

MSCI ESG Enhanced Focus Index

Integrating ESG and Low Carbon

October 2021

Eurex product coverage

ESG index methodologies and principles

	METHODOLOGY	PRINCIPLES	PRODUCT COVERAGE
ESG Investment Approaches	Phase 1	<p>Negative Screening</p> <p>Norms-Based Screening</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>ESG Integration</p> <p>Positive Screening</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>
Phase 3	<p>SRI (Socially Responsible Investment)</p> <p>Impact Investing</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>	<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>EURO STOXX 50 Low Carbon futures, STOXX Europe Climate Impact futures E</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 futures</p> <p>SRI future</p> <p>Climate Transition (CTB) / Paris-aligned (PAB) Benchmark futures E</p> <p>Climate Change ESG futures E</p> <p>Factors</p>

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 850.7 Billion
17,311,911 contracts

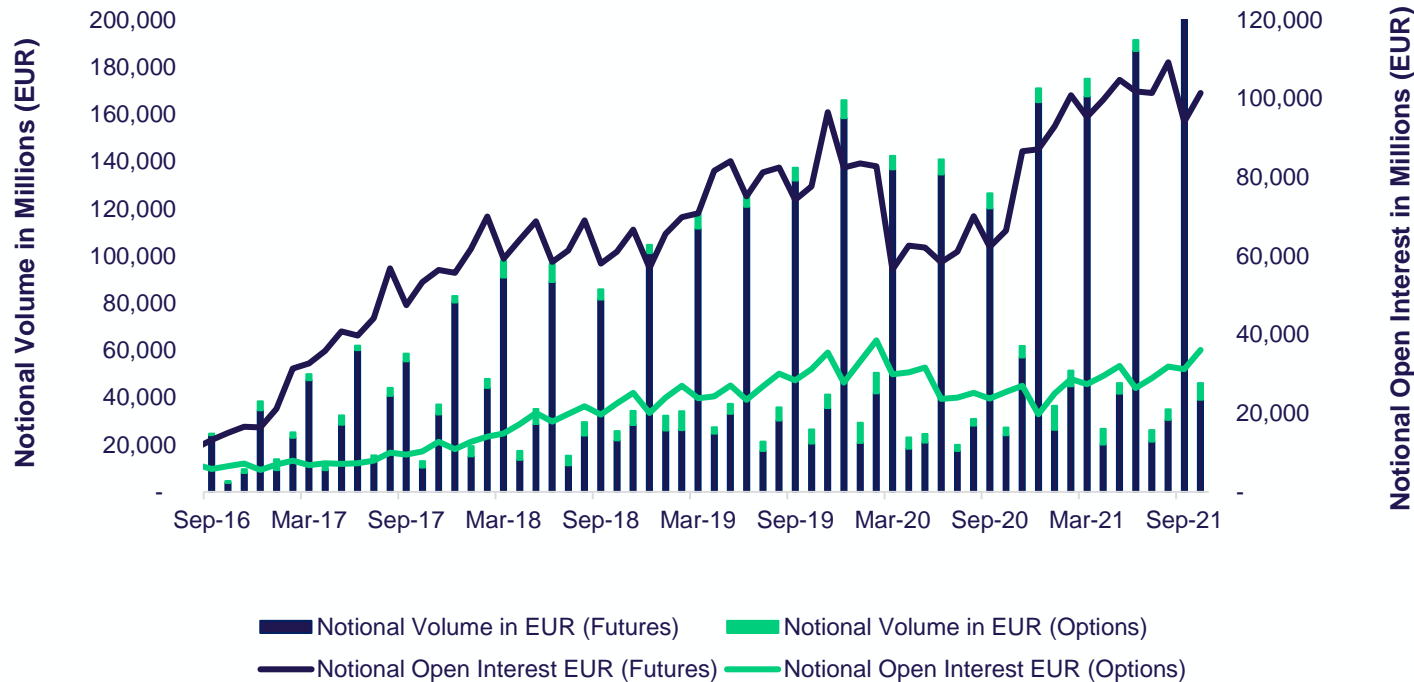
CAGR 2016 – 2021: **21%**

Open Interest

EUR 137.5 Billion
2.75 million contracts

CAGR 2016 – 2021: **22%**

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 Oct 31, 2021

MSCI ESG Enhanced Focus Indexes

World, USA, Europe, Japan & Emerging Markets

Target Benefit	MSCI World ESG Enhanced Focus Index (Examples of back tested results)
 <p>Designed to maintain a broad coverage with similar profile to market cap index</p>	<p>Covered an average of circa 93.7%** of the parent index from November 2012 to April 2021</p>
 <p>Aims to improve ESG Profile</p>	<p>15% Improvement in ESG score compared to the parent index</p>
 <p>Aims to reduce exposure to carbon</p>	<p>30% reduction in carbon footprint* compared to the underlying index</p>
 <p>Modest tracking error</p>	<p>Tracking error of 0.6% as of April 30, 2021</p>
 <p>Excludes exposure to Controversial Weapons and Tobacco Producers</p>	<p>From 1.5% in the parent index to 0%</p>
 <p>Aims to exclude companies involved in controversies</p>	<p>Weight of very severe controversies reduced from 3.0% in the parent index to 0%</p>

