



MSCI Sustainable Finance Solutions

Align with EU sustainability reporting requirements



Regulators in the European Union are taking ambitious steps to ensure sustainability is integrated into investment processes. Our EU Sustainable Finance Module forms an extensive toolkit designed to help clients align with EU regulatory requirements, including:

- The Sustainable Finance Disclosure Regulation (SFDR)
- The EU Taxonomy for Sustainable Activities (EU Taxonomy)
- The revised Markets in Financial Instruments Directive (MiFID II)
- The Insurance Distribution Directive (IDD)
- The European Banking Authority's (EBA) ESG Pillar 3 disclosures
- EU Green Bond Standard

SFDR-ready

The SFDR requires large asset owners and managers, investment advisers, banks, insurance companies and other financial market participants in the EU to assess and disclose sustainability risks and impacts annually. Disclosures cover how market participants consider sustainability as part of financial decision-making and the principal adverse impacts of their investments.

Our SFDR dataset is designed to help clients prepare and file disclosures for SFDR reporting requirements at both the entity and product level, including the SFDR's Principle Adverse Impact Indicators (PAIs) as well as pre-contractual and periodic disclosures.

Key features of our SFDR Metrics¹



Issuer-level data. Mandatory and optional PAIs for more than 12,000 issuers. The dataset equips investors and managers of ESG- and sustainability-focused funds to manage and report on sustainability adverse impacts of portfolio companies.



Regulatory reporting and risk analytics.

Get access to our self-reporting SFDR solution for the Principal Adverse Sustainability Impact Statement at the entity level. Data management and reporting of metrics required by the SFDR for multiple asset classes, customized for clients' needs and managed by MSCI.



Fund-level metrics. Classify approximately 53,000 equity and fixed income equity and fixed income mutual and exchange-traded funds according to the SFDR's product-level disclosures and detail their adverse impacts.



Real assets climate solutions. Data and metrics to help real estate investors detail exposure to PAIs, including fossil fuels and energy-efficient assets, together with greenhouse gas emissions and other key impacts for property and building portfolios.



Index-level metrics. Report on adverse impacts for more than 6,000 indexes and show how ESG factors are reflected in investment benchmarks.

¹ As of June 2023

Get taxonomy aligned

The EU Taxonomy, a companion to the SFDR, requires financial institutions subject to the Non-Financial Reporting Directive (NFRD), including banks, insurance companies, asset managers and investment managers, to publish their exposure to taxonomy-aligned economic activities. This disclosure includes a green asset ratio that shows a financial institution's "green assets" as a proportion of total assets.

EU Taxonomy Dataset is designed to help financial market participants identify and measure companies' involvement in taxonomy-aligned activities. To be taxonomy-aligned, an activity must contribute substantially to at least one of six environmental objectives, must do no significant harm to any of the other objectives, and must meet minimum social safeguards.

The EU Taxonomy considers six objectives



EU taxonomy for sustainable activities (europa.eu), November 2023

Key features of our EU Taxonomy Metrics²

- **Reported and estimated metrics.** Measure taxonomy eligibility and alignment for more than 12,000 issuers, 53,000 funds and 6,000 indexes.
- **Managed regulatory reporting and risk analytics.** Our managed data and metrics covers reporting across multiple asset classes, customized for your needs and reporting frameworks, and managed by MSCI. Our managed reporting offers you:

Better-informed decisions, faster

Lower total costs, freeing your resources for value-added activities

High quality data and analytics

Added flexibility

² As of June 2023

Stay ahead of the EU Green Bond Standard

The EU Green Bond Standard aims to help investors know they are funding projects aligned with the EU Taxonomy. The standard obligates issuers to show how activities to be financed are green.

Investors can use MSCI's data to classify the environmental impact of bonds labeled as green based on seven categories of economic activity:





Data and metrics you can trust³

Our Sustainable Finance Solutions are designed to ensure that you have data and metrics you can rely on for every disclosure you are required to file.

