

Responsible Investing

The Greener Economy - TCFD Reporting

2022



DISCIPLINED BY NATURE. FLEXIBLE BY DESIGN.

The icons alongside represent our investment process. Through a disciplined provision of investment policy and security selection at the global level, regional portfolio management teams have the flexibility to construct portfolios to meet the specific requirements of our clients.

HIGHLIGHTED IN THIS PUBLICATION:

 GLOBAL STRATEGIC ASSET ALLOCATION

 GLOBAL SECURITY SELECTION

 REGIONAL ASSET ALLOCATION

 REGIONAL PORTFOLIO CONSTRUCTION

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The ESG considerations contained in this document can change without notice.

Introduction

Climate change represents an urgent and potentially irreversible threat to humanity and EFG Asset Management (“EFGAM”) considers it one of the fundamental issues of our generation. In this report EFGAM presents both risks and opportunities that can affect its business in order to help perform an active role in a task force for the development of “climate related financial information” (www.fsb-tcdf.org).

Assuming that climate change creates physical, liability, and transition risks, EFGAM’s goal is to provide consistent and effective financial reporting that enables all stakeholders to adequately assess the climate risks faced by businesses and to engage in climate-related opportunities. EFGAM recognises that the financial sector can play an important role in supporting a successful transition to a less carbon-intensive economy and aims to be a leader in this field.

This document explains the actions EFGAM has taken and outlines the path for future activities.



EFGAM's approach to CO2 risk integration – 4 core elements

This report covers each of the TCFD core elements in turn, setting out how EFGAM considers climate-related risks across its governance, strategy, risk management and the metrics used to monitor and manage those risks.

A. Governance

EFGAM’s governance around climate-related risks and opportunities.

I. Board oversight

Climate Change oversight is attributed to the ESG Committee whose activity is reported to the EFGAM board. This Committee is responsible for monitoring the implementation of EFGAM’s climate change strategy. The ESG Committee members are the CIO of EFGAM, the CEO of EFGAM Switzerland, the Global Head of Investments Governance and ESG, the Head of Advisory and the Head of Corporate Sustainability. Decisions of the ESG Committee are executed by the Global Head of Investments Governance and ESG, that reports directly to the EFGAM Switzerland CEO. It has the general task of monitoring and overseeing the ESG integration approach, including initiatives and actions specifically addressing climate change.

II. Management’s role

All stakeholders such as portfolio managers are required to include climate and ESG risks into the investment decisions if they are managing a product which either is under Scope of Sustainable Finance Disclosure Regulation – EU Regulation n.2019/2088 (SFDR) article 8 or 9 or if their product is under the Climate Leader product family. ESG risks are also monitored by the ESG team and reported to the New Capital Risk Committee, that is responsible for maintaining a suitable risk policy framework.

B. Strategy

EFGAM recognises that climate change, if left unmitigated, will potentially have disastrous effects on the global economy. In view of this, EFGAM is committed to playing an active role in the transition towards a low-carbon economy and to support our private clients in this transition. We regularly assess the potential impacts of climate-related risks and opportunities on its strategy and products.

EFGAM is also aware that financial markets do not always react as expected. Discounting of possible future legislation can impact the stock markets even before legislation is passed or, alternatively, expected outcomes are not discounted until the 11th hour. To proactively respond to these challenges, we developed a strategy based on a few pillars and which we continuously work to improve.

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1. Defining and evaluating climate-related risks and opportunities

As recognised by the EU Action Plan on Sustainable Finance, the finance sector can play an important role financing some of the major economic and social shifts experienced by mankind. In addition to the direct responsibility, EFGAM, as an investor, can be impacted by climate change through two main risks:

- First, and most obviously, the *physical risks* that result from climate change. Damage from storms, higher global temperatures, floods, droughts and rising sea levels have become increasingly apparent in recent years. Economic growth can become more problematic for countries, sectors or companies that are more exposed. Companies can face a negative impact on their production facilities, their workforce and their trade patterns. Operating and insurance costs are likely to increase for companies exposed to these risks. As a consequence of that, some of our investee companies might suffer.
- Second, the *transition risk* to a greener economy. This brings risks and opportunities for the companies in which we invest. Mitigation and adaptation of climate-related risks in the coming years will take place in conjunction with changes in the political, regulatory or technological landscape. The speed and timeline of these actions will dictate the set of risks and opportunities faced by the companies in which we invest. Some may try to disregard the risks, other companies and industries may delay their response and for some the reaction may be deficient. As an additional consequence, client demand might shift and change, creating again risk and opportunities.

