



ESG Analytics

2022

An aerial photograph of a lush green valley with a winding river. The river flows from the upper left towards the bottom right, creating a series of meanders. The surrounding landscape is a patchwork of green fields and forests, with some roads visible. The lighting suggests a late afternoon or early morning scene, with long shadows and warm tones.

Pioneering Transparency into the ESG Space Through the Power of Data and Technology

Across the investment management space, the focus around Environment, Social and Governance (ESG) practices has both shifted and heightened notably in recent years. A once niche industry, ESG adoption by asset managers has evolved into an all-encompassing transformation with ESG considerations working their way into almost every operational facet of a firm.

The impetus behind this movement is partially driven at the federal level. Earlier this spring the Securities and Exchange Commission announced sweeping regulatory reforms to climate disclosures. New rules would require public companies to report on climate-related risks that have a material impact on financial statements and business strategy as well as the steps they are taking to mitigate them. Firms would also be required to calculate their carbon footprint using Greenhouse Gas (GHG) emissions standards with independent verification. Pending approval, a phased rollout would commence in 2024.

Beyond government regulation, the demand for ESG transparency and integration is also largely driven by demands from investment boards, stakeholders and consumers seeking greater focus on sustainability, carbon neutrality and social justice efforts.

Nasdaq is at the forefront of these initiatives, delivering the platforms, solutions and oversight companies need to mitigate risk and create value in the ESG landscape. eVestment, a Nasdaq platform, delivers the ESG insights and comprehensive data the institutional community relies on to make integrated and informed investment decisions.

ESG focused services remain a priority across our business as we lead the shift toward more sustainable and inclusive capital markets.

Corporate ESG Initiatives and Solutions are Woven into our Business

Guided by our purpose to drive inclusive growth and prosperity, Nasdaq extends beyond our own operations to empower markets and communities with strategic solutions that have measurable and lasting impact. Sitting at the epicenter of the capital markets and technology, we believe we play a key role by engaging and educating our clients on climate risks and providing ESG-focused marketplace solutions that help clients achieve their ESG objectives.

Our corporate sustainability strategy is centered on three guiding pillars that serve as the foundation to achieving our goals:

Driving ESG Excellence Across Everything We Do— including minimizing our environmental footprint and focusing on market-led innovation towards carbon neutrality, and continuing to lead in advancing governance best practices both as it relates to our own organization as well as supporting stakeholders across their ecosystems in advancing their governance practices

Supporting Clients in Achieving their ESG Objectives

Nasdaq has developed a range of ESG-focused technologies and solutions to help clients achieve their corporate sustainability and governance objectives. These include:

Nasdaq's ESG Advisory Program bringing together data, insights, and a team of seasoned capital markets analysts to help corporates accelerate action and optimize their ESG strategy

ESG Reporting & Disclosures helping corporates harmonize disclosure management and simplify ESG reporting against an array of obligations such as raters, frameworks, regulators, and others

Investor Relations Management & Intelligence to maximize ESG storytelling and positioning

The Nasdaq Sustainable Bond Network (NSBN) to connect issuers of sustainable bonds with investors looking to source detailed sustainable bond information for investment due diligence, selection, reporting, and monitoring

The addition of Puro.earth brings companies with surplus emissions and suppliers of net-negative technologies together to accomplish net zero through high integrity carbon removals. Earlier this year, Nasdaq and Puro.earth founded the CORC Carbon Removal Price Index, providing first of its kind transparency about pricing in the engineered and tech-based carbon removal market