*As measured by Weighted Average Carbon Intensity (t CO2e/\$M Sales) as of 30-Apr-2021

** The average % exclusion for the MSCI World ESG Enhanced Focus Index (calculated over all the index reviews from November 2012 until April 2021) is 6.3%

All data as of April 30, 2021

Back test examples only. Past performance not indicative of future results. Please refer to the disclaimer at the end of this presentation for more information

ESG Enhanced Focus Index 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 Index¹⁾
Security weight in proportion to the Parent Index²⁾

Maintenance

Quarterly rebalancing and review

Selection

Aims to maximize exposure to high ESG ratings for a specific tracking error target

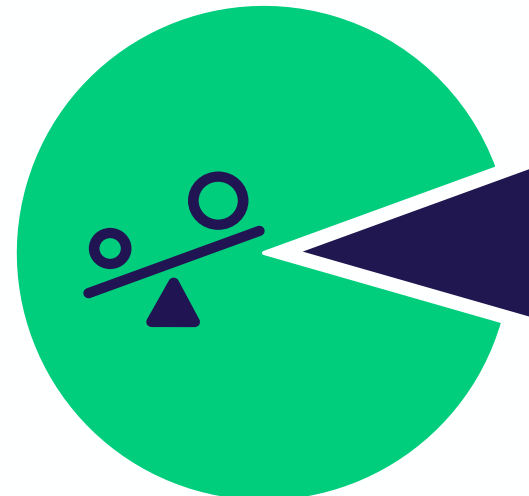
Index Type

Net Total return

Key characteristics of parent index are maintained

- **Tracking Error Constraint³⁾**
- **Minimum Constituent Weight:** constituent weight in the Screened Parent
- **Targeted Carbon Emission:** Minimum Reduction is 30% relative to the Parent Index

Target: 30% reduction in carbon exposure



■ Exclusion ■ Selection

Exclusion Criteria (more details next slide)

- Involvement with:
 - Thermal coal and oil sands extraction
 - Weapons (controversial, nuclear weapons, firearms)
 - Tobacco
- Non-compliance with the United Nations Global Compact
- Severe controversies⁴⁾
- 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 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 (0.5% for World, USA, Japan, EMU, Europe and 1.0% for EM)
 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 mining of thermal coal or 5% or more revenue from thermal coal based power generation

Oil Sands

Companies deriving 5% or more revenue from oil sands extraction

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 bombs, landmines, depleted uranium weapons, chemical and biological weapons, blinding laser weapons, non-detectable fragments, 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

