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MEHR TRANSPARENZ IN DER NACHHALTIGEN GELDANLAGE

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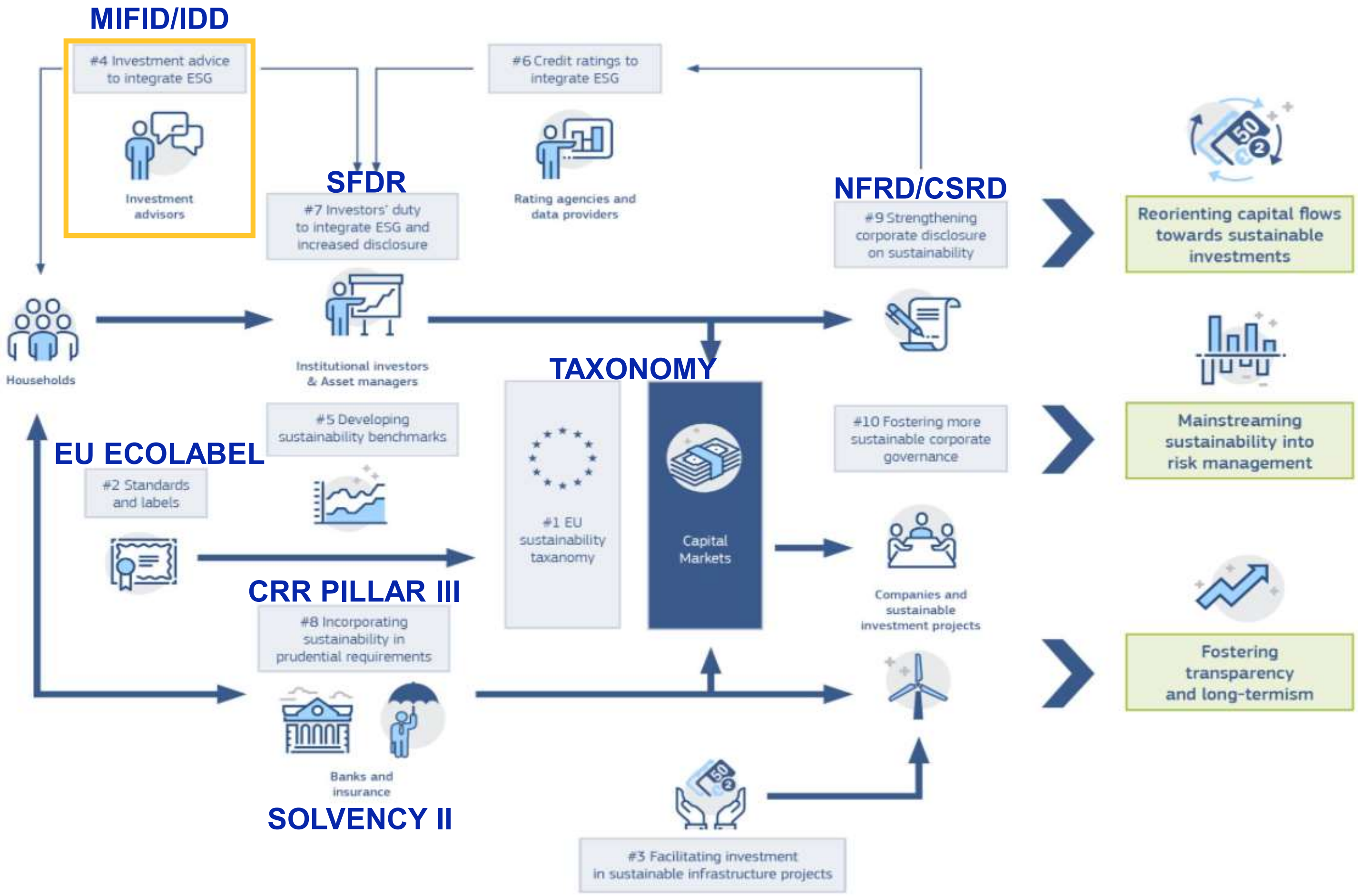
The EU Action Plan



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Source: https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52018DC0097&from=EN

The MiFID II Sustainable Preferences Framework

Three aspects to consider

There are three ways to define sustainability preferences: 1. Taxonomy and/or 2. Sustainable Investment and/or 3. Principal Adverse Impacts. This could be a combination of the three.