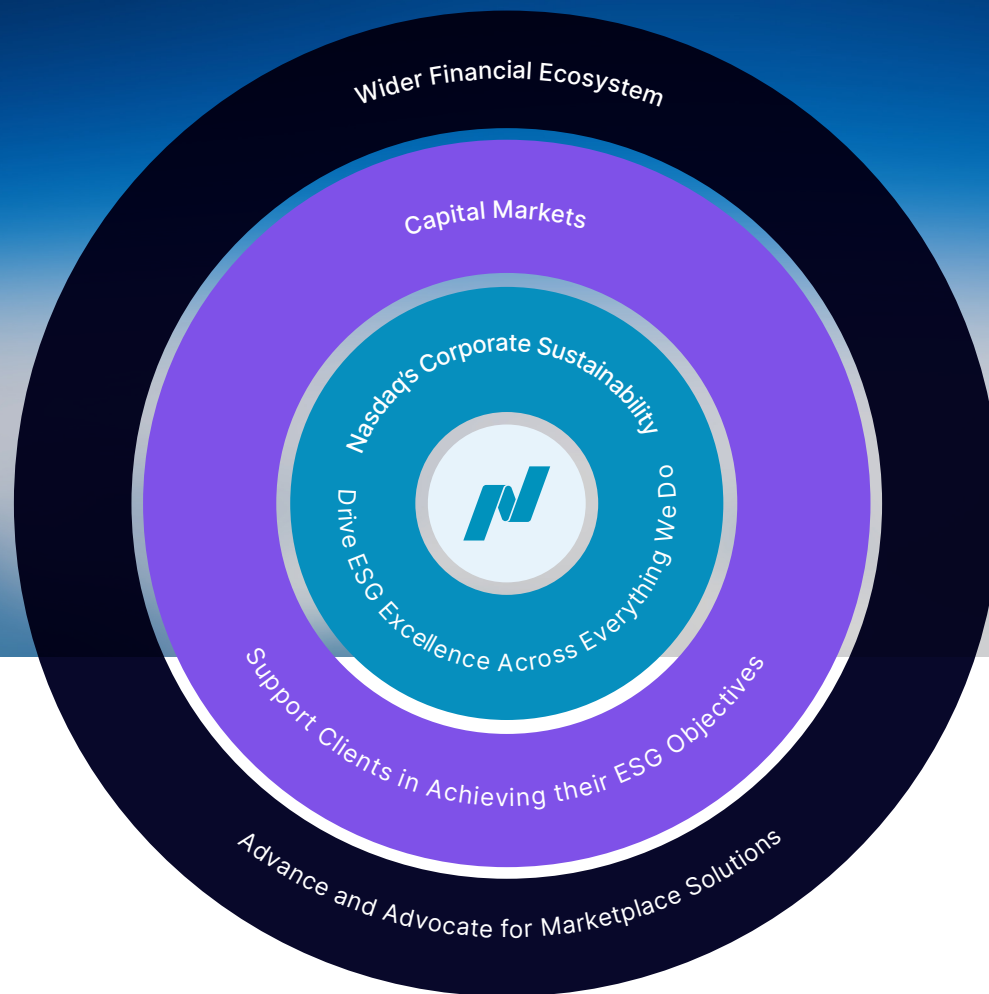
Nasdaq OneReport, a robust platform that allows companies to communicate their climate exposure effectively with stakeholders and key raters

Verafin, a cloud-based cross-institutional software used by 3,500 financial institutions to fight financial crime and strengthen regulatory compliance

Board Advisory, helps boards visualize, enhance, and assess effectiveness through third-party administered evaluations. Other governance solutions include compliance solutions for streamlined data collection through digital questionnaires and board meeting management software

Metrio, a provider of ESG data collection, analytics and reporting services, and another tenet of our commitment to helping clients better navigate and manage key ESG implementation challenges facing corporates today

Climate Impact X (CIX), a global marketplace and exchange for quality carbon credits, will leverage Nasdaq's Marketplace Services Platform to power its spot trading platform and will launch in early 2023 for financial institutions and institutional investors worldwide. The partnership will help unlock price transparency and liquidity in the voluntary carbon market



Advance and Advocate for Marketplace Solutions

Transparency: Driving Progress through Disclosure

The institution of the Nasdaq Board Diversity Rule and subsequent approval by the SEC in 2021 was designed to encourage minimum board diversity objectives for companies and provide stakeholders with consistent, comparable disclosures concerning a company's board composition.

Companies listed on Nasdaq's U.S. exchange are required to publicly disclose consistent, transparent diversity statistics regarding their board members on an annual basis. The Rule encourages the creation of diverse boards through a market-led solution and reiterates our commitment to boardroom diversity and representation.