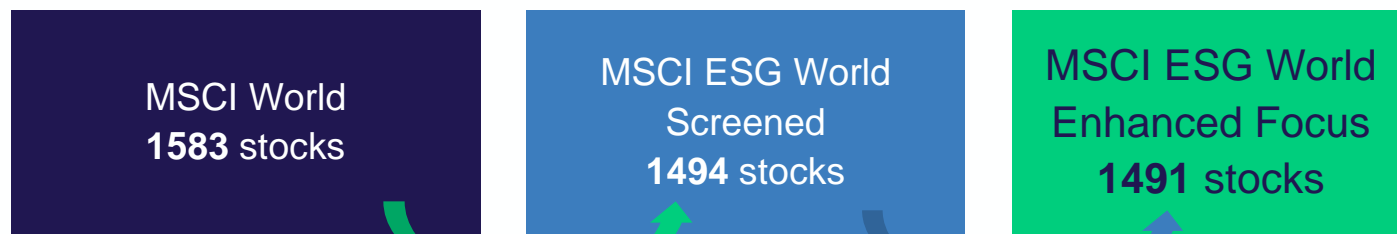
Governance

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 Index

MSCI exclusion comparison



Top 20 exclusions

WALMART	0.35%
HONEYWELL INTERNATIONAL	0.29%
PHILIP MORRIS INTL	0.27%
RAYTHEON TECHNOLOGIES	0.23%
BOEING CO	0.22%
BHP GROUP (AU)	0.21%
LOCKHEED MARTIN CORP	0.17%
ALTRIA GROUP	0.17%
BRITISH AMERICAN TOBACCO	0.16%
ROYAL DUTCH SHELL A	0.14%
DUKE ENERGY CORP	0.14%
BHP GROUP (GB)	0.12%
SOUTHERN COMPANY (THE)	0.12%
ROYAL DUTCH SHELL B	0.12%
AIRBUS	0.12%
FREEMPORT MCMORAN B	0.12%
DOMINION ENERGY	0.11%
BAYER	0.11%
ANGLO AMERICAN	0.11%
NORTHROP GRUMMAN CORP	0.10%

Add. exclusions

WELLS FARGO & CO	0.34%
MSCI	0.07%
ATLANTIA	0.02%

Comparison on number of stocks*

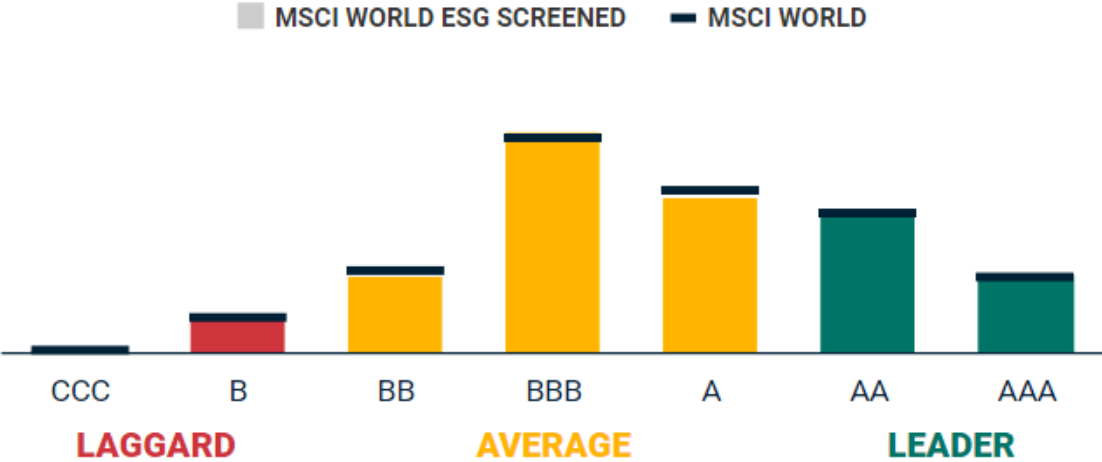
Region	Regular BM	ESG Screened	ESG Enhanced Focus
EM	1391	1327	1311
Japan	301	292	292
Europe	434	413	412
USA	620	581	572

