

Zug, November 18th, 2024

Follow-Up Market Consultation on proposed changes to ESG-X and its derived indices

Dear Sir and Madam,

STOXX Ltd. has decided to run a follow up market consultation based on the feedback from a [prior market consultation on proposed changes to DAX & STOXX indices impacted by the ESMA Guidelines on funds' names using ESG or sustainability-related terms](#).

The market consultation may or may not lead to changes in the index methodology.

Process and Timeline

STOXX invites relevant stakeholders and interested third parties to submit responses [via this online survey](#) or to consultation@stox.com.

The consultation is open to all market participants until December 11th, 2024.

STOXX intends to announce the results of the market consultation, as well as an announcement about potential changes to the index methodology, by December 20th, 2024.

STOXX intends to implement the potential changes resulting from this consultation at the ordinary index review in March 2025.

Motivation for the Market Consultation

Market participants provided varying feedback whether the implementation of "*reducing the underlying universe by at least 20% due to ESG exclusions*" rule is required to align with European Securities and Markets Authority (ESMA) [guidelines on funds' names](#)¹ (the "ESMA Guidelines"). Furthermore, participants mentioned that an entire switch of the data provider from Sustainalytics to ISS ESG, which is a separate organizational unit of the ISS STOXX group of companies, may provide an improved representation of the objectives of the affected indices. Thus, STOXX seeks market participants' feedback on the proposed changes.

If proposed changes may be implemented, STOXX seeks to implement these in the March 2025 ordinary index review to be in line with the [recently announced changes](#), which are targeted for the same date.

The ESMA Guidelines apply to fund managers who may want to use the name of the STOXX ESG-X index in the name of the fund which is tracking the index. If STOXX were not to align the names and methodologies of its ESG-X benchmarks with the ESMA Guidelines, clients would have to adjust associated products by renaming the product and/or changing the product's description. Therefore, STOXX wants to ensure that the names and methodologies of its ESG-X indices are aligned with the requirements of the ESMA Guidelines. In this context, STOXX has developed a series of proposed modifications to certain indices to align their methodologies with the ESMA Guidelines and now seeks market participants' feedback on the proposed changes.

¹ https://www.esma.europa.eu/sites/default/files/2024-05/ESMA34-472-440_Final_Report_Guidelines_on_funds_names.pdf

Proposed Treatments/Amendments and Affected Indices

Table 1: Reducing the underlying universe by at least 20% due to ESG exclusions		
	Current	Proposed
The underlying universe is explicitly reduced by at least 20% due to ESG exclusions. ESG exclusions will include norms-based and product involvement screens, as well as removing companies with poorer ESG scores.		The eligible securities in the selection list are ranked in descending order of their ESG scores within the 11 ICB Industry groups. In the event that two companies for a given industry group have the same ESG score, priority is given to the company with the highest free float market capitalization. The ESG-X indices select the top-ranking securities in each of the ICB Industries until the number of selected securities reaches 80% of the number of securities in the underlying index, where this is not feasible the selection is done on a universe level.

Table 2: Switching data provider from Sustainalytics to ISS ESG		
	Current	Proposed
Norms Screening	STOXX will exclude companies that are non-compliant based on the Sustainalytics Global Standards Screening assessment. Global Standards Screening identifies companies that violate or are at risk of violating commonly accepted international norms and standards, enshrined in the United Nations Global Compact (UNGC) Principles, the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights (UNGPs), and their underlying conventions.	Companies are assessed against their adherence to international norms on human rights, labour standards, environmental protection and anti-corruption established in the UN Global Compact and the OECD Guidelines. Companies identified as 'Red' are excluded. ISS-ESG identifies companies as 'Red', if they are failing to respect established norms and where the issue remains unaddressed.
Controversy Ratings	STOXX will exclude companies that Sustainalytics identifies to have a Controversy Rating of Category 5 (Severe). Sustainalytics assesses companies' involvement in incidents with negative environmental, social and governance (ESG) implications. Controversy involvement is one key measure of ESG performance. A controversy is defined as an event or aggregation of events relating to an ESG topic. An event is assessed on its severity on a scale of 1 to 5 (1- Low, 2- Moderate, 3- Significant, 4- High, 5- Severe). The highest Event rating under a controversy indicator, automatically becomes the Controversy Rating for a given company.	
Controversial Weapons	STOXX will exclude the companies that Sustainalytics identifies to be involved with controversial weapons. The following weapons are considered controversial: anti-personnel mines, biological and chemical weapons, cluster weapons, depleted uranium, nuclear weapons and white phosphorus weapons.	Companies must not be involved in controversial weapons activities, as identified by ISS-ESG. The following weapons are defined as controversial: anti-personnel mines, biological weapons, chemical weapons, cluster munitions, depleted uranium programs, nuclear weapons (including non-NPT countries, i.e., countries not belonging to the Nuclear Non-proliferation Treaty), and white phosphorus. ISS-ESG's controversial

