



BEL[®] ESG Index

Webinar – 1 February 2023



BEL ESG
by EURONEXT

AGENDA AND SPEAKERS

Wednesday 1 February, 15.00 pm (CET)

- Euronext & ESG | Empowering Sustainable Growth
- Sustainalytics | Introduction to the ESG Risk Rating
- BEL® ESG Index | Principles, mechanics and process
- Central Labelling Agency | CLA label principles & impact
- Blackrock | Investor's view on trends & developments on ESG investing
- Q&A



Anne-Sophie Pijcke
Special ESG Advisor
Euronext



Ita Demyttenaere
Director Client Relations
Sustainalytics



Silvo Stroek
Structurer Index Design
Management
Euronext



Tom van den Berghe
Managing Director
Central Labelling Agency



Charles Symons
Head of Sales iShares & Wealth
Belgium and Luxembourg
Blackrock

BEL® ESG Index Webinar

Anne Sophie Pijcke
Special ESG Advisor



Euronext's key strategic priorities

EMPOWERING 
SUSTAINABLE GROWTH



Leverage Euronext's
integrated value chain



Pan-Europeanise
Euronext **CSDs**



Build upon Euronext's
leadership in Europe



Empower **sustainable**
finance



Execute
value-creative M&A

Launching the “Fit for 1.5°” climate commitment



“FIT FOR 1.5°”

- 1 For Euronext:**
Commit to the alignment of our own emissions with a **1.5-degree trajectory**, the most demanding climate ambition, under the **Science-Based Targets** initiative
- 2 For our clients:**
Deploy a full suite of **climate-focused products and services**
- 3** Improve our **ESG performance on “S” and “G” also, through renewed policies and targets**, ultimately leading to greater impact on climate and better overall ESG scoring versus peers

OUR ENVIRONMENT

OUR MARKETS

OUR PARTNERS

OUR PEOPLE

OUR SOCIETY

Development of products to drive investment



OUR MARKETS

OUR PARTNERS

Drive investment

- ➔ **Transition Leaders Segment** on our equity markets for SBTi-committed issuers
- ➔ Increased availability of **SME ESG data with EU Taxonomy flag**
- ➔ Tracking the **1.5 ambitions of ESG bond issuers**
- ➔ Creation of an **ESG Fund flag** to increase funds issuers' visibility
- ➔ Extension of **climate and ESG versions** of Euronext blue-chip indices in all our regulated markets
- ➔ Development of **low-carbon** energy and agricultural commodity products
- ➔ Servicing of **green assets** through our post-trade business



Services to help our clients in their ESG journey



OUR MARKETS

OUR PARTNERS

Helping our clients in their ESG journey

For listed companies

- Publication of ESG guidelines for issuers on Net Zero
- European Sustainability Week with focus on Net Zero
- ESG advisory services for issuers
- SME pre-IPO programmes focused on ESG

For colocation clients

- Green colocation services through our green Data Centre

For issuers

- Set the standards as the leading ESG bond franchise globally

Drive investment

Euronext Strong ESG products' portfolio

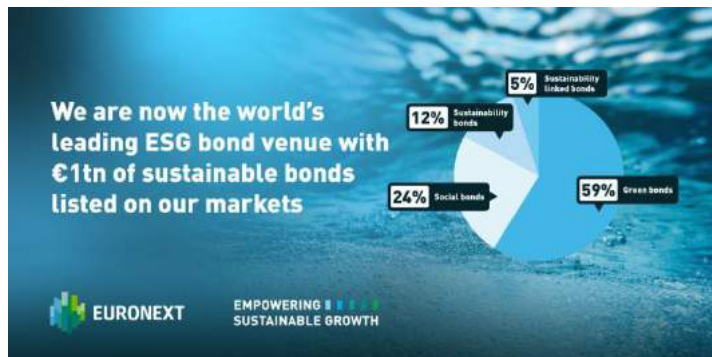
ESG BONDS	1,500+ listed securities €1 trillion
CLEANTECH COMPANIES	160 issuers
ESG ETFs	860+ ESG ETFs
ESG INDICES	+350 ESG Indices
SUSTAINABILITY WEEK	59 listed companies 980 meetings scheduled



Euronext Equileap Gender Equality Indices

In response to the UN's Sustainable Development Goal (SDG) #5 "Gender Equality", Euronext has launched in November 2022 the Euronext Equileap Gender Equality France 40 and Euronext Equileap Gender Equality Eurozone 100 Indices, the first pillar of a broader family of indices addressing challenges around gender equality in the workplace.

These indices have been developed by leveraging on Equileap's Scorecard and Alarm Bell list to help market participants invest in listed companies committed to improve gender diversity and to respond to the increasing demand for Social thematic investments.



€1 trillion in sustainable bonds

We have reached the milestone of €1 trillion in sustainable bonds listed on Euronext markets in Dec 2023, making us the world's leading #ESG bond venue.

Of the €1 trillion in sustainable bonds listed on Euronext:

- 59% are Green bonds;
- 24% are Social bonds;
- 12% are Sustainability bonds;
- 5% are Sustainability-linked bonds.

Launch of ESG Index Reports

Designed to provide greater transparency and granularity between different Euronext ESG indices, these new reports aim to offer deeper clarity for investors in order to make informed investments.

Euronext ESG Index Reports provide sustainability-related information for all benchmarks with ESG-related considerations, and are in line with EU Regulation requirements under the Sustainable Finance Disclosure Regulation (SFDR), the European Union Taxonomy and the Benchmark Regulation (BMR).



Helping our clients in their ESG journey



ESG Reporting Guide

Launching in May 2022 of the new edition of the **ESG Reporting Guide**, which has been designed to help companies engage in climate change mitigation policies with the support of their investors, and more broadly lists the key aspects to consider when reporting on ESG to make the most of the associated opportunities.

This new edition has been revised with a focus on the 1.5°C global temperature increase trajectory, in line with Euronext's "Fit for 1.5°" commitment, one of the key pillars of its "Growth for Impact 2024" strategic plan.

ESG Advisory

ESG Advisory", assists companies in making sense of investors' expectations and in building a comprehensive tailor-made ESG strategy by evaluating non-financial issues, providing ESG perception studies, prioritising and collecting data to engage with investors.

Through commercial partnerships, "ESG Advisory" offer comes with a reporting solution and governance analytics and board assessments of the associated opportunities.



EXPERTISE ▾ SOLUTIONS ▾ RESOURCES ▾ ABOUT US ▾ [REQUEST A DEMO →](#)

ESG Advisory

DEVELOP A SUSTAINABLE ESG STRATEGY

Reduce risks, attract new investors and grow profitably with a sustainable tailor-made strategy.



FOR MORE INFO CONTACT US AT: [www.euronext.com/esg](#)





SUSTAINALYTICS

a Morningstar company

SUSTAINALYTICS' ESG RISK RATINGS

Generating Valuable Insights from ESG Factors

Ita Demyttenaere

Director / Client Relations / Amsterdam

February 2023



Agenda

- 1 Research Process
- 2 The ESG Risk Ratings Explained
- 3 Product Involvement and Global Standards Screening
- 4 How to Reach Sustainalytics?

