

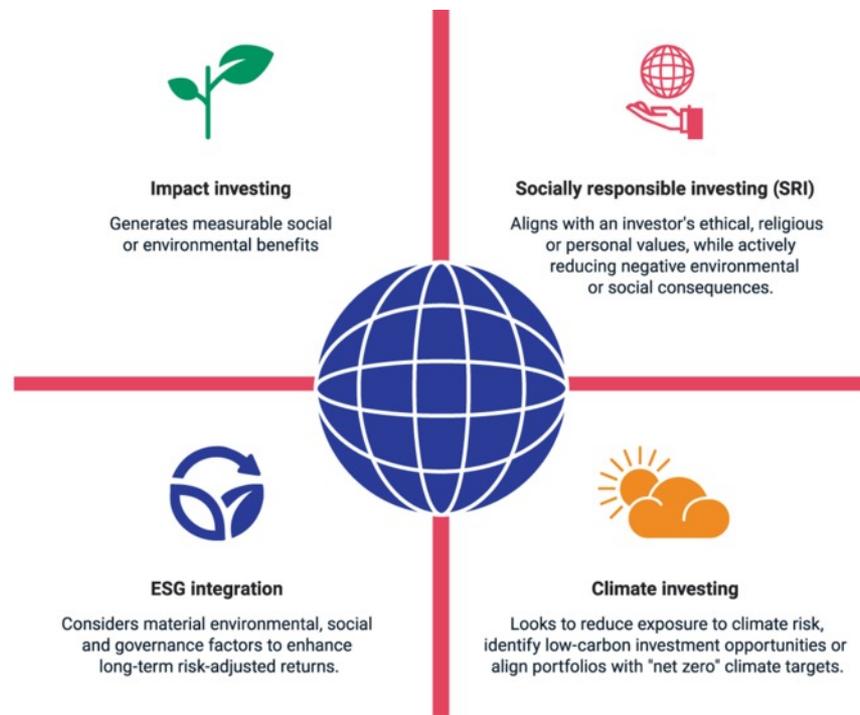
3 Talking to Clients About ESG and Climate



Different Roads to Travel



Constructing a portfolio that meets a client's ESG goals begins with understanding and defining their preferences. Some may be concerned with excluding firms or sectors viewed as having negative impact. Others may want to accentuate positive inclusion. The growing importance of climate investing adds another dimension to the conversation.



Tools and Resources



[MSCI ESG and Climate Indexes: An Index for Every Objective](#)

[Top 5 Sustainable Investing Questions](#)



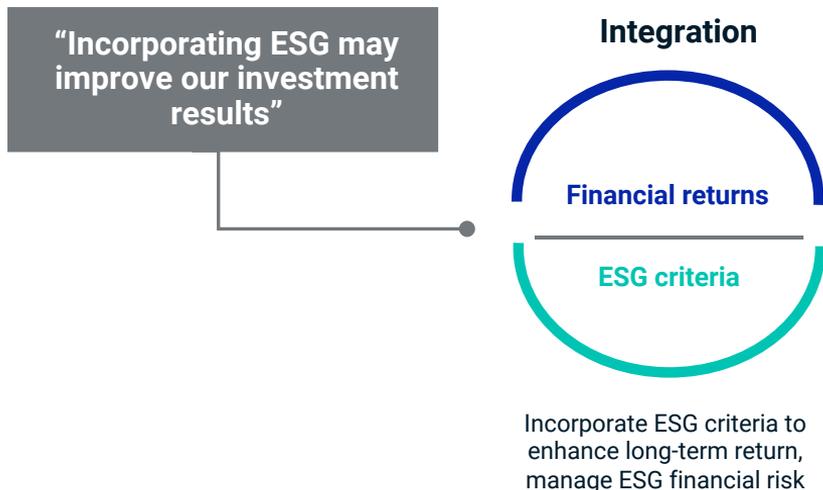
[Climate Exposure and its impact on the client portfolio](#)

“What Are Your Goals?”

