ÅRSRAPPORT PRISEN 2023

WELCOME

SUSTAINABILITY REPORTING

WELCOME

By: Emil Fannikke Kiær, deputy director general

DI

WELCOME

By: Moderator Vibeke Daell Bjerrum

TV2

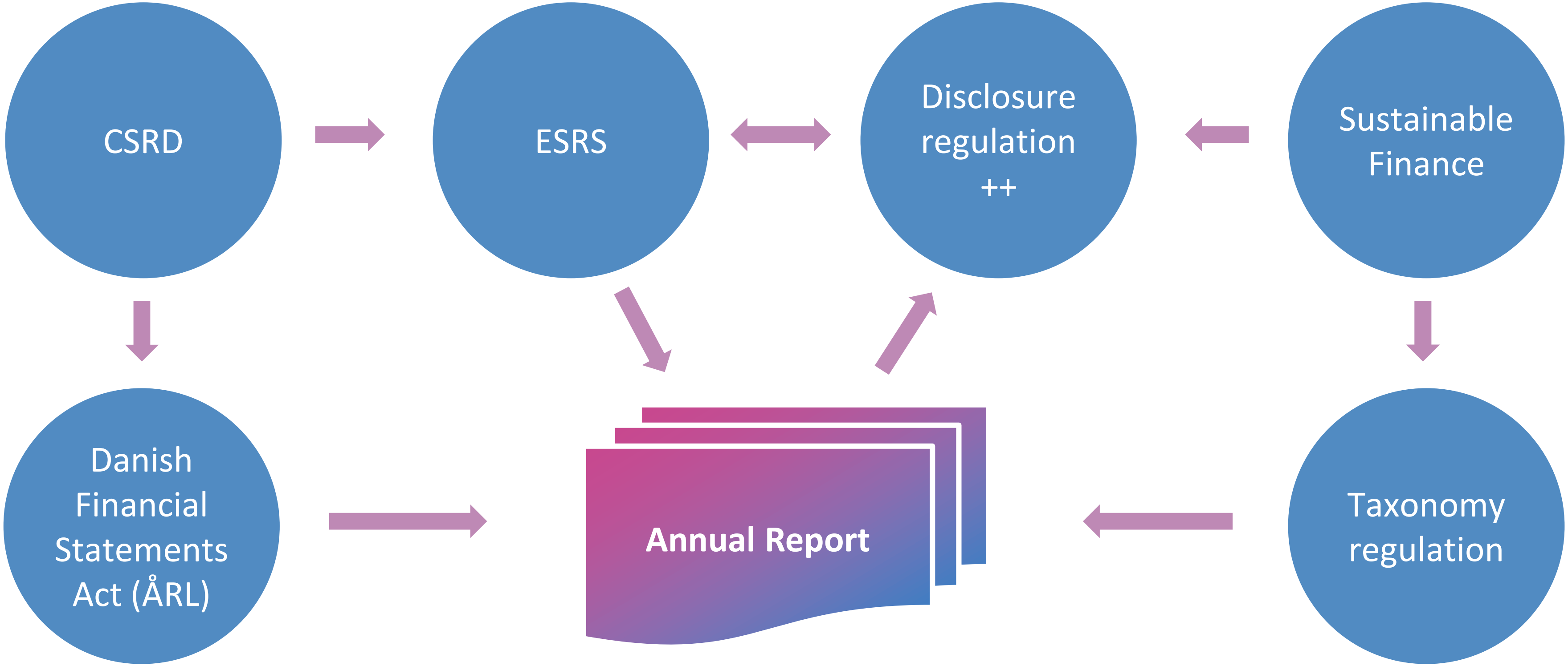
THE FUTURE OF SUSTAINABILITY REPORTING

An introduction

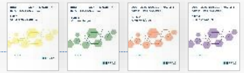
By: Kristian Koktvedgaard

Member of the EFRAG Sustainability Reporting Board representing the Danish National Funding Mechanism

What is impacting the Annual Report?



Sustainability Reporting
New requirements



General reporting areas		Reporting topics		Reporting requirements	
Strategy and business model	Governance Manage-ment	Climate	Pollution	Report to be included in the Annual Report	Reporting to cover full value chain
		Water/ Marine	Bio-diversity and ecosystems		
		Own workforce	Resource use and Circular economy		
Impact, risk and opportunities	Policies, actions and resources, and targets	Workers in value chain	Affected communities	Report to be assured	Audit Committee / Supervisory Board responsible
		Consumers and end-users	Business conduct		

Danish National Funding Mechanism

Common ambition

Support the ambitious aims of the CSRD

Reporting requirements should underpin transition, not obstruct transition

Urgent need for EU interpretation forum to ensure consistent application

Infra-structure in reporting

Infrastructure in legal reporting require-ments is key

Connectivity between ESRS and Sustainable Finance requirements is essential

All regulation should accept the informa-tion value embedded in materiality

Clarifications needed in SFDR, CRR Pillar III and BMS to ensure data infrastructure

Value Chain Reporting boundaries

The requirements should be clear and operational

Value chain issues for Financial Institutions should be adressed to ensure reporting that provide a faithfull representation (clarification and delimitation)

Scope and principles on consolidated reporting to be elaborated

Push for further guidance

Materiality

More stringent focus on primary user needs

Reporting should focus on material issues with common approach in the EU

Terms and approaches should be internationally aligned to the extend possible

Push for further guidance

Presentation

Important to retain the flexibilities embedded in the CSRD

Ensure that Danish Reporting tradition with focus on the users can be retained

Emphasis on recurring reporting, not only first year reporting

International alignment and double materiality

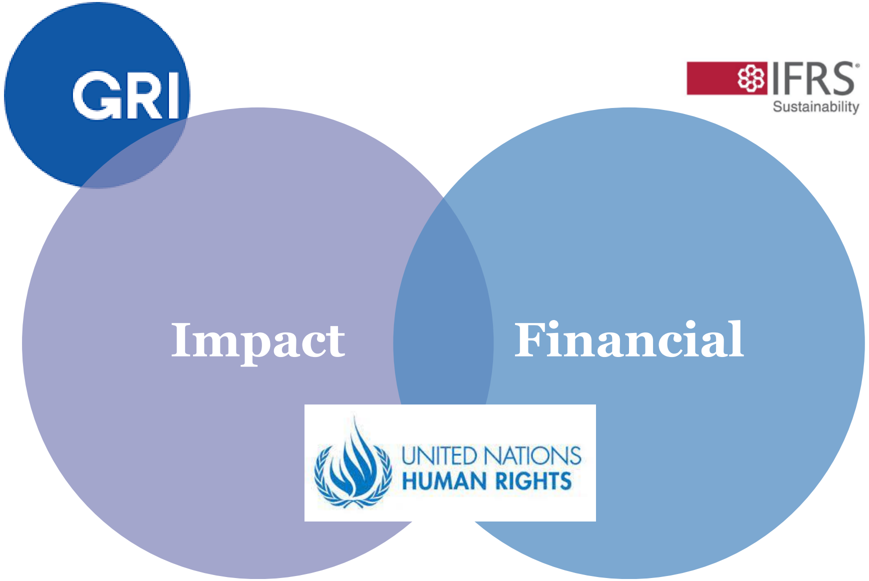
Impact materiality

Impacts on people or the environment

Negative impact consider severity and scale of impact

Positive impacts consider severity and likelyhood of the the positive impact

Some areas have ”zero” materiality



EFRAG
sustainability reporting

Financial materiality

Financial effect of risks and opportunities arising from sustainability matters

Cash flow

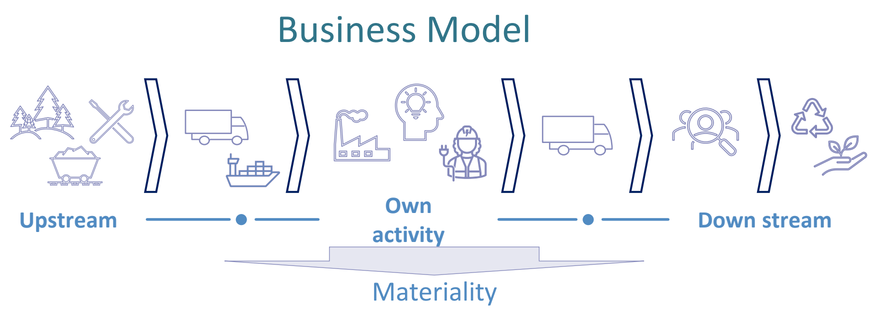
Financial performance, development and position

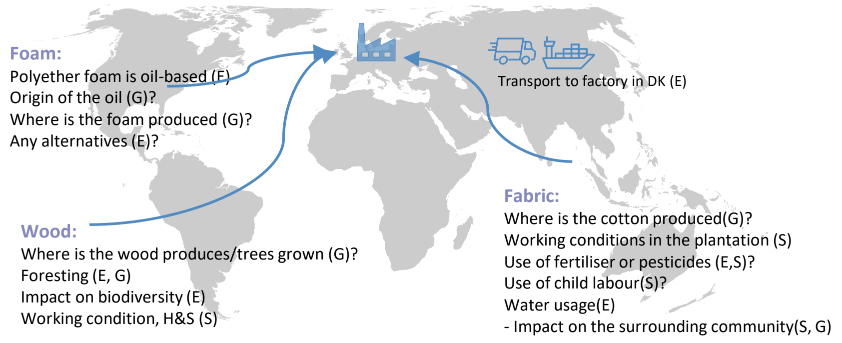
New markets – when financial effect can be reliably estimated

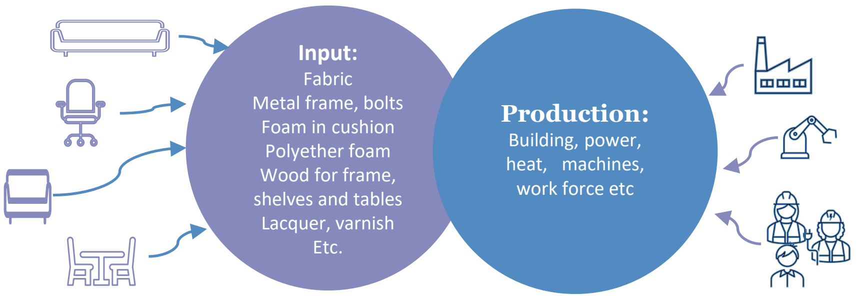
To be assessed if not already identified through the impact materiality assessment

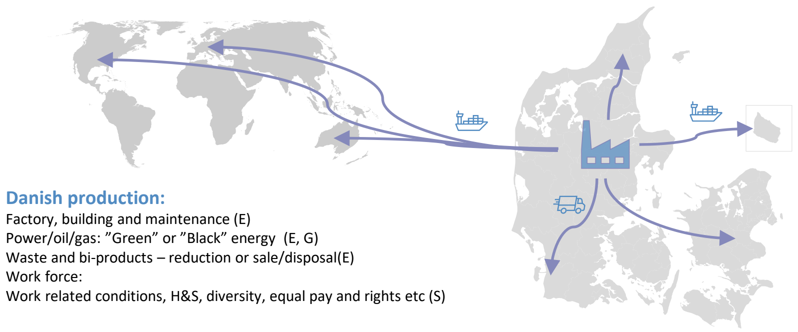
Materiality is not the same as voluntary information

