

A low-angle, upward-looking photograph of a wind turbine against a clear blue sky. The turbine's three blades are visible, with the top blade pointing towards the upper right. The tower and nacelle are dark, and the overall scene is brightly lit, suggesting a sunny day.

# MSCI ESG Enhanced Focus CTB Index

Integrating ESG and Low Carbon

December 2021

# Eurex product coverage

## ESG index methodologies and principles

	METHODOLOGY	PRINCIPLES	PRODUCT COVERAGE
ESG Investment Approaches	Phase 1	<p><b>Negative Screening</b></p> <p><b>Norms-Based Screening</b></p>	<p>Excluding companies based on controversial product involvements, like tobacco, weapons</p> <p>Excluding companies of the benchmark index based on breaches of UN Global Compact principles</p>
	Phase 2	<p><b>ESG Integration</b></p> <p><b>Positive Screening</b></p> <p><b>Green Bond Investing</b></p>	<p>Incorporating ESG scores to enhance the risk-return profile of a benchmark index</p> <p>Inclusion of companies that show (relatively) the best performance on ESG (by sector)</p> <p>Active selection of <b>green bonds</b> according to the criteria set out by MSCI ESG research and Green Bond Principles</p>
	Phase 3	<p><b>SRI</b> <b>(Socially Responsible Investment)</b></p> <p><b>Impact Investing</b></p>	<p>Investment strategy that considers both financial return and social/environmental good</p> <p>Investments focused on companies aiming to solve sustainable development goals (SDGs)</p>

Phase	Methodology	Principles	Product Coverage
Phase 1	Negative Screening Norms-Based Screening	Excluding companies based on controversial product involvements, like tobacco, weapons  Excluding companies of the benchmark index based on breaches of UN Global Compact principles	<p>STOXX Europe 600 ESG-X futures / options</p> <p>STOXX USA 500 ESG-X futures</p> <p>MSCI ESG Screened futures (6 Regions)</p> <p><b>Bloomberg MSCI Euro Corporate SRI Index</b></p>
Phase 2	ESG Integration Positive Screening Green Bond Investing	<p>Incorporating ESG scores to enhance the risk-return profile of a benchmark index</p> <p>Inclusion of companies that show (relatively) the best performance on ESG (by sector)</p> <p>Active selection of <b>green bonds</b> according to the criteria set out by MSCI ESG research and Green Bond Principles</p>	<p>EURO STOXX 50 Low Carbon futures, STOXX Europe Climate Impact futures <b>E</b></p> <p>STOXX Erp Leaders Select futures / options</p> <p>DAX 50 ESG futures / options</p> <p>EURO STOXX 50 ESG futures / options</p> <p>MSCI ESG Enhanced Focus CTB futures</p> <p><b>Bloomberg MSCI Global Green Bond Index</b></p>
Phase 3	SRI (Socially Responsible Investment) Impact Investing	<p>Investment strategy that considers both financial return and social/environmental good</p> <p>Investments focused on companies aiming to solve sustainable development goals (SDGs)</p>	<p>SRI future</p> <p>Climate Transition (CTB) / Paris-aligned (PAB) Benchmark futures <b>E</b></p> <p>Climate Change ESG futures <b>E</b></p> <p>Factors</p>

