

CAPITAL MARKETS DAY 2021

**THE
FUTURE
OF ENERGY
IS NOW.**

Overview and Insights
into MSCI ESG &
Climate Research

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MSCI Overview and Relevance of ESG Investing

- 
50

Years in Business

- 
3,500+

Employees

- 
35

Global Locations

- 
7,800+

Active Clients

Indexes


- MSCI ACWI Index
- MSCI World Index
- MSCI Emerging Markets Index
- Factor Indexes
- ESG and Climate Indexes
- Thematic Indexes

1300+ ETFs are based on MSCI indexes, more than any other index provider¹

230,000+ indexes calculated daily

12,000+ in real time

Analytics


- Risk Management
- Asset Allocation
- Fixed Income Analytics
- Multi-asset Class Factor Models

MSCI Global Risk and Performance Engine runs up to 1 trillion calculations/day

2 million time series

70+ million client positions

50+ global FI markets

ESG & Climate Research


- ESG Issuer & Fund Ratings
- ESG Screening & Controversies
- ESG Governance Metrics
- Climate Solutions
- Climate Value at Risk
- Sustainable Impact

World's largest provider of ESG data, research and indexes²

Over 1,500 ESG equity and fixed income indices use MSCI ESG Research ratings and data²

Private Real Estate


- Performance attribution services
- Risk Analytics
- Global market information
- Indexes

Global leader in Real Estate investment tools

In over 32 markets worldwide

Coverage spanning \$2 trillion of private real estate assets

1) As of March 31 2020; defined as each share class of an exchange traded fund, as identified by a separate Bloomberg ticker. Only primary listings, and not cross-listings, are counted. 2) MSCI Inc. as of March 2020.

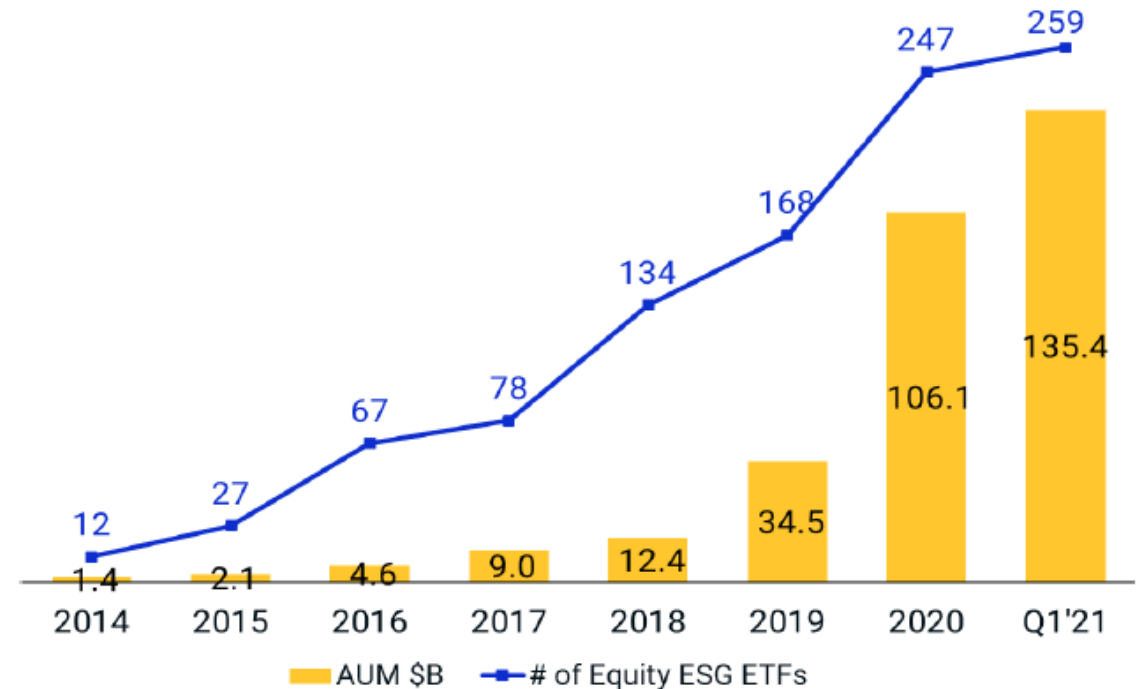
11 of the Top 15 Equity ESG ETFs are MSCI linked