Integrity: Combatting Financial Crime

The United Nations estimates that up to \$2 trillion—or 5 percent of global GDP—is laundered by criminals each year. Through the acquisition of Verafin in 2021 and our existing surveillance solutions, we have sought to enhance our footprint within the Anti-Financial Crime sector with deepened expertise, broadened technological offerings, and expanded solutions. This enables us to build a safer ecosystem that protects investors and communities from nefarious activity, help fuel confidence in the system, and create equitable opportunities across a broader set of investors.

Access: Enhancing Access for More People

In 2020, the Nasdaq Foundation was relaunched with the mission to advance inclusive growth and prosperity by making markets work for the benefit of more people across society. The Foundation seeks to tackle the systemic barriers faced by underrepresented communities in their efforts to generate and sustain wealth. Its refreshed mission has two parts:

- Empowering diverse investors with the financial knowledge and confidence they need to share in the wealth that markets can create.
- Supporting diverse entrepreneurs with the necessary resources to strengthen and scale their businesses and contribute to the prosperity of society.

In 2021, the Nasdaq Foundation selected six partnership organizations through the Quarterly Grant Program. The services offered through these partnerships provide a wide range of support for Black, Latinx, and Indigenous founders and entrepreneurs, with a strong focus on women, as well as an introduction to financial careers for students of color.

Nasdaq is a recognized leader in ESG with a history of commitment to excellence:

2007

Acquired Stockholm, Copenhagen, and Helsinki Stock Exchanges giving view into the world's most sustainable companies

2016

Established Nasdaq Entrepreneurial Center to improve inclusion, access, and knowledge in entrepreneurship

2019

Launched Sustainable Bond Network

Acquisition of Center for Board Excellence

Launch of ESG Advisory

2021

Invested in Puro. earth carbon removal market

Launched Board Diversity disclosure framework

2012

Joined United Nations Sustainable Stock Exchanges initiative as a founding member

2017

Launched ESG Reporting Guide

2020

Acquired OneReport

Launched Nasdaq Foundation & Purpose Initiative

2022

Acquired QDiligence

Launched Nasdaq Center for Board Excellence

Acquired Metrio

An Expanded Institutional Data Set for Actionable ESG Intelligence

Since launching a next-generation ESG Questionnaire in August 2020, eVestment, a Nasdaq platform serving the institutional investment community, currently collects some type of ESG field for over 75% of the products on the database (approximately 26,000 strategies). The revamped ESG questionnaire features 140 qualitative and quantitative fields (a significant expansion from the previous questionnaire's 40 questions) as a response to industry appetite from institutional investors, consultants, managers and industry organizations for greater insights and transparency into the ESG space.

"We heard from clients across the spectrum of eVestment users – investors, consultants and asset managers – that they need a more comprehensive way to review and present ESG data as this segment of the investment business continues to increase in importance around the world," said Erika Spence, Head of Data Strategy at eVestment. "As the leader in institutional investment data and insights, this new questionnaire brings unprecedented transparency and value to the reporting, sharing and reviewing of asset manager ESG data."

The eVestment ESG Questionnaire reflects the firm's long-standing commitment to promoting advocacy and driving innovation to engage with stakeholders at all levels. The comprehensive output from the eVestment ESG data set facilitates the actionable intelligence and reporting transparency the investment community has evolved to expect.