EFGAM supports investments that facilitate climate change mitigation and adaptation while supporting the orderly transition to a low-carbon economy. EFGAM blends the integration of ESG factors with a broad set of sustainability risks, in order to improve the long term risk-return ratio of its investments.

For its dedicated approach to climate risk management, EFGAM regularly follows two approaches that can be referred to as:

- *Adaptation opportunities*: increasing investment exposure to innovation and climate-related solutions.
- *Mitigation opportunities*: reducing investment exposure to carbon and climate risk.

Within the first point, EFGAM is increasingly developing and offering solutions with a specific climate focus. To this respect towards the end of 2020 the Group launched an AMC (Actively Managed Certificate) called Climate Plus ('Climate +'). With environmental and sustainable issues becoming increasingly important and prominent on the international political agenda, this AMC provides investors with a product to invest in the transition towards a greener economy. In 2021 another AMC focusing on Food Revolution was launched aiming at the transition of the food supply chain. Finally, in 2022 we launched a Paris aligned Discretionary Mandate, the Climate Transition Mandate (classified art. 9 SFDR) where the portfolio is to be both contributing to the transition while also keeping global warming below 2°C.

Among the opportunities of the second, EFGAM regularly monitor the carbon content of its products and the exposure to climate risk through different methodologies. The measurement process and results are presented in the section II "*Impact on EFGAM: developing a methodology*" sections. These reports are stored on a quarterly basis and are evaluated on an ongoing basis.

We are aware that climate-related risks can affect the value of our investments and aim to identify the sectors that are most positively or negatively exposed to these risks relative to an appropriate time horizon and take appropriate action. In the following information tables, we focus on both transition risks and physical risks, as we primarily expect developments and changes within these two dimensions to affect asset values.

Table 1 shows the main categories of *transition risks* identified and their potential financial impact for EFGAM and its customers (mainly in carbon-intensive sectors). In comparison with last year's report, we expect policy, regulation and market impacts to become material on a short-term or medium-term basis.

Table 2 shows the main categories of *physical risks* identified and their potential impact on EFGAM and its investments. Climate change can lead, for example, to an increase in the frequency and intensity of heat waves; an increase in the

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number of heavy rainfall events, leading to an increased risk of flooding on a regional scale; and an increase in the frequency and intensity of extreme sea levels.

Table 3 overleaf shows how EFGAM defines the impact of identified climate and more generally sustainability risks on existing risk categories. Climate-related risk identification is part of the overall investments risk identification process. Specifically, climate-related risks do not form a new category of risks (with the exception of Reputational risk) but for EFGAM constitute an aggravating factor of existing categories.

Table 1. Transition risk







Risk driver		Impact identified	Time horizons
	Policy and legal risk	Higher reporting obligations and related costs: <ul style="list-style-type: none"> Enhanced emissions-reporting obligations (in particular Scope 3) Green Taxonomy related reporting expected. 	Short
	Technology risk	Costs to transition to lower emissions products and services.	Medium
	Market risk	Decrease revenues from oil supply to gas supply for customers in the Oil & Gas sector; Decrease in electricity wholesale prices resulting from large deployment of intermittent power generation technologies.	Medium
	Client risk	Decrease revenues resulting from the demand for stigmatized goods and services. Shifting client demand	Medium

Table 2. Physical risk

Risk driver		Impact identified	Time horizons
	Acute risk	Increased extreme weather events could lead to lower revenues due to value impacts in own operations and increased cost of capital.	Medium
	Chronic risk	Different weather patterns could bring lower revenues in areas where the business models would have a negative impact.	Long

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Table 3. EFGAM ESG risk checklist

