

**GREEN
BUSINESS
EVENTS.**

LSFI Summit Finance for a Sustainable Future

Thursday, 19th September 2024

LSFI
Luxembourg
Sustainable Finance
Initiative





Discover the Agenda

- **9:15 to 9:30** – Opening remarks [H.E. Serge Wilmes \(Luxembourg Minister for the Environment, Climate and Biodiversity\)](#)
- **9:30 to 10:00** – Presentation “ESG Data: Challenges and Best Practices” by [Nathalie Dogniez \(Independent Director and Chair of Eurosif\)](#)
- **10:00 to 12:45** – Masterclass 3 & 4 (30’ coffee break at 11:00)
 - Masterclass 3: How to Integrate Biodiversity into Investment Decisions
 - Masterclass 4: The Key Role of Stewardship to Advance Sustainable Finance
- **13:00 to 14:00** – Networking standing lunch



Opening remarks

H.E. Serge Wilmes

Luxembourg Minister for the Environment,
Climate and Biodiversity

Luxembourg Sustainable Finance Initiative Summit

Finance for a Sustainable Future – Day 2

Welcome address

Serge Wilmes

Minister of the Environment, Climate and Biodiversity

19 September 2024



THE GOVERNMENT
OF THE GRAND DUCHY OF LUXEMBOURG
Ministry of the Environment,
Climate and Biodiversity



- Biodiversity finance
- Climate finance
- Social finance
- Gender finance
- Microfinance
- Infrastructure investment
- Finance for industrial decarbonization
- Circular economy





Convention on
Biological Diversity



- Implementation of the Kunming-Montreal Global Biodiversity Framework
- Increase resource mobilization and means of implementation
- Focus on benefit sharing with local communities

Kunming-Montreal GBF* : 2030 Global Targets



1 Bring loss of areas with high biodiversity importance close to zero, respect rights of people

Meeting people's needs through sustainable use and benefit-sharing

14 Ensure full integration of biodiversity and its values into any decision-making

Tools and solutions for implementing and mainstreaming

2 Effective restoration for 30% of areas and degraded ecosystems

3 Effective conservation and management for ≥30% of areas, respect rights of people

4 Stop human induced species extinction, increase recovery and conservation of species

9 Sustainable use and management of wild species and protection of customary rights of people

10 Sustainable management of areas used for agriculture, aquaculture, fisheries and forestry

15 Reduce negative impact on biodiversity by business and finance and increase positive impacts

16 Encourage sustainable consumption (e. g. half food waste, reduce overconsumption and waste)

17 Establish, strengthen capacity for and implement biosafety measures

5 Safe, legal and sustainable use, sustainable harvesting and trade of wild species

6 Mitigate impacts of invasive alien species, reduce introduction rates by ≥50%

7 Reduce pollution risks harmful to biodiversity and ecosystem services (e.g. pesticides, chemicals, plastic)

11 Restore, maintain and enhance nature's contributions to people

12 Increase blue and green spaces, their quality and connectivity in urban areas, improve connection to nature

18 Reduce harmful incentives for biodiversity by ≥500 bn US dollars per year, scale up beneficial incentives

19 Increase level of financial resources for biodiversity by ≥200 bn US dollars per year

20 Strengthen global scientific research, technology transfer and partnerships

8 Minimize climate change and ocean acidification impact on biodiversity

Reducing threats to Biodiversity

13 Ensure fair and equitable share of benefits from genetic resources and digital sequence information

21 Strengthen accessibility of best available data, (traditional) knowledge, education and communication

22 Ensure full, equitable and gender-responsive participation of marginalized groups in decision-making

23 Ensure gender equality in decision-making

Design Dirk Biermann and Maria Erl (PIK)
Contact Eva Rahner . Scientific Coordinator
Leibniz Research Network Biodiversity
Potsdam Institute for Climate Impact Research
Tel: +49 331 288 2631 . eva.rahner@pik-potsdam.de



