

Zug, August 4th, 2023

Results of Market Consultation on proposed changes to STOXX ESG Leaders family 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, announces the results of the market consultation on proposed changes of the methodology of the STOXX ESG Leaders family of indices published on July 12th, 2023.

In specific, the consultation related to the introduction of several new exclusion screens covering Tobacco, Thermal Coal, Small Arms, Military Contracting, Unconventional Oil and Gas, ESG Controversy and ESG Risk Rating, as well as changing the review frequency of the below listed indices to quarterly.

- STOXX Global ESG Leaders
- STOXX Global ESG Social Leaders
- STOXX Global ESG Governance Leaders
- STOXX Global ESG Environmental Leaders
- STOXX Europe ESG Leaders 50
- STOXX Asia/Pacific ESG Leaders 50
- STOXX North America ESG Leaders 50
- EURO STOXX ESG Leaders 50

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

Overall, the respondents agreed with all of the proposed methodology changes.

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

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

Impacted Indices

STOXX Global ESG Leaders
STOXX Global ESG Leaders Select 50 USD
STOXX Global ESG Leaders Select 50 Risk Control 10%
STOXX Global ESG Leaders Select 50 EUR
STOXX Global ESG Leaders Diversification Select 50 USD
STOXX Global ESG Leaders Diversification Select 50 EUR
STOXX Global ESG Social Leaders Select 30 EUR
STOXX Global ESG Social Leaders Diversification Select 30 EUR
STOXX Global ESG Social Leaders
STOXX Global ESG Governance Leaders Select 30 EUR
STOXX Global ESG Governance Leaders Diversification Select 30 EUR
STOXX Global ESG Governance Leaders
STOXX Global ESG Environmental Leaders Select 30 EUR
STOXX Global ESG Environmental Leaders Diversification Select 30 EUR
STOXX Global ESG Environmental Leaders
STOXX Europe ESG Leaders Select 30 EUR
STOXX Europe ESG Leaders Diversification Select 30 EUR
STOXX Europe ESG Social Leaders Select 30 EUR
STOXX Europe ESG Social Leaders Diversification Select 30 EUR
STOXX Europe ESG Governance Leaders Select 30 EUR
STOXX Europe ESG Governance Leaders Diversification Select 30 EUR
STOXX Europe ESG Environmental Leaders Select 30 EUR
STOXX Europe ESG Environmental Leaders Diversification Select 30 EUR
STOXX Europe ESG Leaders 50
EURO STOXX ESG Leaders 50
STOXX North America ESG Leaders 50
STOXX Asia/Pacific ESG Leaders 50
iSTOXX North America ESG Select 30
iSTOXX Nordic ESG DW Decrement 4.5%
iSTOXX Nordic ESG DW
iSTOXX Global ESG Select 50
iSTOXX Global ESG Select 100
iSTOXX Europe ESG Select 30
iSTOXX Europe ESG Leaders Additional Exclusions Select 30
EURO iSTOXX ESG Leaders 50 NR Decrement 5%
EURO iSTOXX ESG Leaders 50 GR Decrement 5%

Decision

STOXX decided to apply the following methodology changes:

	NEW SCREENS
(a) Tobacco	STOXX will exclude companies that Sustainalytics identifies to have: <ul style="list-style-type: none"> > 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) Thermal Coal	STOXX will exclude companies that Sustainalytics identifies to have: <ul style="list-style-type: none"> > 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)
(c) Small Arms	STOXX will exclude companies that Sustainalytics identifies to have: <ul style="list-style-type: none"> > 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
(d) Military Contracting	STOXX will exclude companies that Sustainalytics identifies to have: <ul style="list-style-type: none"> > 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
(e) Unconventional Oil & Gas	STOXX will exclude companies that Sustainalytics identifies to have: <ul style="list-style-type: none"> > 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
(f) ESG Controversy	STOXX will exclude companies that Sustainalytics identifies to have a Controversy Rating of Category 5 (Severe)
(g) ESG Risk Rating	STOXX will exclude companies that Sustainalytics identifies to have a "Severe" ESG Risk Rating, sourced from the Sustainalytics ESG Risk Ratings dataset

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

In light of the feedback received STOXX intends to implement the changes no later than with the ordinary review in September 2023.