Materiality across the value chain - example of ESG dilemmas







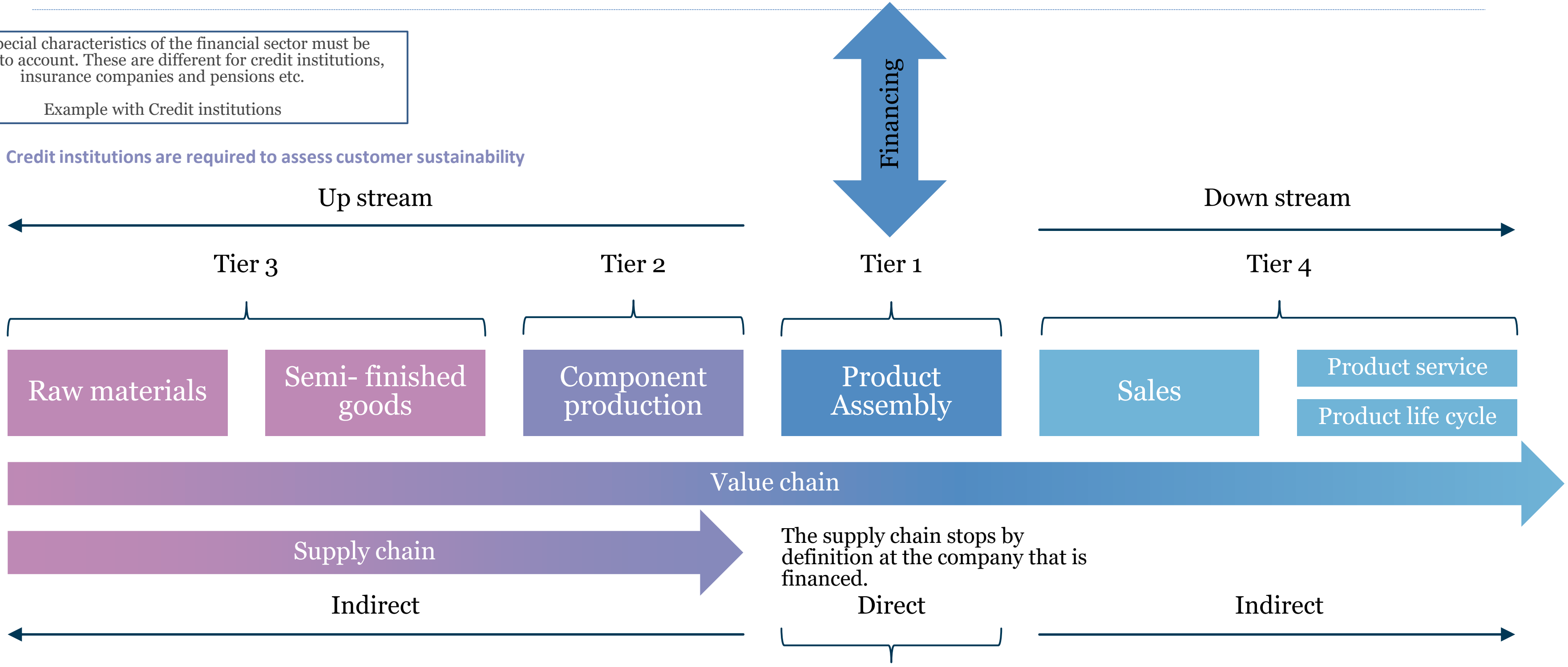


Financial institutions - value chain

The special characteristics of the financial sector must be taken into account. These are different for credit institutions, insurance companies and pensions etc.

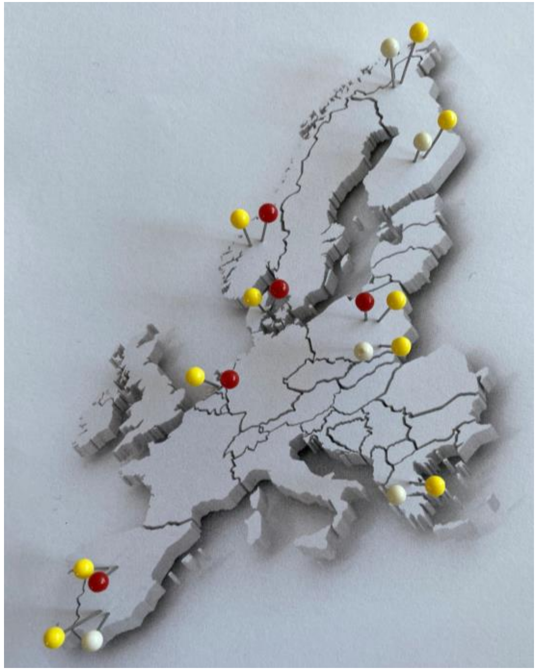
Example with Credit institutions

Credit institutions are required to assess customer sustainability



Financed sustainability matters

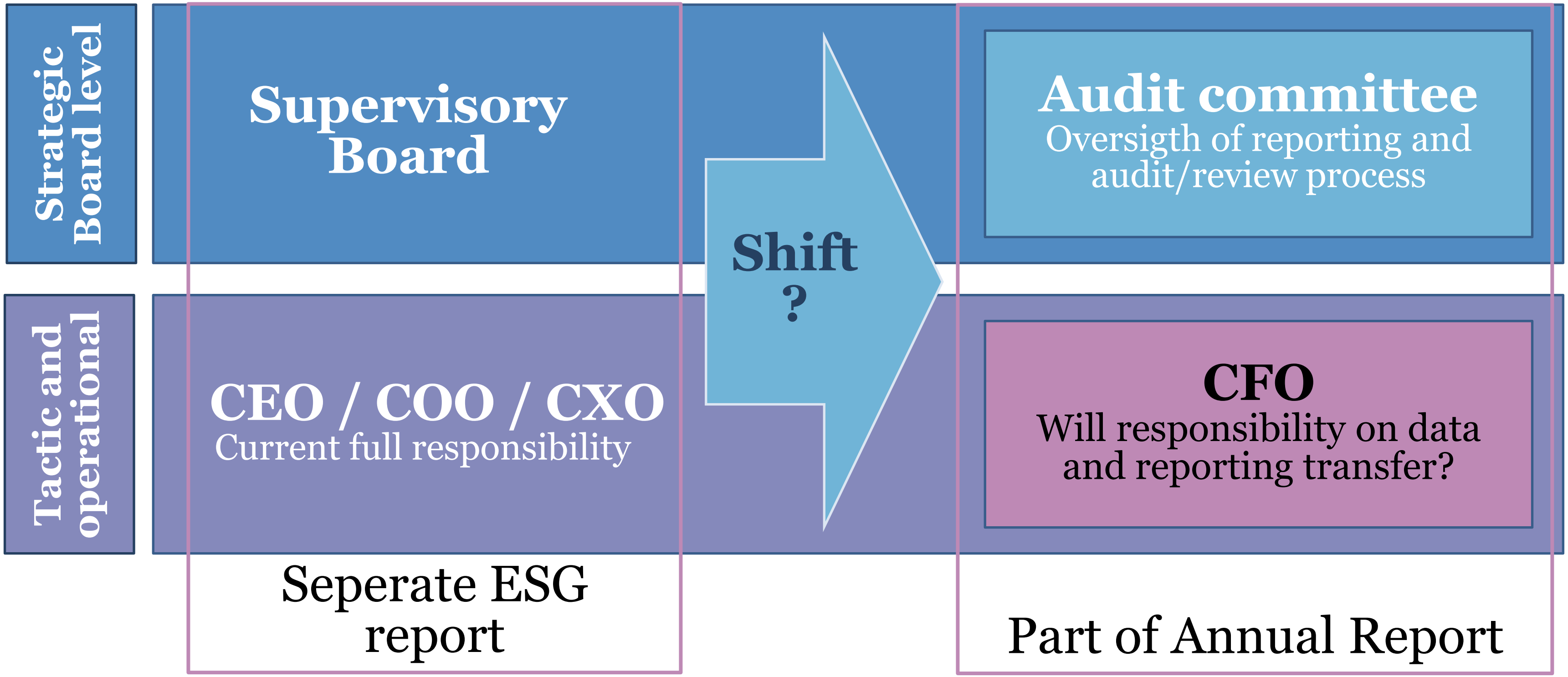
Finance and sustainability data
- Interconnectivity and disaggregation



Two/three dimensions

Multiple/ variable dimensions

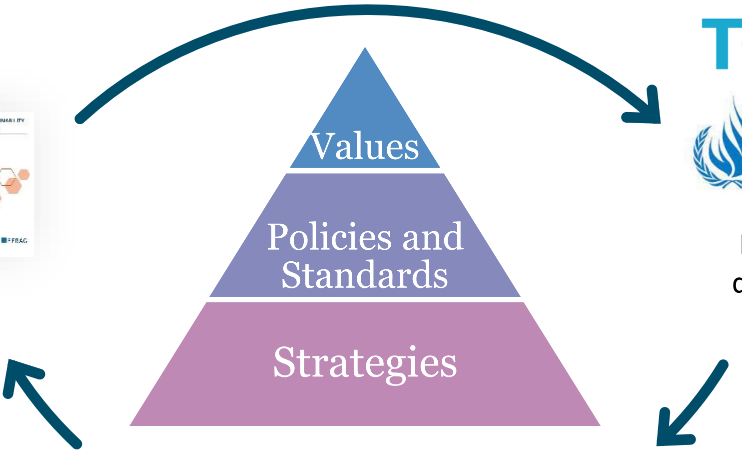
ESG Responsibilities at Board and C-level



Sustainability integrated in the Business

Strike a balance between strategy, ambition and communication

ESRS sets the reporting requirements



IFRS Sustainability

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

UNITED NATIONS HUMAN RIGHTS

GRI

Measurement and impact definitions are set by other standards and guidelines

Sustainability impact, targets and ambitions

PRI Principles for Responsible Investment

SCIENCE BASED TARGETS

GREENHOUSE GAS PROTOCOL

ISO

IFC International Finance Corporation

IFC Performance Standards

UNITED NATIONS GLOBAL COMPACT

TNFD Taskforce on Nature-related Financial Disclosures

System of Environmental Economic Accounting

United Nations System of Environmental Economic Accounting Ecosystem Accounting (UN SEEA EA)

exiobase

CDSB Climate Disclosure Standards Board

CDSB Biodiversity Application Guidance 2021

WWF models; e.g., Risk Filter Suite

Methodological Assessment Report on Scenarios and Models of Biodiversity and Ecosystem Services (IPBES)