Kunming-Montreal *Global Biodiversity Framework available on CBD website:
<https://prod.drupal.www.infra.cbd.int/sites/default/files/2022-12/221222-CBD-PressRelease-COP15-Final.pdf>





- We have committed 7 million EUR to the Global Biodiversity Framework Fund (GBFF)
- We foster synergies in climate and biodiversity finance in government projects
- Biodiversity finance has emerged as a key issue in discussions with stakeholders around the Luxembourg Sustainable Finance Strategy



United Nations
Climate Change



COP29
Baku
Azerbaijan

“Finance COP”

New collective quantified goal on climate finance (NCQG)

Operationalizing Article 6: Capital Mobilization

Closing the adaptation finance gap

Funding for Loss and Damage

Stronger national climate commitments (Nationally Determined Contributions, NDCs)

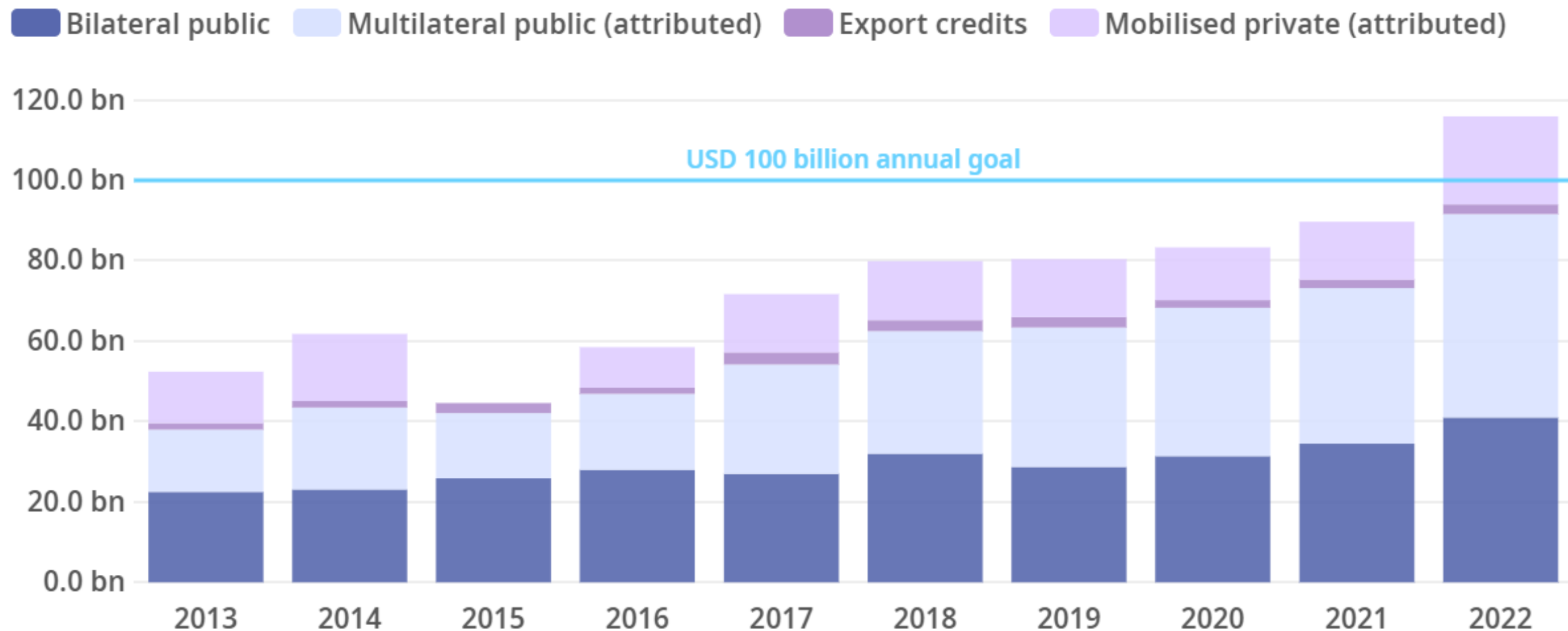


New collective quantified goal on climate finance (NCQG)

