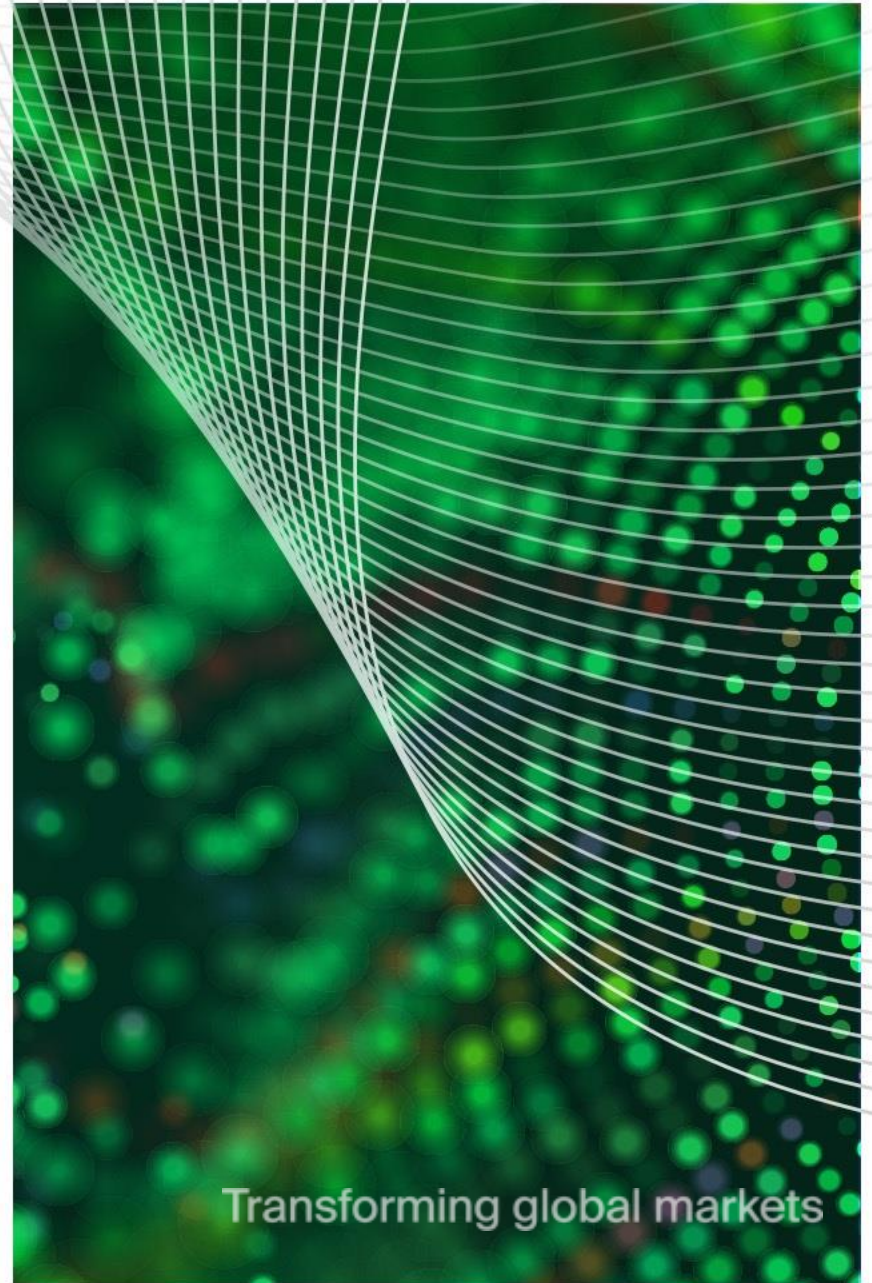




# ICE MSCI ESG Index Futures

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October 2020



Transforming global markets

# Introduction: Strong Tailwinds for ESG integration

Convergence of evolving **Fiduciary Duties**, increasing **Regulatory obligations**, and strong **Client Demand**:

- **Fiduciary Duties** – Universal owners by nature with wide portfolio holdings exposed to long term portfolio macro trends
- **Regulatory** – AIFM and MiFID firms will need to review processes and resources as well as sustainability risks within risk management processes (Mifid2, UCITS)
- **Need for Risk Mitigation** – High profile corporate controversies, Risk/Return profiles of ESG indices, performance of ESG factors during the COVID crisis
- **Client demand** – Large investors advocacy, evolving need from clients to reflect their values

# ICE - Serving Global Markets

ESG solutions across trading, clearing, data & listings

Connecting participants to a global ecosystem of information, trading, clearing and capital raising



## Global Markets

- Global benchmarks in energy, ags, interest rates, FX & equity indexes
- NYSE Group is the most liquid group of equities markets
- **Early investor in global emissions markets**
- **Leading venue for green ETFs and indices**
- **Futures on the MSCI ESG Leaders and MSCI Climate Change Indices**



## Central Clearing

- A common clearing technology platform across global jurisdictions
- Proven risk management frameworks and governance
- Over 6.2 million futures and OTC contracts traded daily
- **Clearing on ICE Clear US for MSCI ESG Equity Index Futures**



## Data Services

- Data from global exchanges & fixed income markets delivered in flexible efficient formats
- Unique access to over 500 metrics of ESG Reference Data
- **Multi-asset class index services with Green Bond Indices and Custom ESG indices for benchmarking and performance measurement**