Planetary boundaries of the biosphere integrity and land-system change

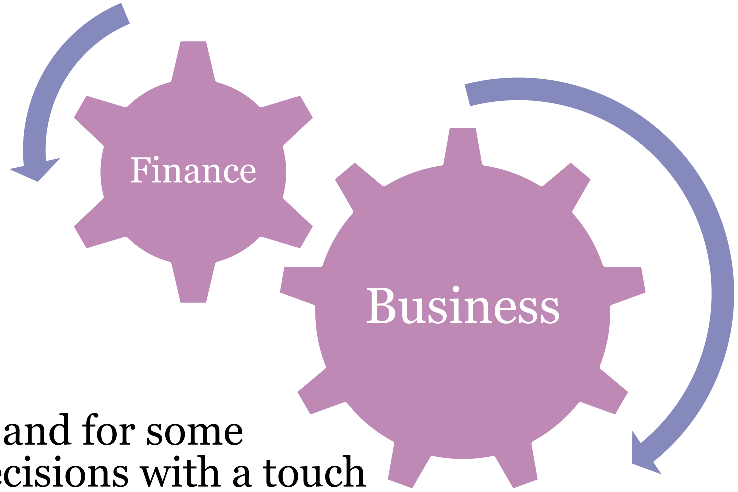
ZERO POLLUTION AMBITION

UNITED NATIONS GUIDING PRINCIPLES ON BUSINESS & HUMAN RIGHTS

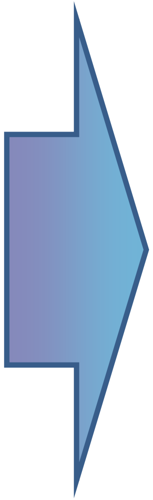
ENCORE

Business cases and decision will need to change

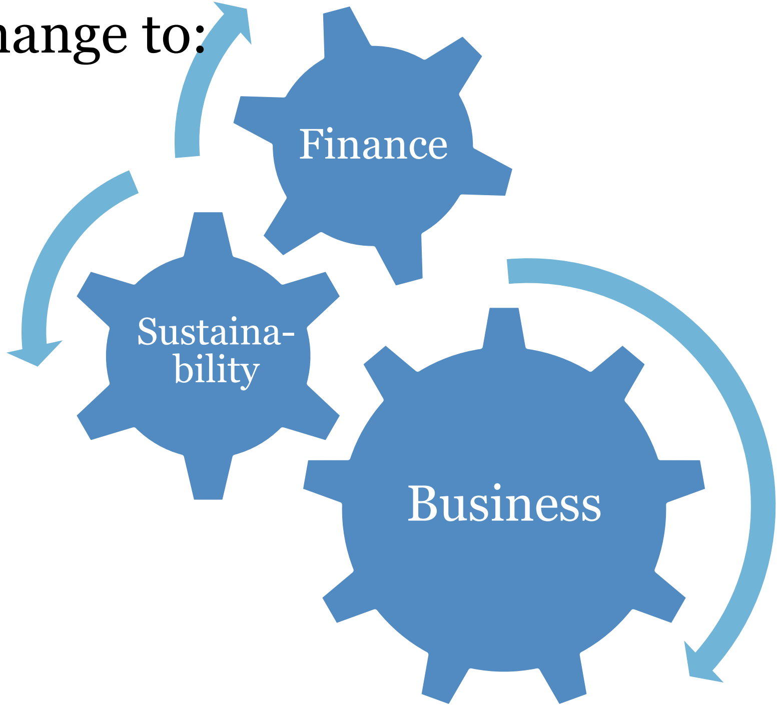
Used to be driven by:



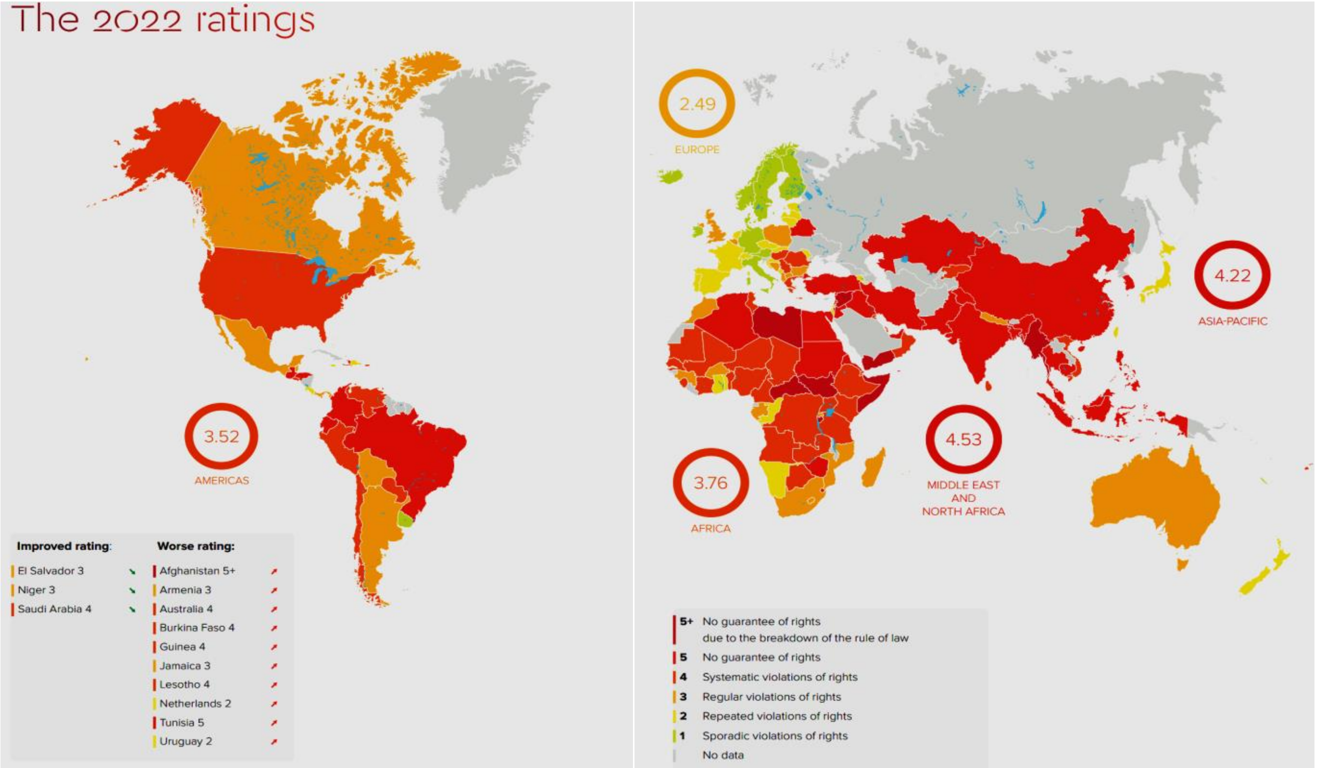
… and for some decisions with a touch of considerations for sustainability



Will change to:



Position of human rights
World “human rights index”



Are we (and the press) ready to tackle new levels of transparency?

- What is the impact on the Annual Report
- How do we tackle different levels of transparency in the EU (are we and should we have similar level of transparency/ materiality)?
- Are we, the Press, the Auditors and the Authorities ready to tackle reporting that is not consistent due to lack of (sector)guidance?
- What is the value and significance of 1 butterfly – in Denmark, in Europe, Globally?

EFRAG

THE POLITICAL PERSPECTIVE

Patrick de Cambourg

Chair of EFRAG Sustainability Reporting Board

EFRAG – The Political Perspective and what’s Next?

Årsrapportprisen 2023, DI

Copenhagen, 6 September 2023

Patrick de Cambourg

Sustainability Reporting Board Chair

EFRAG

sustainability reporting

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Disclaimer: The views expressed in this presentation are those of the presenters, except where indicated otherwise.

1. The key features of the European legal regime: the CSRD*

* Corporate Sustainability Reporting Directive

The key features of the European legal regime: the CSRD 1/2

➡ Goal: addressing the quality issue of sustainability-related data by placing sustainability reporting on an equal footing with financial reporting

- A mandatory reporting regime for all large entities (250+ employees) and listed SMEs with subsidiary exemption
- A progressive phase-in: 2024 reporting year for NFRD reporters, 2025 for the other large entities, 2026 for listed SMEs (with opt-out option until 2028), 2028 for Non-EU companies with branches/subsidiaries
- Other SMEs encouraged to adopt a simplified voluntary reporting
- A comprehensive coverage of sustainability matters: E, S & G, under standards elaborated by EFRAG (multi-stakeholder approach, consensus based) and adopted by the EC via delegated acts ➡ a robust legal framework with Level 2 (ESRS, regulation) complementing Level 1 (CSRD, directive)

The key features of the European legal regime: the CSRD 2/2

- A key concept: double materiality (impacts and financial risks/opportunities)
- Location and timing of reporting: in the management report, i.e., at the same time as financial statements
- Mandatory audit: limited assurance to start with, moving to reasonable assurance
- Digital tagging of the ESRS and Article 8 « EU Taxonomy » disclosures

➡ Transposition into national law: probably focused on some specific points as harmonisation level already high

2. The key features of the regulatory regime: the ESRS*

* European Sustainability Reporting Standards

The sector agnostic standards on the finish line

ESRS Exposure Drafts by EFRAG PTF — June 2021 – April 2022

ESRS EDs exposed for comments — Apr. 30 – Aug. 8 2022

Draft ESRS released to EC — Nov. 2022

EC draft Delegated Act Public feedback — June 9 – July 7 2023

EC adopted — 31 July 2023

Scrutinity period Oct. 21 / (Dec 21)

No changes to the text, but EP or Council could reject

The first set of sector agnostic ESRS elaborated by EFRAG

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CROSS-CUTTING STANDARDS

ESRS 1 *General requirements*

ESRS 2 *General disclosures*

TOPICAL STANDARDS

Environment

- **ESRS E1** *Climate change*
- **ESRS E2** *Pollution*
- **ESRS E3** *Water and marine resources*
- **ESRS E4** *Biodiversity and ecosystems*
- **ESRS E5** *Resource use & circular economy*

Social

- **ESRS S1** *Own workforce*
- **ESRS S2** *Workers in the value chain*
- **ESRS S4** *Consumers and end-users*
- **ESRS S3** *Affected communities*

Governance

- **ESRS G1** *Business conduct*

DELEGATED ACTS 31/07/23

84 Disclosure Requirements
Qualitative or quantitative

Double materiality

- Financial materiality
- Impact materiality

4 pillars

- Governance
- Strategy
- Impact, risk and opportunity management
- Metrics and targets

… to be complemented by sector specific standards + SME standards (next steps)

The modifications introduced in the delegated act compared to the EFRAG proposal from November 2022

- Materiality: all standards, disclosure requirements and data points subject to materiality assessment
  - ESRS 2 *General Disclosures* and related IRO-1 Disclosures of topical standards: always mandatory
  - if Climate is considered not material: need to explain + provide forward-looking analysis
  - datapoints from EU legislations: need to mention explicitly “not material” if omitted

- Phasing-in:
  - ✓ undertakings with less than 750 employees may omit:
    - first year: scope 3 GHG emissions, all disclosures on own work force
    - first two years: all disclosures on biodiversity, value chain workers, affected communities, consumers and end-users
  - ✓ All undertakings:
    - first year: anticipated financial effects on non-climate environmental issues, certain data points on own workforce

- Additional voluntary disclosures, for example: biodiversity transition plans; certain indicators on «non-employees» in the workforce; explanations of non-materials topics

- Additional flexibility + coherence with EU legal framework + interoperability + editorial

A clear structure for each disclosure requirement

- First paragraph of each disclosure requirement: the description of the information required

- Second paragraph: the objective of the disclosure requirement (principles-based approach)

- Following paragraphs: the specific datapoints to be included (« shall ») under a, b, c…, subdivided, if need be, as (i), (ii), (iii)… (non-limitative list)

+ Application requirements

… Facilitating digitisation

- Digital XBRL taxonomy underway at EFRAG, facilitating usability and comparability of ESRS statements in the ESAP

- Draft version will be available for public consultation in Q4 or Q1 2024, enabling digital tagging and « taxonomy-centric » report preparation

- Tagging aligned with standard structure allowing for 3 levels of reading:
  - ✓ Level 1: Disclosure requirement level
  - ✓ Level 2 (« nested »): a, b, c …
  - ✓ Level 3 (« nested »): (i), (ii), (iii) … (when required by ESRS)
  - ✓ Quantitative (numerical) and semi-narrative tags (Yes/No, Dropdowns) on all levels

The double materiality principle

- A sustainability matter is material, if it is material from the **impact perspective** or from the **financial perspective** or from **both** of these two perspectives:
  - ✓ "Impact Materiality": Sustainability matters that pertain to the undertaking's material actual or potential, positive or negative impacts on people or the environment over the short, medium or long term.
  - ✓ "Financial Materiality": Sustainability matters that generate risks or opportunities that have or could reasonably be expected to have a material influence on the undertaking's development, financial position, financial performance, cash flows, access to finance or cost of capital over the short, medium or long term.

