Zug, December 6, 2024

Results of Market Consultation on proposed enhancements to the DAX ESG Target

Dear Sir and Madam,

STOXX Ltd. announces the results of the market consultation on proposed enhancements to the DAX ESG Target.

Results

All respondents were in favor of the proposed changes.

On question 7 regarding a switch from the predicted tracking error constraint to an ESG Risk Rating constraint, it was noted that rather than lower or equal, the weighted average ESG Risk rating should be lower than the benchmark to achieve an improvement.

Decision

STOXX has decided to implement the changes to the DAX ESG Target index methodology as proposed with the above-mentioned amendment to the ESG Risk rating constraint [see table 2 (c)]. The following changes will be implemented as of the quarterly index review effective date in March 2025:

Table 1: Changes to the DAX ESG Target selection process

	Current Methodology	**New Methodology**
(a) Decrease of the thermal coal extraction revenue threshold	**Thermal coal:** STOXX excludes companies that Sustainalytics identifies as meeting one or more of the following criteria: ▪ **>5%** of revenues from thermal coal extraction (including thermal coal mining and exploration) ▪ >5% power generation capacity: coal-fired electricity, heat or steam generation/thermal coal electricity production (including utilities that own/operate coal-fired power plants)	**Thermal coal:** STOXX excludes companies that Sustainalytics identifies as meeting one or more of the following criteria: ▪ **>1%** of revenues from thermal coal extraction (including thermal coal mining and exploration) ▪ >5% power generation capacity: coal-fired electricity, heat or steam generation/thermal coal electricity production (including utilities that own/operate coal-fired power plants)

(b) Introduction of an oil & gas exclusionary screen		**Oil and Gas:** STOXX excludes companies that Sustainalytics identifies as deriving: ▪ >10% of revenues from oil and gas exploration, production, refining, transportation and/or storage. This category evaluates oil and gas related activities' share of total company's revenue. Assessments are made for producers, refiners, transporters, and companies engaged in storage (proxy: revenues).
(c) Introduction of a fossil fuel power generation exclusionary screen		**Fossil Fuel Power Generation:** STOXX excludes companies that Sustainalytics identifies as deriving: ▪ >50% of revenues from generating electricity from oil and/or gas (proxy: generating capacity) and coal-fired electricity, heat or steam generation capacity / thermal coal electricity production (including utilities that own/operates coal-fired power plants).
(d) Change of the replacement process for companies that are screened out	DAX companies that have been excluded as described in Step 1 will be replaced in the following manner: The companies still in the HDAX following screening as described in Step 1 are then ranked from high to low in terms of their free-float market capitalization (as reported in the most recent DAX selection indices selection list). In addition, the ESG score for each constituent is displayed. Starting with the largest companies (measured in terms of their free-float market capitalization), companies are then included in the index if they have the same or a better ESG ranking than the DAX Regular Exit candidate rank for free-float market capitalization (see section 7.1.2). The ESG ranking is calculated using the composition of the HDAX after all exclusions have been omitted. This process is repeated until the number of DAX ESG Target constituents matches the number of DAX constituents.	DAX companies that have been excluded as described in Step 1 will be replaced in the following manner: The companies still in the HDAX following screening as described in Step 1 are then ranked from high to low in terms of their free-float market capitalization (as reported in the most recent DAX selection indices selection list). Starting with the largest companies (measured in terms of their free-float market capitalization), companies are then included in the index. This process is repeated until the number of DAX ESG Target constituents matches the number of DAX constituents.

Table 2: Changes to the DAX ESG Target weighting process		
	Current Methodology	**New Methodology**
(a) Change of the objective function from maximizing the portfolio's ESG score to minimizing the portfolio's predicted tracking error	Weightings are derived using an optimization process that aims to maximize the portfolio's ESG score (as measured by Sustainalytics' ESG scores). The following constraints are applied:	Weightings are derived using an optimization process that aims to minimize the ex-ante tracking error subject to:
(b) Increase of the single stock weighting constraint	$MAX(bmin,b/2) < w<MIN(10*b,b+2\%,\mathbf{10\%})$	$MAX(bmin,b/2) < w<MIN(10*b,b+2\%,\mathbf{15\%})$
(c) Switch from the predicted tracking error constraint to an ESG Risk Rating constraint	• <u>Tracking error:</u> Predicted tracking error <1.5% […] Where infeasibilities arise, the tracking error, soft turnover and supersector active exposures constraints can all be potentially violated if necessary to find a solution that minimizes the aggregate violations.	• <u>ESG risk rating:</u> The weighted average ESG Risk rating must be at least 0.01 lower than the benchmark […] Where infeasibilities arise, the soft turnover and supersector active exposures constraints can all be potentially violated if necessary to find a solution that minimizes the aggregate violations.
(d) Introduction of a minimum sustainable investments threshold		<u>Sustainable Investment (SI) commitment:</u> a minimum of 20% of the index weight is defined as Sustainable Investment. Clarity AI's Sustainable Investment framework is used to evaluate companies' sustainability objectives and their environmental and social contributions. The companies in the selection have to satisfy all of the criteria below in order to be considered towards the SI commitment of the index: » companies identified as having positive contributions according to Clarity AI's Sustainable Investment framework » companies that are non-compliant according to the Global Standards Screening assessment are not eligible » companies that are not involved in Controversial Weapons, according to the definitions above » companies with High or Severe Sustainalytics Controversy Ratings are not eligible » companies with High or Severe Sustainalytics Carbon Risk Ratings are not eligible

		» companies with Product Involvement higher than these thresholds are not eligible for the SI label: - 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 - 0% revenues from thermal coal extraction (including thermal coal mining and exploration) Companies with no data in any of the above fields will not be eligible for the SI label.