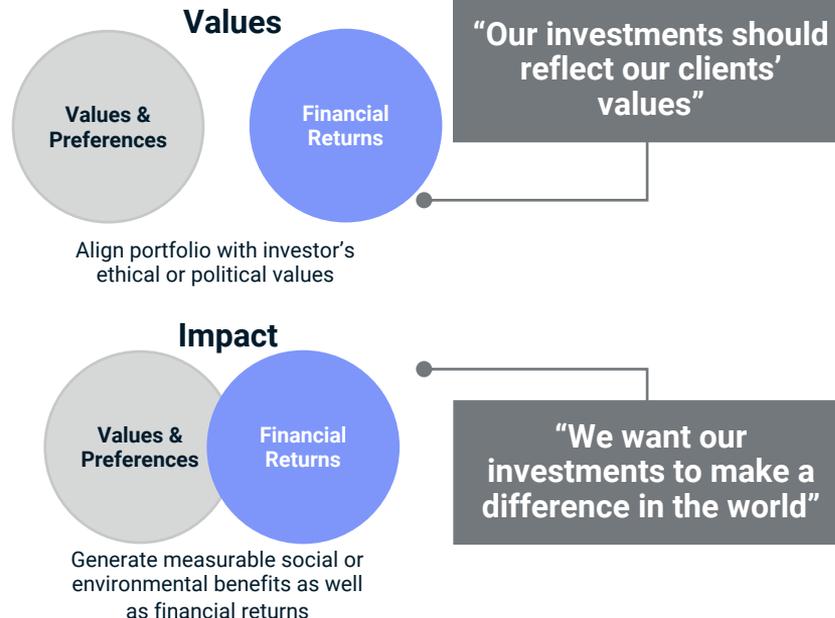


Incorporating ESG into investment strategy or creating products typically starts with understanding client objectives, which may combine elements of managing long-term risk, reflecting values and positive impact.

Investment Objectives



Individual Objectives



“Let’s Set a Strategy to Reflect Those Goals”

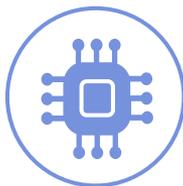


Taking a multi-dimensional approach to integrating ESG And climate change enables you to:

- Construct model portfolios that meet your clients’ long-term financial objectives and ESG & Climate Change preferences
- Providing flexibility to make tactical calls

1. Improve ESG and Climate Change criteria

Allowing you to meet your headline financial objectives, while improving your ESG profile and /or reducing the carbon footprint



CORE

2. Personal ESG Preferences and Solutions

Enable your clients to strongly express their views on personal preferences ranging from social (e.g. diversity), or environmental (e.g. pollution) or thematic



IMPACT

3. Tactical Allocation

Allows you to retain your critical skills (tactical calls) within regions, country, sectors, factors or currencies, while still integrating ESG or Climate considerations



TACTICAL

“Let’s Build a Portfolio to Reflect Those Goals”

An ESG-first approach can comprise three components:

- 1** A core allocation to a mix of equities and bonds that broadly integrates ESG and climate considerations
- 2** An impact allocation to a mix of assets that reflects the investor’s specific ESG preferences
- 3** A tactical allocation that includes decisions around other considerations, including regions, sectors, style factors, durations, credit ratings or currencies



Tools and Resources

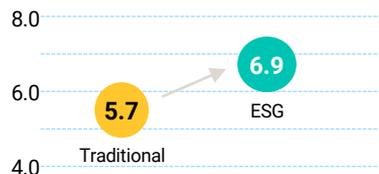
- [Personalizing Climate-Focused Wealth Management Portfolios](#)
- [An ‘ESG-FIRST’ Approach to Portfolio Construction](#)

Telling The Portfolio Story to Clients: “Let’s Look at The Result of Putting Climate and ESG Goals First”

Similar risk profile to traditional model portfolio*

| | Risk | Return (2 Yr) |
|-------------|-------|---------------|
| Traditional | 6.73% | 16.86% |
| ESG | 6.70% | 14.80% |

