

Zug, 29th May 2024

Market Consultation on the treatments of Highly Dilutive and Extremely Dilutive Rights Offerings and Mergers & Acquisitions as part of the STOXX Equity Calculation Guide and DAX Equity Index Calculation Guide

Dear Sir and Madam,

STOXX Ltd., the operator of ISS STOXX' index business and a global provider of innovative and tradable index concepts, has decided to conduct a market consultation on the treatments of Highly Dilutive and Extremely Dilutive Rights Offerings and Mergers & Acquisitions as part of the STOXX Equity Calculation Guide and DAX Equity Index Calculation Guide.

Process and Timeline

STOXX Ltd. invites relevant stakeholders and interested third parties to submit responses to consultation@stox.com.

The consultation is open to all market participants until 24th July 2024.

STOXX Ltd. intends to announce the results of the market consultation, as well as potential changes to the index methodology, by 31st July 2024.

STOXX Ltd. intends to implement the potential changes resulting from this consultation with the effective date of the ordinary index review in the second half of 2024.

Motivation for the Market Consultation

The proposed enhancements aim to improve the replicability of the indices with respect to corporate actions such as highly dilutive rights issues (HDRI) and extremely dilutive rights issues (EDRI) as well as Mergers & Acquisitions.

It is aimed to align the treatment of HDRI and EDRI to better reflect the environment in the market and the impacts on its market participants in a more structural and precise manner, which was queried by various market participants.

For Mergers & Acquisitions, various market participants queried that the requirements for free float and/or share adjustments or deletions due to Mergers & Acquisitions may need to be revisited for DAX & STOXX indices.

Proposed Treatments/Amendments

(a) Standard rights issues:

$$p_{adj} = (p_{t-1} \times A + SP \times B) / (A + B)$$

a) For free float market capitalization weighted indices:

$$S_{adj} = S_{t-1} \times (A + B) / A$$

b) For price weighted indices with weighting factors:

$$wf_{adj} = wf_{t-1} \times p_{t-1} / p_{adj}$$

Shareholders will receive "B" new shares for every "A" share held (where applicable).

- » p_{t-1} = closing price on the day before the ex- date
- » p_{adj} = new adjusted price
- » wf_{t-1} = weighting factor on the day before the ex-date
- » wf_{adj} = new adjusted weighing factor
- » S_{t-1} = number of shares on the day before the ex-date
- » S_{adj} = new adjusted number of shares
- » SP = subscription price

(b) Highly dilutive rights issues:

Scenario 1) If the rights are tradable on ex-date on the same eligible stock exchange as the parent company:

- » The rights will be included into the indices with a theoretical price on the ex-date with the same parameters as the parent company.
- » The rights will be removed at the close of the day they start to trade based on its closing price.
- » For free float market capitalization weighted indices only: If the rights issue results into listing of new shares and satisfy the criteria laid out in the section 8.2 (STOXX Calculation Guide and DAX Calculation Guide respectively), then the number of shares will be increased after the new shares have been listed.

Scenario 2) If the rights are not tradable on ex-date or not tradable on the ex-date on the same eligible stock exchange as the parent company:

- » Only a price adjustment will be applied.
- » For free float market capitalization weighted indices only: If the rights issue results into listing of new shares and satisfy the criteria laid out in the section 8.2, then the number of shares will be increased after the new shares have been listed.

Table 1: Current procedure of rights issues

Rights Issues:

	Currently	Proposed
(a) Align treatments of HDRI and both EDRI	<p>STOXX indices: Different treatment between HDRI + EDRI <u>without</u> sufficient notice period and EDRI <u>with</u> sufficient notice period.</p> <p>DAX indices: Same treatment between highly dilutive rights issues + extremely dilutive rights issues <u>without</u> sufficient notice period and extremely dilutive rights issues <u>with</u> sufficient notice period. Only one Highly Dilutive Rights Issue treatment applicable with a share ratio larger or equal to 200% ($B/A \geq 2$).</p>	<p>STOXX & DAX indices: Same treatment between highly dilutive rights issues + extremely dilutive rights issues <u>without</u> sufficient notice period and extremely dilutive rights issues <u>with</u> sufficient notice period as then proposed below in detail. Only one Highly Dilutive Rights Issue treatment applicable with a share ratio larger or equal to 200% ($B/A \geq 2$).</p>
(b) Add fully underwritten rule	<p>STOXX & DAX indices: N/A</p>	<p>STOXX & DAX indices: If a rights issue is fully underwritten, irrespective of being standard rights issue, highly dilutive rights issue, extremely dilutive rights issue without sufficient notice period or extremely dilutive rights issue with sufficient notice period then it shall be implemented as shown in table 1(a).</p>
(c) Modify treatment of tradable rights on ex-date for HDRI and EDRI	<p>STOXX & DAX indices: Currently, the HDRI rule does not distinguish between fully and not-fully underwritten rights issues.</p>	<p>STOXX & DAX indices: If a highly or extremely dilutive rights issue is not fully underwritten, but the rights are tradable on ex-date on the same eligible stock exchange as the parent company:</p> <ul style="list-style-type: none"> - The rights will be included in the indices with a theoretical price on the ex-date with the same parameters as the parent company. - The rights will be removed at the close of the day they start to trade based on its closing price. - For free float market capitalization weighted indices only: If the rights issue results into listing of new shares and satisfy the criteria laid out in the section 8.2 of the Calculation guide, then the number of shares will be increased after the new shares have been listed.

<p>(d) Modify treatment of non-tradable rights on ex-date and/or trading on a different exchange for HDRI and EDRI</p>	<p>STOXX & DAX indices:</p> <ul style="list-style-type: none"> - Only a price adjustment will be applied. - For Market Capitalization weighted indices only: If the rights issue results into listing of new shares and satisfy the criteria laid out in the section 8.2, then the number of shares will be increased after the new shares have been listed. 	<p>STOXX & DAX indices:</p> <p>(i) Ignore the event entirely by not performing any actions at the ex-date. For free float market capitalization weighted indices only: If the rights issue results into listing of new shares and satisfy the criteria laid out in the section 8.2., then the number of shares will be increased after the new shares have been listed.</p> <p>OR</p> <p>(ii) - The rights will be included into the indices with a theoretical price on the ex-date with the same parameters as the parent company. - The rights will be removed at the close of the day they start to trade in local currency of 0.0000001. - For free float market capitalization weighted indices only: If the rights issue results in listing of new shares and satisfy the criteria laid out in section 8.2, then the number of shares will be increased after the new shares have been listed.</p>
<p>Table 2: HDRI & EDRI</p>		

Mergers & Acquisitions:

	Currently	Proposed
<p>(a) Relaxing the conditions for Target Company – Free Float Adjustment</p>	<p>STOXX & DAX International indices:</p> <ul style="list-style-type: none"> » All conditions of the event are currently fulfilled (i.e. shareholder & authorities' approval, minimum acceptances, other customary conditions) » Less than 90% of the shares have been acquired through the tender offer and the acquired stake implies a change of free float factor greater than or equal to 5% <p>DAX indices (except International indices):</p> <ul style="list-style-type: none"> » The acquired stake implies a change of free float factor greater than or equal to 5% 	<p>STOXX & all DAX indices:</p> <p>(i) » The conditions of Shareholder approval, if required, and minimum acceptance are fulfilled » The acquired stake implies a change of free float factor greater than or equal to 5% » The company is not subject to the target company deletion rule</p> <p>OR</p> <p>(ii) » The acquired stake implies a change of free float factor greater than or equal to 5% » The company is not subject to the target company deletion rule <i>No further M&A related conditions are required</i></p>

<p>(b1) Adjusting the thresholds for a Target Company deletion – <i>STOXX & DAX International indices</i></p>	<p><u>STOXX & DAX International indices:</u> At least 90% of the shares have been acquired through the tender offer or the remaining free float factor of the target is less than 5% based on the current publicly available information.</p>	<p><u>STOXX & DAX International indices:</u></p> <p>(i) at least 85% of the shares have been acquired through the tender offer or the remaining free float factor of the target is less than 5% based on the current publicly available information</p> <p>OR</p> <p>(ii) at least 85% of the shares have been acquired through the tender offer or the remaining free float factor of the target is less than 10% based on the current publicly available information</p> <p>OR</p> <p>(iii) at least 90% of the shares have been acquired through the tender offer or the remaining free float factor of the target is less than 10% based on the current publicly available information</p> <p>The “Target Company – Free Float Adjustment” section will be also adjusted accordingly.</p>
<p>(b2) Adjusting the thresholds for a Target Company deletion – <i>DAX indices (except International indices)</i></p>	<p><u>DAX indices (except International indices):</u> At least 90% of the shares have been acquired as a result of the tender offer, or the target’s remaining free-float factor is less than 10%, based on current publicly available information.</p>	<p><u>DAX indices (except International indices):</u></p> <p>(i) at least 85% of the shares have been acquired through the tender offer or the remaining free float factor of the target is less than 10% based on the current publicly available information</p> <p>OR</p> <p>(ii) at least 90% of the shares have been acquired through the tender offer or the remaining free float factor of the target is less than 10% based on the current publicly available information</p> <p>The “Target Company – Free Float Adjustment” section will be also adjusted accordingly.</p>