- In practice, under a dynamic perspective, most (if not all) material impacts can be anticipated to have financial effects short, medium or long term.

- Risks and opportunities may derive from impacts and from other causes unrelated to impacts. This is illustrated for instance by the distinction between climate mitigation and climate adaptation.

- In substance, investor focus embedded into double materiality approach.

The pivotal role of the materiality assessment

- Sustainability statements shall reflect **all material** impacts, risks and opportunities (IROs): under an objective approach based upon appropriate thresholds, no prioritisation
- Reporting entity to implement a rigorous materiality assessment process to determine material IROs and to disclose process followed and outcome
- Value chain – focus on where material IROs may arise, link to due diligence
- Stakeholder engagement

3. Interoperability as a key EU focus

Interoperability at the heart of the ESRS approach

- Building on and contributing to global sustainability reporting progress:
  - ✓ Long-standing achievements as a key source of inspiration: GRI, UN, OECD, TCFD
  - ✓ Support to the global baseline developments: ISSB, SASB, IIRC, CDSB
- Avoiding multiple reports:
  - ✓ Counterproductive for the overall progress of sustainability reporting
  - ✓ Burdensome for preparers, difficult to understand for users
  - ✓ Both in human-readable and machine-readable formats
  - ✓ Possibility to add disclosures stemming from other sets of standards as long as identified clearly (ESRS 1 §114 and ESRS 2 §15)

Key interoperability steps achieved in practice

EFRAG

International Sustainability Standards Board (ISSB)

IFRS

- Meetings of the JWG, bilateral meetings at management level and bilateral meetings of climate experts: continued dialogue and cooperation
- Comments received: great desire for interoperability ESRS and IFRS S
- Final decisions (delegated act):
  - Alignment of concepts: financial materiality and value chain in ESRS 1
  - Alignment of content of disclosure objectives in ESRS 2
  - Confirmation of additions to IFRS S2 in ESRS E1
  - Changes to the Architecture
- Differences in timeline and scope at this stage

EFRAG's interim assessment of interoperability:

EFRAG assesses a very high degree of interoperability between the two sets of standards:

ESRS preparers will to a very large extent report the same information as companies that use ISSB standards; and

This significantly reduces the risk that ESRS reporters will have to report the same information twice.

EFRAG has published a mapping table working document which illustrates the above

Key interoperability steps achieved in practice

EFRAG

Global Reporting Initiative (GRI)

GRI

- Technical cooperation from the beginning to seek alignment on key concepts: impact materiality, due diligence approach …
- Reconciliation of ESRS disclosures with GRI disclosures underway
- Digital taxonomy coordination underway

EFRAG and GRI agreement:

A high level of interoperability has been achieved in respect to impact reporting

Entities complying with ESRS considered reporting *with reference* to GRI Standard (as defined by GRI 1)

EFRAG and GRI have issued on September 4th a joint statement of interoperability

4. Developments ahead

EFRAG to support implementation of ESRS

- Providing non-authoritative guidance:
  - ✓ How to perform the materiality assessment?
  - ✓ How to address value chain disclosures under the ESRS?
  - ✓ What potential data points to consider to perform a « gap analysis »?
  - ✓ + other guidance to be considered in due course
- Answering FAQs:
  - ✓ Access point
  - ✓ Process to provide answers
- Facilitating access to relevant documents and education
- Under due process

See 23 August SRB meeting documents for latest DRAFT versions

Sustainability reporting for SMEs: Q4-23/Q1-24

Listed SMEs LSME Standard (CSRD)

Legally binding Art. 29 c and Art. 19 a6

- SMEs between 10-250 employees (plus turnover and capital criteria) that are listed [about 1.000 listed companies in EU]
- Small non-complex banks (about 2.300)
- Captive insurance and reinsurance (about 300)

Delegated Act

Voluntary Standard VSME (SMEs not in CSRD scope)

Not legally binding but empowering tool

SMEs not listed [22 *million* including micro] outside CSRD scope that want to voluntary disclose

No Delegated Act. Aim: to help SMEs in taking the first steps in ESG reporting.

Consistency

CSRD specifies reporting requirements for listed SMEs. Art 19 a(6) by *way of derogation.* This is a reduced list from the requirements that will apply to other companies under scope:

a) A brief description of the undertaking's business model and strategy
b) A description of the undertaking's policies in relation to sustainability matters
c) The principal actual or potential adverse impacts of the undertaking with regard to sustainability matters, and any actions taken to identify, monitor, prevent, mitigate or remediate such actual or potential adverse impacts
d) The principal risks to the undertaking related to sustainability matters and how the undertaking manages those risks
e) Key indicators necessary to the disclosures referred to in points (a) to (d).

Sector update – 39 Exposure Drafts in the coming years

2022 **2023** **2024** **2025** **2026**

- SEC 1 Sector classification
- Mining, Oil and Gas, Agriculture, Road Transport

- Textiles, Food and beverages, Energy and Motor vehicles

- EFRAG Secretariat will complete the drafting of the other sector ESRS

Financial institutions (banking, insurance, asset management) to address also value chain specificities

Sector standards are being developed over a period of 4/5 years and are **complementary to sector-agnostic**

Illustrative timeline – timetable to be confirmed

Follow us

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info@efrag.org - **www.efrag.org**

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HOW TO COMMUNICATE CLEARLY AND RELEVANT WITH STAKEHOLDERS

By: Alan Brett

Head of ESG Standards & Reporting, MSCI

Communicating sustainability information to stakeholders

DANISH FINANCIAL STATEMENT AWARDS 2023

Alan Brett, MSCI ESG Research LLC

6 September 2023

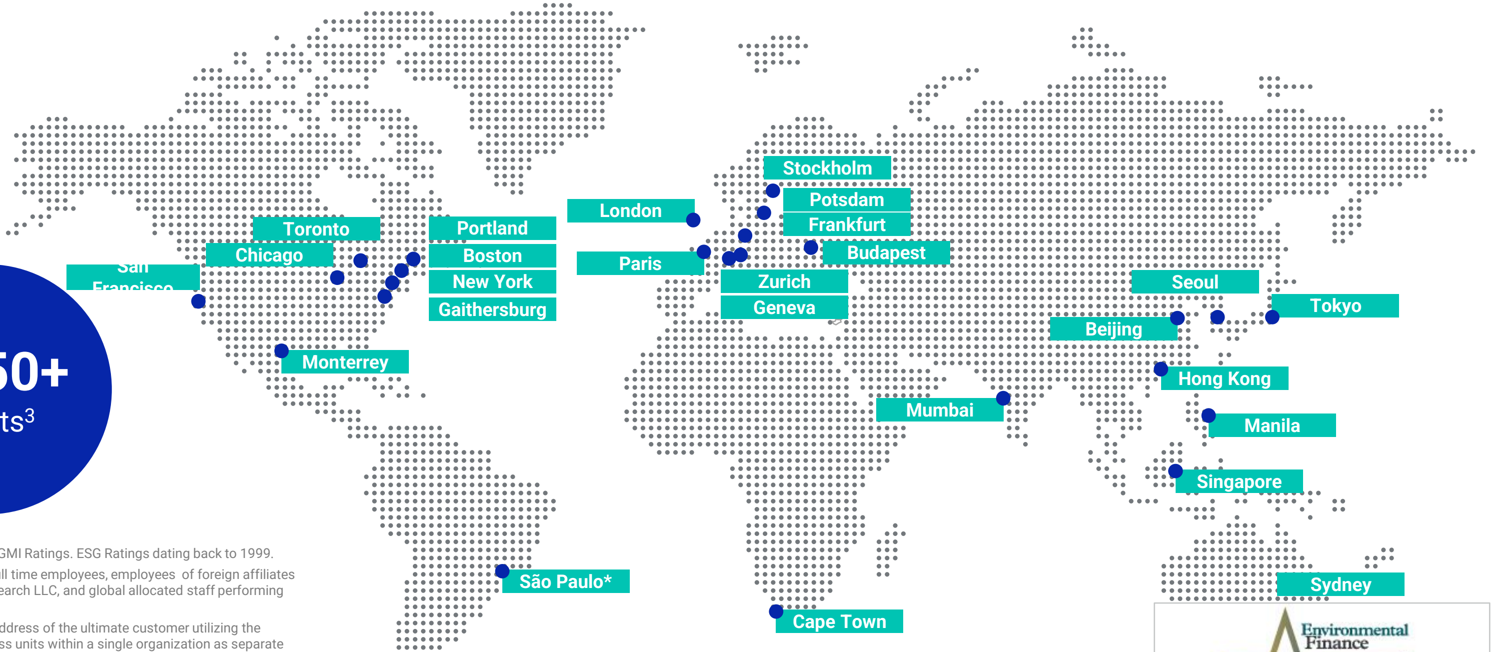
Introducing MSCI ESG Research

First ESG provider to assess companies based on industry financial materiality[1]

400+
ESG analysts[2]
(~850 FTE)

1,500+
ESG equity & fixed income indices use MSCI ESG Research ratings and data**

2,650+
clients[3]



1. Through our legacy companies KLD, Innovest, IRRC, and GMI Ratings. ESG Ratings dating back to 1999.
2. Source: MSCI ESG Research as of June 2022. Includes full time employees, employees of foreign affiliates providing investment advisory services to MSCI ESG Research LLC, and global allocated staff performing non-investment advisory tasks.
3. To calculate the number of clients, we use the shipping address of the ultimate customer utilizing the product, which counts affiliates, user locations or business units within a single organization as separate clients; As of December 2021.

*Representative office for business development.

**MSCI ESG Ratings and climate change metrics provided by MSCI ESG Research LLC. MSCI ESG Indexes and MSCI Analytics utilize information from, but are not provided by, MSCI ESG Research LCC. MSCI Equity Indexes are products of MSCI Inc., and are administered by MSCI Limited (UK).