- **Institutional-strength reporting.** Some of the world's largest investors leverage our audit-ready reporting across thousands of portfolios enterprisewide.
- **Defined by our mission.** Every dataset and reporting solution we build reflects our fundamental mission to power better investment decisions.

Depth and reliability

Our Sustainable Finance Solution draw on our decades of experience in compiling and extracting value from ESG and climate data. We compile climate data for more than 4 million financial securities, more than 60,000 companies and around 53,000 ETFs and other funds.

Coverage across asset classes

Our data and solution span asset classes with the aim to help clients achieve their sustainability targets and report on their regulatory requirements

Matched with the latest requirements

Our participation in key working groups should help you align with the latest regulatory requirements and technical standards. Our regulatory experts were members of:

- The EU's Technical Expert Group on Sustainable Finance
- The European Financial Reporting Advisory Group's Project Task Force on European sustainability reporting standards
- The ESMA Consultative Working Group on Sustainable Finance

Institutional-strength reporting

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Defined by our mission

Every dataset and reporting solution we build reflects our fundamental mission to power better investment decisions.

All-in-one tools for MiFID II and IDD reporting

Part of MSCI's EU Sustainable Finance solutions module, our MiFID II / IDD solutions are designed to support financial market participants in fulfilling their Markets in Financial Instruments Directive (MiFID II) or Insurance Distribution Directive (IDD) reporting requirements, as well as their needs to report using the European ESG Template (EET).

MiFID II integrates sustainability into investment advice by requiring investment firms to:

- Ask clients their sustainability preferences
- Deliver solutions that meet clients' sustainability needs
- Report on how products meet clients' sustainability needs

Our integrated data, metrics and tools can help you navigate sustainability preferences under the new MiFID II and IDD requirements.

That includes a definition of "sustainable investment" (SI) as described in Article 2(17) of the SFDR together with a large set of data covered by the EU ESG template (EET).

- Wealth managers, banks and other distributors of financial products can use our solutions to address clients' sustainability preferences, conduct due diligence, and assess and convey the relevant characteristics of investment products.
- Manufacturers of investment products can use our SI definition, build their own, report on the sustainability characteristics of their products and target distribution accordingly.

Product Manufacturers (e.g., Asset Managers)

Create/Enhance: Aim to integrate SFDR/MiFID/IDD requirements into product design to attract sustainable investment flows

Report:

- › Meet pre-contractual product level disclosures under SFDR*
- › Intent to report Sustainability characteristics of their products through the European ESG Template (EET*)



