

Zug, January 27th, 2023

Market Consultation on STOXX AI Global Artificial Intelligence, STOXX AI Global Artificial Intelligence ADTV5, iSTOXX AI Global Artificial Intelligence High Dividend 30, iSTOXX AI Global Artificial Intelligence 100, iSTOXX AI Global Artificial Intelligence Large 100

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 AI Global Artificial Intelligence Indices. This includes STOXX AI Global Artificial Intelligence Index and STOXX AI Global Artificial Intelligence ADTV5 Index.

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 February 10th, 2023.

STOXX intends to announce the results of the market consultation, as well as an announcement about potential changes to the index methodology, by February 17th, 2023.

STOXX intends to implement the proposed changes no later than with the ordinary review on June 19th, 2023.

Motivation for the Market Consultation

The primary data source used in STOXX AI Global Artificial Intelligence Indices has now been discontinued. We would like to seek market opinion regarding the proposed alternative data replacement in conjunction with additional enhancements, such as size, ESG screens and review frequency, for the STOXX AI Global Artificial Intelligence Indices.

Proposed Treatments/Amendments

- A. STOXX is looking to replace the existing thematic scores provided by Yewno with company exposure to revenue sectors that drives A.I. progress and innovation. The revenue taxonomy and company exposure the revenue sectors are provided by the FACSET RBICS data set. Companies with aggregated revenue exposure of 50% or greater to the relevant revenue sectors are selected for inclusion subject to ESG screening (details below). The relevant RBICS L6 sectors are defined as below:

STOXX AI Global Artificial Intelligence Relevant Revenue Sectors	
RBICS NAME	SUB-THEME
Autonomous Drone Manufacturers	AI Application: Automation and Control
Imaging Laboratories	AI Application: Automation and Control

Manufacturing Industry Software	AI Application: Automation and Control
Monitoring and Control Sensor/Instrument Products	AI Application: Automation and Control
Other Automation Support Product Manufacturing	AI Application: Automation and Control
Surgical Robotic Systems	AI Application: Automation and Control
Vehicle Autonomous Control Electronics Makers	AI Application: Automation and Control
Colocation and Data Center Services	Big Data: Data Storage and Services
Data Storage Drives and Peripherals	Big Data: Data Storage and Services
Data Storage Media	Big Data: Data Storage and Services
Data Transport Carrier Services	Big Data: Data Storage and Services
Disk Storage Systems	Big Data: Data Storage and Services
Flash Memory Semiconductors	Semi-Conductor/Chip
Microprocessor (MPU) Semiconductors	Semi-Conductor/Chip
Networking Semiconductors	Semi-Conductor/Chip
Other Memory Semiconductors	Semi-Conductor/Chip
Other Processor Semiconductors	Semi-Conductor/Chip
Other Programmable Logic and ASIC Semiconductors	Semi-Conductor/Chip
Programmable Logic Device Semiconductors	Semi-Conductor/Chip
Video Multimedia Semiconductors	Semi-Conductor/Chip
Volatile Memory Semiconductors	Semi-Conductor/Chip
Automotive Industry Software	AI Application: Software
Business Intelligence Software	AI Application: Software
Communication and Collaboration Content Sites	AI Application: Software
Enterprise Middleware Software	AI Application: Software
General and Mixed-Type Software	AI Application: Software
Server Computer Systems	AI Application: Software
Vehicle Autonomous Control Software	AI Application: Software
Web Search Sites and Software	AI Application: Software
General Communications Equipment	Big Data: Connectivity
International Mobile Satellite Services	Big Data: Connectivity
Wireless and Wi-Fi Equipment	Big Data: Connectivity
Wireless Infrastructure Services	Big Data: Connectivity

- B. Implement a size screen where only securities are eligible if the free-float market capitalization is greater than or equal to EUR 100 million at the ordinary index review.
- C. The proposal also includes the change of index review frequency from quarterly to an annual June review, with ESG screens on quarterly basis in March, June, September and December. Thus, stocks that fail these screens will be removed from the index and the weights will be re-distributed proportionally. This reflects the revenue data's annual updated nature and reduces unnecessary index turnover.
- D. STOXX is also proposing an enhancement to the indices by introducing ESG screening that is aligned with the requirement of Article 8 under EU legislation Sustainable Finance Disclosures Regulation (SFDR). Stocks that fail the below screening are not eligible for membership of STOXX AI Global Artificial Intelligence Indices.

STOXX AI Global Artificial Intelligence Index ESG Screen	
Global Standard Screening	STOXX will exclude companies that are non-compliant based on the Sustainalytics Global Standards Screening assessment.
Controversial Weapons	STOXX will exclude companies that Sustainalytics identifies to be involved with controversial weapons.
Tobacco	STOXX will exclude companies that Sustainalytics identifies to be tobacco producers (0% revenue threshold).
Thermal Coal	STOXX will exclude companies that Sustainalytics identifies to have: > 5% revenues from thermal coal extraction (including thermal coal mining and exploration) > 5% power generation capacity: coal-fired electricity, heat or steam generation capacity / thermal coal electricity production (including utilities that own/operates coal-fired power plants)
ESG Controversy	STOXX will exclude companies that Sustainalytics identifies to have a Controversy Rating of Category 5 (Severe)

The key aspects of the current and proposed index methodology are summarized below.

	CURRENT RULE	PROPOSED CHANGE	REASONS
A. Theme Selection	Yewno Score based	Total revenue exposure to revenue sectors relevant to the theme	Yewno data replacement
B. Size Screen	N/A	Free-float Market Capitalization greater than or equal to 100 mln EUR	Capacity and Liquidity enhancement
C. Review / Rebalance Cycle	Quarterly review	Annual review in June, with quarterly ESG screens	Enhance turnover efficiency
D. ESG Screens	N/A	Global Standard, Controversial Weapons, Article 8 screens	ESG Enhancement
Weighting	Equal weight	No Change	N/A

Liquidity Screen	3-month average daily trading value (ADTV) greater than 1,000,000 EUR (5,000,000 EUR for the STOXX AI Global Artificial Intelligence ADTV5 Index and iSTOXX AI Global Artificial Intelligence 100)	No Change	N/A
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Affected Indices

STOXX AI Global Artificial Intelligence
 STOXX AI Global Artificial Intelligence ADTV5
 iSTOXX AI Global Artificial Intelligence High Dividend 30
 iSTOXX AI Global Artificial Intelligence 100
 iSTOXX AI Global Artificial Intelligence Large 100

Questions

1. Do you agree that the proposed theme definition by revenue sectors reflects product and services that drives A.I. progress and innovation (see A)?
2. Do you agree to implement a size screen at the review (see B)?
3. Do you agree that the review/rebalance frequency on an annual basis in June is preferable based on the annual nature of the revenue data with the ESG screens performed quarterly in March, June, September and December (see C)?
4. Do you agree that proposed ESG screening enables index users to better align their ESG goals (see D)?

Please provide a rationale to your response.