- A new goal to replace the goal set in 2009 of 100 billion USD annually for developing countries
- Amount, timeframe, terms of provision, contributor base will all be negotiated

Climate finance for developing countries

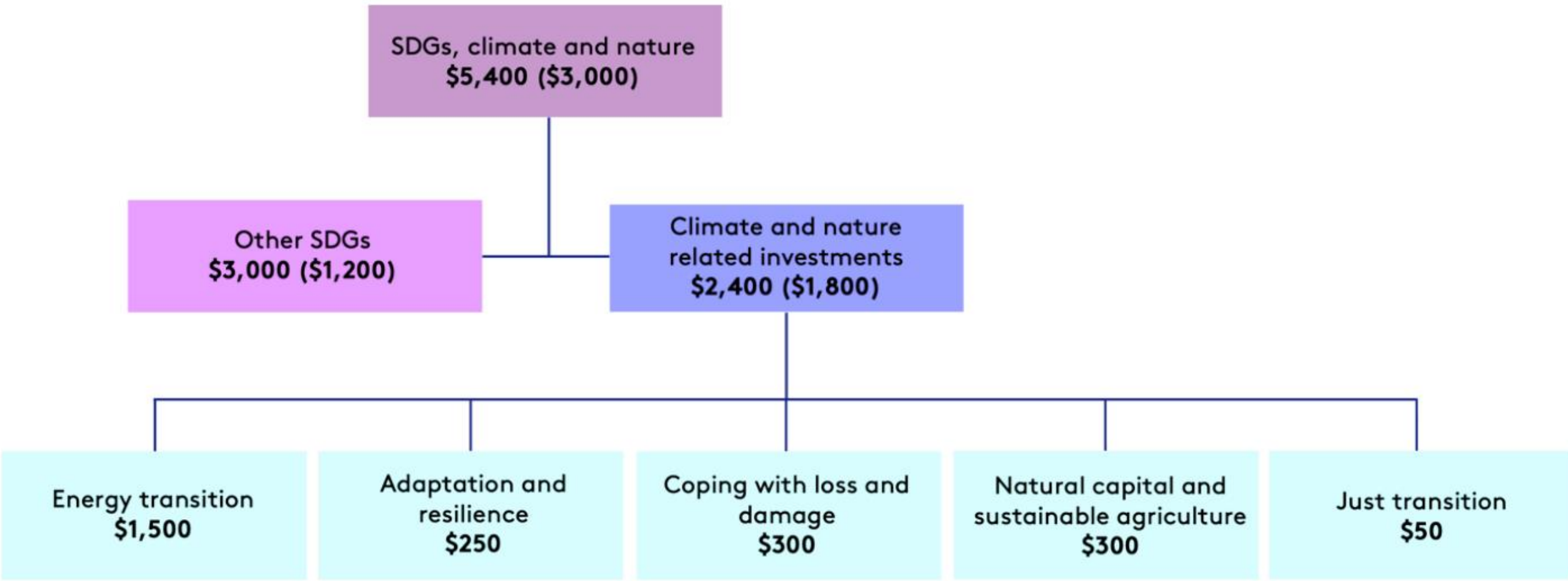
Amounts provided and mobilised by developed countries, billion USD



The gap in the private finance series in 2015 is due to the implementation of enhanced measurement methodologies. As a result, private flows for 2016-22 cannot be directly compared with private flows for 2013-14.