**FIXED INCOME**

New: Launch of Weekly and Month-end Options on October 18th 2021

Evaluated

**E = Environmental**

# Eurex is the Global Home of MSCI Derivatives

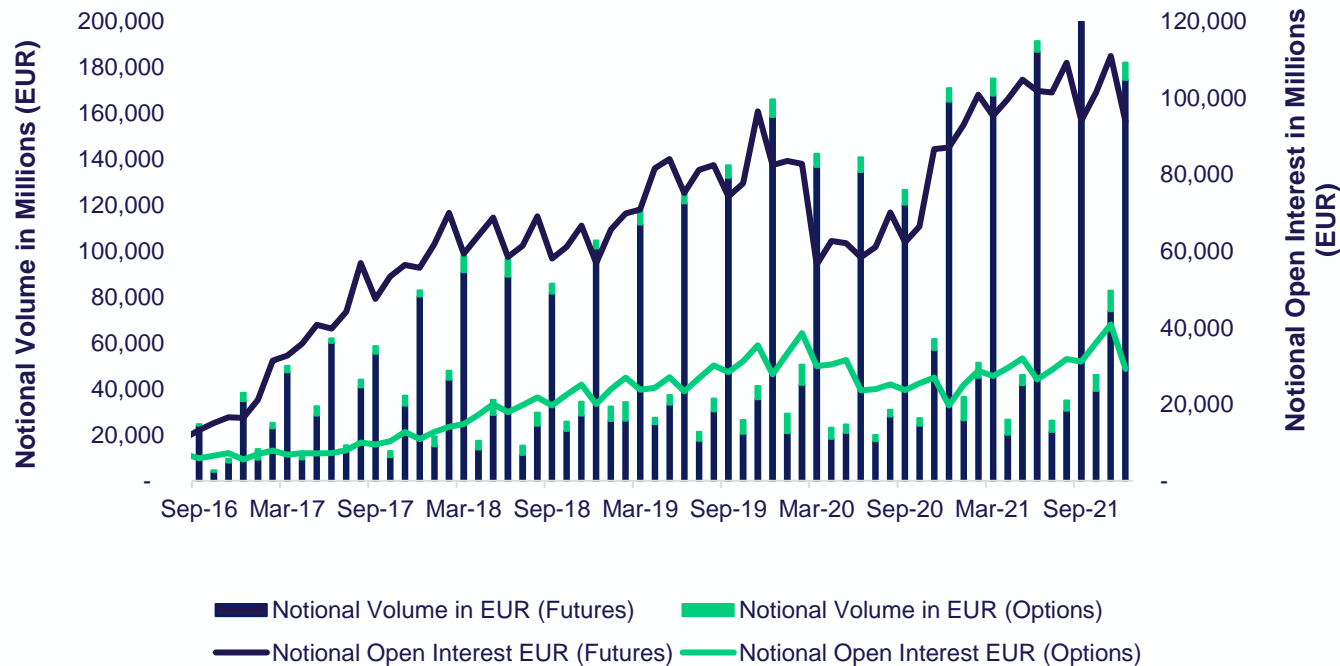


**# 1**  
 by Open Interest with 53.1% market share  
**# 2**  
 by Trading volumes with 24.3% market share

**2021 Traded volume**  
 EUR 1,115.5 Billion  
 22,616,049 contracts  
 CAGR 2016 – 2021: **26%**

**Open Interest**  
 EUR 123 Billion  
 2.48 million contracts  
 CAGR 2016 – 2021: **23%**

## Evolution of Notional Volume and Notional Open Interest



## Open Interest for top MSCI Products



\*Based on statistics Sep 2021 Source: FIA  
 Open Interest as of Dec 30, 2021  
 December 2021

# ESG Enhanced Focus Index CTB Methodology

## Universe

- MSCI World Index
- MSCI Europe Index
- MSCI USA Index
- MSCI EM Index
- MSCI Japan Index

## Weighting

Sector/country weights are constrained to +/-5% from the sector/country weights of the Parent Index<sup>1)</sup>  
Security weight in proportion to the Parent Index<sup>2)</sup>

## Maintenance

Quarterly rebalancing and review

## Selection

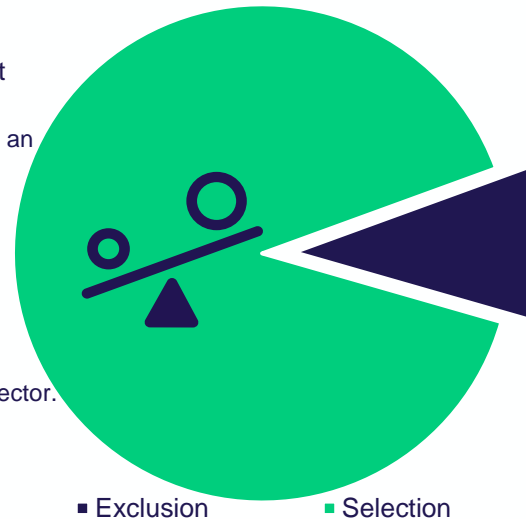
Through an optimization process that aims to maximize exposure to ESG factors for a target tracking error budget and incorporate the minimum standards of the EU Climate Transition Benchmark (CTB).

**Index Type** Net Total return

## Key characteristics of parent index are maintained

- **Tracking Error Constraint<sup>3)</sup>**
- **Minimum Constituent Weight:** Constituent weight in the Screened Parent
- **Targeted Carbon Emission:**
  - Reduce the weighted average greenhouse gas intensity by 30% and by 7% on an annualized basis
  - Reduce the weighted average potential emissions intensity by 30%
  - Have at least **equivalent ratio of weighted average “Green Revenues”** to weighted average **“Fossil Fuels-based Revenues”** as that of the underlying investment universe
  - **Increase the weight of companies with credible carbon reduction targets** through the weighting scheme.
  - Be **sector-diversified** and **target companies** with high ESG ratings in each sector.

**Target:** Maximize exposure to positive environmental, social and governance factors while maintaining risk and return characteristics similar to parent index



## Exclusion Criteria (more details next slide)

- Involvement with:
  - Thermal coal and unconventional oil and gas extraction
  - Weapons (controversial, nuclear weapons, civilian firearms, conventional weapons)
  - Tobacco
- Non-compliance with the United Nations Global Compact principles
- ESG Controversy Score = 0 (,Red Flag‘)
- Environment Controversy Score = 0 or 1<sup>4)</sup>
- Additional
  - Turnover cap of 10% for SAIR and 5% for QIR

1) For countries with less than 2.5% weight in the Parent Index, the upper bound of country weight in the MSCI ESG Enhanced Focus CTB Index is set at three times of the country's weight in the Parent Index.  
 2) Minimum(Security Weight in the Screened Parent +2%, 3 times Security Weight in the Screened Parent), Maximum(Minimum Security Weight in Screened Parent, 0.5 times Security Weight in the Screened Parent)  
 3) Subject to a predicted tracking error target (0.75% for World, USA, Japan, Europe and 1.0% for EM Ȳ  
 4) MSCI ESG Controversies - <https://www.msci.com/documents/10199/acbe7c8a-a4e4-49de-9cf8-5e957245b86b>

# Overview of the MSCI ESG Screens (exclusions)

## Environment



### Thermal Coal

- Companies deriving 5% or more revenue from the mining of thermal coal and its sale to external parties. It excludes: revenue from metallurgical coal; coal mined for internal power generation intra-company sales of mined thermal coal; and revenue from coal trading.
- Companies deriving 5% or more revenue from the thermal coal based power generation.

### Unconventional Oil and Gas

- All companies deriving 5% or more revenues from oil sands, oil shale, shale gas, shale oil, coal-seam gas, coal-bed methane as well as Arctic onshore/offshore reserves.