		PRINCIPAL ESG RISK DRIVER	MONITORED VARIABLES	
TECHNICAL AND EXCLUSIONS	Technical Market issues	Scale and Size of Available Investor base	Risk of being squeezed by market practices due to “controversial sector or product exposure” Solid fossil fuel sector exposure (only for product with Sustainable objective as per EU Taxonomy)	
	Adherence to internal guidelines	Potential blocking factors	Coal Exposure (>30%Revenues) Controversial Weapons exposure Rating below 25% threshold UN Global Compact incident exposure	
SUSTAINABILITY RISK	Overall -ESG Rating		Average ESG risk score Relative positioning within area/sector Transparency score (% ranking) Reputation Controversies Environmental Score (only material KPIs) Environmental controversies Social Score (only material KPIs) Social Related Controversies Governance Score (only material KPIs) Governance related controversies	
		Revenue and/or Cost Risk	Products	Green Products
			Operational disruption	Exposure to physical climate change risk
			Environmental Risk	Ecosystem
				Biodiversity Controversies
			Water	Water
				Water controversies
				Water recycled (cubic meters)
				Water use (water cubic meters / revenues)
	Waste		Waste	
			Hazardous waste (tons)	
		Waste Controversies		
	GHG Emissions	Emission and Climate Change		
		Emissions & Climate Change Controversies		
		GHG emissions total (tons) GHG Intensity (GHG tons/\$ Mln sales)		
	Energy	Energy		
		Total non-renewable energy consumption. (GWh) Total renewable energy consumption (GWh)		
		Energy consumption intensity ('000 revenues)		
	Employee Risk	Health and safety		
		Diversity and opportunity		
Training and development				
Employment quality				
Employment Controversies				
EVENT RISK	Corporate Governance	Governance related risk	Corporate governance Business Integrity Business Integrity controversies OECD Guidelines for Multinational Enterprises	
	Social Risk	Community related risk	Community impact & Human rights Human Right Controversies Community Controversies Human beings trafficking controversies Human rights policy Product responsibility Product Responsibility controversies Supply Chain management Supply Chain controversies	

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II. Impact on EFGAM: developing a methodology

EFGAM owns a proprietary ESG assessment tool, the GRIP (Global Responsible Investment Platform – see Figure 1) that allow us to assign a sustainability rating to invested companies with a 0% to 100% scale where the riskier companies receive a lower rating. For every covered company GRIP can contain up to hundreds of datapoints divided across different KPIs (Key Performance Indicators).

Within KPIs, datapoints are divided among:

1. Policies, that we think are the starting point for a good governance and commit the company to deliver on the underlying matters
2. Outcomes, or the data that we can measure such as CO2 emissions, fines, accidents etc. and that gives a taste on how well a company is implementing its policies
3. Controversies, that we use to check if companies “walk the talk”.

In addition to facilitating the identification, assessment and appropriate management of potentially negative impacts on sustainable risks, this process also allows the identification of investments that might have a positive impact not only

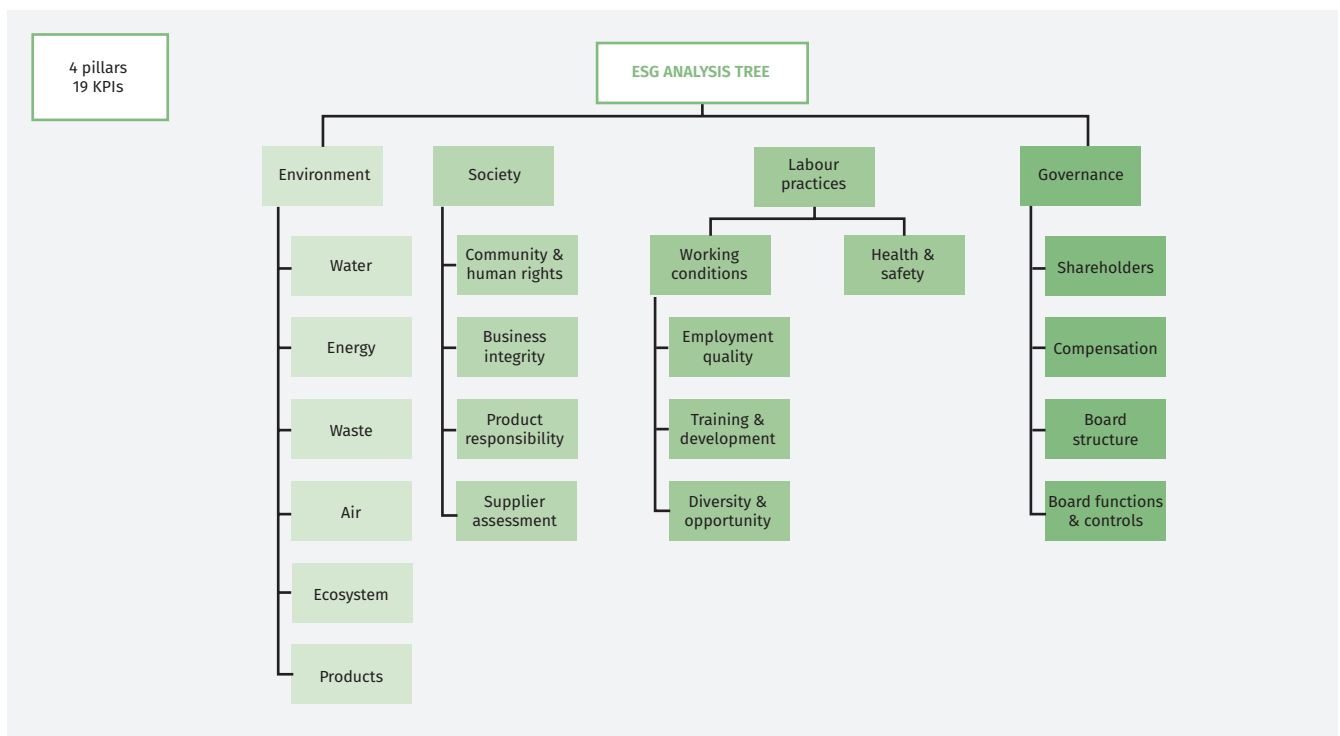
on clients’ financial requirements but also in relation to sustainable development.

