with the Policy Management Policy and updated as necessary. The responsibility for the updates is assumed by the Head of Product.