

## ANNEX

The following Annex is added:

## ANNEX III

**EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks**

## Methodology for EU Climate Transition Benchmarks

- (1) The administrator of an EU Climate Transition Benchmark shall formalise, document and make public any methodology used for the calculation of the benchmark, giving the following information, while ensuring confidentiality and the protection of undisclosed know-how and business information (trade secrets) as defined in Directive (EU) 2016/943 of the European Parliament and of the Council<sup>(1)</sup>
- (a) the list of the main constituents of the benchmark;
  - (b) all criteria and methods, including selection and weighting factors, metrics and proxies used in the benchmark methodology;
  - (c) the criteria applied to exclude assets or companies that are associated with a level of carbon footprint or a level of fossil fuel reserves that are incompatible with inclusion in the benchmark;
  - (d) the criteria for the determination of the decarbonisation trajectory;
  - (e) the type and source of data used to determine the decarbonisation trajectory for:
    - (i) Scope 1 carbon emissions, namely emissions generated from sources that are controlled by the company that issues the underlying assets;
    - (ii) Scope 2 carbon emissions, namely emissions from the consumption of purchased electricity, steam, or other sources of energy generated upstream from the company that issues the underlying assets;
    - (iii) Scope 3 carbon emissions, namely all indirect emissions that are not covered by points (i) and (ii) that occur in the value chain of the reporting company, including both upstream and downstream emissions, in particular for sectors with a high impact on climate change and its mitigation;
    - (iv) whether the data uses the Product and Organisation Environmental Footprint methods as defined in points (a) and (b) of point 2 of Commission Recommendation 2013/179/EU or global standards such as those of the Financial Stability Board's Taskforce on Climate-related Financial Disclosures;
  - (f) the total carbon emissions of the index portfolio.

Where a parent index is used for the construction of an EU Climate Transition Benchmark, the tracking error between the EU Climate Transition Benchmark and the parent index shall be disclosed.

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**Changes to legislation:** There are currently no known outstanding effects for the Regulation (EU) 2019/2089 of the European Parliament and of the Council. (See end of Document for details)

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Where a parent index is used for the construction of an EU Climate Transition Benchmark, the ratio between the market value of the securities that are in the EU Climate Transition Benchmark and the market value of the securities in the parent index shall be disclosed.

#### Methodology for EU Paris-aligned Benchmarks

- (2) In addition to points (1)(a), (1)(b), and (1)(c), the administrator of an EU Paris-aligned Benchmarks shall specify the formula or calculation that is used to determine whether the emissions are in line with the objectives of the Paris Agreement, while ensuring confidentiality and the protection of undisclosed know-how and business information (trade secrets) as defined by Directive (EU) 2016/943.

#### Changes to the methodology

- (3) Administrators of EU Climate Transition and EU Paris-aligned Benchmarks shall adopt procedures for introducing changes to their methodology. They shall make those procedures public, and shall make public any proposed changes to their methodology and the rationale for those changes. Those procedures shall be consistent with the overriding objective that benchmark calculations be consistent with points (23a) and (23b) of Article 3(1). Those procedures shall provide:
- (a) advance notice within a clear timeframe that gives users of benchmarks sufficient opportunity to analyse and comment on the impact of such proposed changes, having regard to the administrators' calculation of the overall circumstances;
  - (b) for the possibility for users of benchmarks to comment on those changes and for the administrators to respond to those comments, and shall make those comments accessible after any given consultation period, except where the commenter has requested confidentiality.
- (4) Administrators of EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks shall regularly examine their methodologies on at least an annual basis to ensure that their benchmarks reliably reflect the stated objectives, and shall have a process in place for taking the views of all relevant users into account..

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**Changes to legislation:** There are currently no known outstanding effects for the Regulation (EU) 2019/2089 of the European Parliament and of the Council. (See end of Document for details)

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- (1) Directive (EU) 2016/943 of the European Parliament and of the Council of 8 June 2016 on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure ([OJ L 157, 15.6.2016, p. 1](#)).

**Changes to legislation:**

There are currently no known outstanding effects for the Regulation (EU) 2019/2089 of the European Parliament and of the Council.