With reference to emissions, our Air KPI considers different datapoints (for the methodology you can make reference to the document available at <https://tinyurl.com/8bk3n9ht>). GHG emissions are the biggest component.

We began doing a CO2 assessment of our funds in 2017 using one of the approaches suggested by the TCFD. We calculate the carbon intensity of the company and multiply it by its portfolio weights to create the weighted contribution and compare it against the market weighted reference market . We also index the results against the reference market to allow our fund managers to have an immediate understanding of how they compare against their reference universe. Carbon intensity data are also integrated, together with other datapoints, in our Air KPI.

The results provided by the two approaches (KPI score and carbon intensity) are of course not always aligned, but together they provide useful information. The carbon intensity data provides a fast and simple comparison tool and allows us to measure the intensity on a given moment and over time, but doesn’t tell us anything about emission direction or intention and possibility to abate them.

Figure 1. EFGAM’s GRIP assessment tool



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Table 4. ESG assessment by company

Industry group name	Company one	Company two
	Capital goods	Capital goods
Corporate governance	73%	43%
Air	72%	19%
Energy	62%	19%
Waste	24%	37%
Water	64%	22%
Employees' health and safety	52%	56%
Employment Quality	34%	60%
Business integrity	44%	74%
Community impact and human rights	62%	56%
Product responsibility	44%	72%
Supplier assessment	86%	66%
ESG score	62%	39%

The KPI score on the other hand considers more datapoints such as the policies, targets, the CDP assessment, all Scope 1 to 3 emissions data, controversies and Net Zero alignment (see next paragraph) and is therefore more suitable for a better understanding of how a company is dealing with the broad climate issues.

To further enhance the forward-looking capabilities of our climate assessment we have built the EFG Climate Engine which maps companies to their alignment with the Paris agreement. The Climate Engine is based on the pathways provided by Science Based Target and their Sectorial decarbonisation approach. The graphical output from the Climate Engine can help portfolio managers and analysts to see the forward-looking trajectory as well as the alignment to the company's corresponding decarbonisation path.

While we are aware that Scope 3 emissions are difficult to calculate and in some cases are an educated guess, we think it's sensible to consider them in our ESG risk assessment: an imperfect estimate is always better than a missing one. Additionally, the changing regulatory landscape could also consider Scope 3 emissions. The recent EU legislation on emissions of the car industry is a case in point: car manufacturers risk being penalised not because of Scope 1 or 2 emissions, but because of the emissions of their fleet. We currently have two data providers for carbon data but as that is not always enough, we also calculate estimates for companies in our ESG universe where data is missing.

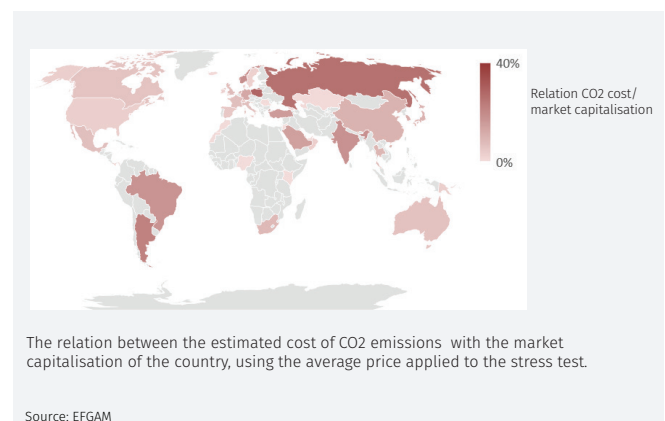
III. Resilience of strategy: assessing climate change risks in asset allocation