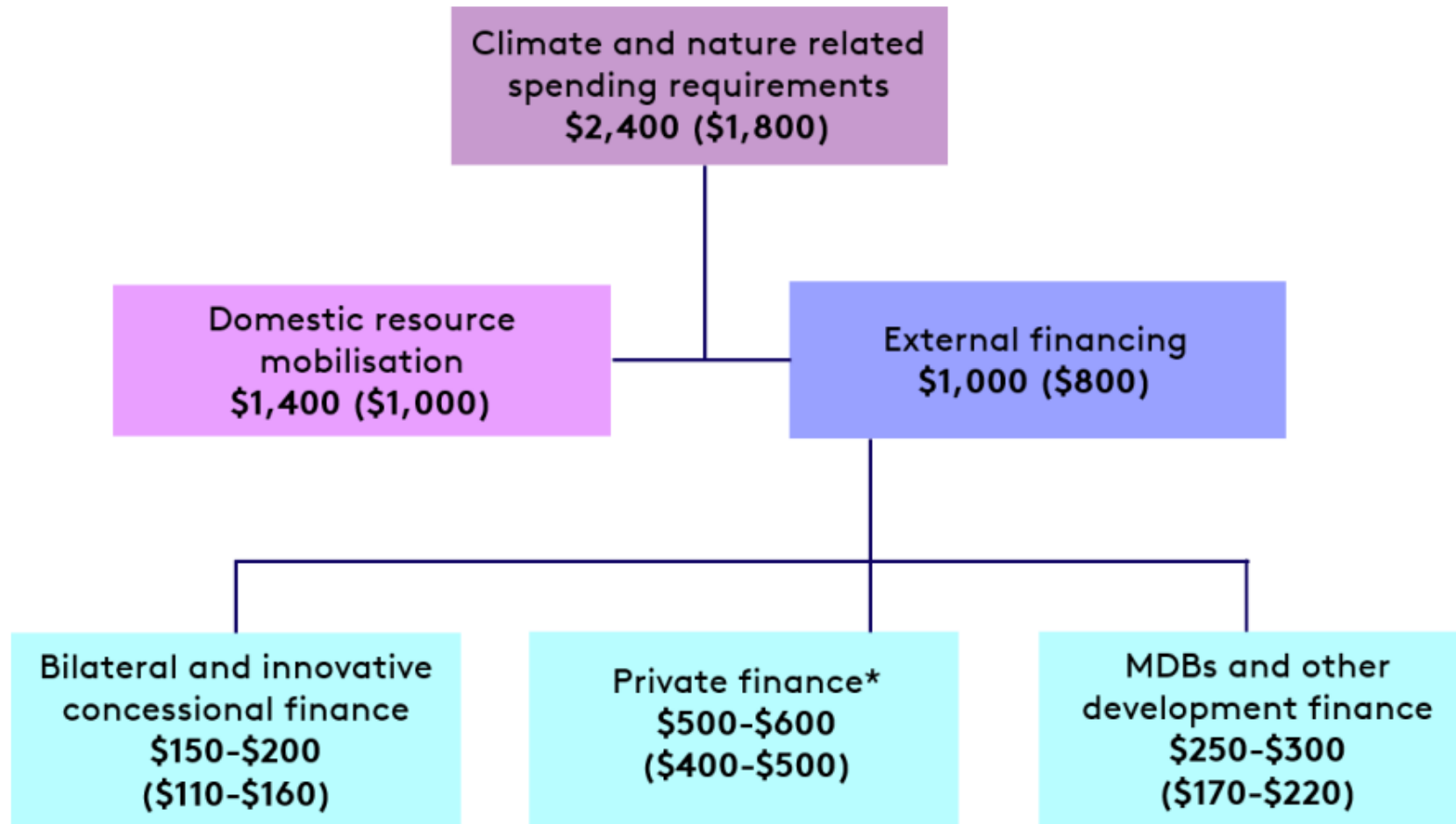
Source: OECD (2024), [Climate Finance Provided and Mobilised by Developed Countries in 2013-2022](#).

Figure 1. Investment/spending requirements for climate and sustainable development (\$ billion per year by 2030)



Note: Incremental investment from current levels is indicated in parentheses. \$ = US\$ throughout.

Figure 2. Mobilising the necessary financing for the green transition (\$ billion per year by 2030)



Notes: Incremental investment from current levels is indicated in parentheses. *More than half of this private finance would be directly and indirectly catalysed by MDBs, other development finance institutions, and bilateral finance.