* as of May, 2021

MSCI ESG Enhanced Focus Index

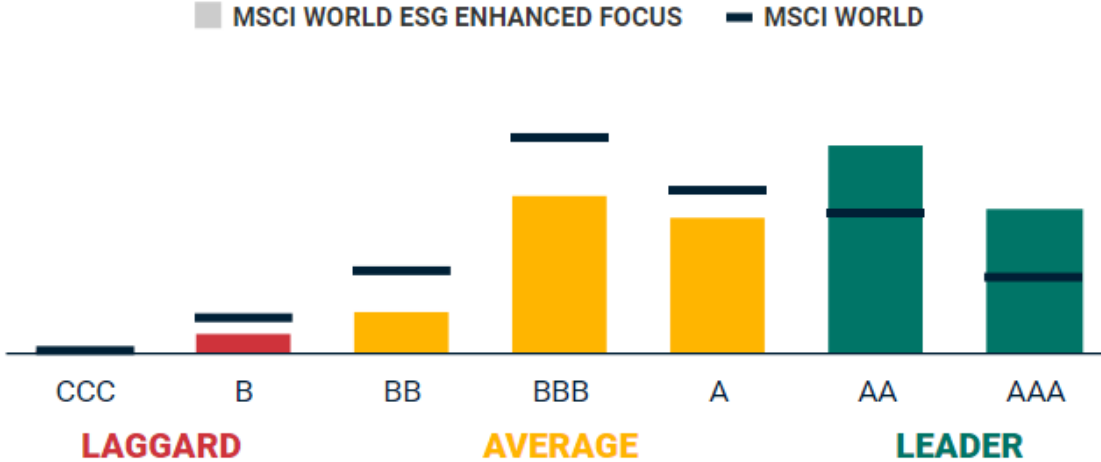
MSCI World – Weighting comparison*

World vs World ESG screened



Consolidated ESG Rating - Distribution

World vs World ESG Enhanced Focus



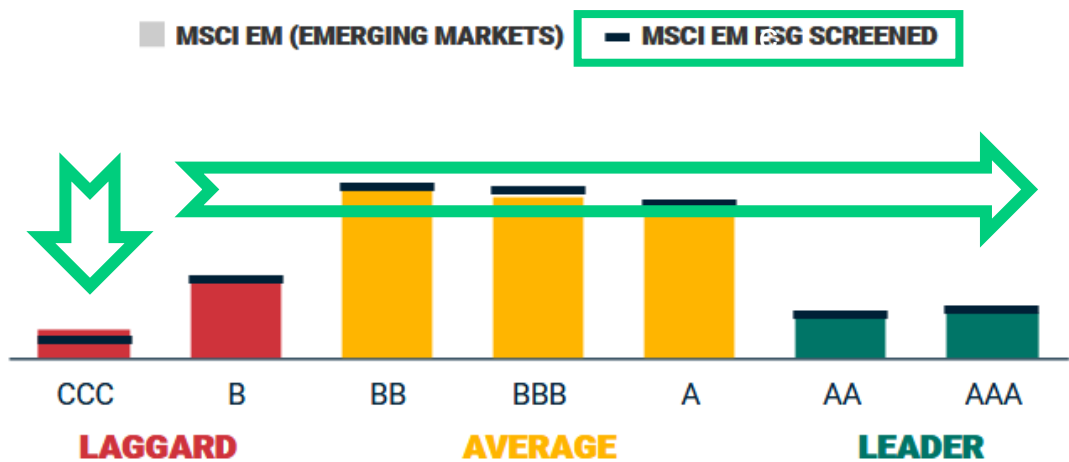
Consolidated ESG Rating - Distribution

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

MSCI ESG Enhanced Focus Index

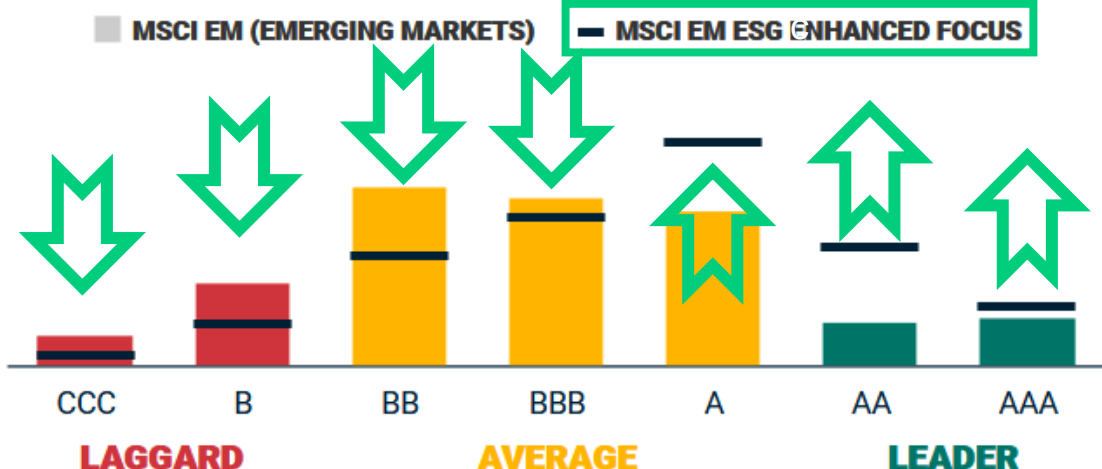
MSCI EM – Weighting comparison*

EM vs EM ESG screened



Consolidated ESG Rating - Distribution

EM vs EM ESG Enhanced Focus

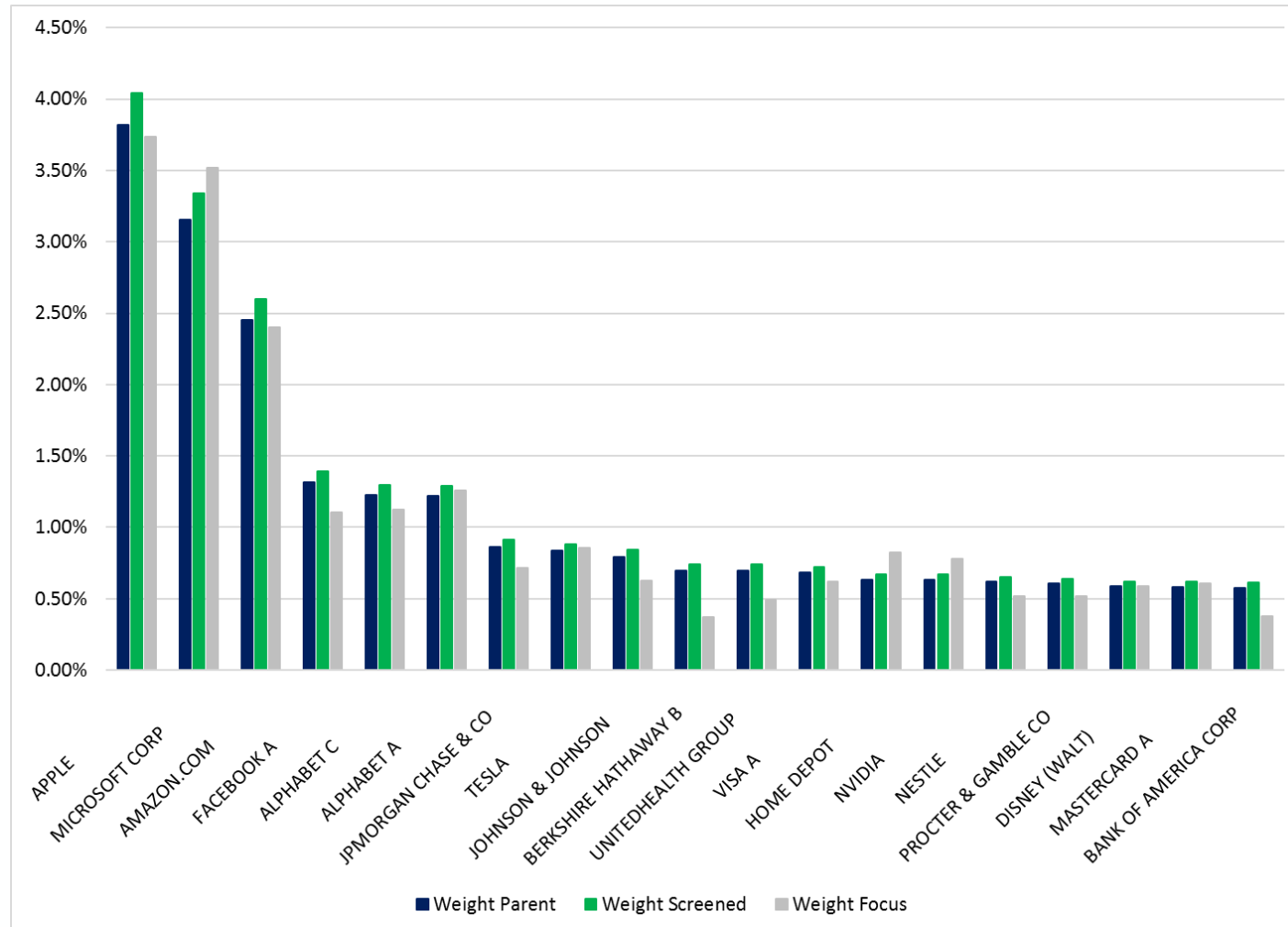


Consolidated ESG Rating - Distribution

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

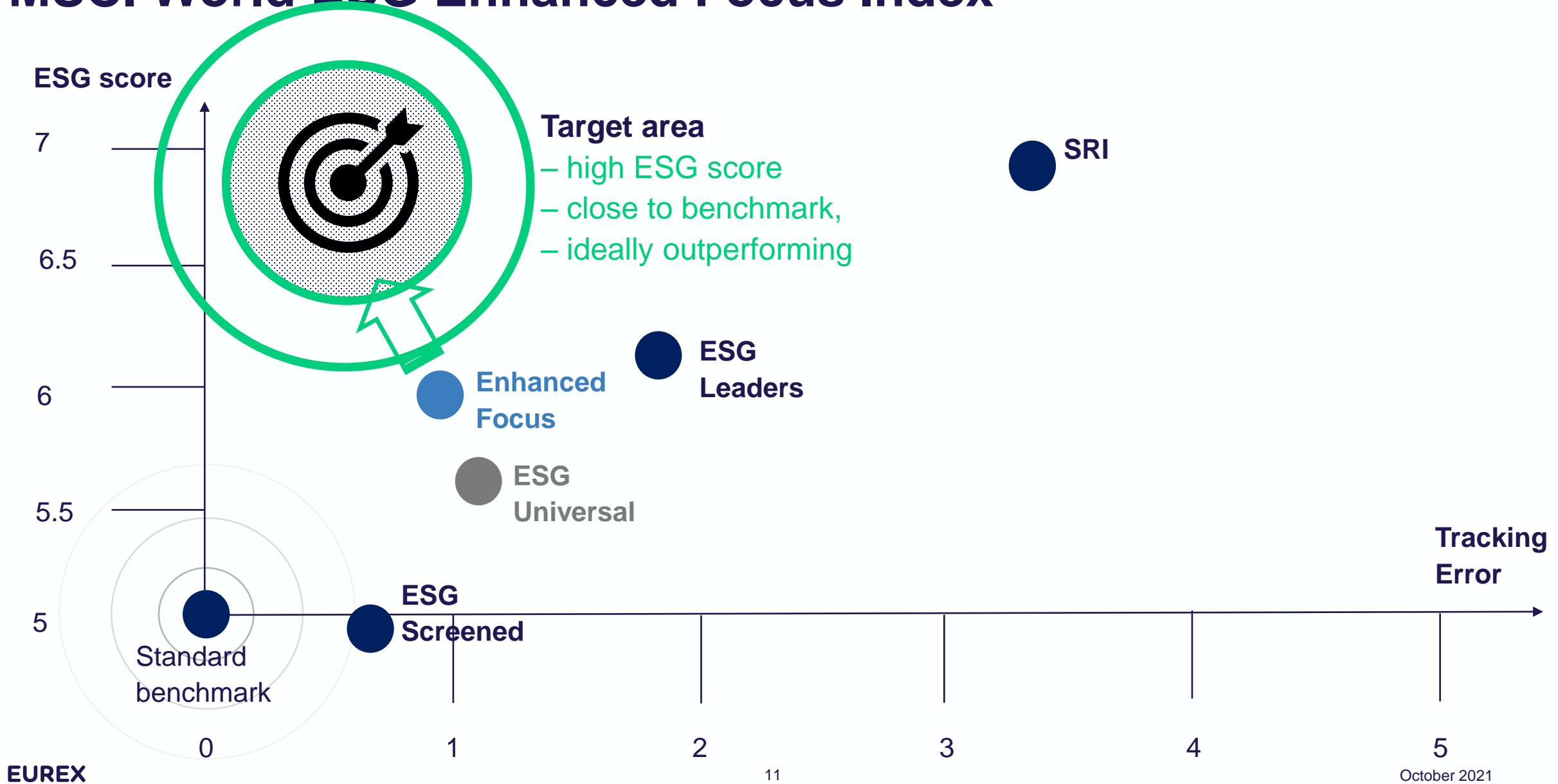
MSCI ESG Enhanced Focus Index

MSCI World – Weighting comparison

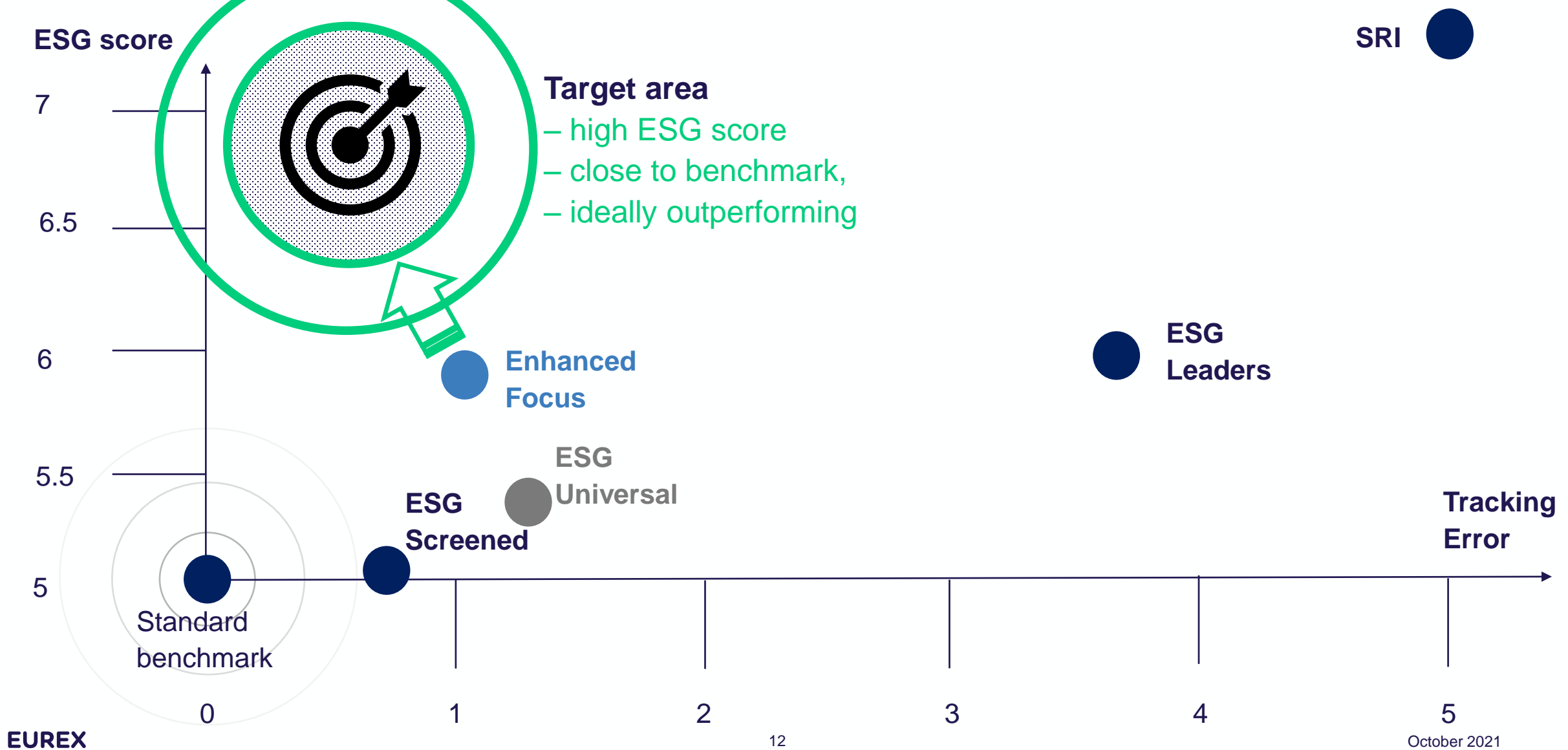


- Weightings in screened are all higher than in Parent index, as it is same weighting methodology, but less stocks