MSCI

HONORABLE MENTION 2016 IRRC INSTITUTE PRIZE

WINNER 2015 IRRC INSTITUTE PRIZE

DeepData DeliveryStandard
Gold Standard

MSCI's Implied Temperature Rise

ESG Leaders Have Demonstrated Increased Sophistication Across Their Organizations

Largest consultants are **incorporating ESG** dimensions into manager selection in reaction to Asset Owner requests

Demand for active and passive **ESG Funds across asset classes** for total portfolio exposures

ASSET OWNERS

- PENSION FUNDS
- INSURANCE
- CONSULTANTS
- CENTRAL BANKS
- ENDOWMENTS & FOUNDATIONS

ASSET MANAGEMENT

- EQUITY
- FIXED INCOME
- RISK MANAGEMENT
- STEWARDSHIP & GOVERNANCE

WEALTH MANAGERS

- CIO OFFICE
- FUND SELECTION
- FINANCIAL ADVISORS
- RETAIL

CORPORATE & CORP FINANCE

- ESG LINKED FINANCING
- CORPORATE STRATEGY
- PRIVATE EQUITY / RE
- BANK LOAN ORIGINATION
- CLIMATE EXPOSURE & HEDGING

Asset Managers are moving beyond fundamental equity and **integrating ESG into fixed income, private assets, and quantitative** strategies with growing sophistication

Risk teams are increasingly **systematically reporting** on ESG risk

Engagement is becoming an important tool for improving company performance and returns

MSCI

Understanding the most common ESG objectives

Incorporating ESG into investment strategy or creating products typically starts with understanding client objectives, which may combine elements of managing long-term risk, reflecting values and positive impact.

Investment Objectives

"Incorporating ESG may improve our investment results"

Integration

Incorporate ESG criteria to enhance long-term return, manage ESG financial risk

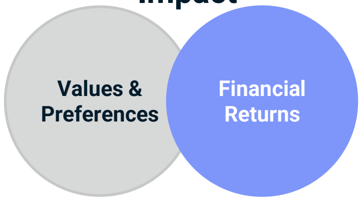
Individual Objectives

Values

"Our investments should reflect our clients' values"

Align portfolio with investor's ethical or political values

Impact



"We want our investments to make a difference in the world"

Generate measurable social or environmental benefits as well as financial returns

MSCI

Source: MSCI ESG Research as of September 2023

MSCI ESG Research offers holistic ESG and Climate solutions to help investors build a 360° ESG view of their portfolio

MSCI ESG Research rates 10,800+ companies (16,800+ issuers including subsidiaries) and more than 807,300 equity and fixed income securities globally (as of March 2023)

ESG INTEGRATION

ESG RATINGS

- ESG CONTROVERSIES
- IMPACT & SDG ALIGNMENT METRICS
- GOVERNANCE DATA
- QUANTITATIVE E&S DATA
- QUALITATIVE E&S DATA
- COMPANY REVENUE & SEGMENT DATA
- AGM DATA
- TARGETS DATA
- CONTROVERSY CASES & GOVERNANCE EVENTS

NET ZERO SOLUTIONS

CLIMATE CHANGE METRICS

CLIMATE SCENARIO ANALYSIS

- CARBON EMISSIONS/ TARGETS
- TEMPERATURE ALIGNMENT
- FOSSIL FUEL EXPOSURE
- CLIMATE SCENARIOS (TRANSITION/ PHYSICAL)
- GREEN REVENUES / LOW CARBON PATENTS
- PHYSICAL RISKS

CLIENT RESTRICTIONS & REGULATORY ALIGNMENT

BUSINESS INVOLVEMENT SCREENING

- INVOLVEMENT SCREENS
- GLOBAL SANCTIONS
- CARBON SCREENING

NORMS & CONTROVERSIES SCREENING

- CONTROVERSIES
- GLOBAL NORMS

EU SUSTAINABLE FINANCE MODULE

- SFDR ADVERSE IMPACT METRICS
- EU TAXONOMY ALIGNMENT

Source: MSCI ESG Research as of September 2023

Introducing MSCI ESG Ratings

MSCI ESG Ratings and datasets offer a comprehensive ESG Integration solution to Investors

ESG Data

Leverage **over 1,000 datapoints in more than 20 structured datasets** to drill down into our scores, report on different metrics, and integrate ESG across your portfolios.

CCC | B | BB | BBB | A | AA | AAA

ESG Ratings & Scores

Use our **ESG Ratings** and scores to manage potentially financially **material** ESG risks and maximize exposure to ESG opportunities

MSCI ESG Research rates 10,800 companies (16,800 issuers including subsidiaries) and more than 807,300 equity and fixed income securities globally (as of February 2023)

Forward-looking financial materiality

Alternative data & robust models

Tech-enabled human insights: 400+ strong team of analysts + artificial intelligence (AI)

Key research questions

1

Q: How is the company governed?

How do governance structures impede / enable it to be a long-term steward of capital?

A: *Analyze ownership structure, board, incentives and behavior.*

2

Q: What risks does the company face?

How exposed is its business model to relevant short-, medium- and long-term ESG risks?

A: *Map company operations to an extensive proprietary database of ESG risk factors.*

3

Q: What does the company say?

What is its strategy for managing these risks? What measures has it put in place?

A: *Benchmark company disclosures and policies vs. industry peers.*

4

Q: What does the company do?

What evidence do we see that these risks are being managed? What is its track record?

A: *Evaluate alternative data from sources outside the company.*

Source: MSCI ESG Research as of September 2023

MSCI ESG Rating Model Key Issues

MSCI ESG Score

ENVIRONMENT PILLAR				SOCIAL PILLAR				GOVERNANCE PILLAR	
Climate Change	Natural Capital	Pollution & Waste	Env. Opportunities	Human Capital	Product Liability	Stakeholder Opposition	Social Opportunities	Corporate Governance	Corporate Behavior
Carbon Emissions	Water Stress	Toxic Emissions & Waste	Clean Tech	Labor Management	Product Safety & Quality	Controversial Sourcing	Access to Finance	Board	Business Ethics
Product Carbon Footprint	Biodiversity & Land Use	Packaging Material & Waste	Green Building	Health & Safety	Consumer Financial Protection	Community Relations	Access to Health Care	Pay	Tax Transparency
Financing Environmental Impact	Raw Material Sourcing	Electronic Waste	Renewable Energy	Human Capital Development	Privacy & Data Security		Opportunities in Nutrition & Health	Ownership	
Climate Change Vulnerability				Supply Chain Labor Standards	Responsible Investment			Accounting	
					Chemical Safety				

Universal key issues applicable to all industries

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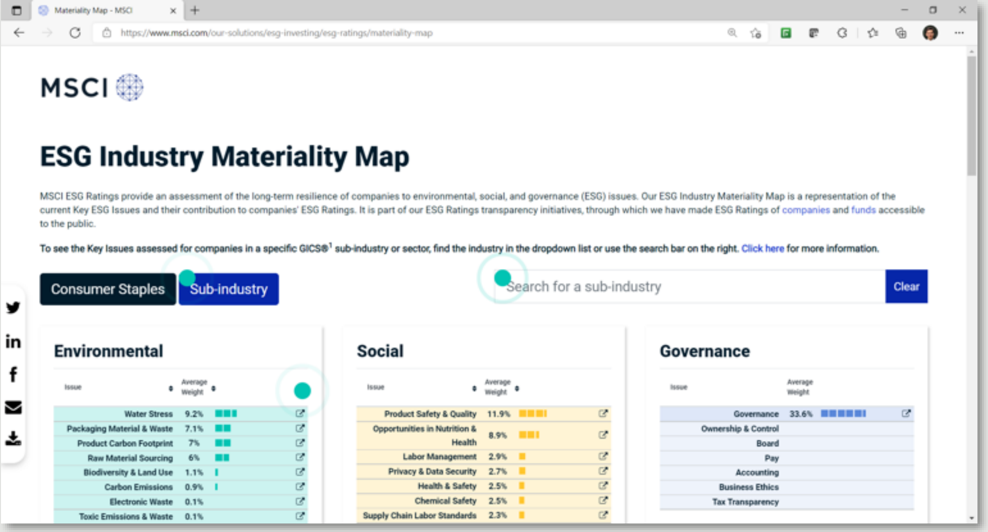
Source: MSCI ESG Research. September 2023.

MSCI ESG Industry Materiality Map

Our **ESG Industry Materiality Map** is a representation of the current **Key ESG Issues** and their contribution to companies' ESG Ratings. It is part of our ESG Ratings transparency initiatives, through which we have made ESG Ratings of companies and funds accessible to the public.

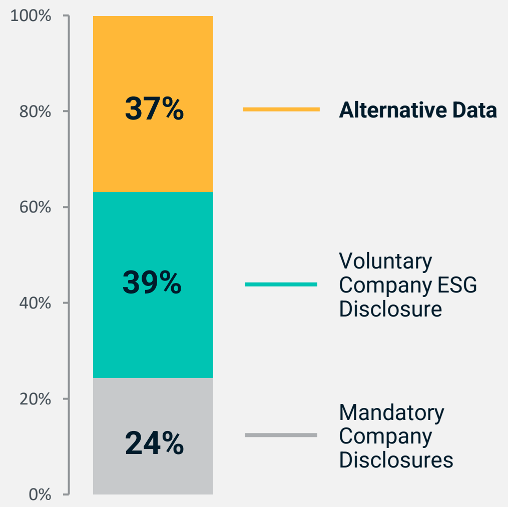
[Visit the MSCI ESG Industry Materiality Map Tool]



Source: MSCI ESG Research as of September 2023

Alternative Data Helps Minimize Reliance on Voluntary Disclosure to Deliver Key Insights

Alternative data is a significant input to ESG Ratings model



2,879 constituents of the MSCI ACWI Index as of January 18, 2021
Source: MSCI ESG Research

Problems to solve:

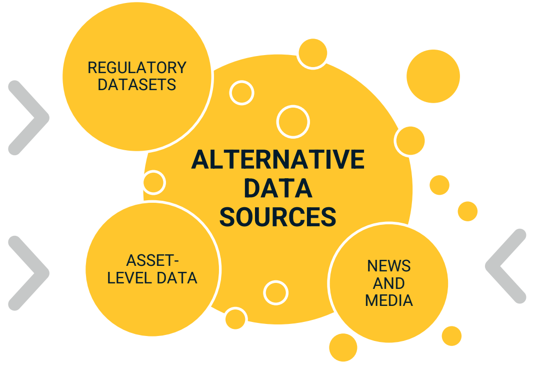
- The company does not self disclose sufficient information to gauge its risk management capabilities on the topic
- Risks may emerge at the macro level, requiring information external to the company

Alternative data sets are information about a company published by sources outside of the company. We use them to:

- Deliver insight not captured with voluntary company disclosures
- Identify unexplored risks and opportunities
- Create innovative signals

Example data:
Product recalls
Consumer complaints

Example data:
Facility locations
Mine production



Example data:
Controversial incidents
Director malpractice

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Technology and ESG Ratings Data Enhancements

We use technology and artificial intelligence (AI) to increase the timeliness and precision of data collection and analysis, and to check and validate data

Data extraction	Assessment	Insights	Quality review
20% of all data extracted via natural language processing & advanced parsing techniques	*Dynamic rating model calibrated to company-, industry- and market-specific factors*	*New analytical techniques allow researchers to derive timely insights from unstructured data*	*60% of files validated via pre-release AI based checks*
Subject-matter specialists validate and refine data extracted by machines	*Every rating validated by lead company analyst and, if needed, defended to industry lead and rating committees*	*Research analysts share unique insights providing context and analysis on key trends, events*	*Analysts conduct profile reviews and threshold-based quality checks*