## Social



### Tobacco

Companies classified as producer or deriving 5% or more aggregate revenue from production, distribution, retail and supply of tobacco-related products

### Controversial Weapons

Companies with ties to cluster munitions, landmines, depleted uranium weapons, biological/chemical weapons, blinding lasers, non-detectable fragments and incendiary weapons

### Civilian Firearms

Companies

- Classified as producer of firearms and small arms ammunition for civilian market
- Deriving 5% or more revenue from the distribution of firearms and small arms

### Nuclear Weapons

All Companies connected with nuclear weapons as

- Manufacturer, provider of components or auxiliary services related to nuclear warheads and missiles; Assembler of delivery platforms for nuclear weapons

## Governance

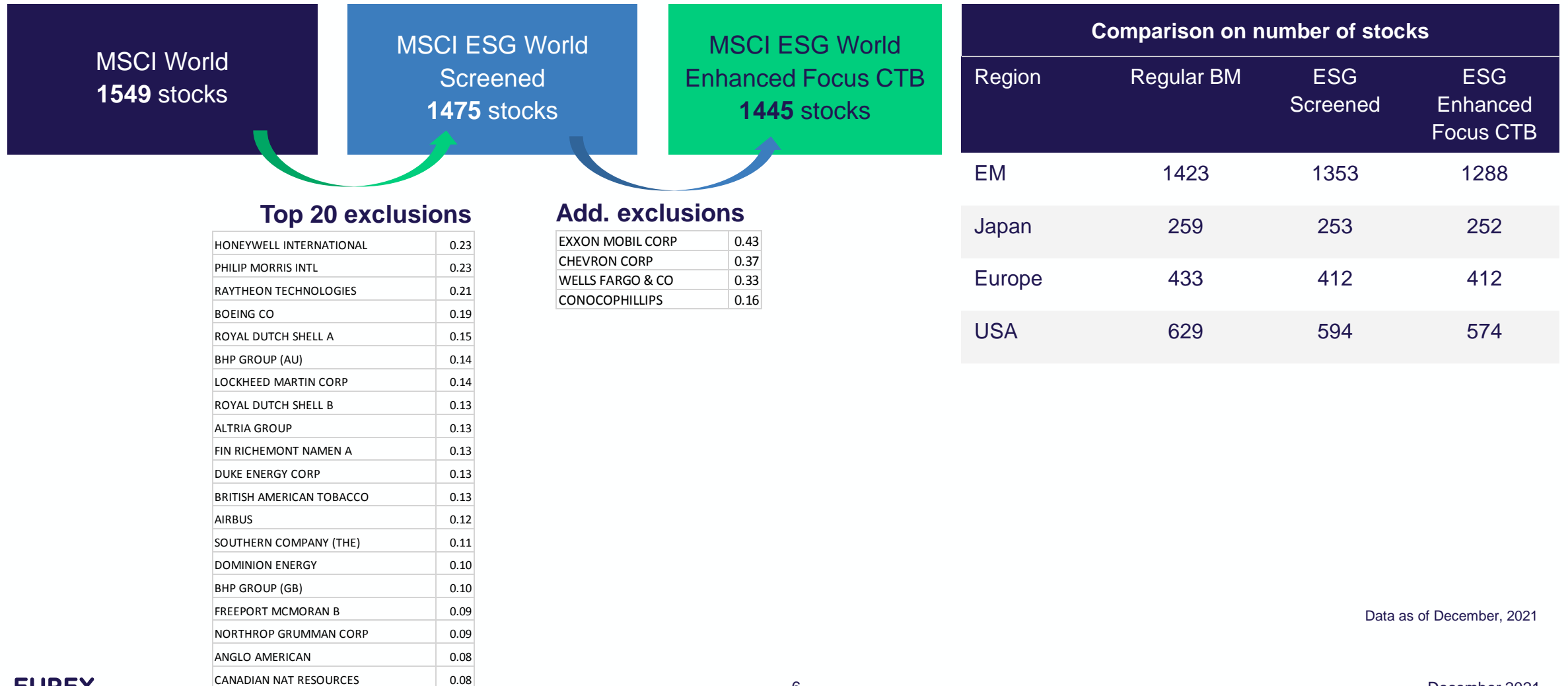


### UN Global Compact

MSCI ESG Global Norms Screening is designed to help investors determine which publicly traded companies breach the standards of conduct enumerated by the United Nations Global Compact Principles, the United Nations Guiding Principles on Business and Human Rights, and the ILO Conventions. All companies determined as failing to comply with the UNGC principles are excluded

