

Zug, January 13th, 2023

Results of Market Consultation on proposed changes 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, announces the results of the 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) published on November 16th, 2022. 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.

In specific, the consultation related to the introduction of several new and enhanced exclusion screens covering Tobacco, Thermal Coal, Small Arms, Military Contracting, Unconventional Oil and Gas, ESG Controversy and ESG Laggards.

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 the majority of the proposed methodology changes.

On the ESG Laggards exclusion, there was feedback provided to use the ESG Risk Ratings data from Sustainalytics instead of the ESG Ratings.

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: <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)

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

In light of the feedback received with regards to the ESG Laggards, STOXX decided to trigger a follow-up market consultation, addressing this topic separately.

STOXX intends to implement the changes, jointly with the potential changes resulting from the follow-up market consultation, no later than with the ordinary review on March 20th, 2023.