Our 400+ strong team of analysts vet, validate and transform the data into meaningful insights

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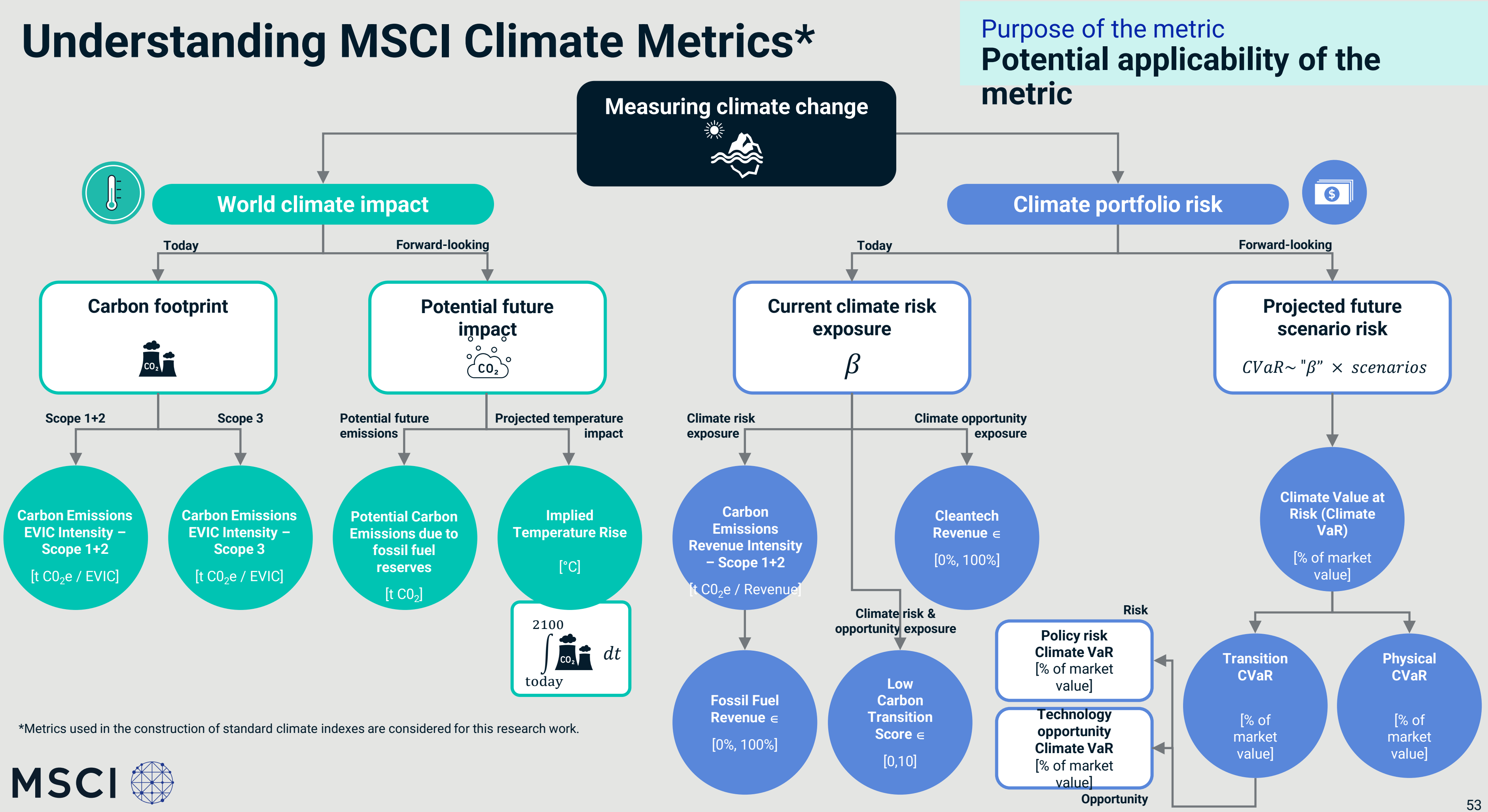
MSCI's Climate Targets & Commitments Data

Understanding MSCI Climate Metrics*



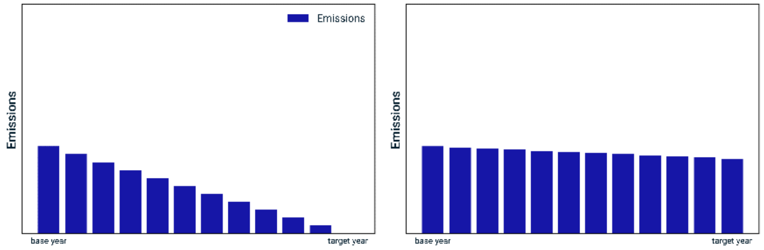
*Metrics used in the construction of standard climate indexes are considered for this research work.

MSCI

Two core concepts of the Target Scorecard

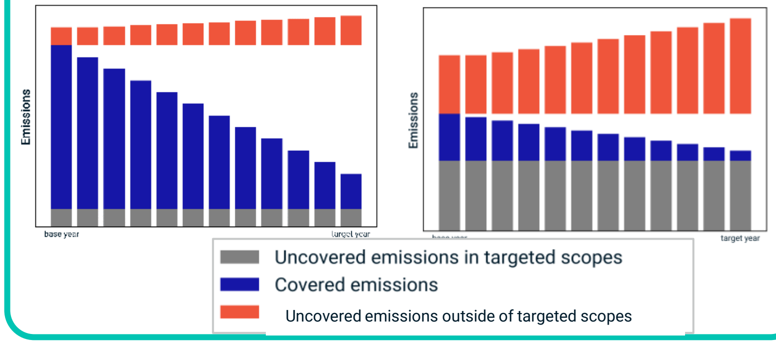
Ambition

How ambitious are the climate targets a company has set?
What is the actual annual reduction a company did commit to?



Comprehensiveness

How comprehensive are the climate targets?
Which % of a company's total emissions (Scope 1, 2, 3) is covered by the company targets?



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Source: MSCI ESG Research. For illustrative purposes only.

Implied Temperature Rise in A Nutshell

What does it measure?

- Estimate how companies and investment portfolios align with international goals to limit global warming.
- The measure, expressed in °C, estimates the global rise in average temperature by 2100 and later if the global economy had the same carbon budget overshoot or undershoot as a given company or portfolio.

What is the added value of this portfolio alignment metric?

✓ Updated model designed to be aligned with GFANZ guidance

✓ Intuitive sense of alignment through temperature expression

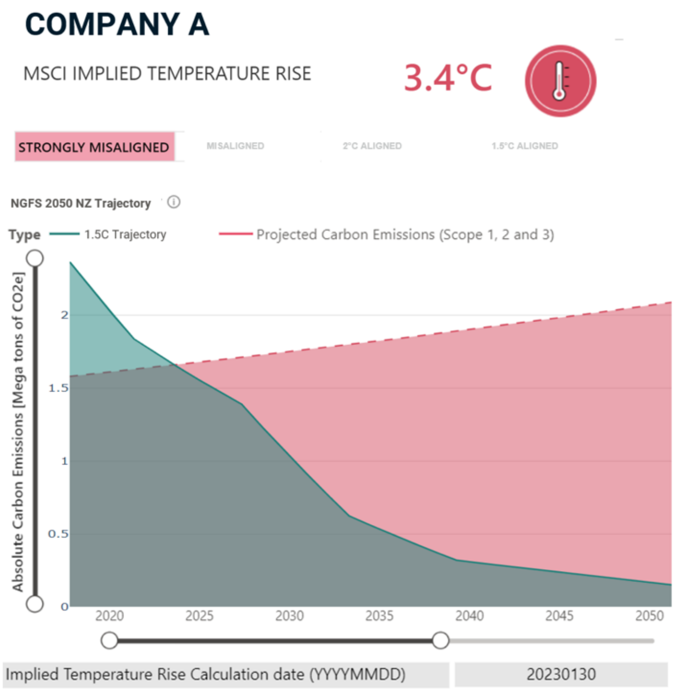
✓ One of the most science-based alignment metrics (e.g., cumulative assessment; with new model, NGFS pathways and budget rollover)

✓ Broad view of alignment, covering:

- all scopes (1,2,3);
- all GHGs (CO_2equivalent);
- all company targets.

✓ Transparent and traceable model (including forthcoming MSCI ONE drill-down tools, public methodology)

✓ Portfolio-level temperature alignment using GFANZ-backed aggregated-budget approach, and potentially covering sovereign and real estate assets (forthcoming ITR solutions)



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Potential Client Use Case Examples

Portfolio Construction

Stewardship

Private Bank, EU

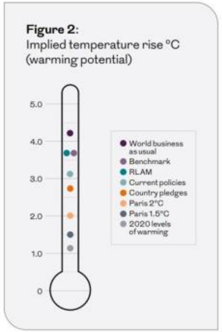
Portfolio Construction:
- To extend the existing ESG verification process for fund managers by including Implied Temperature Rise as a non-mandatory exclusion criteria

Stewardship:
- To engage with portfolio companies showing a significantly higher temperature than their peers

Reporting

Royal London AM, UK

Reporting:
- To disclose its Implied Temperature Rise as part of its TCFD-aligned report following the guidelines by the Climate Financial Risk Forum (CFRF)



Source: RLAM proprietary data and MSCI data as at 31 December 2020.
'RLAM' refers to equities, corporate and sovereign bonds – 84% of our AUM.

Portfolio Construction

Asset Manager, CA

Portfolio Construction:
- To launch Canada's first Paris-aligned global equity climate fund

Portfolio Construction

Asset Manager, CA

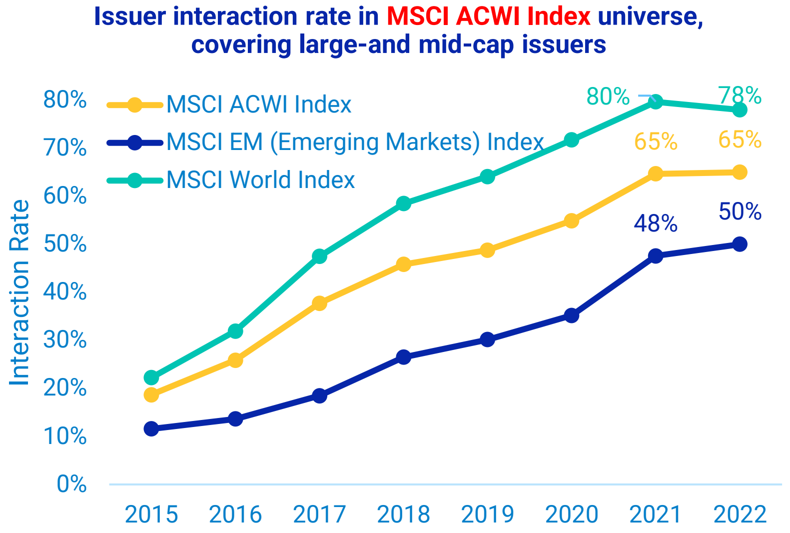
Portfolio Construction:
- To feed into the pool of data informing fundamental analysis accessible to global investment teams