One of the additional advantages of having a proprietary framework is that we can control the data and build scenarios to check or complete existing stress tests such as the ones built by the Bank of England (BoE). EFGAM assessed the exposure of countries, companies, sectors and markets to CO2 risks using our data and additional sources such as the Global Footprint Network or Notre-Dame University's Notre Dame-Global Adaptation Index (ND-GAIN), a tool that helps to understand countries vulnerability to climate change and their readiness to implement adaptation solutions. We are assessing how industry groups more exposed to emissions can react to changes in CO2 regulation. This is a complex issue that requires some assumptions due to poor data reporting on Scope 3 emissions, to the complexity of their integration or to the lack of clarity on carbon prices. While we solved the first issue estimating Scope 3 emissions for all companies where we didn't have data based on their characteristics and geographical exposure, the analysis of other issues mentioned above requires a more comprehensive creation of different scenarios, both on the price of carbon and on elasticity of demand.

A possible CO2 tax may have a direct impact on costs because of Scope 1 and 2 emissions, but also revenues will be impacted. A higher CO2 cost embedded in the price of products will change the demand in unforeseeable ways based on elasticity, consumer preferences, availability of substitutes etc. To manage the complexity, we build scenarios and continuously explore additional hypothesis.

Figure 2. Climate Change Stress Test

(Risk of losses in case of abrupt changes in climate legislation and CO2 pricing compared with market capitalisation)



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IIIa Awareness raising

We think one of the roles of an asset manager is also to raise awareness and promote knowledge on ESG issues and climate risks. Therefore, EFGAM is involved in public conferences on ESG and climate changes, gives internal and external courses and lectures to improve knowledge and favour the sharing of knowledge. Additionally, under the Swiss Sustainable Finance membership and other partnerships we support sustainability focused capital markets and economic reforms.

IIIb Building scenarios

In order to increase the understanding of CO2 risk EFGAM also developed a Climate Change Scenario Tool, based on Network for Greening the Financial System (NGFS) data, to allow an assessment of what can happen to companies under different scenarios. EFGAM's Climate Change Scenario analysis considers how risks and opportunities may evolve under different conditions. Indeed, this analysis for EFGAM is a means of exploring a range of plausible future states if certain trends continue or if certain conditions are met.

The tool also highlights solutions and can help to mitigate and adapt to long-term climate strategies. EFGAM's analysis provides an understanding of the vulnerability of investments to the impacts of physical and transitional risks from climate change and defines outcomes for Scope 1, Scope 2 and Scope 3. It includes assessments of how strategic investment decisions behave under a range of climate scenarios. This analysis includes:

- Measurement of global climate risk exposure of investment portfolios.
- Scenario analysis - comparing the climate risk exposure of underlying holdings under different climate change mitigation scenarios.
- Comparison of risk exposure of investee companies across sectors and geographic areas of the portfolio.

Table 5 briefly summarises the process in place to identify climate and ESG risk in general.

IIIc Voting and engagement

EFGAM engages with invested companies to encourage improvements with respect to, as an example, human rights, transparency or emissions management. Coherently with the role we want to play, we think it is much better to engage than to divest or insert them on a banned list. Divesting from a company is a defeat and acknowledges that your engagement efforts proved worthless. Nonetheless, we manage a “no-go” list codified into our Investment Management tool, but this is the last resort for companies that completely lack reporting, are exposed to controversial weapons, refuse to engage or do not commit to improvements. We want to transmit a clear message that short-termism, lack of transparency or short-term behaviour can't be accepted. More data on our engagement activities can be found in the *Engagement Report* (<https://tinyurl.com/4pddfmp9>). Linked with the engagement approach we