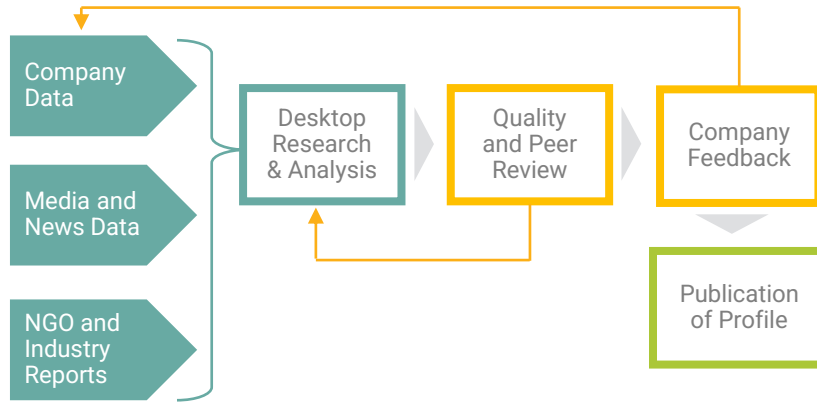


The Research Process

Sustainalytics' Research Process for Annual Update

We combine a regular annual update with ad-hoc, event-driven updates

A. Annual Research Update



Sources

- » Public corporate reporting and filings,
- » 83,000 media sources via LexisNexis,
- » Third-party sources (specialized providers, industry publications, renowned NGOs).

Analysis

- » Industry-teams conduct exposure and management assessments,
- » Stringent Quality Management,
- » Company feedback.

B. Daily News Monitoring and Incident/Event Assessments



*for highly significant Events assessments (category 4/5)



The ESG Risk Ratings Explained

Introducing the ESG Risk Ratings

Sustainalytics' ESG Risk Ratings measure the degree to which a company's enterprise value is at risk driven by ESG factors.

Introducing Sustainalytics' ESG Risk Ratings

Two-dimensional Materiality Framework:



The Three Building Blocks of the Comprehensive ESG Risk Ratings

Material ESG issues (MEIs) are central to the ESG Risk Ratings

Material ESG Issues

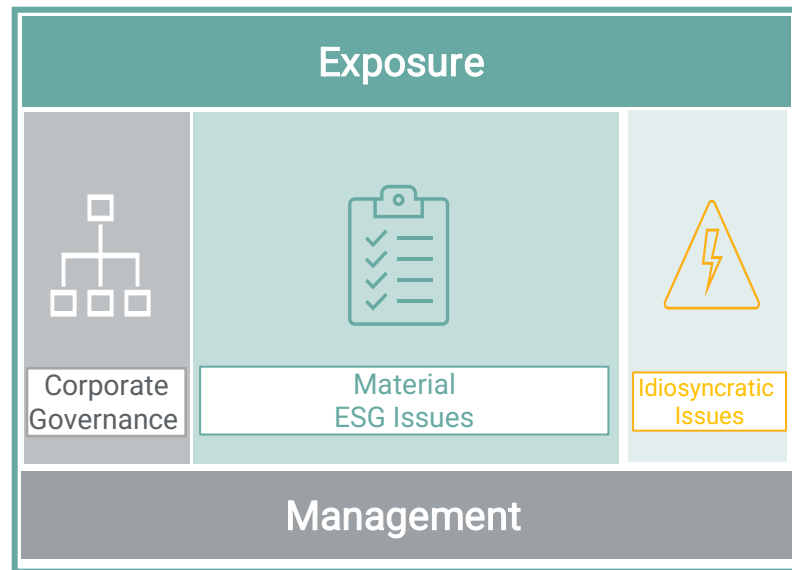
- » Are selected at the subindustry-level
- » Provide an assessment of Exposure on a subindustry-level, through identifying which issues are material, thus the name: Material ESG Issues
- » Subsequently, Exposure will be adjusted at the company level through the Beta components

Corporate Governance baseline

- » Fully integrates Sustainalytics' Corporate Governance ratings
- » Independent of subindustry, however it integrates CG market angle

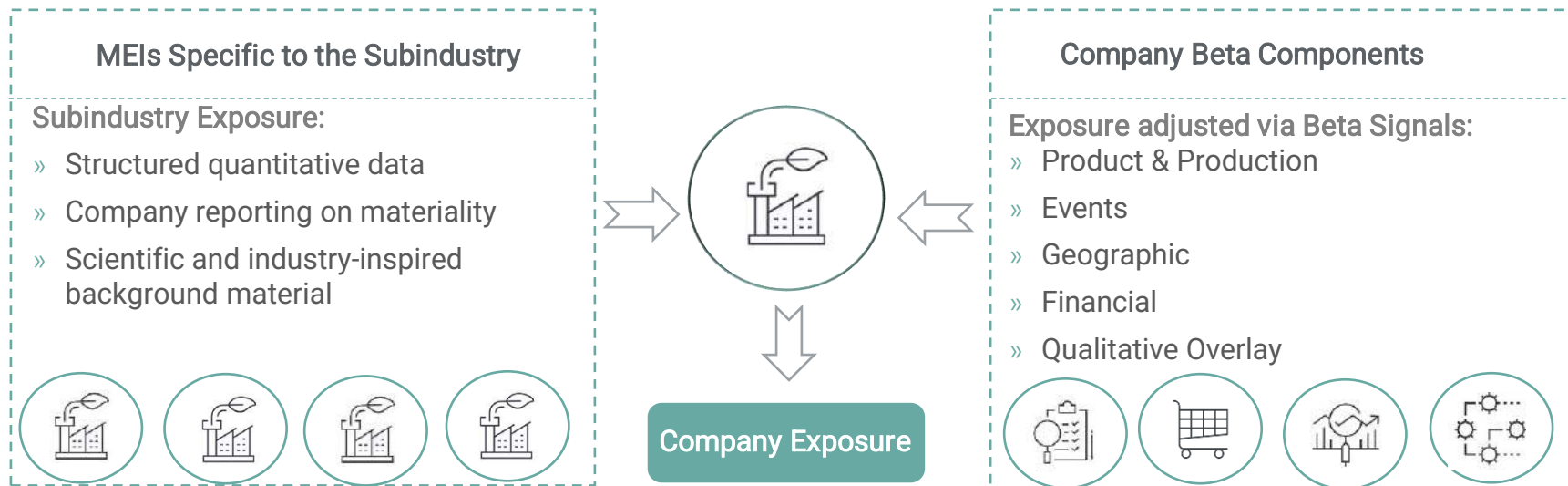
Idiosyncratic ESG issues

- » Triggered by most significant controversies (category 4 and 5 events)
- » Are very rare, reflecting “black swan” events, defined as highly significant, but inherently unpredictable



Assessing Exposure

Two-level approach to assess company Exposure



Meta Platforms – Data Privacy & Security

- » Facebook’s business model heavily relies on user data from its social media platforms; Changes to data privacy regulations in its operational jurisdictions could restrict Facebook’s ability to collect, transfer and use data thus potentially affecting Facebook’s advertising services including ad targeting.
- » Violations of privacy laws could lead to significant fines, legal costs, and reputational damage. Facebook is also exposed to risks of cyberattacks and data breaches, which could result in costly remediation and litigation.