# MSCI ESG Enhanced Focus CTB Index

## MSCI exclusion comparison

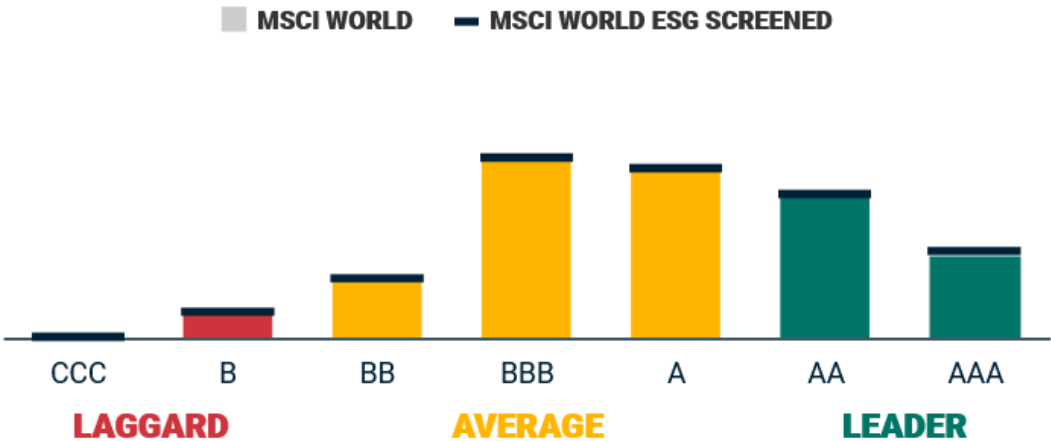


Data as of December, 2021

# MSCI ESG Enhanced Focus CTB Index

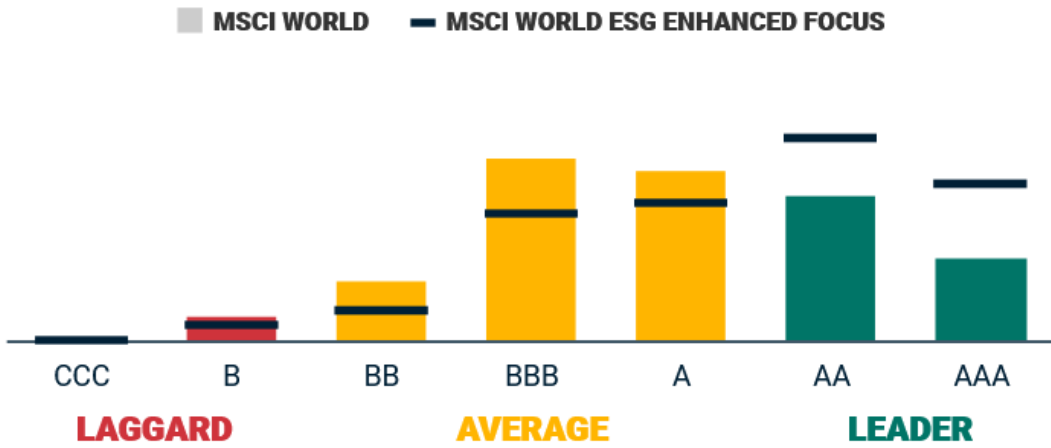
MSCI World – Weighting comparison\*

World vs World ESG screened



Consolidated ESG Rating - Distribution

World vs World ESG Enhanced Focus



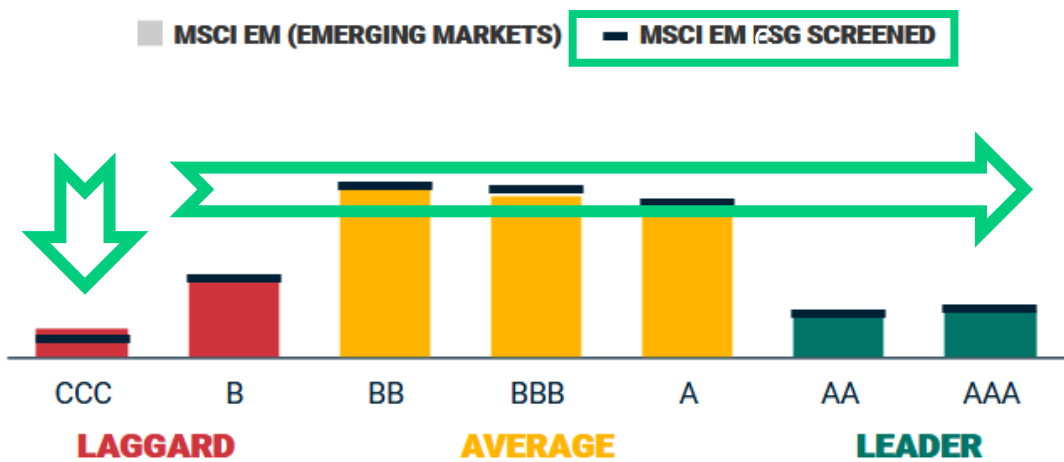
Consolidated ESG Rating - Distribution

\* Source MSCI data tool link: [Index Profile Tool - MSCI](#)