- 11 of the top 15 equity ESG ETFs, ranked by AUM globally, were linked to MSCI ESG indexes, all of them with more than \$2B in AUM
- MSCI #1 index provider in assets linked to equity ESG indexes with 72% of market share, more than 6x to the next competitor
- MSCI #1 Index provider with 70% of the equity ESG flows YTD

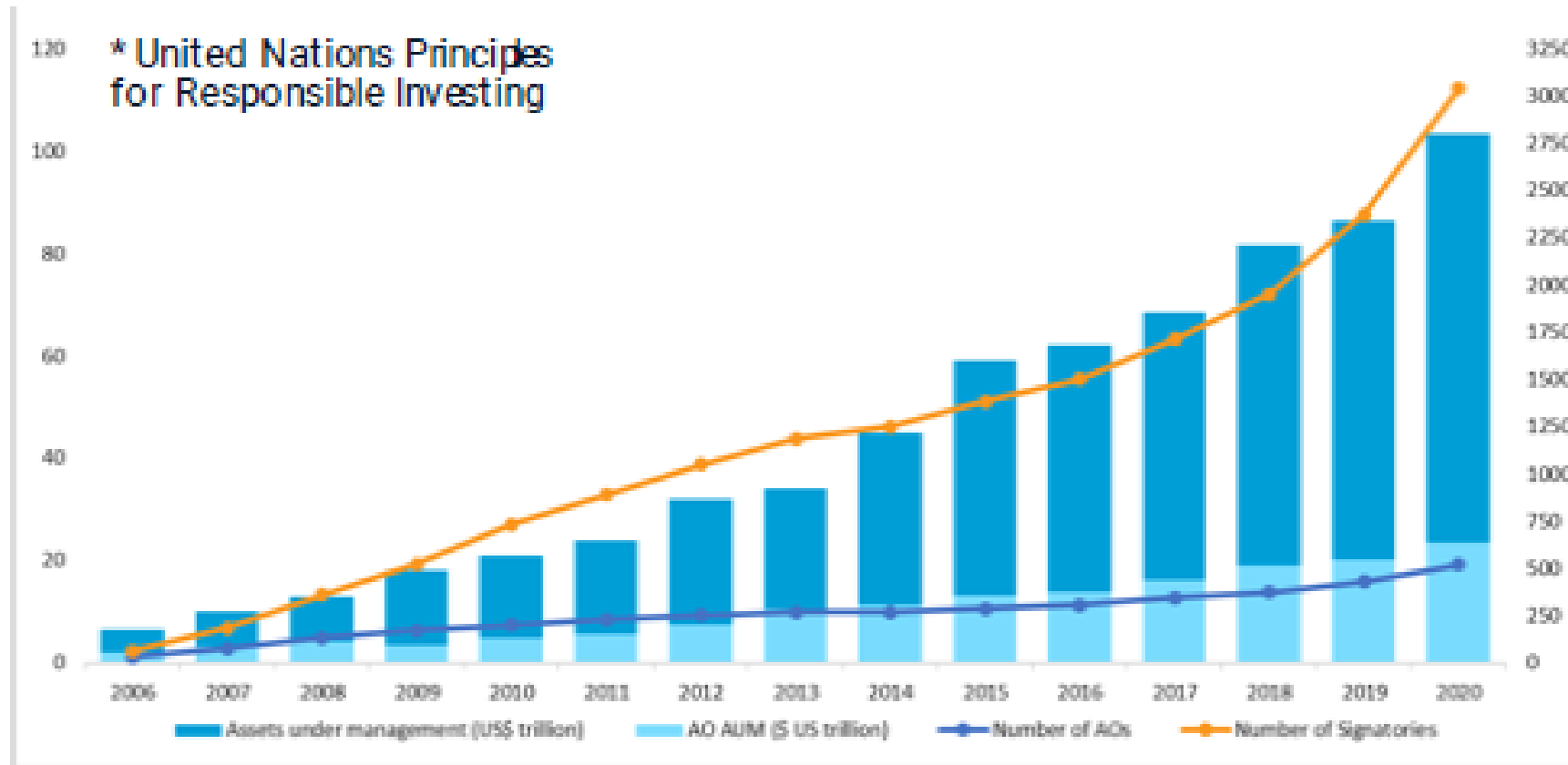
As of Q1'21, **266%** growth YOY in ETF AUM tracking MSCI ESG indexes