		weapons research is designed to identify all companies in a corporate structure that have control over the relevant business activities, i.e., all immediate parent companies up to and including the ultimate parent. Companies that have been flagged as "Red" are excluded.
Tobacco	<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. 	<ul style="list-style-type: none"> >0% revenues from involvement in the production of tobacco products >5% revenues from services related to tobacco products >5% revenues from the wholesale or retail distribution of tobacco products
Fossil Fuels		<ul style="list-style-type: none"> >10% revenues from the extraction of oil (including crude oil, condensate, shale oil, bitumen, synthetic crude oil from oil/tar sands, and heavy oils), refining of oil (including liquefied petroleum gas, naphtha, gasoline, kerosene, diesel, fuel oil, and other combustive oil products), and oil distribution. > 50% revenues from the extraction of natural gas (including coalbed/coal seam methane), natural gas processing and gas-to-liquids operations, and gas distribution. >50% revenues from electricity generation with a GHG intensity of more than 100 g CO2 e/kWh (coal, oil, natural gas, and biomass)
Unconventional oil & gas	<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 	<ul style="list-style-type: none"> >5% revenues from oil and gas extraction through arctic drilling for the most recent fiscal year period >5% revenues from the extraction and processing of oil sands for the most recent fiscal year period >5% revenues from hydraulic fracturing for the most recent fiscal year period
Thermal coal	<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) 	<ul style="list-style-type: none"> >1% revenues from coal exploration and mining, processing of coke, coal-to-liquids operations, coal gasification (syngas for thermal use), and the marketing of coal. >5% revenues from generation of electric power using coal. The maximum percentage of revenues values are based on the best available data, which may include reported revenues, reported percentage of revenues, or estimated revenues based on available information
Civilian Firearms	<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 	<ul style="list-style-type: none"> >0% revenues from involvement in the production of civilian firearms and/or the provision of related services >5% revenues from involvement in the distribution of civilian firearms
Military	»>10% revenues from manufacturing military	>10% revenues from involvement in military

	weapons systems and/or integral, tailor made components of these weapons and tailor made products and/or services that support military weapons	equipment and services
ESG Risk Ratings	STOXX will exclude companies that Sustainalytics identifies to have a “Severe” ESG Risk Rating. The ESG Risk Rating evaluates the degree of a company’s unmanaged material ESG risk by assessing a company’s exposure to, and management of, the ESG issues that are considered most material for that company from a financial perspective. Sustainalytics assess and categorizes companies into five risk categories (Negligible, Low, Medium, High, Severe).	Companies with ISS-ESG ESG ratings of D- or below are excluded.