# MSCI ESG Enhanced Focus CTB Index

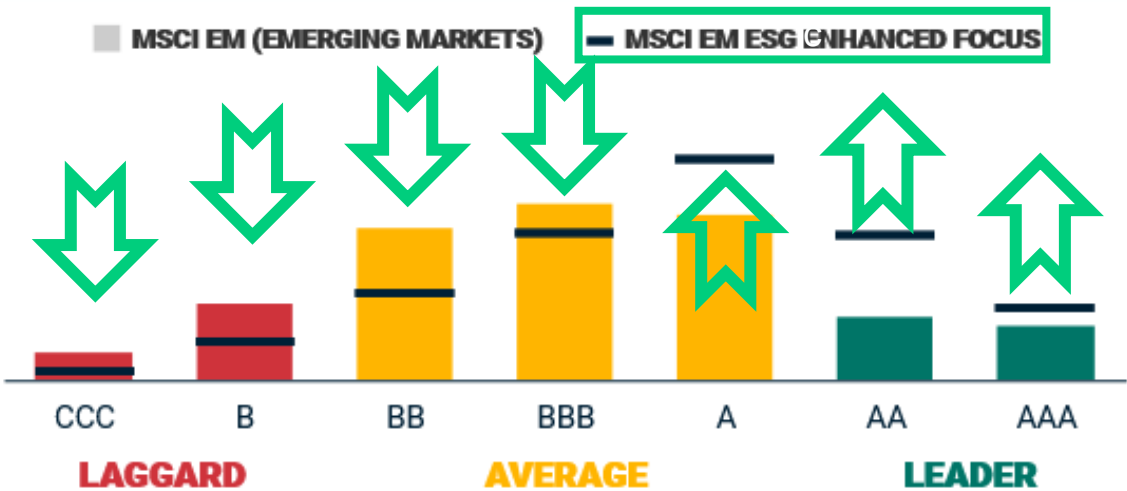
MSCI EM – Weighting comparison\*

EM vs EM ESG screened



Consolidated ESG Rating - Distribution

EM vs EM ESG Enhanced Focus



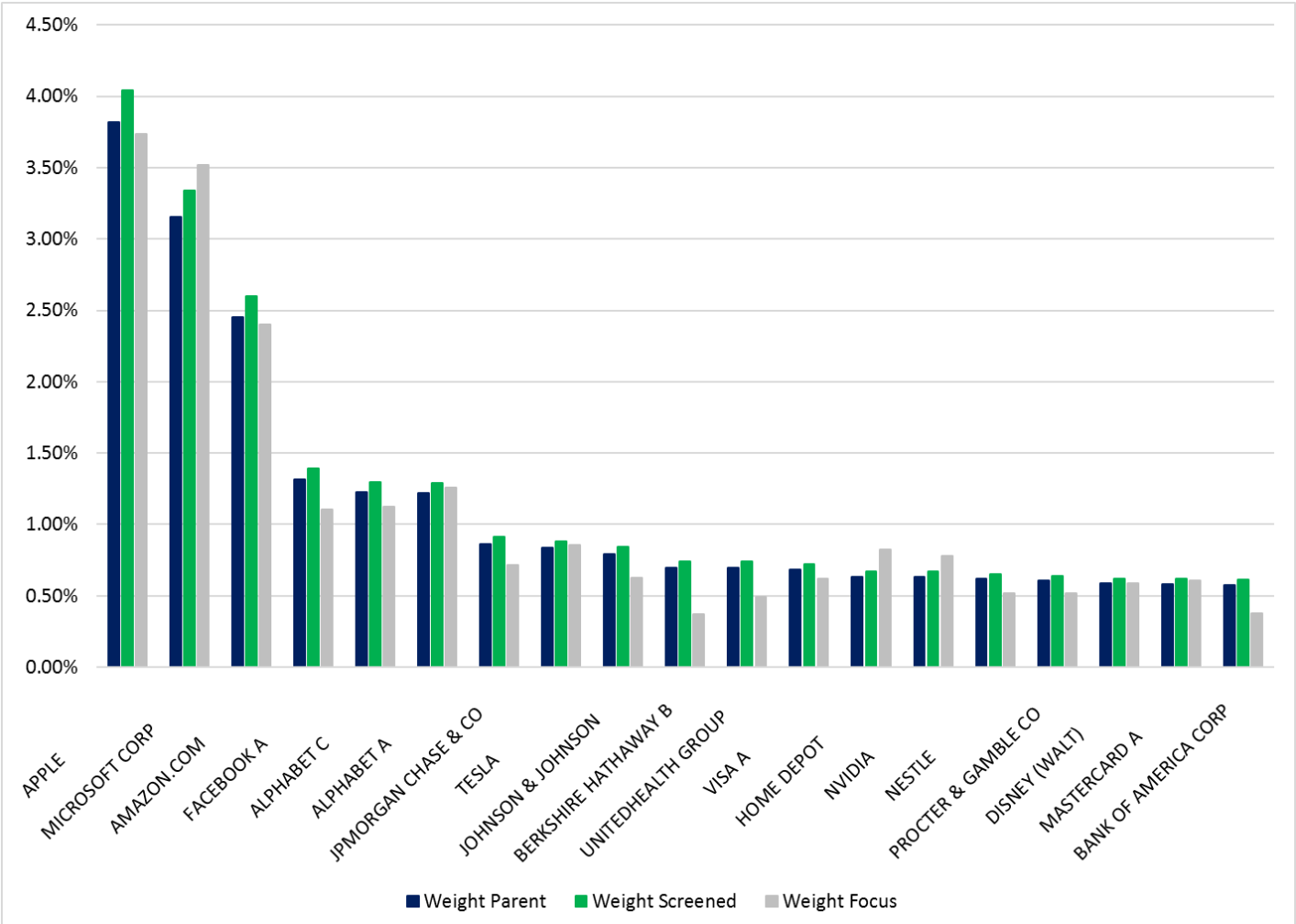
Consolidated ESG Rating - Distribution

\* Source MSCI data tool link: [Index Profile Tool - MSCI](#)