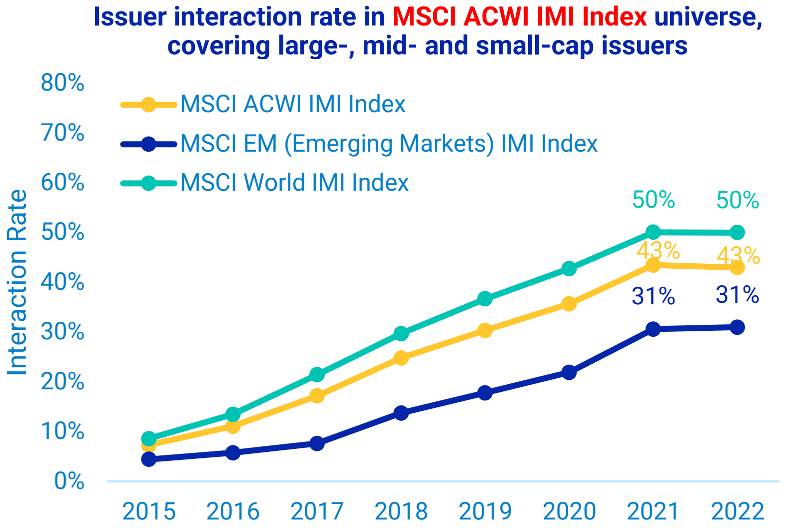
Issuer Resources & MSCI ONE Data Provisioning

Global Issuer Interaction Rate Continues to Grow

Large- and mid-cap Issuers listed in developed markets are the most active, but issuers in emerging markets are catching up fast

- Among the more than 9,200 large, mid and small cap issuer constituents of the **MSCI ACWI Investable Markets Index (IMI)**, the interaction rate with MSCI ESG Research **was 43%** or approximately **4,000 unique issuers in 2022**.
- For the **MSCI ACWI Index**, representing large and mid cap issuer constituents, the interaction rate in 2022 was **65%**.





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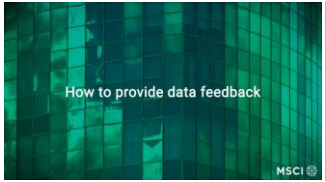
Interaction rate is the % of companies in the relevant MSCI Index that have reached out in a given year and is a measure of proactive issuer engagement. MSCI does not issue surveys or questionnaires. MSCI ACWI Index (n=2844); MSCI EM (Emerging Markets) Index (n=1319); MSCI World Index (n=1525). World specifically refers to developed markets, instead of a global market. MSCI ACWI IMI Index (n=9212); MSCI EM (Emerging Markets) IMI Index (n=3152); MSCI World IMI Index (n=6060). Source: MSCI ESG Research, as of Dec. 31, 2022. Note: Large-cap issuers engaged more often than mid- and small-cap issuers (see Appendix 1). MSCI ACWI Index captures large- and midcap companies; MSCI ACWI IMI Index captures large-, mid- and small- cap companies.

We Are Expanding The Resources Available to Issuers

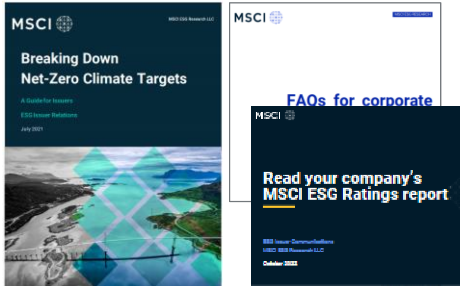
Educational videos



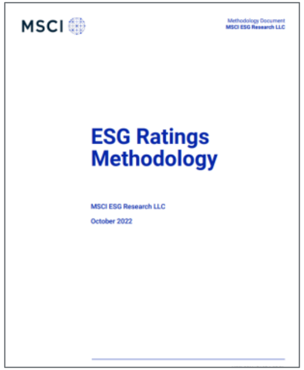
ESG Issuer Academy

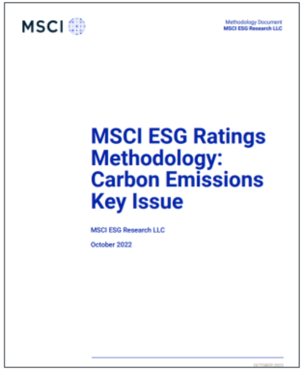
[ESG Ratings video]

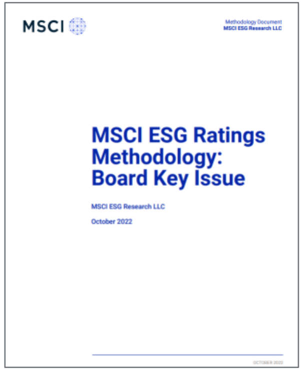
FAQs and instructions



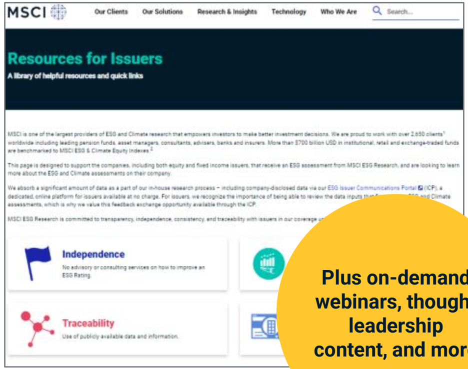
[Methodology (publicly available)]





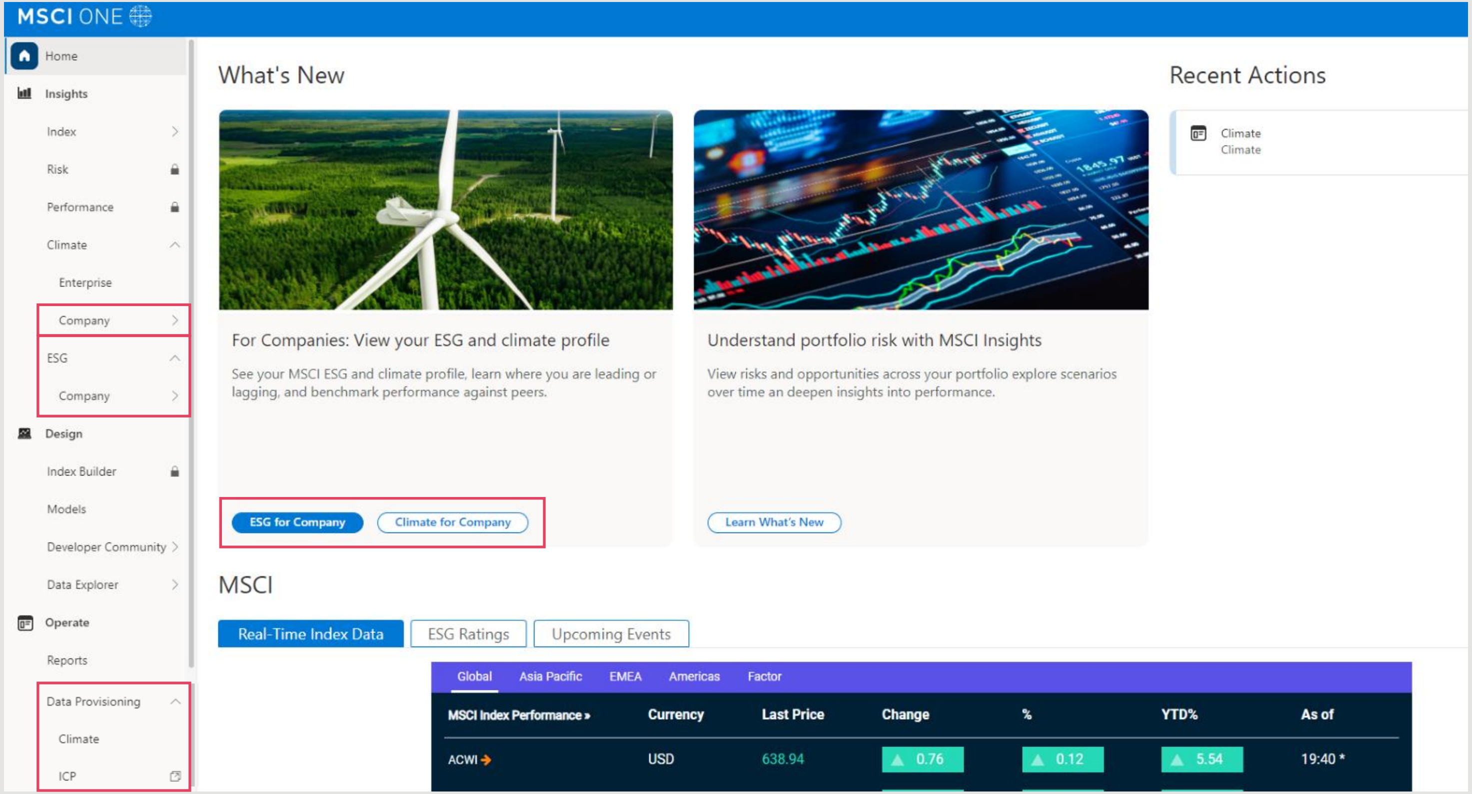


Dedicated webpage on MSCI.com



Plus on-demand webinars, thought leadership content, and more

Use MSCI ONE to Explore Your Company Data and Share Your Data Feedback



Source: MSCI ESG Research as of June 23, 2023

ESG Company - Overview

Overview

Company

Industry:

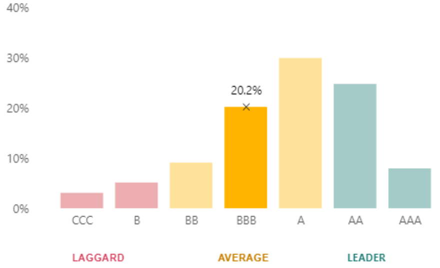
ESG Rating

Industry Adjusted Score: 5.2
Weighted Average Key Issue Score: 4.5
Rating Action Date: November 11, 2022
Last Report Update Date: January 17, 2023

BBB

CCC	B	BB	BBB	A	AA	AAA

ESG Rating Distribution (ACWI IMI constituents : Technology Hardware, Storage & Peripherals)



Materiality Map

View Details

Pillar / Key Issues	Weight (%)	Score (0-10)
Environment	**20**	**4.1**
Electronic Waste	8	3.6
Opportunities in Clean Tech	12	4.5
Social	**47**	**5.0**
Controversial Sourcing	7	8.2
Human Capital Development	16	4.4
Privacy & Data Security	12	7.1
Supply Chain Labor Standards	12	2.0
Governance	**33**	**3.9**
Corporate Behavior	-	3.0
Corporate Governance	-	5.7

SDG Net Alignment

View Details

Goals	Strongly Aligned	Aligned	Misaligned	Strongly Misaligned
01.No poverty				●
04.Quality education				●
05.Gender equality				●
08.Decent work and economic growth				●
09.Industry, innovation and infrastructure			●	
10.Reduced inequalities				●
13.Climate action		●		
16.Peace, justice and strong institutions				●
17.Partnerships for the goals				●

ESG Controversies

1
Overall Score

O
Overall Flag

Watch List
Global Compact Compliance

Flag: Very severe — Less significant or none

Pillar / Controversies	Flag

Source: MSCI ESG Research as of June 23, 2023

Climate for Company

Issuers have access to their Implied Temperature Rise (ITR) and details of their target data at no cost

Insights / Climate / Company / Overview

Company

Industry:

Technology Hardware, Storage & Peripherals

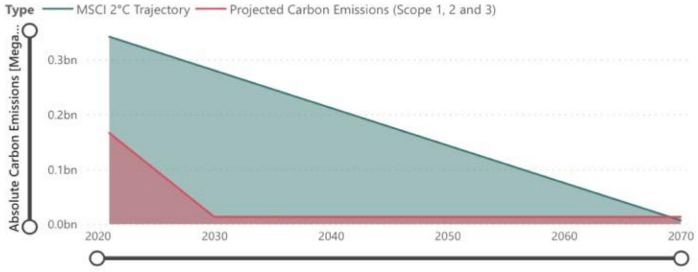
MSCI IMPLIED TEMPERATURE RISE 1.3°C

STRONGLY MISALIGNED	MISALIGNED	2°C-ALIGNED	1.5°C-ALIGNED

Decarbonization target: Yes
Decarbonization target considered in Implied Temperature Rise: Yes

Target year: 2030
Comprehensiveness: 100.00%
Ambition: -10.24% p.a.