- For Enhanced Focus, the weighting can be higher or lower than in Parent index
- The weighting differences can be substantial: certain weights in the Enhanced Focus are between -75% and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

MSCI World ESG Enhanced Focus Index



MSCI EM ESG Enhanced Focus Index



MSCI EM ESG Enhanced Focus Index

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



ANNUAL PERFORMANCE (%)

Year	MSCI Emerging Markets ESG Enhanced Focus	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 Index methodology

Parameters / Index	MSCI ESG Enhanced Focus*	
Index Objective	Designed to maximize its exposure to positive environmental, social and governance (ESG) factors while reducing the carbon equivalent exposure to carbon dioxide (CO2) and other greenhouse gases (GHG) as well as its exposure to potential emissions risk of fossil fuel reserves by thirty percent (30%)	
Selection (Optimization + Screens)	<ul style="list-style-type: none"> Utilizes optimization with an aim to maximize exposure to high ESG ratings for a specific tracking error target Screens: Tobacco, Controversial Weapons, Thermal Coal, Civilian Firearms, Nuclear Weapons, Oil Sands, ESG Red Flags, Missing ESG Controversy Score, ESG Score or ESG Rating & Companies failing to comply with UN Global compact principles* 	
Screened Parent	<ul style="list-style-type: none"> The Screened Parent is constructed by excluding securities from Parent Index based on the exclusion criteria as per screens. The security weights are then normalized to 100%. 	
Key characteristics of parent index are maintained	Tracking Error Constraint	<ul style="list-style-type: none"> Subject to a predicted tracking error target (0.5% for World, USA, Japan, EMU, Europe and 1.0% for EM)
	Sector Weights	<ul style="list-style-type: none"> Sector weights are constrained to +/-5% from the sector weights of the Parent Index
