

Zug, February 06th, 2023

Results of Market Consultation on proposed changes to the EURO STOXX 50 ESG and STOXX ESG Broad Market Indices Methodology

Dear Sir and Madam,

STOXX Ltd., the operator of Qontigo's index business and a global provider of innovative and tradable index concepts, announces the results of the market consultation on proposed changes of the methodology of the EURO STOXX 50 ESG and STOXX ESG Broad Market Indices, published on January 13th, 2023.

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.

Results

During the course of the market consultation conducted from January 13th, 2023 to January 27th, 2023, the respondents agreed with the proposed methodology changes.

Questions 1 and 8 were unanimously agreed. Questions 2, 3, 4, 5, 6, 7, 9, and 11 were agreed by the majority of respondents. On Question 10 half of the respondents had no opinion while the remaining were in favour of the change. For questions 12 and 13, the feedback was to also possibly consider inclusion of greenhouse gas emissions, carbon intensity reduction screens. Qontigo may explore these at a later stage.

Impacted Indices

EURO STOXX 50 ESG
STOXX Japan 600 ESG Broad Market
STOXX USA 500 ESG Broad Market
STOXX USA 900 ESG Broad Market
STOXX North America 600 ESG Broad Market
STOXX Asia/Pacific 600 ESG Broad Market
STOXX Global 1800 ESG Broad Market
EURO STOXX ESG Broad Market
STOXX Europe 600 ESG Broad Market
STOXX Europe 600 ESG Broad Market Equal Weight

¹ https://eur-lex.europa.eu/eli/reg_del/2022/1288

² <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32021R1253>

Decision

STOXX decided to apply the following methodology changes:

	NEW SCREENS
(a) Tobacco	STOXX will exclude companies that Sustainalytics identifies to have: > 0% revenues from manufacturing tobacco products > 5% revenues from supplying tobacco-related products/services > 5% revenues from the distribution and/or retail sale of tobacco products
(b) 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
(c) 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
(d) Unconventional Oil & Gas	STOXX will exclude companies that Sustainalytics identifies to have: > 5% revenues Oil & Gas exploration & extraction in Arctic regions > 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 > 5% revenues from shale energy exploration and/or production
(e) ESG Controversy	STOXX will exclude companies that Sustainalytics identifies to have a Controversy Rating of Category 5 (Severe)
(f) ESG Risk Ratings	STOXX will exclude companies that Sustainalytics identifies to have a "Severe" ESG Risk Rating.

Furthermore, STOXX will implement an intra-quarter fast exit rule for severe ESG Controversies.

For the EURO STOXX 50 ESG only:

- Spin-offs will only be added temporarily for one dissemination day and is then removed from the index.
- Companies without an ESG score in the EURO STOXX 50 index are excluded from the EURO STOXX 50 ESG index.

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