21% Improvement in ESG Quality Score



14% reduction in Carbon Risk



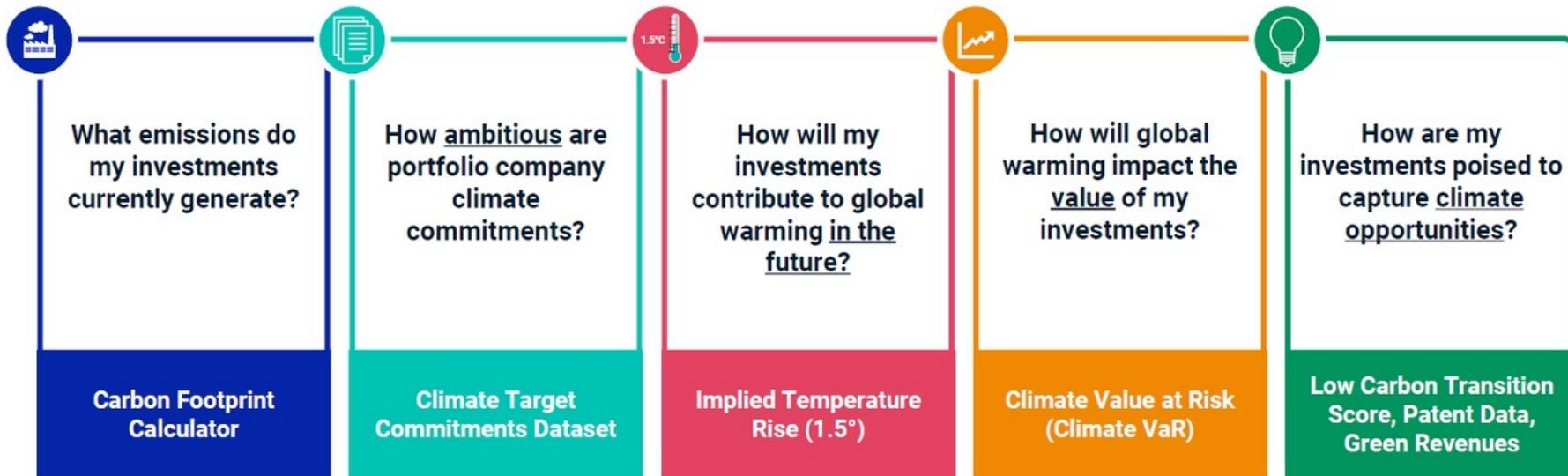
Traditional Model Portfolio

| | Weight |
|-------------------------------------------|--------|
| US Equity | |
| MSCI USA Index | 33% |
| Non-US Developed Market Equity | |
| MSCI EAFE Index | 20% |
| Emerging Markets Equity | |
| MSCI EM Index | 7% |
| Fixed Income | |
| Bloomberg Barclays Global Aggregate Index | 40% |

ESG Model Portfolio

| | Weight |
|---------------------------------------------------------------|--------|
| US Equity | |
| MSCI USA ESG Leaders Index | 27.5% |
| Non-US Developed Market Equity | |
| MSCI EAFE ESG Leaders Index | 16.7% |
| Emerging Markets Equity | |
| MSCI EM ESG Leaders | 5.8% |
| Global Equity – Impact | |
| MSCI ACWI Sustainable Impact Index | 10% |
| Fixed Income | |
| Bloomberg Barclays MSCI Global Aggregate Sustainability Index | 35% |
| Fixed Income – Impact | |
| Bloomberg Barclays MSCI Global Green Bond Index | 5% |

Telling The Portfolio Story to Clients: Measuring and Communicating Impact



Using Climate Insights to Elevate Investment Proposals

Carbon intensity

(tCO2E/\$M invested)

Measures the carbon efficiency of a portfolio, defined as the ratio of carbon emissions for which an investor is responsible to the sales for which an investor has a claim by their equity ownership.

53%
lower carbon intensity than benchmark



Based on 81% company-reported emissions data, 19% estimated data

Implied Temperature Rise

Implied Temperature Rise (ITR) provides a portfolio level number in degrees of Celsius demonstrating how aligned the companies in the portfolio are to global temperature targets. [Learn more](#)



Sample Portfolio



Sample Benchmark



| Climate Value at Risk | Portfolio | Benchmark | Active |
|----------------------------------------------------------|---------------|----------------|--------------|
| Policy Climate VaR | -2.58% | -5.87% | 3.29% |
| Technology Opportunities Climate VaR | +2.67% | +2.24% | 0.43% |
| Physical Climate VaR (Aggressive) | -3.22% | -7.57 | 4.35% |
| Aggregated Climate VaR (Aggressive physical risk) | -3.13% | -11.21% | 8.08% |

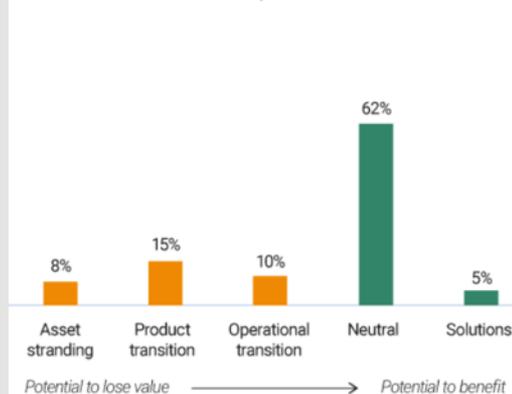
Green activity revenue exposure %



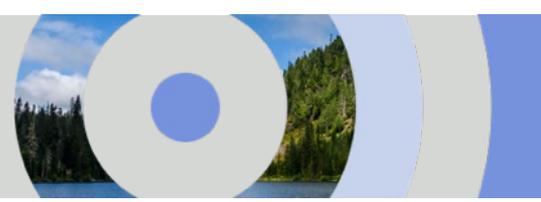
Fossil fuel-based activity revenue exposure %



Low-carbon transition categories % of portfolio



Better Outcomes for Clients, Advisers and The Planet



Win New Business



Support Advisers



Increase Client Engagement



Elevate the Value of Advice



Differentiate Using Insights & Holistic Portfolio Diagnostics

If you would like more information about how to integrate ESG and climate into your investment processes and how we can help, please complete the form and an MSCI representative will be in touch.

[CONTACT US](#)

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