Events

Financials

Geographic

Business Model

Issue Beta



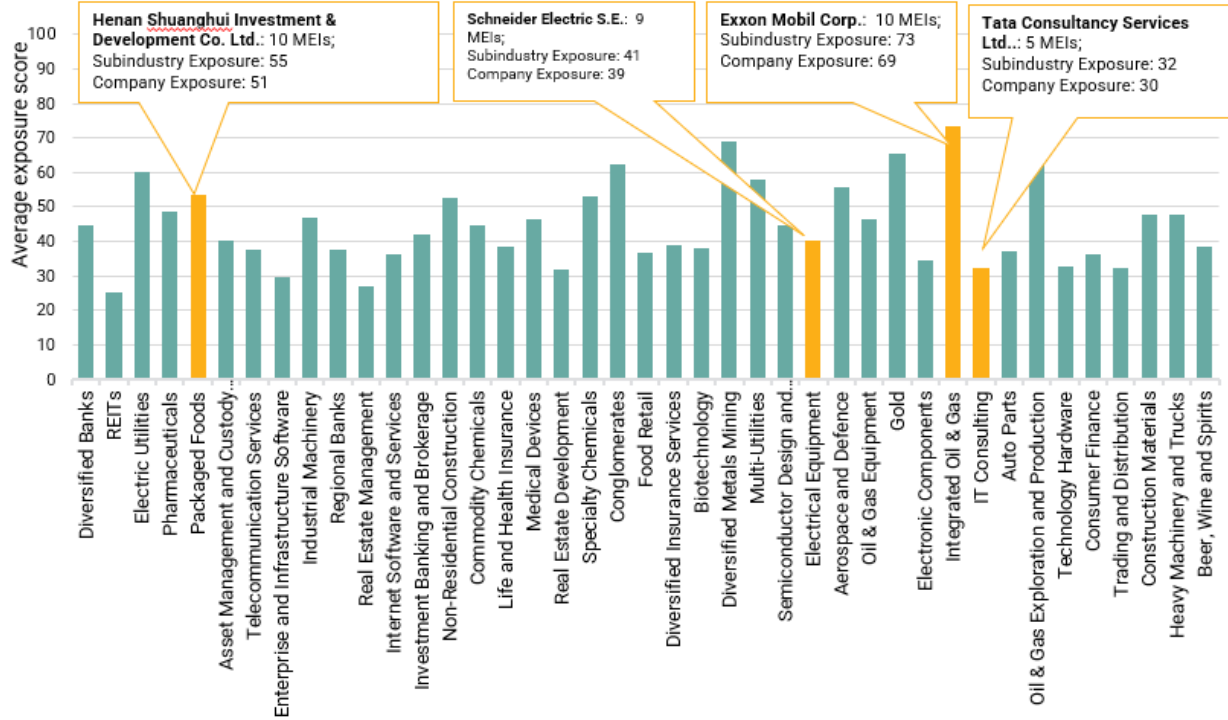
Beta Indicators	Beta Signal
Data Privacy and Security	0.12
Operating Performance	-0.03
Solvency	-0.02
Financial Flexibility	-0.03
Asset Performance	-0.03
Headquarters Location	-0.02
Sales Location	0.05
Data Monetization	0.15
Qualitative Overlay	0.40
Subindustry Correction Factor ⓘ	0.00
Exceptional Event Adjustment ⓘ	0.13
Total Beta Signal	0.70
Baseline ⓘ	+1.00
Issue Beta ⓘ	1.7

Subindustry Issue Exposure	8.0
Issue Beta	*1.7
Company Issue Exposure	13.6

Exposure Differs by Industry

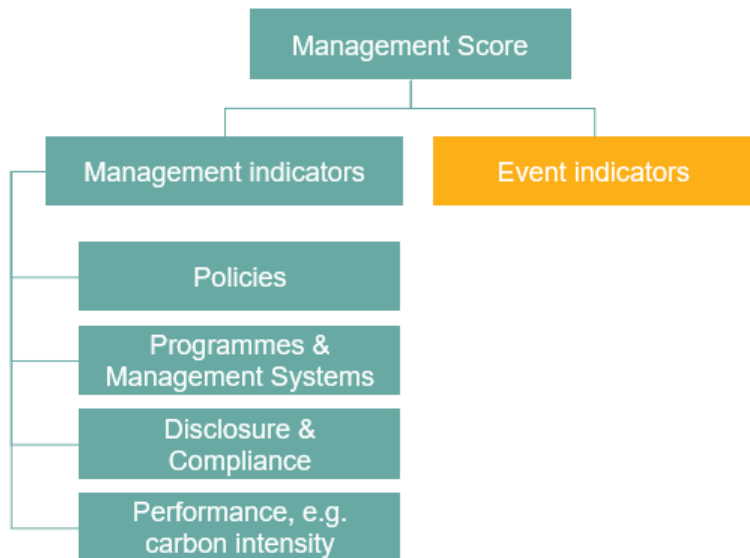
These differences are the starting point for calculating exposure

- » Level of risk is determined by exposure to different ESG issues
- » Patterns are discernible for each subindustry
- » Exposure is driven by industry affiliation, business model, cultural background, financial strength, geographic structure of revenues and assets, etc.



Assessing the Management Dimension

Indicator-based assessment using management and event indicators



S.3.1.3.1 - Data Privacy Programme

Raw Score	Weight	Weighted Score
75	20.00%	15.0

The company has a strong programme

Criteria

- Governance structures in place for privacy management
- Data subjects can access their accounts to erase, rectify, complete or amend personal information
- Regular privacy risk assessments or audits on the company's technologies and practices affecting user data
- Clear and accessible mechanisms for data subjects to raise concerns about data privacy
- Regular employee training on data privacy management