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75%

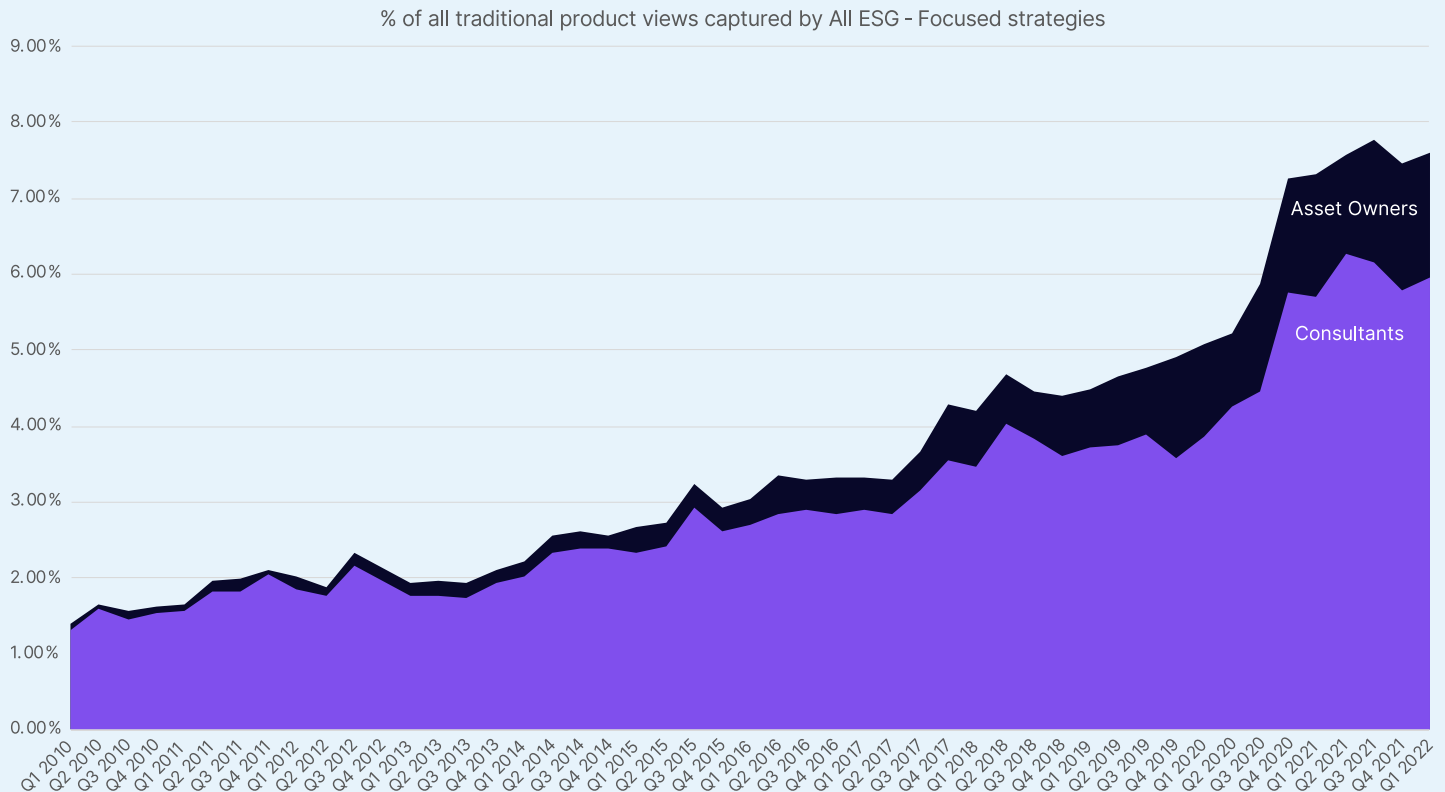
of the products on the database

Themes, Trends and Trajectories

Over the last 5 years, ESG focused products and universes have garnered increased attention from investors. This has been most notable since the onset of the Covid-19 Pandemic with heightened attention to shareholder interest and scrutiny, broader social movements and shifts in regulatory guidelines. Findings from the eVestment Advantage and Asset Flows solutions provide compelling themes.

Uptick in Viewership

Since 2018, viewership of ESG-focused strategies has nearly doubled (from 4% to 7.5%), as indicated by data from eVestment Advantage. Of the more than 26,000 products on the eVestment platform, 1,500 are categorized as dedicated ESG products and constitute 7.5% of all viewership activity presently. Viewership is one indicator that can be used to assess research activity for a given universe or product, with screening and charting activity being others.