	Country Weights	<ul style="list-style-type: none"> Country weights are constrained to +/-5% from country weights of the Parent Index*
	Security Weight Upper Bound	<ul style="list-style-type: none"> Minimum (Security Weight in the Screened Parent +2%, 3 times Security Weight in the Screened Parent)
	Security Weight Lower Bound	<ul style="list-style-type: none"> Maximum (Minimum Security Weight in Screened Parent, 0.5 times Security Weight in the Screened Parent)
	Minimum Constituent Weight	<ul style="list-style-type: none"> Minimum constituent weight in the Screened Parent
	Turnover	<ul style="list-style-type: none"> Turnover cap of 10% for SAIR and 5% for QIR as part of optimization constraints
	Targeted Emissions per dollar of Market Capitalization Reduction Constraint	<ul style="list-style-type: none"> Minimum Reduction is 30% relative to the Parent Index
Targeted Carbon Emission Intensity reduction Constraint	<ul style="list-style-type: none"> Minimum Reduction is 30% relative to the Parent Index 	

*Source https://www.msci.com/eqb/methodology/meth_docs/MSCI_ESG_Enhanced_Focus_Indexes_Methodology_Jan19.pdf

MSCI - Product Specifications ESG Derivatives

New MSCI EM Asia ESG Future !!!
Launched on 6th September 2021

	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	MSCI EM ESG Enhanced Focus	MSCI Japan ESG Enhanced Focus	MSCI USA ESG Enhanced Focus	MSCI Europe ESG Enhanced Focus	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	HRRA	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	5 EUR	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																No	
Underlying MSCI Factsheet	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	MSCI Emerging Markets ESG Enhanced Focus	MSCI Japan ESG Enhanced Focus	MSCI USA ESG Enhanced Focus	MSCI Europe ESG Enhanced Focus	MSCI EM Asia ESG Screened	

* as of May 2021

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