Table 5. ESG Integration: Processes to identify and manage climate-related risks

Risk factor	1. Data collection - ESG Rating	2. ESG rating - Scoring (Check List and ESG Questionnaire)	3. Data Organisation (Climate Change Scenario analysis)
Transition risk	Firstly, there is a need to collect data on the physical and transition risks.	The assessment of inward-looking risk is mainly performed thanks to internal system of EFGAM called GRIP (Global Responsible Investment Platform) that allows EFGAM to assign a sustainability rating to invested companies. For every covered company GRIP can contains up to 200 hundred datapoints divided across different KPIs (Key Performance Indicators). Additional documents are available to better understand the ESG risk such as an ESG questionnaire, containing the most relevant ESG questions that can be asked to companies' investee and an automated ESG checklist, highlighting the most significant ESG risk. Feedback and answers obtained from companies can be integrated into the GRIP.	Finally, it is necessary to increase the understanding of transition risks and physical risks. EFGAM developed both a Coal database to monitor coal exposure and a Scenario tool, based on NGFS data and scenarios, to allow an assessment of what can happen to companies under different climate transition scenarios and assumption such as sales growth, demand elasticity change or GHG emissions cuts.
Physical risk			

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apply a sustainability overlay to our voting policy supporting ESG related proposal and requesting more transparency on Climate Change policies and risk, environmental or social issues and general governance matters.

In addition, EFGAM adopts a Climate voting policy (<https://tinyurl.com/mrx837zw>). In January 2021, EFGAM's ESG Committee recently decided to adhere to the ISS new specialty proxy voting guidelines focusing on climate-related issues, further increasing the previous sustainable approach transversally selected with the ISS Sustainability Proxy Voting Guidelines. EFGAM will now express its voting rights according to the way the investee company's management is dealing with the risks and opportunities stemming from climate change. In practice, EFGAM may vote against directors due to failure to adequately address climate-related risks, such as poor climate-related performance or significant climate change controversies. On the other hand, shareholder proposals aiming at implementing a new climate-dedicated board committee or enhancing transparency on climate-related topics will be supported.

C. Risk management

I. EFGAM's process for identifying and assessing climate-related risks:

EFGAM adopts a single process to examine how climate and ESG risks impact on a variety of investments. EFGAM is committed to investing its assets responsibly via a controlled and structured investment process, integrating ESG criteria.

For its dedicated approach towards climate risk management, EFGAM regularly reviews its funds and model portfolios to monitor the carbon footprint and, as previously explained, coal related investments.

Risk management is part of EFGAM's process and on a regular basis its investment funds and holdings are analysed to assess the CO2 intensity against their reference market. The exercise is currently done for equity exposure and it is slightly more complex for fixed income due to supranational and sovereign exposure. For the latter EFGAM assesses data according to ESG Sovereign rating methodology while we consider CO2 risk for supranational to be limited.

The data helps EFG's investment professionals to better understand and assess the exposure to CO2 risk in their portfolios.

Figure 3. CO2 / Revenues

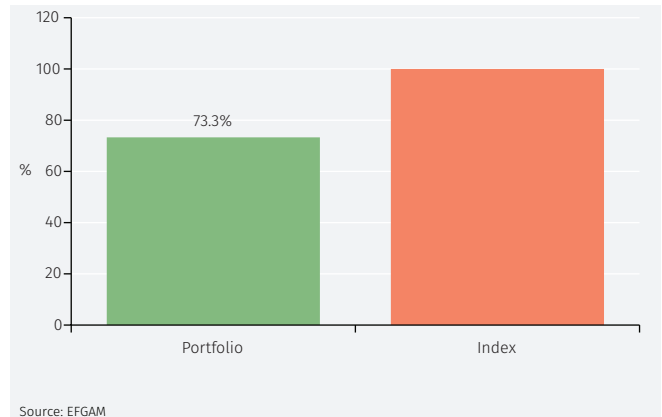
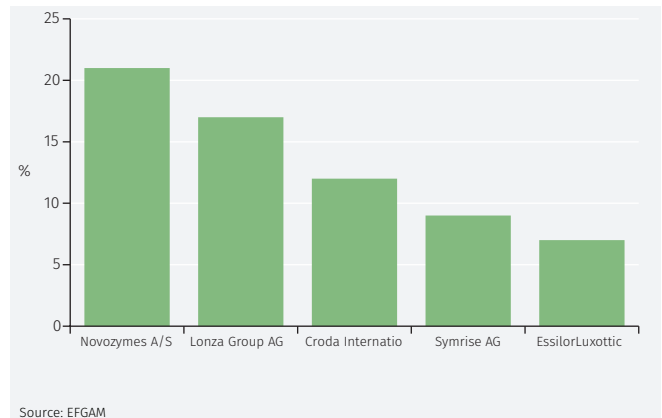


Figure 4. Top CO2 emitters (main contributors to portfolio emissions)



EFGAM applies one of the TCFD suggested methodologies and performs calculations on weighted average carbon intensity data (CO2 Tonnes/\$m sales) to assess and manage the exposure of its funds against its reference market. The main contributors to funds CO2 intensity are also highlighted.