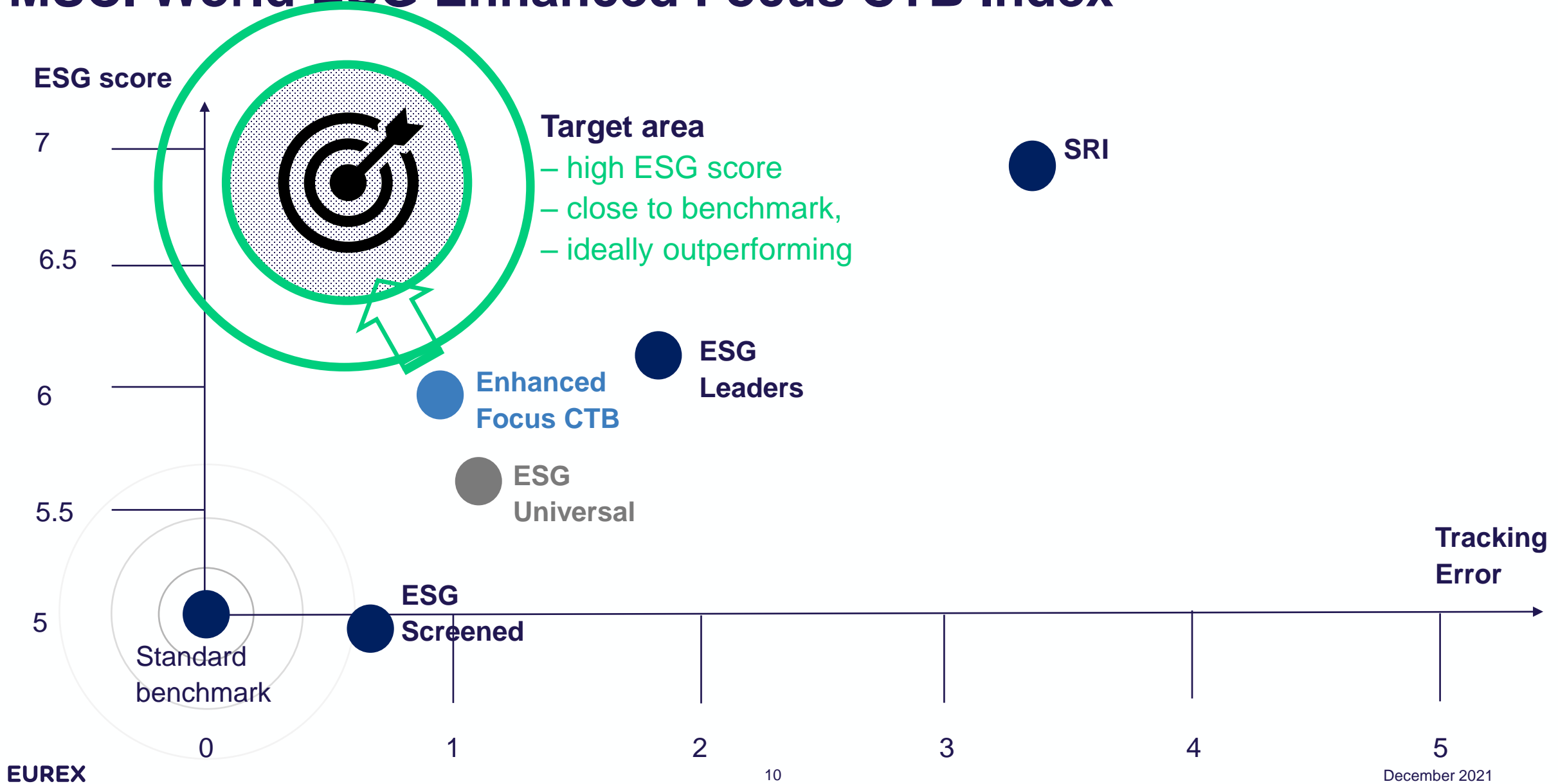
# MSCI ESG Enhanced Focus CTB Index

## MSCI World – Weighting comparison

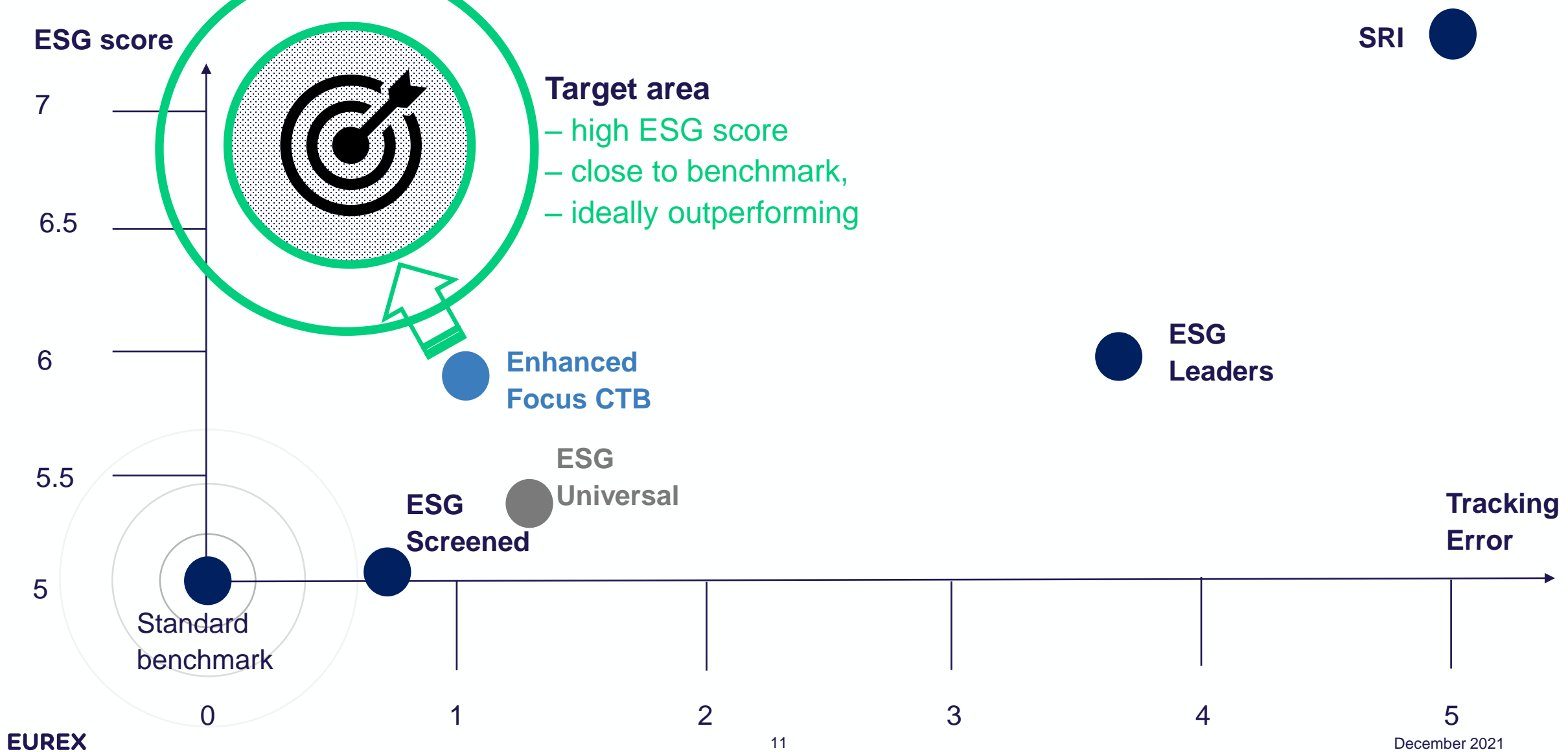


- Weightings in screened are all higher than in Parent index, as it is same weighting methodology, but less stocks
- For Enhanced Focus, the weighting can be higher or lower than in Parent index
- The weighting differences can be substantial: certain weights in the Enhanced Focus are between -75% and +200% different towards screened