Taxonomy Alignment

Serves as a possible solution incorporating focus on **economic activity contributing to one of environmental objectives** (climate mitigation, adaptation, biodiversity and water resources protection, waste reduction, and circular economy)

Article 2 (17) defines "sustainable investment" as:

"…an investment in **an economic activity that contributes to an environmental objective**, as measured, for example, by key resource efficiency indicators on the use of energy, renewable energy, raw materials, water and land, on the production of waste, and greenhouse gas emissions, **or** on its impact on biodiversity and the circular economy, or an investment in **an economic activity that contributes to a social objective**, in particular an investment that contributes to tackling inequality or that fosters social cohesion, social integration and labour relations, or an investment in human capital or economically or socially disadvantaged communities, **provided that** such investments **do not significantly harm** any of those objectives **and** that the investee companies follow **good governance practices**, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance"

Preference for PAIs

Specific Principle Adverse Impacts (PAIs) could serve as metrics measuring key **resource efficiency, potential significant environmental or social harm, and human capital management**

Contribution to a definable environmental or social objective is a core definition of sustainable investing, But good governance and **avoidance of harm** are defined as essential **baseline criteria**

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Source: MSCI ESG Research

Our Sustainable Investment Approach

Building blocks and further options

1. Good governance

Exclude ESG laggards which indicates that the company isn't able to effectively manage resources, mitigate key ESG risks and opportunities, and ensure sound corporate governance.

MSCI ESG Rating : CCC or BB

+

2. Do no significant harm

Exclude companies that have breached global norms, such as the UNGC or OECD

MSCI ESG Controversies and Global Norms: red and orange flag

Exclude companies involved in business activities linked to significant harm

MSCI Business Involvement Screening Research: Tobacco Producer, Controversial weapons and thermal coal

&

3. Positive contribution

Economic Activities

Select companies with products or services contributing to positive social or environmental economic activities.

- MSCI Sustainable Impact Metrics: 20% or more revenues

Climate Transition

- MSCI ESG Ratings: commitment to science-based targets

Climate Transition (optional : Other Proposed MSCI metrics for climate transition)

Select companies enabling the climate transition through a reduction in their carbon intensity in the past three years

- MSCI ESG Climate Change Metrics: at least 7% annual reduction in emission intensity (Scope 1 and 2 per EVIC)

Human Capital (optional : Other Proposed MSCI metrics for positive contribution)

Select companies positively contributing to equality and human capital through promotion of more diverse leadership and workforce

- MSCI EU Sustainable Finance Module: women on board greater then 40% in developed markets and 20% in non-developed market
- MSCI ESG Ratings: programs to facilitate workforce diversity
- MSCI ESG Controversies and Global Norms: lack of discrimination and diversity controversies

Sustainable Investment – Index Level Metrics

Sustainable Investments based on MSCI's proposed framework is **~22% for a global non ESG benchmark** and remains **below 40%** for most of ESG & Climate Benchmarks posing potential challenges in terms of portfolio diversification

	ACWI		ACWI SRI		ACWI ESG Leaders		ACWI ESG Focus		ACWI ESG Universal		ACWI CPAI		ACWI Climate Change		ACWI SI	
	% Stocks	% Weight	% Stocks	% Weight	% Stocks	% Weight	% Stocks	% Weight	% Stocks	% Weight	% Stocks	% Weight	% Stocks	% Weight	% Stocks	% Weight
Baseline Criteria Test: Good Governance and DNSH	72.9	65.9	95.9	91.0	92.8	78.2	83.6	72.0	74.7	71.5	83.8	71.5	77.0	67.7	98.1	100.0
Economic Activities Test (SIM ≥ 20%)	15.6	20.3	21.6	34.3	20.4	27.5	17.8	22.0	15.7	23.4	21.6	28.7	15.7	30.3	100.0	100.0
SBTi Test	17.6	35.7	30.2	42.7	25.8	41.7	32.3	38.3	17.9	39.6	24.6	38.9	18.3	39.6	29.9	48.8
Sustainable Investment Test (Positive Business Contribution: (SIM ≥ 20%) or SBTi)	22.8	28.2	39.7	48.6	34.8	39.6	33.7	33.2	23.4	33.4	32.6	37.3	24.1	35.0	98.1	100.0

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