Sources

Facebook Corporate Website, www.fb.com, FTC Agreement; accessed 17 April 2020

Facebook Data Policy, available online at facebook.com; accessed 7 February 2020

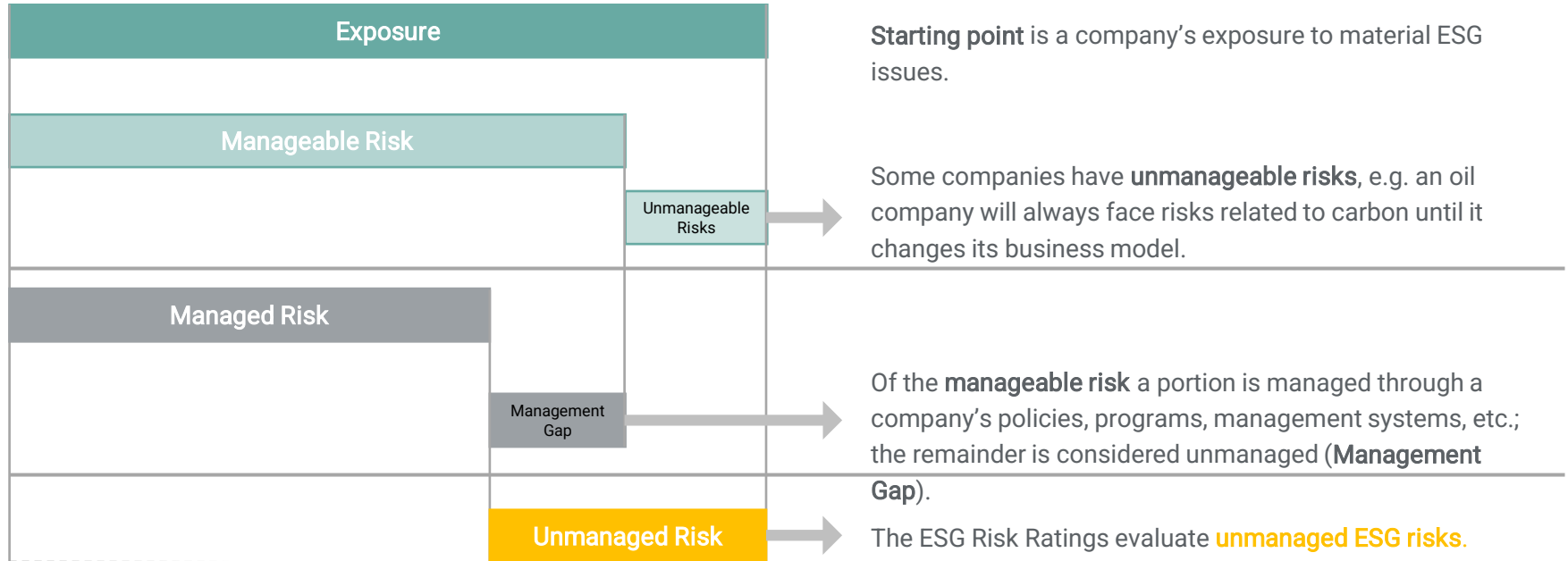
Events Scoring

Capturing how well companies have been managing ESG issues in practice

Qualitative Events assessment	<p>Low</p> <p>The event has a low impact on the environment and society, posing negligible risks to the company.</p>	<p>Moderate</p> <p>The event has a moderate impact on the environment and society, posing minimal risks to the company.</p>	<p>Significant</p> <p>The event has a significant impact on the environment and society, posing significant risks to the company.</p>	<p>High</p> <p>The event has a high impact on the environment and society, posing high risks to the company. This category often reflects structural problems in the company.</p>	<p>Severe</p> <p>The event has a severe impact on the environment and society, posing serious risks to the company. This category represents the most severe corporate conduct.</p>					
Events category	1	2	3	4	5					
Incident level: Impact and Risk assessment	1	2	3	4	5	6	7	8	9	10

How Do the ESG Risk Ratings Work?

Management gaps and unmanageable risks are added up across all material ESG issues



Key Features Include

Financial materiality, granularity and comparability



Five Risk Levels

The ESG Risk Ratings are categorized across five risk levels: negligible (0-10), low (10-20), medium (20-30), high (30-40) and severe (40+).



Absolute Measure of ESG Risk

A sophisticated methodology for rating absolute ESG risk, while enabling best-in-class analysis. Company ratings are comparable across subindustries and allow for easy aggregation at the portfolio level.



13,000+ Companies Covered

Sustainalytics' ESG Risk Ratings cover more than 13,000 companies and encompass most major global indices.



Flexible Accessibility

The ESG Risk Ratings are available through Sustainalytics' Global Access, Data feeds and API, as well as several third-party distribution platforms.



Three Central Building Blocks

Corporate governance, material ESG issues, and idiosyncratic issues (black swan events) form the three conceptual building blocks of the ESG Risk Ratings.



20 MEIs, 400+ Indicators, 1,200+ Data Points

There are 20 material ESG issues speaking to the Comprehensive ESG Risk Ratings, around 300 indicators and around 1,200 data points.

Product Involvement and Global Standards Screening

Product Involvement: Thematic Scope

» 27 product involvement areas covered – companies are assessed based on a category of involvement and a level of involvement.



Introducing Global Standards Screening

Global Standards Screening helps investors identify companies that are violating or are at risk of violating international norms and standards



Human Rights



Labour Rights



Environment



Business Ethics



How to Reach Sustainalytics?

Contact Information: Issuer Relations

- » Please contact Issuer Relations at Sustainalytics if you have any questions concerning your ESG Risk Rating (or any other Sustainalytics research on your company): issuer.relations@morningstar.com

- » Per introduction to the portal:
 - » To access your company's ESG Risk Rating report, we invite you to log in to our portal for companies - the ***Sustainalytics Issuer Gateway*** - where you will find the following:
 - ***SCORES***: ESG Risk Rating scores are updated daily and can be found in the My Company Tab/ESG Risk Rating and/or Event Details sections. The scores include:
 - ***Complimentary REPORTS***:
 - ***Annual Update Schedule***
 - ***Resources***: The ***Knowledge Hub***

 - » To access the Issuer Gateway portal, please go to our website (<https://www.sustainalytics.com/>) and select the Sign In tab in the upper right corner.



a Morningstar company

For more information, please contact:

Ita Demyttenaere

Director

Client Relations

ita.demyttenaere@morningstar.com

www.sustainalytics.com

BEL[®] ESG Index

Webinar - Methodology

Silvo Stroek
Structurer Index Design Management



BEL ESG
by EURONEXT

CONTEXT & INDEX STRATEGY

THE CONTEXT

- Investors set ambitious responsible investment commitments and during the Pandemic they furtherly increased their focus towards the ESG themes.
- While Blue-Chip indices still concentrate the biggest part of the Asset under Management (“AuM”) on ETFs and Structured Products, a strong interest from products issuers for ESG alternative of historical Blue-Chip indices is observable.
- Other countries are successfully moving into the space of domestic ESG Blue Chips indexes, e.g. launch of the CAC40 ESG in France, AEX ESG in the Netherlands, OBX ESG in Norway and MIB ESG in Italy

BROAD STRATEGY: LAUNCH ESG VARIANTS OF EURONEXT BLUE-CHIP INDEX FAMILY

- BEL is a brand known as reference for Belgium
- Euronext provides a fully integrated Index Service and Administration
- Euronext is one of the most experienced and leading Index Providers in ESG

PARTNER, LABEL & APPROACH

PARTNER FOR BELGIUM: SUSTAINALYTICS

- Quality of Data
- Perceived as credible data provider in the Belgium
- Positive clients' feedback

METHODOLOGY COMPLIANT WITH CLA LABEL

- Benchmark in Belgium market
- Quality Standard for sustainable financial products

APPROACH FOR THE INDEX

To combine the recognized BEL brand with a stringent and consensual ESG methodology while maintaining liquidity

METHODOLOGY

KEY PRINCIPLES

- Sustainability. Exclusions based on broad ESG standards and approaches adopted by institutional and private investors:
 - (i) companies breaching Global Standards Principles
 - (ii) companies with involvement in controversial activities
 - (iii) the methodology will evolve to integrate new EU regulations and standards as they emerge
- Investibility. Liquidity and low tracking error ensured by:
 - (i) only taking the BEL20 and BELM companies into consideration
 - (ii) Additional Free Float Mcap and liquidity screening
 - (ii) weighting on the basis of the free float
 - (iv) a buffer zone at the quarterly reviews (19-22)

QUANTITATIVE METHODOLOGY

Universe

- Companies included in BEL20 and BELM

Exclusion

- Companies FF Mcap below 100.000 * BEL20 level
- Companies with FF Velocity lower than 20% (10% current constituents)

Based on Sustainalytics data:

- Companies breaching Global Standards principles
- Companies with specific product involvements in Tobacco, Small Arms, Controversial Weapons, Military Contracting Weapons, Thermal Coal, Oil Sands, Shale Energy, Arctic Oil & Gas, Oil & Gas and Power Generation
- Companies that have an ESG Risk Rating larger or equal than 25% percentile of its Subindustry