# MSCI World ESG Enhanced Focus CTB Index

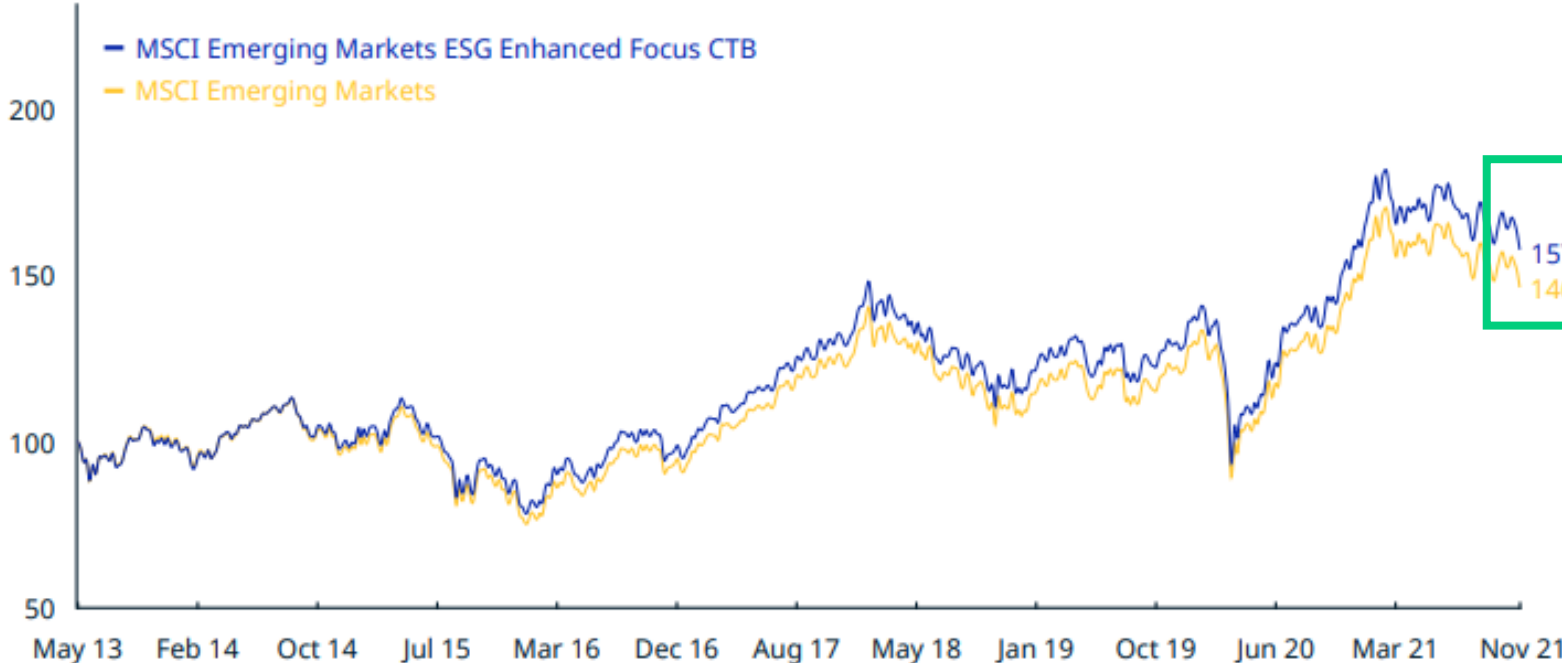


# MSCI EM ESG Enhanced Focus CTB Index



# MSCI EM ESG Enhanced Focus CTB Index

**CUMULATIVE INDEX PERFORMANCE – NET RETURNS (USD)  
(MAY 2013 – NOV 2021)**



**ANNUAL PERFORMANCE (%)**

Year	MSCI Emerging Markets ESG Enhanced Focus CTB	MSCI Emerging Markets
2020	19.62	18.31
2019	17.86	18.42
2018	-14.02	-14.57
2017	38.43	37.28
2016	11.81	11.19
2015	-12.97	-14.92
2014	0.09	-2.19

\*Source MSCI <https://www.msci.com/documents/10199/2d51730c-2429-2dda-bb74-9f9536b3a566>