Affected indices

EURO STOXX 50 ESG-X
 EURO STOXX Banks ESG-X
 EURO STOXX ESG-X
 EURO STOXX Large ESG-X
 EURO STOXX Mid ESG-X
 EURO STOXX Small ESG-X
 EURO STOXX Total Market ESG-X
 EURO STOXX Total Market Large ESG-X
 EURO STOXX Total Market Mid ESG-X
 STOXX Asia/Pacific 600 ESG-X
 STOXX Australia 150 ESG-X
 STOXX Australia Total Market ESG-X
 STOXX Canada 240 ESG-X
 STOXX Canada 60 ESG-X
 STOXX Developed Markets 2400 ESG-X
 STOXX Developed Markets Total Market ESG-X
 STOXX Developed Markets Total Market Large ESG-X
 STOXX Developed Markets Total Market Mid ESG-X
 STOXX Emerging Markets 1500 ESG-X
 STOXX Emerging Markets 50 ESG-X
 STOXX Emerging Markets 800 LO ESG-X
 STOXX Emerging Markets Total Market Large ESG-X
 STOXX Emerging Markets Total Market Mid ESG-X
 STOXX Europe 50 ESG-X
 STOXX Europe 600 Banks ESG-X
 STOXX Europe 600 ESG-X
 STOXX Europe Large 200 ESG-X
 STOXX Europe Mid 200 ESG-X
 STOXX Europe Small 200 ESG-X
 STOXX Europe Total Market ESG-X
 STOXX France 90 ESG-X
 STOXX Germany Total Market ESG-X
 STOXX Global 1800 ESG-X
 STOXX Global 3000 ESG-X
 STOXX Italy 45 ESG-X

STOXX Japan 600 ESG-X
STOXX Nordic 30 ESG-X
STOXX Nordic Total Market ESG-X
STOXX North America 600 ESG-X
STOXX Singapore 75 ESG-X
STOXX Spain 30 ESG-X
STOXX UK 180 ESG-X
STOXX USA 500 ESG-X
STOXX USA 900 ESG-X
STOXX Germany Total Market ESG-X ex Nuclear Power
EURO STOXX ESG-X ex Nuclear Power
EURO iSTOXX ESG-X & Ex Nuclear Power Multi Factor
EURO STOXX ESG-X & Ex Nuclear Power Minimum Variance Unconstrained
EURO STOXX ESG-X & Ex Nuclear Power Momentum
EURO STOXX ESG-X & Ex Nuclear Power Quality
EURO STOXX ESG-X & Ex Nuclear Power Value

Derived Indices

EURO STOXX ESG-X Select Dividend 30
STOXX Asia/Pacific ESG-X Select Dividend 30
STOXX Europe ESG-X Select Dividend 30
STOXX North America ESG-X Select Dividend 40
STOXX Global ESG-X Select Dividend 100
iSTOXX Eurozone 50
iSTOXX Eurozone 50 GR Decrement 50
iSTOXX Eurozone Megatrends ESG 30
iSTOXX Eurozone Megatrends ESG 30
iSTOXX France ESG 40
iSTOXX France ESG 40
iSTOXX France ESG 40 Decrement 50
iSTOXX France ESG 40 Decrement 50
iSTOXX France ESG 40 Decrement 50
iSTOXX Global ESG 120
iSTOXX Global ESG 120
iSTOXX Global ESG 120
iSTOXX Global ESG 120 Decrement
iSTOXX Global ESG 120 Decrement
iSTOXX Global ESG 120 Decrement
iSTOXX Global ESG 150
iSTOXX Global ESG 150
iSTOXX Global ESG 150
iSTOXX Global ESG 150 Decrement
iSTOXX Global ESG 150 Decrement
iSTOXX Global ESG 150 Decrement
iSTOXX Global ESG Composite 150
iSTOXX Global ESG Composite 150
iSTOXX Global ESG Composite 150
iSTOXX Global ESG Composite 150 GR Decrement 50 EUR
iSTOXX Global ESG Composite 150 GR Decrement 50 EUR
iSTOXX Global ESG Composite 150 GR Decrement 50 JPY
iSTOXX Global ESG Composite 150 GR Decrement 50 JPY
iSTOXX Global ESG Eurozone Leg 50
iSTOXX Global ESG Eurozone Leg Equal Weight