Selection

- Selection of the 20 best ESG Risk Ratings

Weighting

- FFMC weighting with 12% capping at Annual review (Quarterly capped back to 12% if weight above 15%)

METHODOLOGY

EXCLUSIONS IN METHODOLOGY (PART 1)

Exclusion type	Description exclusion	Revenues
Free Float Market Cap	- Companies with a Free Float Mcap lower than 100 000 * BEL20 index level	N/A
Free Float Velocity	- Companies with a Free Float Velocity lower than 20% (10% for current constituents)	N/A
Global Standards	- Companies not complaint with UNGC principles, UNGPs principles, OECD Guidelines for Multinational Enterprises or ILO conventions	N/A
Tobacco	- Companies with any involvement in production of Tobacco - Companies with revenues above 5% derived from Retail of Tobacco	>0% ≥5%
Small Arms	- Companies with revenues above 5% from Civilian Customers (Assault Weapons) - Companies with revenues above 5% from Civilian customers (Non-assault weapons) - Companies with revenues above 5% from Military/law enforcement customers - Companies with revenues above 5% from Key Components	≥5%
Controversial Weapons	- Companies with specific involvement or Significant Ownership in tailor-made and essential* - Companies with specific involvement or Significant Ownership in non tailor-made or non essential*	N/A
Other Weapons	- Companies with revenues above 5% from Military Contracting Weapons	≥5%
Thermal Coal	- Companies with any involvement in Thermal Coal extraction - Companies with any involvement in Thermal Coal Supporting Products/Services	>0%

METHODOLOGY

EXCLUSIONS IN METHODOLOGY (PART 2)

Exclusion type	Description exclusion	Revenues
Oil Sands	- Companies with any involvement in Oil Sands extraction	>0%
Shale Energy	- Companies with any involvement in Shale Energy extraction	>0%
Arctic Oil & Gas	- Companies with any involvement in Arctic Oil & Gas exploration extraction	>0%
Oil & Gas	- Companies with revenues above 5% from Oil and Gas production - Companies with revenues above 5% from Oil and Gas generation - Companies with revenues above 5% from Oil and Gas Supporting Products/Services	≥5%
Power Generation	- Companies with any involvement in Thermal Coal Power Generation	>0%
	- Companies with Nuclear Energy Electricity Generation	>0%
	- Companies with ICB 651010 (Electricity) that derive less than 50% of their revenue from contributing activities* - Companies with ICB 651010 (Electricity) that do not decrease their Total Carbon Emission Scope 1&2	<50%
ESG Risk Rating Percentile Subindustry	- Companies with an ESG Risk Rating that is larger than or equal than 25% percentile within its Subindustry, as classified by Sustainalytics	N/A

* This includes: Bioenergy Renewable Energy Generation, Bioenergy Renewable Energy Support, CSP Renewable Energy Generation, CSP Renewable Energy Support, Geothermal Renewable Energy Generation, Geothermal Renewable Energy Support, Hydropower Renewable Energy Generation, Hydropower Renewable Energy Support, Oceanpower Renewable Energy Generation, Oceanpower Renewable Energy Support, Solar PV Renewable Energy Generation, Solar PV Renewable Energy Support, Technology Maintenance Renewable Energy Generation, Technology Maintenance Renewable Energy Support, Wind Renewable Energy Support.

GOVERNANCE

BEL STEERING COMMITTEE (INDEPENDENT SUPERVISOR)

- Validate the application of the index rules and will approve the periodical reviews of the composition.
- Have the possibility to deviate from the quantitative rules for the benefit of representativeness and/or replicability of the index (based on financial considerations such as turnover and weightings).
- Will be consulted on exceptional Corporate Actions not covered by the rules and that affect the selection of indices.
- Will be responsible for Benchmark Regulation (“BMR”) responsibilities such as cessation of the index and annual review of the methodology.

EURONEXT

- The index will be administrated by Euronext Brussels under the supervision of (i) the FSMA and (ii) internal oversight function of the Benchmark Oversight Committee (“BOC”).
- Monitor developments around regulations and standards
- Issuer's relationship will be coordinated between Sustainalytics and Listing Department.

SUSTAINALYTICS RESPONSIBILITIES

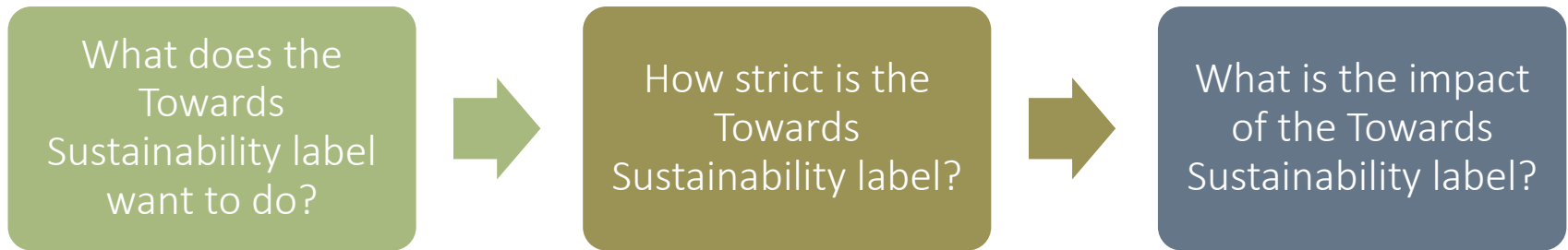
- Assessment/quality/reliability of ESG scores and identification of critical controversies and product involvement.
- Provide all the information required by the Committee related to the score assessment or related to any new critical controversies or product involvement identified by Sustainalytics
- Will inform the Committee on expected methodology's rules evolution.



Towards Sustainability

Euronext – Introducing the BEL ESG Index - 1/2/2023

Tom Van den Berghe
tom@towardssustainability.eu



What does the Towards Sustainability Initiative want to do?

Mission

- **Raise** the level of sustainability of the **whole** financial market
 - *Involve all financial institutions*
 - *Involve all investors*
- **Mainstream** sustainability in financial products
 - *Quantitatively and qualitatively increase sustainability of financial products*
- Provide **clarity and assurance** to end investors
 - *Complement the complex and incomplete legal framework*



Inclusive, ambitious, evolutive

Detailed objectives of Towards Sustainability

1. Move the whole market towards more sustainability

- **Mainstream** sustainability in financial products
- A **broad and diverse offer** of high-quality sustainable products: no niche
- A sustainable product for **all investor profiles**: doubtful & convinced, defensive & dynamic
- Encourage product managers to **go beyond** the minimal level

2. Mitigate confusion in retail and institutional investors

- Not only transparency but also **clarity**
- **Practical and user-friendly** tool to help institutional and retail investors find a product that suits their sustainability preferences and personal convictions

3. Combat greenwashing

- **Guaranteed minimal level** of sustainability materiality and depth
- Independent expert **verification**

4. Multi-dimensional, no niche

- Appreciate **different avenues** towards sustainability: environmentally, socially and governance-wise
- Allow for **transition**

5. Evolutive

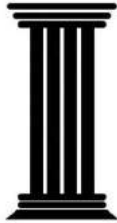
- Regular **revision** of the expectations in a multi-stakeholder context
- **Raise the level** of ambition of the QS



How strict is the Towards Sustainability label?