Additionally, to better integrate ESG risk in its day to day activities, EFGAM reports to its New Capital Funds Risk Committee both the average ESG rating and the average carbon intensity. Comparisons with reference markets are also provided. It is worth highlighting that the National Community Reinvestment Coalition (NCRC) has the power to force change and a reduction of risk.

To this respect EFGAM highlights that, on average, the companies EFGAM is exposed to through its funds, are significantly less carbon intensive than the average one. Fossil fuel exposure of companies and the stranded asset risk is also monitored with the help of initiatives such as coalexit.org or 2°Investing Initiative.

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II. EFGAM's process for managing climate-related risks

The first step to manage climate-related risk is to measure the exposure. EFGAM measures emissions stemming from all funds today across all scopes of emission. We do also have the capability to measure a forward-looking climate alignment with the Paris accord through our Climate Engine, which we today do for our Climate Transition strategy. The current strategy is based on strict monitoring and introducing stricter rules step by step starting with the Climate Leaders suite of products which the Climate Transition Strategy is a part of.

III. EFGAM's process for identifying, assessing and managing climate-related risks are integrated into EFGAM's overall risk management

To complete and facilitate the integration of ESG data EFGAM has developed both an analyst checklist and a comprehensive ESG questionnaire with the aim of helping analysts identify ESG risks and choose where to invest. In addition, these two tools are also intended to provide analysts and EFGAM fund managers with the opportunity to focus on what is most important when discussing with CEOs, CFOs or IRs.

The feedback and answers from the questionnaire are integrated into the GRIP.

As an additional source EFGAM created a database with companies exposed to coal and divided them in risk categories (see Table 6). As a result of this internal awareness creation process EFGAM's exposure to companies significantly exposed to coal (coal share of revenues above 30%) became

Table 6. Risk classes

1	Highest Risk	Contains companies with Coal Share of Revenues (CSR) > 30% and with further expansion plans or companies with CSR>50%
2	High Risk	Contains companies that have CSR >30% or could have been in the worst bucket, but that have some measures in place to reduce the risk
3	Average	Average that contains companies with some bad data, but compensated by some good or quite good data or by some strategies in place to reduce the risk
4	Lower than average	Remaining ones

virtually nil already in 2020. In 2021 EFGAM decided to ban all securities with a coal exposure to revenues above 30% unless they have clear plans to reduce or align to Net Zero.

The exposure of companies to coal and the classification of coal-related risk for companies in the EFGAM scenario is monitored with the help of data provided by coalexit.org.

D. EFGAM metrics

EFGAM, adopts the seven categories defined by the TCFD for the disclosure of metrics.

I. Climate-related metrics

Nowadays total sustainable investment assets under management have grown significantly with a focused on integrated ESG solutions. To quantify and assess the impacts of climate change in relation to climate risk strategy and management EFGAM uses its own Climate-related metrics and targets, and continually develops new metrics to optimally manage climate-related risks and opportunities and aims to establish reliable metrics that are useful for monitoring its operations.

Table 7. Cross-industry, climate-related metric categories

Metric category	Metrics
GHG emissions Absolute Scope 1, Scope 2, and Scope 3; emissions intensity	→ Absolute Scope 1, Scope 2, and Scope 3 GHG emissions → Financed emissions by asset class
Transition risks Amount and extent of assets or business activities vulnerable to transition risks	→ 30% cap on coal share revenues for EFGAM managed products
Climate-related opportunities Proportion of revenue, assets, or other business activities aligned with climate-related opportunities	→ Offer climate related products ready for our clients

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Table 8. EFGAM KPI definition

EFGAM KPI definition	KPI description
Air and transport	Identification of risks and opportunities related to climate change: <ul style="list-style-type: none"> → Policy Emissions → Targets Emissions → Estimated CO2 Equivalents Emission Total → CO2 Equivalent Indirect Emissions, Scope 3 → Ozone-Depleting Substances → VOC or Particulate Matter Emissions Reduction
Product	This KPI defines a green product. Specifically, it informs whether the company reports products that are designed for reuse, recycling or reduction of environmental impact. In addition, this KPI informs whether the company reports take-back procedures and recycling programmes to reduce potential risks of products entering the environment and whether the company develops products or technologies that use clean and renewable energy and improve the energy efficiency of buildings.
Ecosystem	This KPI informs whether the company has a policy to reduce the use of natural resources or to reduce the environmental impact of its supply chain. It also informs whether the analysed company has an environmental management team, whether it states that it assesses projects on the basis of environmental or biodiversity risks and whether it reports activities under management that employ environmental screening criteria or environmental factors in the investment selection process. In addition, this KPI informs whether a company is a signatory to the Equator Principles (commitment to manage environmental issues in project financing).
Energy	This KPI defines whether the company has set energy efficiency objectives or targets to be achieved and provides information on total direct and indirect energy consumption and total energy generated from renewable primary energy sources divided by total energy.