(Q1'20 \$37b vs Q1'21 \$135.4B)

#1 in no. of ETFs and ETF assets linked to ESG equity indexes

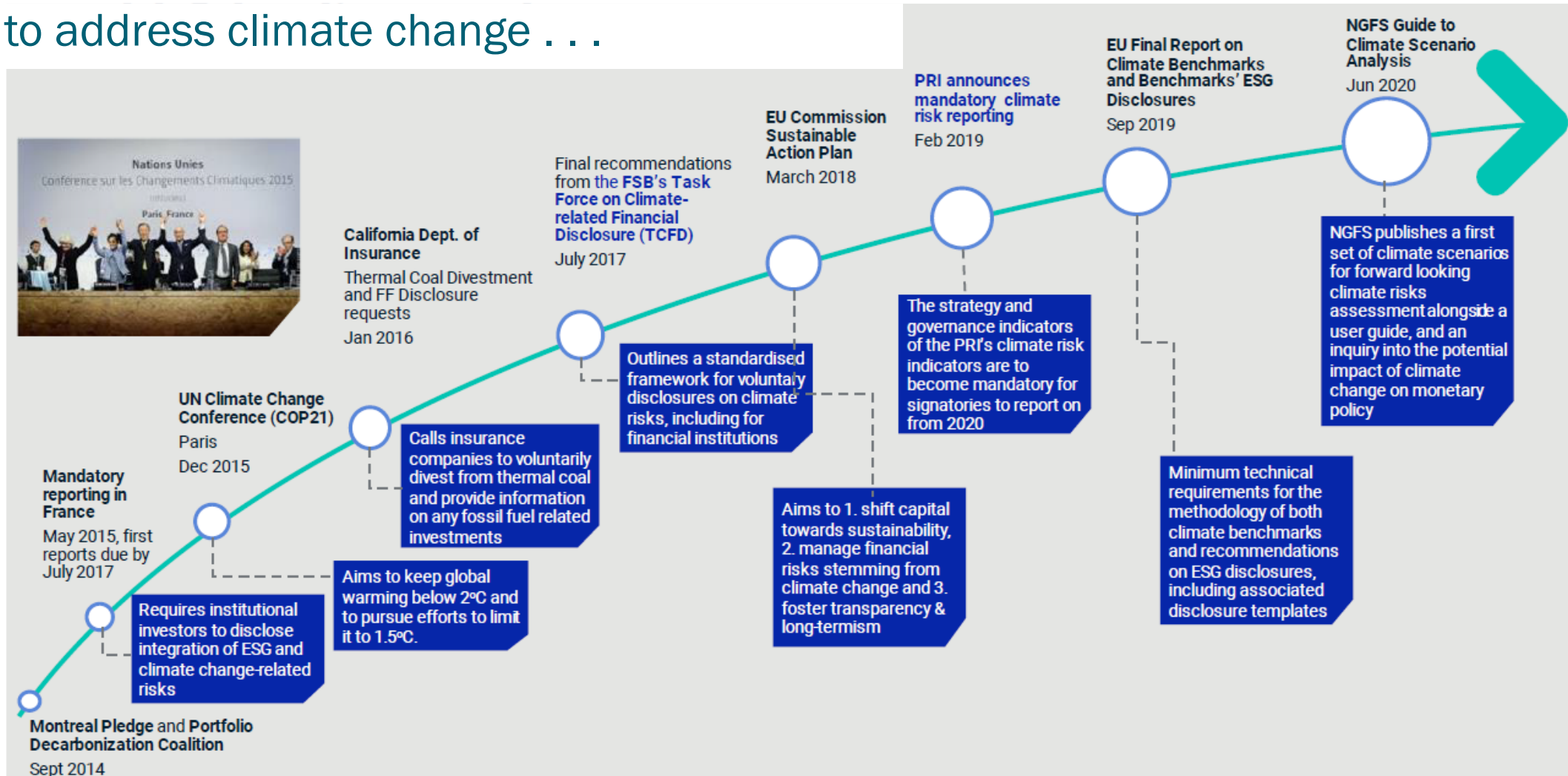


UN PRI* grown to >3,000 signatories in managing >100 trillion USD in AuM
 ESG investing is growing dramatically . . . Why now ?



1. Investors have become less tolerant of corporate ESG incidents (VW)
2. Regulation is shifting (EU Sustainable Action Plan)
3. ESG as financially relevant (more links between ESG factors and improved risk-adjusted returns)
4. Improved ESG Ratings (better data and longer history)

Growing pressure for institutional investors to address climate change . . .



EU Sustainable Finance Overview: Examples of legislative streams focused on fostering disclosure

	 <p>SUSTAINABLE FINANCE DISCLOSURE REGULATION (SFDR)</p>	 <p>GREEN TAXONOMY REGULATION (TR)</p>	 <p>NON-FINANCIAL REPORTING DIRECTIVE > CORPORATE SUSTAINABILITY REPORTING DIRECTIVE</p>
Goals	<ul style="list-style-type: none"> ▶ The EU is harmonizing ESG disclosure standards, requiring financial market participants to integrate sustainability risk in the investment process and to report on such integration at both the entity and product level. 	<ul style="list-style-type: none"> ▶ The EU is establishing a classification system for sustainable activities and investments across six environmental objectives. Required disclosures for corporates and FMP alike. 	<ul style="list-style-type: none"> ▶ Corporates (over 500 employees) to publish reports on the policies they implement in relation to Environmental protection, Social responsibility, and diversity among other topics.
Timelines	<ul style="list-style-type: none"> ▶ Beginning in March 2021 for principle-based (i.e qualitative) disclosures ▶ Beginning in January 2022 for detailed disclosures of adverse impact indicators at entity level 	<ul style="list-style-type: none"> ▶ Beginning in January 2022 for product disclosures for first objectives, and slated 2023 date for remaining objectives. 	<ul style="list-style-type: none"> ▶ The final timetable will depend on how the Parliament and Council progress in their negotiations. Aims to have the first set of draft standards ready by mid-2022.

Sources: MSCI; European Commission, [Link](#); Official Journal of the European Union, [Link](#)

What are Article 8 and Article 9 products as per SFDR ?

Article 8

- Promotes **environmental** or **social** characteristics, or a combination



- Must have **good governance practices** (sound management structures, employee relations, staff remuneration, tax compliance)