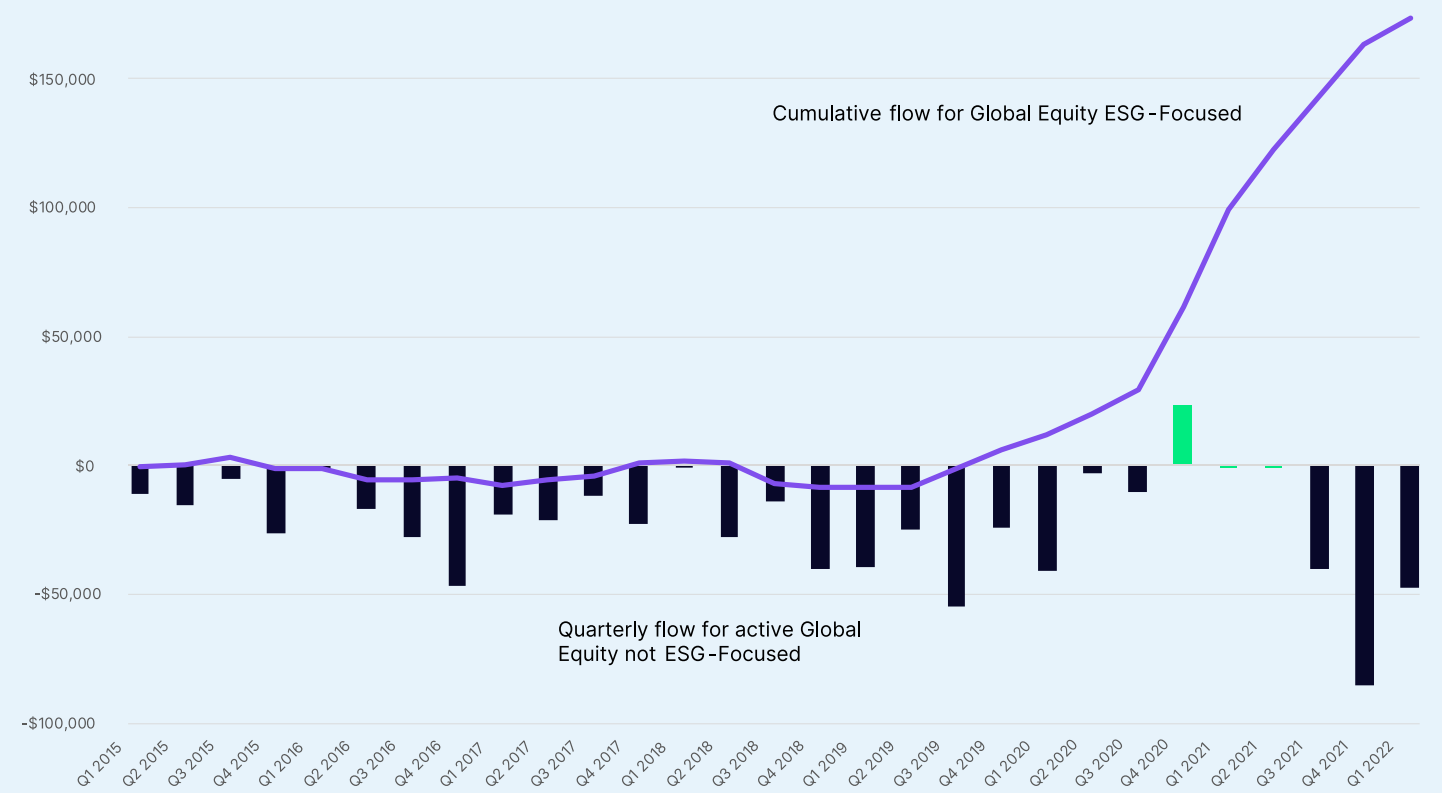
Substantial ESG Product Growth

Data aggregated from eVestment shows that since 2017, dedicated ESG products have grown by 50% over a five-year period. This substantial growth marks both a heightened demand for ESG-focused products in the marketplace, as well as the significant product development managers have undertaken to cater to this demand.