# ESG Enhanced Focus CTB Index methodology

Parameters / Index		MSCI ESG Enhanced Focus CTB*
Index Objective		Designed to maximize its exposure to positive environmental, social and governance (ESG) factors <b>while reducing the carbon equivalent exposure to carbon dioxide (CO2) and other greenhouse gases (GHG)</b> as well as its exposure to potential <b>emissions risk of fossil fuel reserves by thirty percent (30%)</b>
Selection (Optimization + Screens)		<ul style="list-style-type: none"> <li>Utilizes <b>optimization</b> with an aim to <b>maximize exposure to high ESG ratings</b> for a specific tracking error target</li> <li><b>Screens: Tobacco, Controversial Weapons, Thermal Coal, Civilian Firearms, Nuclear Weapons, Unconventional Oil and Gas, ESG Red Flags, Missing ESG Controversy Score, ESG Score or ESG Rating &amp; Companies failing to comply with UN Global compact principles*</b></li> </ul>
Screened Parent		<ul style="list-style-type: none"> <li>The Screened Parent is constructed <b>by excluding securities from Parent Index based on the exclusion criteria</b> as per screens. The security weights are then normalized to 100%.</li> </ul>
Key characteristics of parent index are maintained	Tracking Error Constraint	<ul style="list-style-type: none"> <li>Subject to a predicted tracking error target (0.75% for World, USA, Japan, EMU, Europe and 1.0% for EM )</li> </ul>
	Sector Weights	<ul style="list-style-type: none"> <li>Sector weights are constrained to +/-5% from the sector weights of the Parent Index</li> </ul>
	Country Weights	<ul style="list-style-type: none"> <li>Country weights are constrained to +/-5% from country weights of the Parent Index*</li> </ul>
	Security Weight Upper Bound	<ul style="list-style-type: none"> <li>Minimum (Security Weight in the Screened Parent +2%, 5 times Security Weight in the Screened Parent)</li> </ul>
	Security Weight Lower Bound	<ul style="list-style-type: none"> <li>Maximum (Minimum Security Weight in Screened Parent, 0.25 times Security Weight in the Screened Parent)</li> </ul>
	Minimum Constituent Weight	<ul style="list-style-type: none"> <li>Minimum constituent weight in the Screened Parent</li> </ul>
	Turnover	<ul style="list-style-type: none"> <li>Turnover cap of 10% for SAIR and 5% for QIR as part of optimization constraints</li> </ul>
	Transition & Physical Risk Objectives	<ul style="list-style-type: none"> <li>Greenhouse Gas (GHG) Intensity (Scope 1+2+3) 30% to parent index (Minimum average reduction of 7% per annum)</li> <li>Minimum active weight in High Climate Impact Sector of 0%</li> <li>Minimum Increase in aggregate weight in companies setting targets relative to the aggregate weight of such companies in the Parent Index of 10%</li> <li>Minimum reduction in Weighted Average Potential Emissions Intensity of 30%</li> <li>Minimum ratio of Weighted Average Green Revenue/ Weighted Average Fossil fuels-based Revenue at least equal</li> </ul>

\*Source: [https://www.msci.com/eqb/methodology/meth\\_docs/MSCI\\_ESG\\_Enhanced\\_Focus\\_Indexes\\_CTB\\_Methodology\\_Nov2021.pdf](https://www.msci.com/eqb/methodology/meth_docs/MSCI_ESG_Enhanced_Focus_Indexes_CTB_Methodology_Nov2021.pdf)

# MSCI - Product Specifications ESG Derivatives

	Benchmark Futures						ESG Futures											
	MSCI World	MSCI EM	MSCI EAFE	MSCI USA	MSCI Japan	MSCI Europe	MSCI World ESG Screened	MSCI EM ESG Screened	MSCI EAFE ESG Screened	MSCI USA ESG Screened	MSCI Japan ESG Screened	MSCI World ESG Enhanced Focus CTB	MSCI EM ESG Enhanced Focus CTB	MSCI Japan ESG Enhanced Focus CTB	MSCI USA ESG Enhanced Focus CTB	MSCI Europe ESG Enhanced Focus CTB	MSCI EM Asia ESG Screened	
EUREX Product Code	FMWO	FMEM	FMFA	FMUS	FMJP	FMEU	FMSW	FMSM	FMSF	FMSU	FMSJ	FMFW	FMFE	FMFJ	FMFU	FMFO	FMSS	
Currency	USD					EUR		USD			USD					EUR		USD
Index Type	NTR						NTR			NTR					NTR		NTR	
Bloomberg Prod. Code	ZWPA	ZTSA	FFAA	ZSOA	FMIA	ZRPA	HRLA	HRRRA	HRWA	HRIA	HRYA	SJYA	SHRA	SHWA	SICA	SHSA	MUYA	
Bloomberg Index Code	NDDUWI	NDUEEGF	NDDUEAFE	NDDUUS	NDDUJN	MSDEE15N	NU721415	NU728007	NU728974	NU721417	NU721420	NU723911	NU723916	NU723913	NU723912	NE723914	NU733561	
Reuters Product Code	0#FMWO	0#FMEM	0#FMFA	0#FMUS	0#FMJP	0#FMEU	0#FMSW	0#FMSM	0#FMSF	0#FMSU	0#FMSJ	0#FMFW	0#FMFE	0#FMFJ	0#FMFU	0#FMFO	0#FMSS	
Contract months	Up to 36 months; quarterly months																	
Multiplier	10	100	10	10	10	100	10	10	10	10	10	10	10	10	10	10	20	
Tick Size (order book)	1.0	0.1	1.0	1.0	1.0	0.05	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	
Tick Value, in currency	10 USD	10 USD	10 USD	10 USD	10 USD	5 EUR	5 USD	5 USD	5 USD	5 USD	5 USD	5 USD	5 USD	5 USD	5 USD	5 USD	10 USD	
Minimum Block Trade Size, in lots	100	50	1	10	50	250	100	50	50	100	50	1	1	1	1	1	1	
Contract value, in currency*	88K	65K	76K	117K	79K	26K	31K	19K	23K	38K	23K	27K	17K	23K	35K	20K	50k	
CFTC Approved	Yes																	
Underlying MSCI Factsheet	<a href="#">MSCI World</a>	<a href="#">MSCI EM</a>	<a href="#">MSCI EAFE</a>	<a href="#">MSCI USA</a>	<a href="#">MSCI Japan</a>	<a href="#">MSCI Europe</a>	<a href="#">MSCI World ESG Screened</a>	<a href="#">MSCI EM ESG Screened</a>	<a href="#">MSCI EAFE ESG Screened</a>	<a href="#">MSCI USA ESG Screened</a>	<a href="#">MSCI Japan ESG Screened</a>	<a href="#">MSCI World ESG Enhanced Focus CTB</a>	<a href="#">MSCI Emerging Markets ESG Enhanced Focus CTB</a>	<a href="#">MSCI Japan ESG Enhanced Focus CTB</a>	<a href="#">MSCI USA ESG Enhanced Focus CTB</a>	<a href="#">MSCI Europe ESG Enhanced Focus CTB</a>	<a href="#">MSCI EM Asia ESG Screened</a>	

\* as of May 2021

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