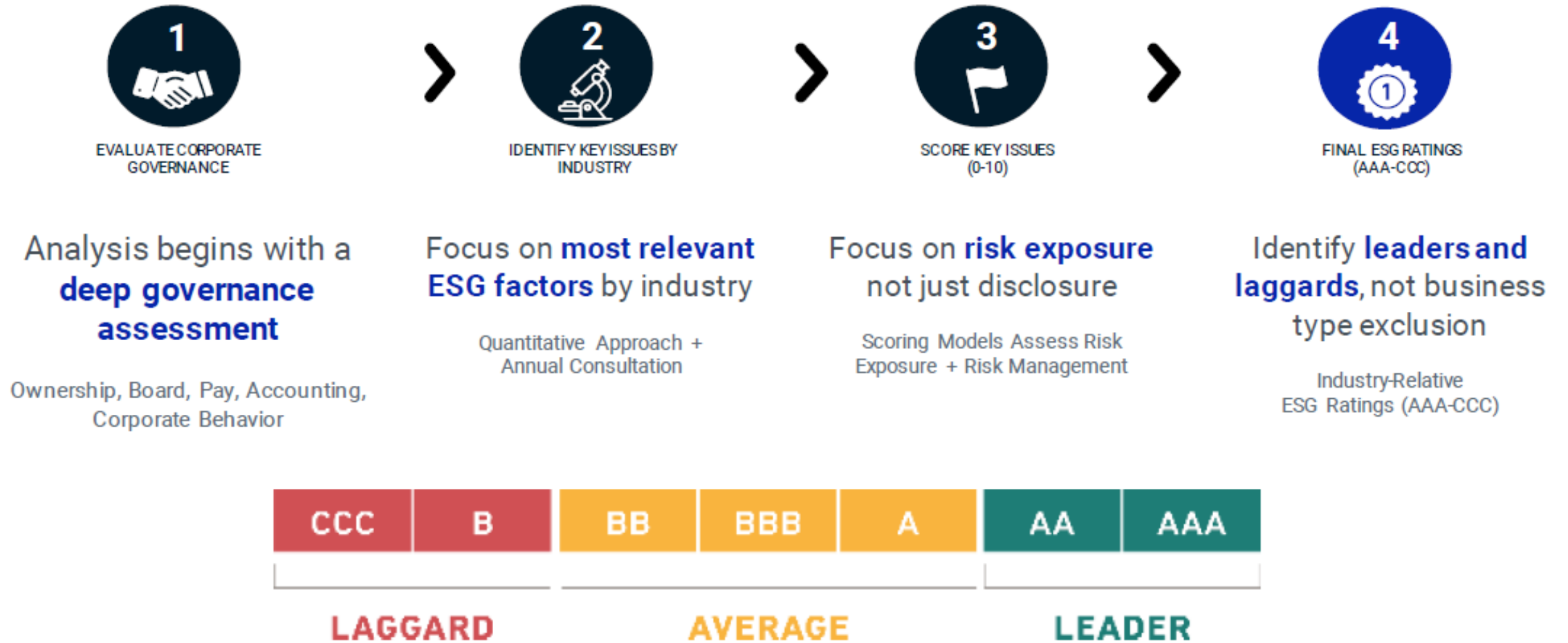


Article 9

- Must have a **sustainable investment objective**

- **Economic activities that contribute to an environmental objective**
 - Key resource efficiency indicators (use of energy, renewable energy, raw materials, water and land, production of waste, GHG emissions, impact on biodiversity and circular economy)
- **(or) Economic activities that contribute to a social objective**
 - Tackle inequality or foster social cohesion
 - Social integration and labor relations
 - Investment in human capital or economically or socially disadvantaged communities
- **DNSH principle** (OECD, UNGPBHR, ILO, IBHR) AND **principal adverse impact indicators (14+)** to be taken into account
- **Follow good governance practices**, in particular with respect to sound management structures, employee relations, staff remuneration, tax compliance

ESG Ratings: A key input into ESG indexes



ESG Ratings Report: Encavis AG last update on November 5th, 2020

Encavis AG (CAP) Utilities | DE

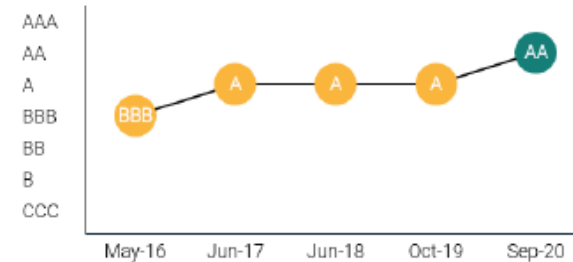


Score attribution by key issue

This chart highlights the company's positioning relative to the industry average for each Key Issue that contributed to its ESG Rating as of November 05, 2020.



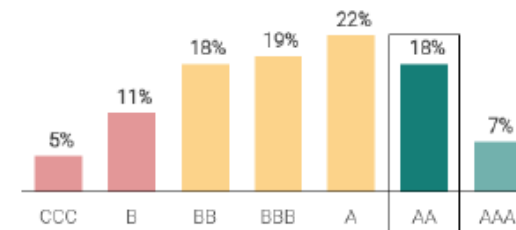
ESG Rating history



ESG Rating history shows five most recent rating actions

ESG Rating distribution

Universe: MSCI ACWI Index constituents, Utilities, n=141



ENCAVIS

Thank you.



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