Table 3: Mergers & Acquisitions

Affected Indices

All STOXX and iSTOXX Equity indices that relate to the [STOXX Calculation Guide](#).

All DAX indices that relate to the [DAX Equity Index Calculation Guide](#).

Questions

Section Rights Issues

1. Do you agree to treat HDRI equally as EDRI without sufficient notice period and EDRI with sufficient notice period as shown in (a) of table 2? If yes, this shall include the proposed amendments to treatments for the below questions (2-4) in this section.
2. If a rights issue is fully underwritten, irrespective of being a standard rights issue, a HDRI or both types of EDRI, should it be implemented as standard rights issue as shown in table 1 and (b) of table 2? If you disagree, shall a HDRI or both types of EDRI be treated per the procedure asked in Question 3 and 4?
3. Consequently, from question 2, if a rights issue is not fully underwritten but the rights are tradable on ex-date on the same eligible stock exchange as the parent company, shall the rights issue be implemented as shown in (c) of table 2?
4. Consequently, from question 2 and 3, if a rights issue is not fully underwritten and rights are not trading on ex-date **or not trading at all** or not trading on the same eligible stock exchange, how shall the HDRI and EDRI without sufficient notice period be treated?
 - a) Ignore the event entirely by not performing any actions for the ex-date. For free float market capitalization weighted indices only: If the rights issue results in listing of new shares and satisfy the criteria laid out in section 8.2., then the number of shares will be increased after the new shares have been listed.
 - b) - The rights will be temporarily included in the indices with a theoretical price on the ex-date with the same parameters as the parent company.
- The rights will be removed at the close of the day they start to trade or when the security is considered "ex-rights" in local currency of 0.0000001.
- For free float market capitalization weighted indices only: If the rights issue results in listing of new shares and satisfy the criteria laid out in the section 8.2, then the number of shares will be increased after the new shares have been listed.
 - c) No change:
- Only a price adjustment will be applied.
- For Market Capitalization weighted indices only: If the rights issue results in listing of new shares and satisfy the criteria laid out in section 8.2, then the number of shares will be increased after the new shares have been listed.

Section Mergers & Acquisitions

5. Do you agree to change the current conditions for a free float adjustment of a target company resulting from merger or takeover to
 - a) "Shareholder approval, if required, and minimum acceptance are fulfilled", "the acquired stake implies a change of free float factor greater than or equal to 5%" and "The company is not subject to the target company deletion rule" as shown in (a) of table 3?
 - b) "The acquired stake implies a change of free float factor greater than or equal to 5%" and "The company is not subject to the target company deletion rule" as shown in (a) of table 3?
6. Which minimum tendered threshold criteria and free-float criteria shall be applied for a target company to be deleted (table 3 (b))? The respective condition for the Target Company – Free Float Adjustment will be updated accordingly. Please indicate if your answer applies to STOXX, DAX International or DAX (except International) indices.
 - (a) At least **85%** of the shares have been acquired through the tender offer or the remaining free float factor of the target is **less than 5%** based on the current publicly available information. – *option only valid for STOXX and DAX International indices*
 - (b) At least **85%** of the shares have been acquired through the tender offer or the remaining free float factor of the target is **less than 10%** based on the current publicly available information.

(c) At least **90%** of the shares have been acquired through the tender offer or the remaining free float factor of the target is **less than 10%** based on the current publicly available information.

(d) no change

STOXX & DAX International indices: At least **90%** of the shares have been acquired through the tender offer or the remaining free float factor of the target **is less than 5%** based on the current publicly available information.

DAX indices (except International indices): At least **90%** of the shares have been acquired as a result of the tender offer, or the target's remaining free-float factor is less than **10%**, based on current publicly available information.