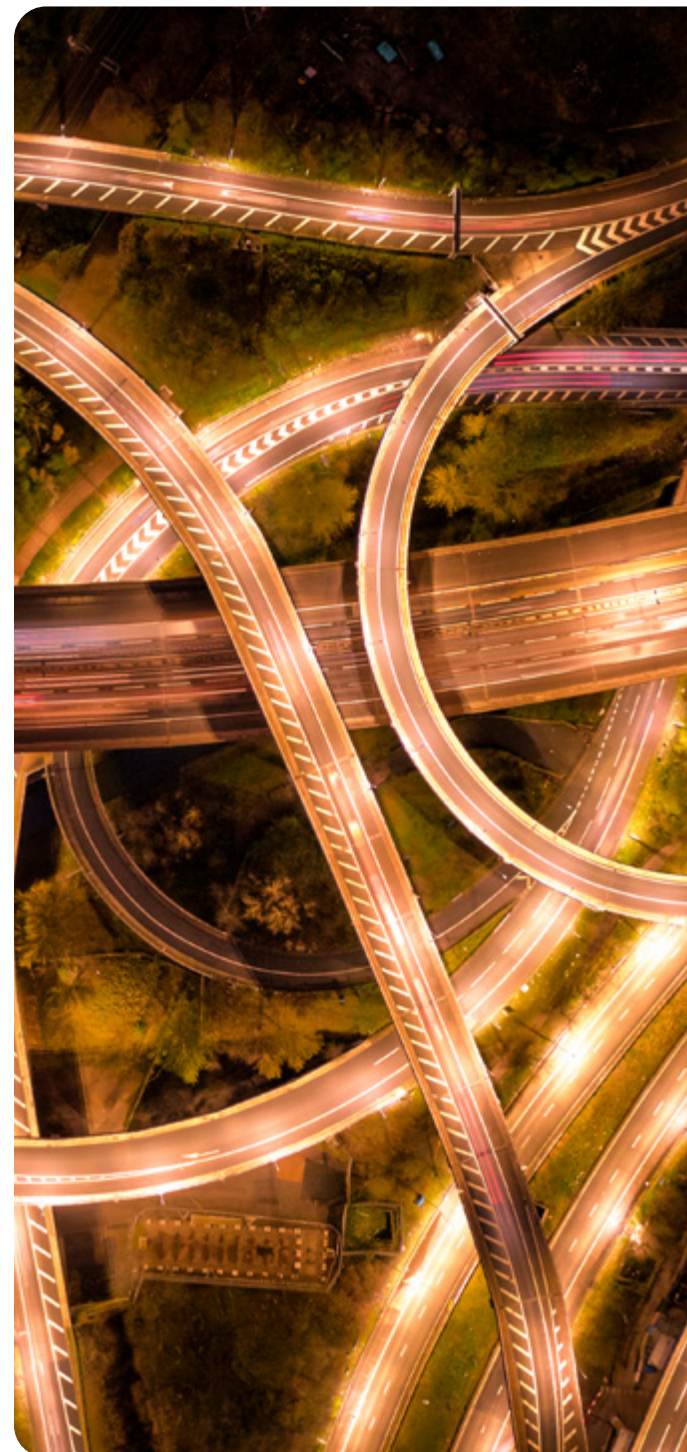
Distributors (e.g., Wealth Manager)

Due Diligence: Intent to assess third party funds based on their own sustainability framework

Define:

- › Adjust client suitability test including sustainability preferences
- › Need to define Sustainable Target Markets

Report: Aim to report to end client on how the product meets their sustainability preferences





Enhanced Reporting

Our Sustainability Reporting Service is designed to automate your sustainability reporting through regular and frequent delivery of batch portfolio reporting portfolio- and enterprisewide. The service supports EU sustainability disclosure and a variety of other sustainability and climate disclosure-related needs.

- **Convenience.** Clients have a single sign on for access to all of their reports.
- **Institutional strength data in every report.** Delivers data for high-volume regulatory reporting.
- **Intuitive.** Generate reports using a streamlined and intuitive workflow that includes advanced reporting capabilities.
- **Customization.** Start with our existing templates and then design your own layouts and data inputs that MSCI ESG Research can then implement and deliver. We automate the delivery of your reporting at your defined frequency.

Key features of MSCI's Sustainability Reporting Service

Library of reports

Created by a dedicated team of research and product experts based on regulations and best practices for reporting on ESG and Climate

Multi-asset class coverage

Extensive data coverage across public and private asset classes for a more complete and accurate representation of your portfolios

Transparency

Diagnostics to drill down into the underlying data in reports

Portfolio and Fund Data Management

Batch load portfolios on your own or use our Data Management Services to source portfolios or funds from custodians or other feeds

Customization

Incorporate your own requirements and data



About MSCI Inc.

MSCI is a leading provider of critical decision support tools and services for the global investment community. With over 50 years of expertise in research, data and technology, we power better investment decisions by enabling clients to understand and analyze key drivers of risk and return and confidently build more effective portfolios. We create industry-leading research-enhanced solutions that clients use to gain insight into and improve transparency across the investment process.

About MSCI ESG Research Products and Services

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