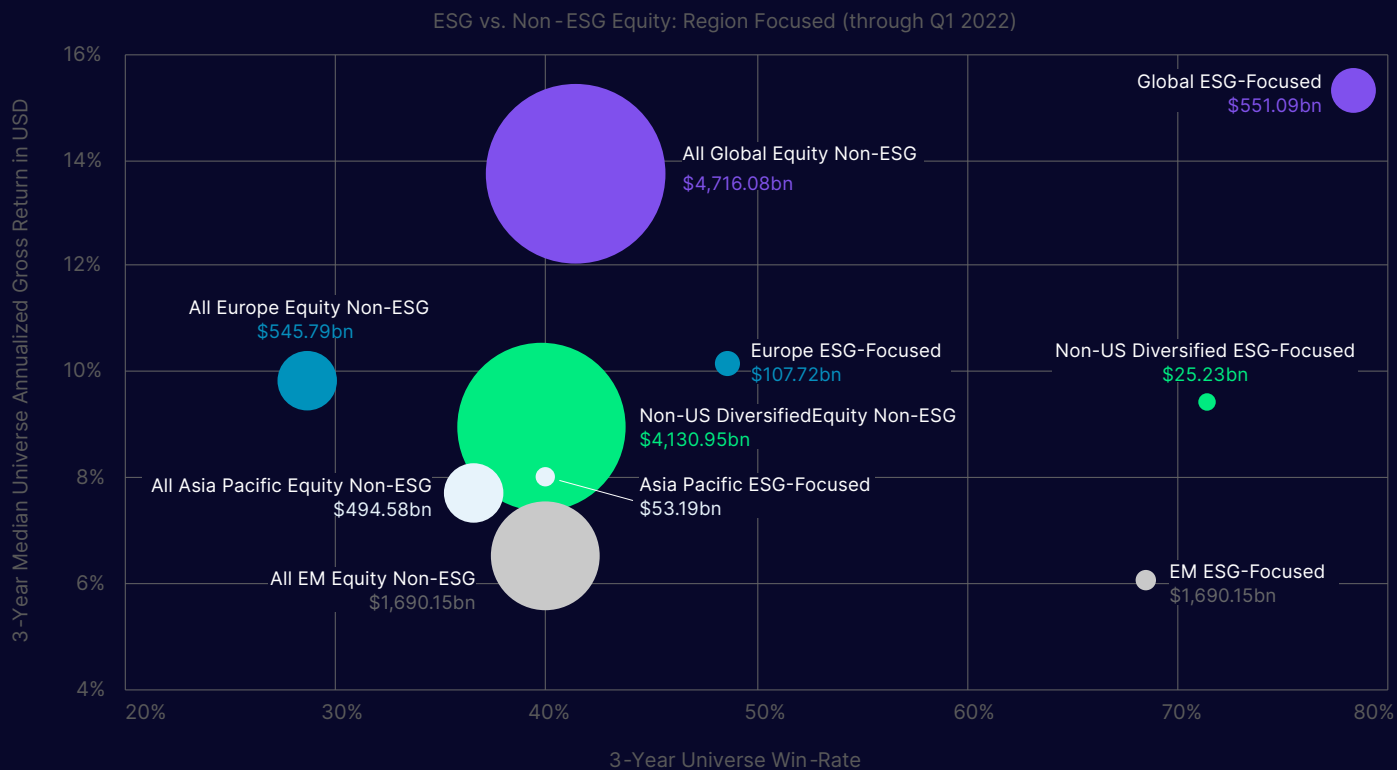
The Edge on Positive Flows and Win Rates

There is marked distinction with asset flows trending among focused and non-focused ESG strategies. To preface, while many managers are still winning assets that are non-ESG focused, there is a prevalence in favor for ESG strategies against their non-ESG peers.

The Global Equity universe illustrates one such instance when comparing dedicated ESG and non-ESG focused asset flows, notably since the end of 2019 through to the first quarter of 2022. Dedicated ESG products within the Global Equity universe have experienced net inflows quarter over quarter since the end of 2019, compared to their Global Equity non-ESG counterpart strategies which in turn have witnessed predominantly net outflows (in aggregate).