3 Pillars

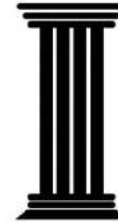
**Quality
Standard**



Label



**Independent
supervision**



The Quality Standard



A. Sustainability strategies

A multi-faceted approach to sustainability

INTEGRATE -
SELECT - FOCUS -
OUTPERFORM - ENGAGE



B. Avoid harm

Some things do not belong in a sustainable portfolio



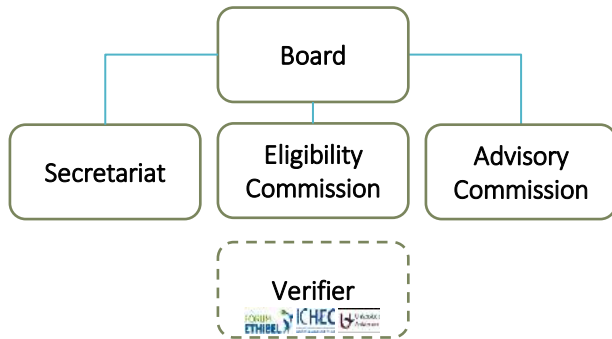
C. Transparency

What is taken into account and how?

FORMAL POLICIES

Integrate – Act – Communicate

Independent Supervision & Verification



1. Methodology Screening

- Sustainability strategies
- QS compliant investment policies - ESG due diligence – Exclusions
- Internal organisation – processes – data sources

2. Portfolio Composition Check

- Focus on do no harm criteria
- 10% of portfolios per manager

3. Ongoing monitoring

- Throughout the year
- Focus on high-risk sector exposures

4. Reporting

- Record of temporary non-compliance

5. On-site Audit

- Each manager once every 3 year

Criteria for indices

To be considered QS compliant, the construction of the index shall comply with one of the following:

- a) The index construction rules integrate the Quality Standard's requirements on sustainability strategies, except for corporate engagement, i.e.:
 - *ESG Integration*
 - *Normative screening*
 - *Exclusions*
 - *An additional positive strategy (Best-in-class, Thematic, outperforming traditional index on ESG KPI, etc.)*

- b) The index is an EU Paris-Aligned Benchmark

What is the impact of the TS label?

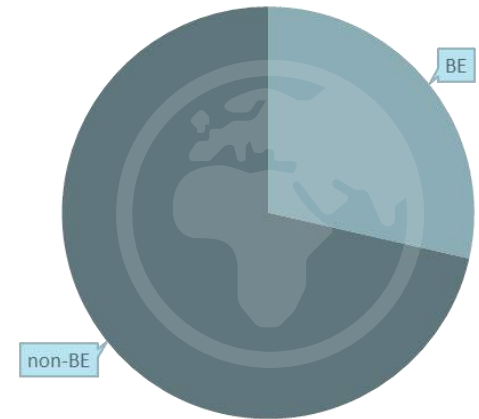
Broad market adoption of the label

Involved market participants

- ≈100 financial institutions
- Banks, asset managers, insurance companies, private bankers, etc
- Indexproviders, rating agencies

from many domiciles

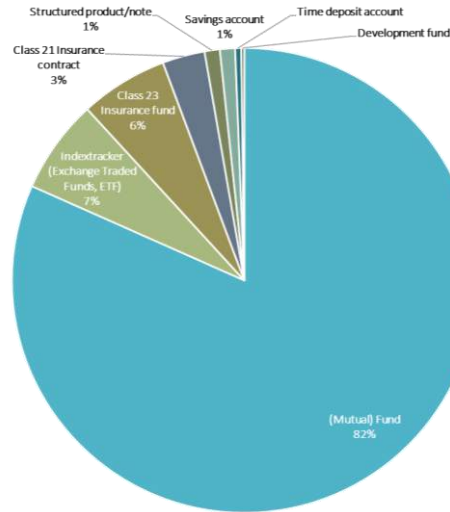
- Belgium
- Luxembourg
- France
- The Netherlands
- Germany
- Ireland
- United Kingdom
- Switzerland
- Nordics
- US



Labelled products

Product types

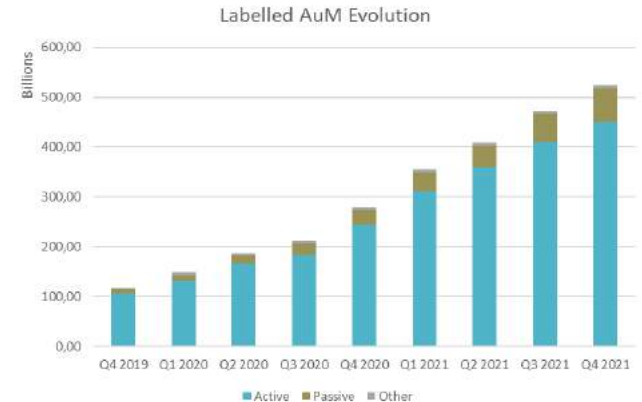
- Savings and investment products
- Mutual funds, index funds, ETFs, insurance funds, structured notes, savings accounts, etc
- Indices



➔ Most comprehensive label in Europe

Numbers

- More than 700 products labelled
- ≈ 470 bill. EUR total AUM (31/12/2022)
 - 25% on BE market