iSTOXX Global ESG Japan Leg 50
iSTOXX Global ESG Japan Leg Equal Weight
iSTOXX Global ESG US Leg 50
iSTOXX Global ESG US Leg Equal Weight
iSTOXX Transatlantic 150
iSTOXX Transatlantic 150 GR Decrement 50
iSTOXX Transatlantic ESG 100
iSTOXX Transatlantic ESG 100 Equal Weight
iSTOXX Transatlantic ESG 100 Equal Weight Decrement
iSTOXX Transatlantic ESG 100 GR Decrement 50
iSTOXX Transatlantic Megatrends ESG 60
iSTOXX Transatlantic Megatrends ESG 60 GR Decrement 50
iSTOXX USA 100
iSTOXX USA 100 GR Decrement 50
iSTOXX USA Megatrends ESG 30
iSTOXX Europe 600 ESG-X Fintech Tilted
iSTOXX Europe 600 ESG-X Fintech Tilted NR Decrement 4.5%
iSTOXX Europe 600 ESG-X GR Decrement 5%
iSTOXX Europe 600 ESG-X Longevity Tilted
iSTOXX Europe 600 ESG-X Longevity Tilted NR Decrement 4%
iSTOXX Europe 600 ESG-X NR Decrement 4.75%
iSTOXX Europe 600 ESG-X Water Depletion Tilted
iSTOXX Europe 600 ESG-X Water Depletion Tilted NR Decrement 4%
STOXX Asia/Pacific 600 ESG-X Ax Low Risk
STOXX Asia/Pacific 600 ESG-X Ax Momentum
STOXX Asia/Pacific 600 ESG-X Ax Multi-Factor
STOXX Asia/Pacific 600 ESG-X Ax Quality
STOXX Asia/Pacific 600 ESG-X Ax Size
STOXX Asia/Pacific 600 ESG-X Ax Value
STOXX Europe 600 ESG-X Ax Low Risk
STOXX Europe 600 ESG-X Ax Momentum
STOXX Europe 600 ESG-X Ax Multi-Factor
STOXX Europe 600 ESG-X Ax Quality
STOXX Europe 600 ESG-X Ax Size
STOXX Europe 600 ESG-X Ax Value
STOXX Europe 600 ESG-X ex Nuclear Power
STOXX Global 1800 ESG-X Ax Low Risk
STOXX Global 1800 ESG-X Ax Momentum
STOXX Global 1800 ESG-X Ax Multi-Factor
STOXX Global 1800 ESG-X Ax Quality
STOXX Global 1800 ESG-X Ax Size
STOXX Global 1800 ESG-X Ax Value
STOXX Global 1800 ESG-X ex Nuclear Power
STOXX Japan 600 ESG-X Ax Low Risk
STOXX Japan 600 ESG-X Ax Momentum
STOXX Japan 600 ESG-X Ax Multi-Factor
STOXX Japan 600 ESG-X Ax Quality
STOXX Japan 600 ESG-X Ax Size
STOXX Japan 600 ESG-X Ax Value
STOXX USA 500 ESG-X Ax Low Risk
STOXX USA 500 ESG-X Ax Momentum
STOXX USA 500 ESG-X Ax Multi-Factor
STOXX USA 500 ESG-X Ax Quality
STOXX USA 500 ESG-X Ax Size
STOXX USA 500 ESG-X Ax Value

STOXX USA 500 ESG-X ex Nuclear Power
STOXX USA 900 ESG-X Ax Low Risk
STOXX USA 900 ESG-X Ax Momentum
STOXX USA 900 ESG-X Ax Multi-Factor
STOXX USA 900 ESG-X Ax Quality
STOXX USA 900 ESG-X Ax Size
STOXX USA 900 ESG-X Ax Value

Questions

1. Do you have any objections to amending the ESG-X indices by reducing the underlying universe by at least 20% due to ESG exclusions, as shown in table 1? Please kindly explain your reasons behind it.
2. Do you have any objections to switching the ESG data provider from Sustainalytics to ISS ESG as shown in table 2? Please state the affected indices for which you would like to provide feedback. If you have objections, please kindly explain your reasons behind it.