ESG-focused strategies also seem to be gaining the upper hand as it relates to win rates (the % of strategies in a given universe that have recognized positive net inflows over a given period). ESG-focused products are producing significantly higher win rates compared to their non-ESG focused counterparts with a 35 percentage-point higher win-rate over the trailing 3-year period



Delivering ESG Transparency

As the ESG landscape continues to evolve and shift as a dynamic component of institutional investing, eVestment serves as a leading provider of ESG data to deliver continued transparency and insights to the investment community. Managers are encouraged to continue submitting ESG responses within the database to support the robust aggregation of data and leverage the [Sample ESG Questionnaire Responses](#) guide as a reference point.

For Managers:

eVestment’s ESG questionnaire gives you an opportunity to fully articulate your ESG story, whether or not you offer dedicated ESG products. It covers environmental, social and governance objectives and policies at the firm level – including diversity and inclusion – as well as product-level questions about how ESG considerations may factor into the investment process. If you have questions about how to provide ESG data to the 1000+ investors and consultants screening in eVestment, we can help: data@evestment.com.

For Investors:

Market Lens, housed within the eVestment platform, is a searchable document library, consultant directory and dynamic database of consultant ratings and recommendations. With Market Lens, institutional investors have line-of-sight into how other asset owners are considering and integrating ESG factors.

A recent document in Market Lens, published by a public fund in the United Kingdom, provides insight into allocation shifts within the

fund’s investment strategy to better align with ESG considerations. The fund’s investment committee opted to increase allocation to infrastructure as a means of reflecting their ESG beliefs by considering sectors such as renewables. The committee also opted to transfer the fund’s holdings from a global alpha growth strategy to a Paris-Aligned version to “enhance the integration of ESG views.”

Asset owners who want to benchmark their progress or internal discussions around ESG implementation can access documents like these on thousands of public and corporate plans in the U.S., U.K., Canada and Australia.

Investors can also now screen on more ESG considerations than ever with the Analytics tool. With a wide range of attributes spanning high-level qualitative fields to those with more granularity, searches can be tailored to meet specific ESG-focused needs such as screening out fossil fuels, or screening for diversity.

If you’re not sure how to select ESG criteria in your screens, we can help: support@evestment.com.

Select Filters Browse or Search for data for your query.

Search for fields

Level	Group	Section	Attribute
Most Common	General Info	General Applicability	Positive Screens - Ethnic/Racial Diversity
Most Recent	Asset Info	Affiliation	Positive Screens - Food Safety
Trending	Account Info	Engagement	Positive Screens - Gender Equality
Firm	Characteristics	Staffing	Positive Screens - Pollution Control
Product/Fund	Allocations	Philosophy/Integration	Positive Screens - Renewable Energy
Performance	Objectives		Positive Screens - Waste Management
Percent Complete	People		Positive Screens - Wastewater Solutions
HFR	Russia-Ukraine War		Positive Screens - Water Access/Scarcity
	Holdings & Exposures		Negative Screens - Abortion
	Fees & Disclosures		Negative Screens - Adult Entertainment
	ESG		Negative Screens - Alcohol
	Private Real Estate		Negative Screens - Child Labor
	SMA		Negative Screens - Cluster Bombs
	Documents		Negative Screens - Contraceptives
	(Old) Derivative/ESG		Negative Screens - Emissions

Level: Product/Fund ✓

Group: ESG ✓

Section: Philosophy/Integration ✓

Attribute: Select an Attribute

Close Field Selection

Looking Ahead

Nasdaq's commitment to ESG is a cornerstone of the company's corporate strategy and is evident throughout our offerings, solutions, and operational framework. It is holistically woven into the fabric of our day-to-day business and is evolving in sync with industry trends.

It is apparent that parameters and guidance around ESG initiatives will continue to shift in the due course of business and have a consistent presence. Within the last several weeks, the SEC proposed rule changes that would increase disclosure requirements and regulate misleading or deceptive claims by U.S. funds (commonly referred to as "greenwashing"). In the same week, the SEC's ESG and Climate Task Force issued its first corporate fine since the group's formation in March 2021.

In an ever-changing ESG landscape marked by heightened investor scrutiny and regulatory guidelines, managers will need to adapt to the shifting environment and have a trusted partner to navigate the process. Nasdaq is well positioned to pivot our solutions and rapidly integrate new and anticipated ESG regulations and framework as they evolve, to best serve our clients and their stakeholders.