MSCI 2°C Trajectory



Targets Included

- Sufficient Target Disclosure — 2 — These are the targets considered
- Imputed Target Disclosure — 0 — Some crucial data gaps were filled-in by MSCI ESG Research

Targets Excluded

- Insufficient Target Disclosure — 2 — Crucial target data are missing
- Conflicting Targets — 0 — Targets deprioritized because of other conflicting targets available
- Inactive Targets — 8 — Targets are not active and therefore not considered
- Energy Targets — 1 — Energy efficiency and consumption targets which are not considered

All Targets (13)

Target Description	Target ID	Target Year	Target Baseline	Target Base Year	Target metric unit
commits to reduce absolute combined scope 1, 2 and 3 GHG emissions 62% by FY2030 from a FY2019 base year.	IID000000002157615-9	2030	25100000	2019	tCO2e
Scope 1 2 3 emissions reduction target for 61.7 percent by 2030 relative to our 2019 emissions.	IID000000002157615-11	2030	25100000	2019	tCO2e
also commits to continue annually sourcing 100% renewable electricity through FY2030.	IID000000002157615-10	2030	N/A	2019	Other
Reduce emissions by 100%. 75% reduction through low-carbon design, energy efficiency, renewable energy and direct emissions abatement. For the remaining 25%, develop/invest in innovative carbon removal solutions.	IID000000002157615-5	2030	N/A	2015	tCO2e
We also set a new goal to become carbon neutral for our entire carbon footprint by 2030	IID000000002157615-17	2030	N/A	N/A	tCO2e
Increase to 4 gigawatts of additional renewable energy to our supply chain by 2020 from 2015	IID000000002157615-18	2020	0	2015	Other

Source: MSCI ESG Research as of June 23, 2023

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How Corporate Issuers can Engage with MSCI ESG Research

Share your data feedback via **MSCI ONE** Data Provisioning

Leverage the educational materials on the **Issuer Communications Portal**, including the ESG Issuer Academy

Access our full library of **helpful resources** for issuers

Reach out to esgissuercomm@msci.com with any questions.

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PANEL DISCUSSION

The upcoming ESRS reporting requirements and the impact on the Annual Report

Panelists:
Patrick de Cambourg, EFRAG
Alan Brett, MSCI
Emil Fannikke Kiær, DI

WRAP UP

By: Moderator Vibeke Daell Bjerrum

TV2

SUSTAINABILITY REPORTING IN PRACTICE

Integrate and level up the reporting

By: Jeppe Hoff Nielsen

Head of Group Finance, Ørsted

DI annual reporting conference

Jeppe Hoff Nielsen, Vice President, Group Finance

6 September 2023

Ørsted's view on the new CSRD (and taxonomy) reporting

Challenges / risks

- Numerous new ESG disclosure requirements are coming out with (currently) insufficient guidance
- Increased workload from many new requirements
- Our current reporting setup needs to be strengthened further (reasonable assurance)
- The massive reporting requirements threatens the ambition of a short and reader friendly annual report

Conclusion

We welcome the EU SF initiatives towards mandatory standardization of sustainability reporting to strengthen transparency, usability and trust

We need <u>global</u> standardization

We insist on making our annual report reader friendly and informative for our investors

Opportunities

- Stronger platform for internal and external sustainability management
- Improved investor dialogue
- As a sustainability leader we embrace the opportunity to measure our performance against our competitors

Annual reporting products

2022

Annual report

Sustainability report

ESG performance report

2023 (work in progress)

Annual report

Ørsted
Annual report
2023

New:

- Sustainability statements section
- CSRD / ESRS based structure
- Double materiality assessment
- Detailed CSRD compliance on ESRS disclosure line level will follow in 2024

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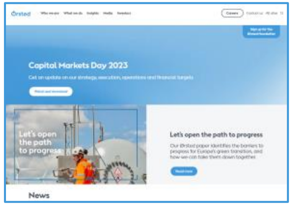
orsted.com



New:

- ESG data product for ESG data:
  - Beyond the DMA cut-off level
  - With additional data details and splits
- Sustainability programme reporting product

We plan to incorporate ESRS requirements by reference (option 2)

Option 1 - one single sustainability section:

MANAGEMENT'S REVIEW

- Overview (including only financial performance highlights)
- Financial outlook
- Results (incl. business drivers)
- Risk and risk management (currently included under strategy and business)

SUSTAINABILITY STATEMENTS

- Basis of preparation
- **Governance**, roles and skills, incentive schemes, internal controls, sustainability due diligence
- **Strategy and business**, market position, business model, value chain, stakeholders, etc.
- Double Materiality Assessment (process to identify material matters and outcome incl. financial effects)
- Content index (pages where disclosures are located within the sustainability statements)

- Environment incl. taxonomy
- Social
- Governance

For the topics deemed material:
- Policies, targets, actions taken, Resources allocated
- ESG performance report
- Sustainability programs

FINANCIAL STATEMENTS

Option 2 - incorporation by reference:

MANAGEMENT'S REVIEW

- Overview
- Financial outlook
- **Strategy and business**
- Results (incl. business drivers)
- **Governance**

SUSTAINABILITY STATEMENTS

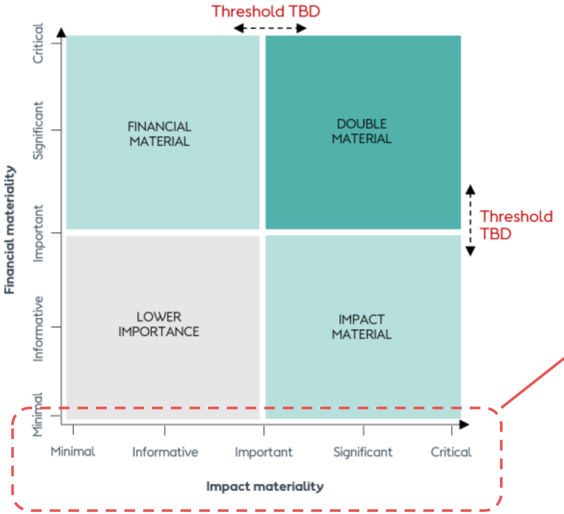
- Basis of preparation
- Double Materiality Assessment (process to identify material matters and outcome incl. financial effects)
- **Content index (Cross referencing to relevant parts of the management review** and within this section)

- Environment incl. taxonomy
- Social
- Governance

For the topics deemed material:
- Policies, targets, actions taken, Resources allocated
- ESG performance report
- Sustainability programs

FINANCIAL STATEMENTS

Double materiality assessment



Where shall we set the threshold for reporting in the AR?

Group Finance's starting point

Group Sustainability's starting point

Materiality level →	Critical	Significant	Important	Informative	Minimal / No identified impact
Climate	Climate change mitigation		Energy use		
Pollution					
Water			Waste water	Water withdrawal	
Biodiversity					
Circular economy		Resource use		Waste	
Own workforce					
Affected communities		Indigenous people rights		Political rights	
Business Conduct					

Note: Fictive example for illustrative purpose

Preparing for the future ESG reporting: ESG reporting 2.0 project

ESG reporting drivers	Workstreams to meet requirements	Objective
Compliance with EU regulation (primarily CSRD)	Governance	Ensure futureproof ESG reporting governance
Asset partnership needs	IT platform	Ensure robust data capture systems
Ørsted strategic KPIs and programmes	Assurance	Meet reasonable assurance for ESG reporting
	Data disclosure	Close the ESG reporting gaps towards the future needs
	Process flow	Establish robust process flows for collecting, controlling and reporting

SUSTAINABILITY REPORTING IN PRACTICE

THE DILEMMAS

By: Lene Bjørn Serpa

Head of Corporate Sustainability & ESG, A.P. Møller-Mærsk

Questions/polls:

Slido.com
#Aarsrapportpris2023

Sustainability Reporting in Practice

Dilemmas and balance

Lene Bjørn Serpa, Head of Corporate Sustainability & ESG

Årsrapportprisen 2023

MAERSK

Sustainability and ESG in our current reporting suite

Mainstream investors

1.
SHOWCASE INTEGRATION

Business & societal stakeholders and thought leadership

2.
DEMONSTRATE COMMITMENT

Investors, Ratings & Rankings agencies

3.
PROVIDE DECISION USEFUL INFO

All internal & external stakeholders

4.
COMMUNICATE WITH BROAD AUDIENCE

Annual Report

Sustainability Report

ESG Factbook

Website

MAERSK

How Maersk is working to deliver on the CSRD

- **Milestone 1: Reporting in 2023**
  Double materiality assessment. Reporting of CSRD disclosures based on already available information.

- **Milestone 2: Reporting in 2024**
  First full reporting on all mandatory and material information, including timelines for disclosure not yet in place. Prioritisation is based on materiality assessment.

- **Reporting beyond 2024**
  Gradual implementation of- and report on policies, actions and targets for remaining material topics.

Core project team
(Corp. Sustainability & Finance)
Facilitation, project planning and safeguarding.

Supporting functions
(GRC, FP&A)
Support on formalising and maturing new and existing KPIs.

Workstreams (delivery teams)
Defining implementation plan, prepare group-wide qualitative and quantitative disclosures within the relevant topics.

Workstream 1: Decarbonisation	Workstream 2: HSSE	Workstream 3: Own workforce
Workstream 4: Compliance	Workstream 5: Value chain	

Key tasks in the CSRD implementation project

- **Preparation and initial gap assessment**
- **Double materiality assessment**
- **Implementation plan**
- **Close qualitative disclosure gaps**
- **Development and maturity of KPIs**
- **Reporting format**

Dilemmas and balance

- Transparency vs. overreporting: Materiality as the core foundation
- Danish tradition for prioritising user-friendly and strategic content in reports
- Balancing content across reporting formats and channels
- Balancing and aligning on ambition levels and pace: A long journey ahead

MAERSK

PANEL DISCUSSION

The upcoming ESRS reporting requirements and the impact on the Annual Report

Panelists:
Patrick de Cambourg, EFRAG
Alan Brett, MSCI
Lene Bjørn Serpa, A.P. Møller-Mærsk
Jeppe Hoff Nielsen, Ørsted

WRAP UP

By: Moderator Vibeke Daell Bjerrum

TV2

LUNCH BREAK