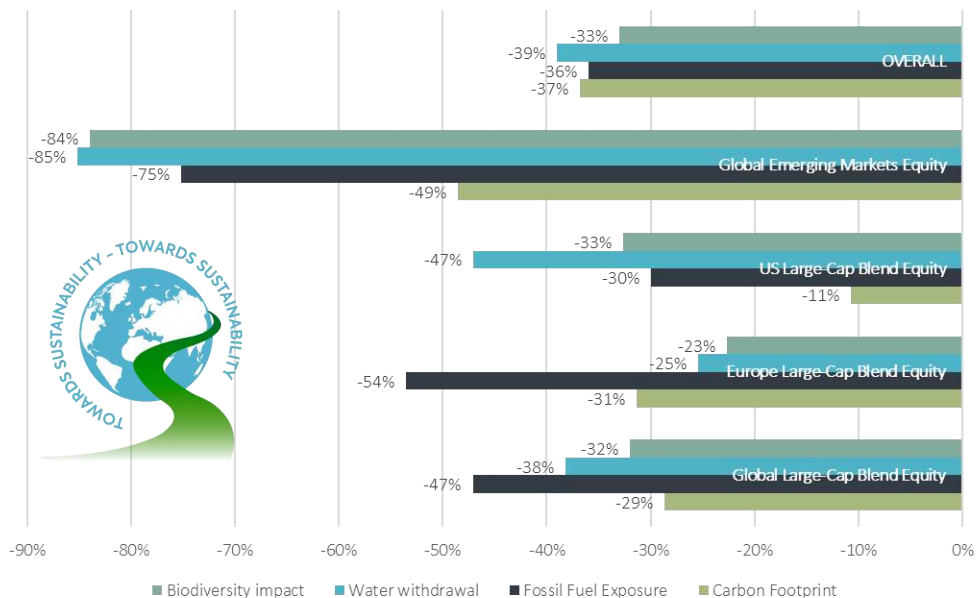


Engagement in Towards Sustainability

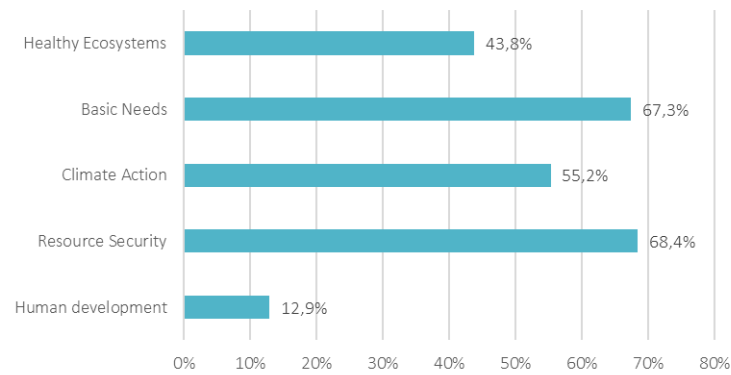
- Mandatory to have an appropriate corporate engagement or shareholder action process regarding the **fossil fuel sector**
- Encouraged for **other sectors** with elevated risks
- Towards Sustainability criteria as **guidance/benchmark** in dialogue between investor and investee companies
- Towards Sustainability as a **market signal**

ESG impact of labelled products

ESG indicators - Labelled vs Category Average



Highest contributions to impact themes



Labelled funds (Global & EU portfolios)
 Carbon footprint ≈ 30% lower than average
 Fossil fuel exposure ≈ 50% lower than average

Source: Morningstar & CLA

Contact



Central Labelling Agency (CLA) of the Belgian SRI Label vzw/asbl

Boulevard du Roi Albert II (2nd floor)

1210 Brussels

Belgium

info@towardsustainability.eu

www.towardsustainability.eu



ESG BENCHMARKS

We have a history of innovating to continually address clients' needs.

30+ years ago	20 years ago	10 years ago	Last 5 years	Today
<p>Founded as a fixed income manager and introduced the first risk-managed fixed income solutions.</p> <p>Pioneered index and quantitative investing to help simplify investing.</p> <p>Developed our risk and portfolio construction technology, Aladdin®, making investing more transparent.</p>	<p>Created the industry's first target date fund, helping millions of people prepare for their retirement.</p> <p>Introduced iShares® ETFs, democratizing investing.</p>	<p>Expanded our product offerings to provide clients more choice through landmark acquisitions of MLIM and BGI*.</p> <p>Launched Financial Markets Advisory business to help solve the complex financial challenges of governments, central banks, and financial institutions.</p>	<p>Enhanced our capabilities around whole portfolio solutions by launching an OCIO platform and expanding our portfolio construction advisory services.</p> <p>Enhanced sustainability offerings for clients, including expanding sustainable investment solutions; integrated financially-material environmental, social and governance information into our active investment process.</p> <p>Set a new standard in transparency for alternatives through eFront acquisition, extending Aladdin's® capabilities to provide whole portfolio analysis.</p>	<p>Entrusted to manage more assets than any other asset manager in the world.</p> <p>\$8.6tn AUM</p> <p>19,000+ Employees</p> <p>100 Countries with BlackRock clients</p> <p>35 Countries with BlackRock offices</p>

Data as of 31 December 2022. All figures are represented in USD. Timeline includes history from predecessor entities.

*Merrill Lynch Investment Managers and Barclays Global Investors.

While proprietary technology platforms may help manage risk, risk cannot be eliminated.

Get flexible with strategic asset allocation

Build a portfolio aligned to your needs

The challenge

An investment manager wanted to upgrade their strategic asset allocation to a sustainable approach to help build a climate aware portfolio. The manager wanted to allocate exclusively to funds classified as Article 8 under SFDR.

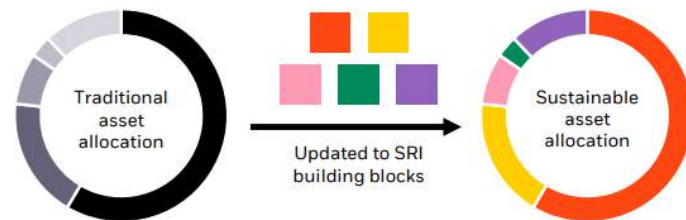
The action

Transition from:

Traditional asset allocation to sustainable equivalents, including: iShares MSCI EM SRI UCITS ETF, iShares MSCI Europe SRI UCITS ETF, iShares MSCI Japan SRI UCITS ETF, iShares MSCI USA SRI UCITS ETF.

The outcome

This approach resulted in a 16% increase in ESG score and a 52% reduction in carbon emissions intensity when compared to the parent index portfolio. The end portfolio comprised of funds classified as Article 8 under SFDR.



Why index more?

01 Immediate access to broad markets that meet Article 8 SFDR classification requirements

02 Transparent and line-of-sight into holdings on a daily basis

03 Efficiently implement strategic asset allocation decisions

For illustrative purposes only. Case studies are for illustrative purposes only; they are not meant as a guarantee of any future results or experience, and should not be interpreted as advice or a recommendation. Case study as at 30th June 2022.

Relevancy of ESG benchmarks

Why sustainable benchmarks matter?

ESG Benchmarks

within actively managed vehicles

Lack of comparability of ESG metrics, ratings, and investing approaches lead to¹:

- Difficulties managing material ESG risk
- Strains when assessing methodology
- Strains when assessing performance
- Metric inconsistencies

ESG methodologies are improving and becoming more transparent, scoring remains in a state of transition



Active funds

Beta

ESG within Index vehicles

ESG criteria have expanded the number of benchmarks

- MSCI counts over 1500 ESG benchmarks²
- Refinitiv counts over 630 ESG benchmarks³