## Listings Leadership

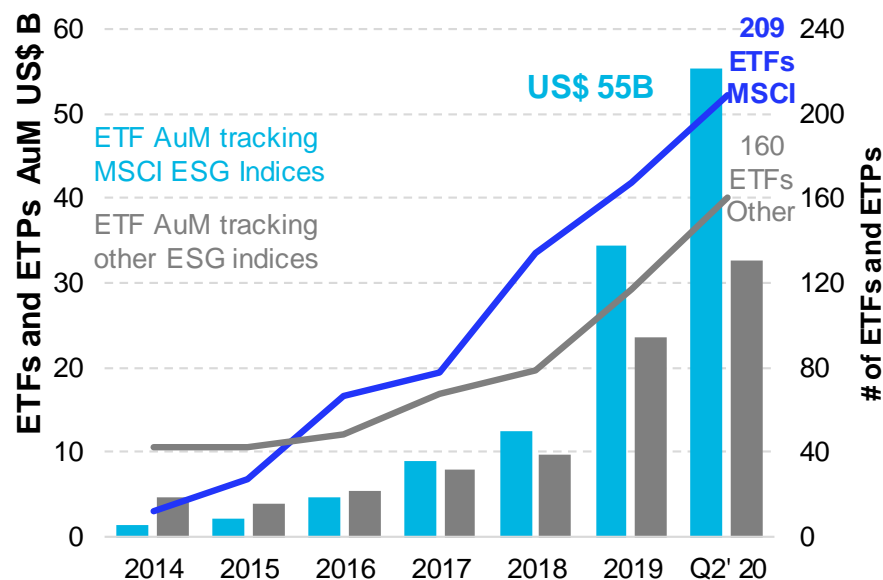
- Leader in large IPOs, tech IPOs and ETFs
- NYSE network of leading companies and market model offers unparalleled value
- **Resources and educational opportunities on ESG for NYSE-listed companies**

# Drivers for listing of MSCI ESG Index Futures

Fast growing Investors' interest for derivatives solutions

- Since 2009, ICE & MSCI worked together to build the leading franchise of MSCI derivatives **US\$15B ADV and US\$125B OI**
- Total Assets benchmarked to MSCI ESG Indexes grew to **over \$220 billion** across institutional, retail and ETF assets
- MSCI **No. 1** in number of **ETFs** and **ETF assets** linked
- Need for Exchange Listed futures designed to **facilitate integration of ESG consideration in an equity portfolio**

Growth in MSCI ESG ETFs vs. rest of the market



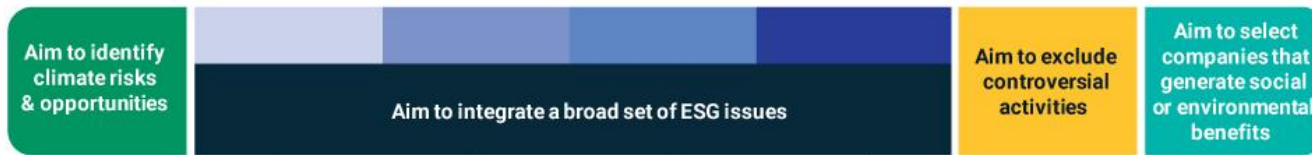
As of June 2020, **141% growth YOY** in ETF AuM tracking MSCI ESG Indices  
~ up **US\$22B YTD**

# MSCI ESG Leaders Index Futures

Fast growing indices, designed to provide a Best in Class approach



## WHAT ARE THESE INDEX METHODOLOGIES DESIGNED TO ACHIEVE?



**Achieve maximum Carbon exposure reduction while limiting tracking error:**

- **Climate Change Index** is a Forward looking index that seeks to increase exposure to companies that will benefit from a transition to Low Carbon Economy
- **Low Carbon Index** is a Current looking index seeks to increase exposure to Carbon-efficient companies and lower the weight to large current and future carbon emitters

**Increase overall ESG score while maintaining Replicability and Limit Biases:**

- Includes the **best MSCI ESG Rated companies in each sector**
- **Market cap coverage of 50%** of the Parent Index with similar sector and region profile
- Seamless integration alongside the Parent Index with **Free float market cap weighted**



# Challenges

A new world of sustainable finance to define

- **Standardizing the reference data sets**
  - Different voluntary disclosure regimes
  - Non standard set of values/metrics used
  - Lack of comparable ESG data
- **Gather market participants around common ESG methodologies and Index Families**
  - Many rating agencies and methodologies
  - Index Providers compete to establish standards
- **Diverging ESG Regulatory Regimes**
  - Comprehensive EU ESG Regime, Taxonomy & NFRD
  - Market demand driven US

**10-500 Data**  
points evaluated by an ESG  
rater

**>100**  
Different ESG rating  
agencies

**“Sustainable  
investment”** in EU  
taxonomy is an economic  
activity that contributes to  
one of 6 environmental  
objectives

# Opportunities

- **Index Provider Increased Transparency**
  - Reference Data
  - Clearly Defined Methodology
- **Addressing Climate Change and ESG integration**
  - Environmental Risks perceived across the World
  - All major regions participating
- **Growing Ecosystem of Green Financial Instruments**
  - ESG integration cross asset classes

## 2020 Global Risks Report

2016	2017	2018	2019	2020
Involuntary migration	Extreme weather	Extreme weather	Extreme weather	Extreme weather
Extreme weather	Involuntary migration	Natural disasters	Climate action failure	Climate action failure
Climate action failure	Natural disasters	Cyberattacks	Natural disasters	Natural disasters
Interstate conflict	Terrorist attacks	Data fraud or theft	Data fraud or theft	Biodiversity loss
Natural catastrophes	Data fraud or theft	Climate action failure	Cyberattacks	Human-made environmental disasters

Source: "The Global Risks Report 2020" World Economic Forum

**For the first time, the top 5 Long Term Risks Likelihood perceived are ALL Environmental**

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