EFGAM uses two of its own metrics, as follows:

1. EFGAM uses its own KPIs (taken from the GRIP, as highlighted under Methodology “ESG Integration: Data Collection ESG Rating”) to assess climate-related risks and opportunities. In particular, the KPIs relevant to climate risks that EFGAM makes available to its analysts are Air & Transport, Product, Ecosystem and Energy, as defined in Table 8.
2. EFGAM also provides analysts with two additional indicators related to greenhouse gas (GHG) emissions (as explained in point II. EFGAM’s greenhouse gas emissions approach).

II. EFGAM’s greenhouse gas emissions approach

Emissions calculated by EFGAM in investments refer to corporate GHG Intensity. These emissions are commonly reported under three “Scopes” as defined in Table 9. Scope 1 are a company’s direct emissions. Scope 2 refers to the emissions associated with purchased energy and “Scope 3” are all other indirect emissions associated with the production and consumption of its products.

In addition, EFGAM calculates and internally discloses various carbon metrics to provide an assessment of the greenhouse gas (GHG) emissions associated with a given investment portfolio. These metrics are an important starting point for climate risk analysis as they provide a current view of the environmental impact of the investments in any given portfolio and an initial indication of how investments may be affected by future climate-related risks.

Conclusions

EFGAM has given itself tools to identify, assess and manage these risks and opportunities, with a clear goal encompassing all its businesses: alignment with the Paris Agreement goal.

EFGAM employs various measures and initiatives to achieve this goal, notably by reducing in its investments its support for sectors generating high GHG emissions and by providing its portfolio managers with products to help them achieve their own climate transition.

EFGAM strongly believes that the Paris Agreement may become stricter and legislation will evolve thanks to additional knowledge that is going to be created. The

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Table 9. EFGAM provide the information on GHG emissions

EFGAM KPI definition	KPI Description
<p>GHG intensity (GHG/Sales)</p> <p>(GHGs released in energy consumption for production)</p> <p>GHGs released in energy consumption for overhead</p> <p>GHGs released by transport used for business travel</p> <p>Additional GHGs released from production process</p>	<p>This indicator represents the GHG intensity of the invested company, including production processes and overheads (energy-related emissions and business travel).</p> <p>GHG emissions associated with the production of incoming materials and logistics can also be counted by extending the scope of accounting.</p> <p>With this indicator, EFGAM mainly combines:</p> <ul style="list-style-type: none"> → Scope 1 (all direct GHG emissions); → Scope 2 (indirect GHG emissions from consumption of purchased electricity, heat or steam) and; → Scope 3 (other indirect emissions, such as extraction and production of purchased materials and fuels, transport-related activities in vehicles not owned or controlled by the reporting entity, electricity-related activities (e.g. T&D losses) not covered in Scope 2, outsourced activities, waste disposal, etc.).
<p>Carbon footprint</p>	<p>The carbon footprint measures the level of harmful GHG emissions a company produces.</p> <p>An organisation's carbon footprint can be broken down into the following:</p> <ul style="list-style-type: none"> → the sum of direct greenhouse gas emissions from the combustion of fossil fuels for energy consumption and transport; → the sum of indirect greenhouse gas emissions during the life cycle of the products used by the company invested in.

sustainability journey is no easy task, yet the demand for sustainable investing is not only growing but it is also a necessity. This makes perfect financial sense and can contribute to speed up the solutions we all need. Although it will be a long journey, it will without a doubt also be an exciting one. The finance sector has an important role to play and EFGAM aims to be on the forefront.

Selection of EFGAM's data sources

Climate Action 100+ (2018). <http://www.climateaction100.org/>;

Taskforce on Climate-related Financial Disclosure (2020-2021);

Carbon Disclosure Project (2020). <https://www.cdp.net/en/investor/engage-with-companies/cdp-science-based-targetscampaign> ;

Urgewald coalexit.org;

2nd Investment initiative <https://2degrees-investing.org/>

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