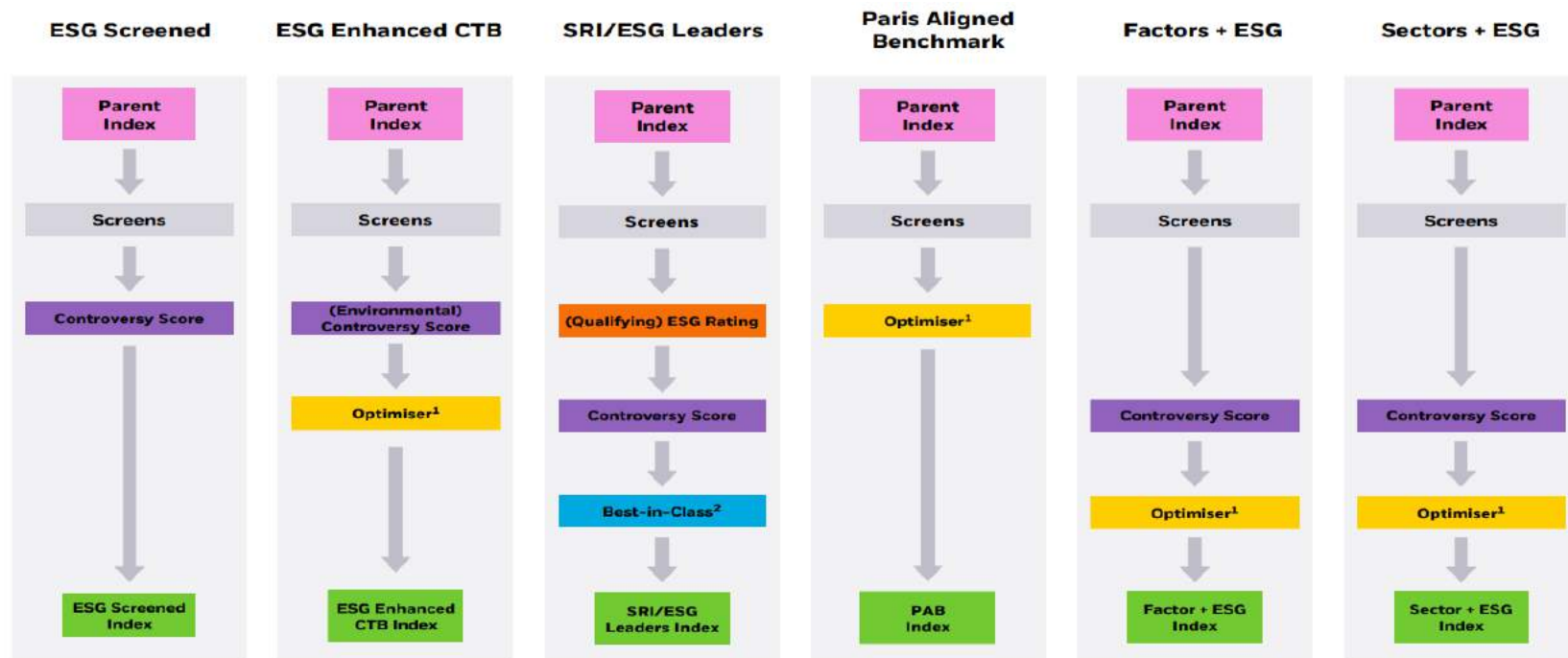
ETF

Index Mutual Funds

Basket of securities

Source: ¹Please see p2 of ESG Investing: Practices, Progress and Challenges (oecd.org). ²MSCI as of 27/01/2023. ³Refinitiv as of 27/01/2023.

ESG implementation



¹ Optimiser refers to the MSCI Barra Global Equity Model, which reweights securities to pre-defined parameters. In this instance the main parameters are a targeted ex-ante tracking error and a carbon intensity reduction.

² Best-in-Class refers to the final selection of remaining eligible securities. This is achieved through their ranking by MSCI ESG Rating within their GICS sector and their inclusion in to the index until a pre-defined market capitalisation is reached.

Source: BlackRock, 31 October 2022. For illustrative purposes only.

BlackRock Sustainable Investing Platform

Our sustainable platform provides clients with choice to invest in line with their specific investment goals and objectives.

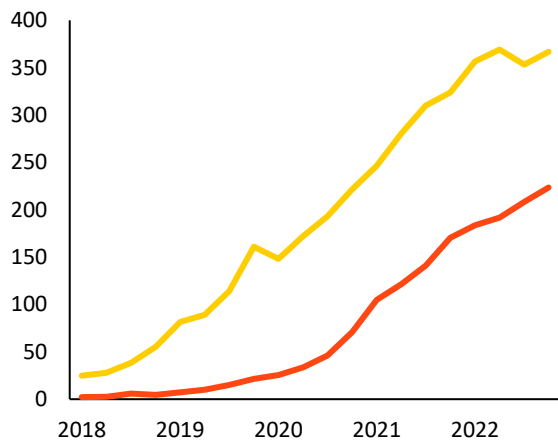
Across the platform, products use environmental, social and / or governance data as a portfolio construction input and a subset of those products also seek to achieve long-term sustainability outcomes.¹

BlackRock Sustainable Investing Platform				
	Screened	Uplift	Thematic	Impact
Investment approach	Constrain investments by avoiding issuers or business activities with certain environmental, social and / or governance characteristics.	Commitment to investments with improved environmental, social and / or governance characteristics versus a stated universe or benchmark.	Targeted investments in issuers whose business models may not only benefit from but also may drive long-term sustainability outcomes .	Commitment to generate positive, measurable, and additional sustainability outcomes .
Additional details	Includes use of screens and may be enhanced with active engagement with specific issuers.	Environmental, social and / or governance data drives portfolio construction and security selection with some strategies leveraging to target a specific objective.	Strategy construction determined by focused exposure to the specific environmental or social theme.	Investment process must showcase “additionality” or “intentionality” in line with Operating Principles for Impact Management.

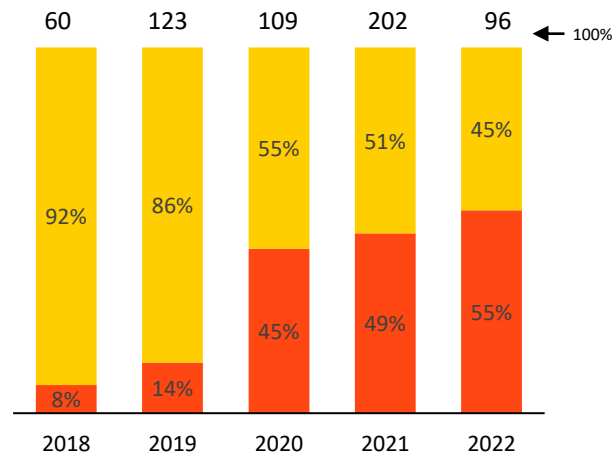
¹In line with each product’s specific investment objective
Source: BlackRock, as at December 2022

EMEA sustainable ETF flows are extraordinarily resilient and continue to grow as a share of the overall total

EMEA ETF Industry cumulative flows
\$bn USD



EMEA ETF industry NNB % breakdown
\$bn USD



— EMEA ETF industry (ex sustainable)
— EMEA Sustainable ETF industry

Source: BlackRock, 30 December 2022

Risk Warnings

Capital at risk. The value of investments and the income from them can fall as well as rise and are not guaranteed. Investors may not get back the amount originally invested.

Past performance is not a reliable indicator of current or future results and should not be the sole factor of consideration when selecting a product or strategy.

Changes in the rates of exchange between currencies may cause the value of investments to diminish or increase. Fluctuation may be particularly marked in the case of a higher volatility fund and the value of an investment may fall suddenly and substantially. Levels and basis of taxation may change from time to time.

Important Information

This material is for distribution to Professional Clients (as defined by the Financial Conduct Authority or MiFID Rules) only and should not be relied upon by any other persons.

In the European Economic Area (EEA): this is Issued by BlackRock (Netherlands) B.V. is authorised and regulated by the Netherlands Authority for the Financial Markets. Registered office Amstelplein 1, 1096 HA, Amsterdam, Tel: 020 – 549 5200, Tel: 31-20-549-5200. Trade Register No. 17068311 For your protection telephone calls are usually recorded

Any research in this document has been procured and may have been acted on by BlackRock for its own purpose. The results of such research are being made available only incidentally. The views expressed do not constitute investment or any other advice and are subject to change. They do not necessarily reflect the views of any company in the BlackRock Group or any part thereof and no assurances are made as to their accuracy. This document is for information purposes only and does not constitute an offer or invitation to anyone to invest in any BlackRock funds and has not been prepared in connection with any such offer.

© 2023 BlackRock, Inc. All Rights reserved. BLACKROCK, BLACKROCK SOLUTIONS and iSHARES are trademarks of BlackRock, Inc. or its subsidiaries in the United States and elsewhere. All other trademarks are those of their respective owners.

Q&A



EURONEXT

BEL ESG
by EURONEXT