Climate- and Nature-Related Finance



LE GOUVERNEMENT
DU GRAND-DUCHÉ DE LUXEMBOURG



**Forestry and Climate
Change Fund**





LE GOUVERNEMENT
DU GRAND-DUCHÉ DE LUXEMBOURG

Thank you



THE GOVERNMENT
OF THE GRAND DUCHY OF LUXEMBOURG
Ministry of the Environment,
Climate and Biodiversity



Presentation by

Nathalie Dogniez,
Independent Director and Chair of
Eurosif



ESG Data

Challenges and best practices

LSFI

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Sustainable Finance
Initiative





General mandate & Objectives

Help financial sector to address ESG Data challenges

1

Clarify and define
ESG data
challenges

2

Recommendations
and guidelines



Scope = ESG raw data



- > *ESG indicators (PAI, Taxo...)*
- > *ESG KPI's*
- > *ESG ratings*
- > *ESG scorings*

Reported ESG raw data are either measured or estimated depending on the nature of the information. For instance, in the case of scope 3 emissions, these remain largely estimated.



Methodology: analysis by clusters

- **By use case**
- **By type of financial institution/sector**

 **By asset types**



Per asset classes



**Private
assets**



Debts



Listed assets



Indirect



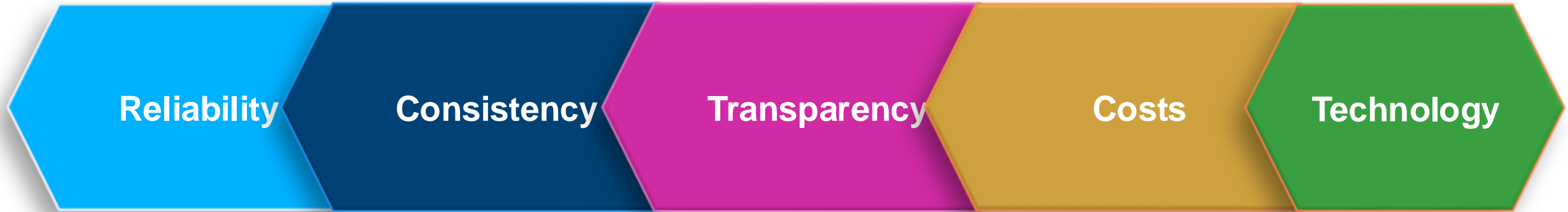
Steps followed





Challenges categories

Analysed across asset classes



- Complexity of measurement or estimation
- Skills shortage

- Absence of global standards and methodologies

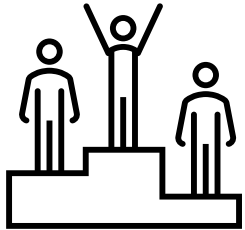
- Methodology opaqueness
- Incomplete disclosure

- Reporting (issuer)
- Data acquisition and data management

- Complex and fast-moving
- -> Continuous adaptation required



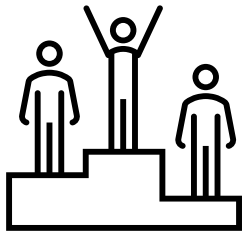
Top 5 challenges for private assets



- 1. Availability and accessibility**
2. Reliability and liability
3. Comparability and consistency
4. Costs
- 5. Fast-moving and demanding regulation**



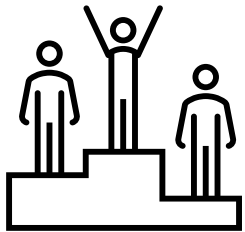
Top 5 challenges for listed assets



1. Reliability and Liability
2. Comparability and Consistency
3. Transparency
4. **Technology and data management**
5. Costs



Top 5 challenges for debt category



- 1. Availability and accessibility**
2. Transparency
3. Reliability and liability
4. Costs
- 5. Technology and Data management**



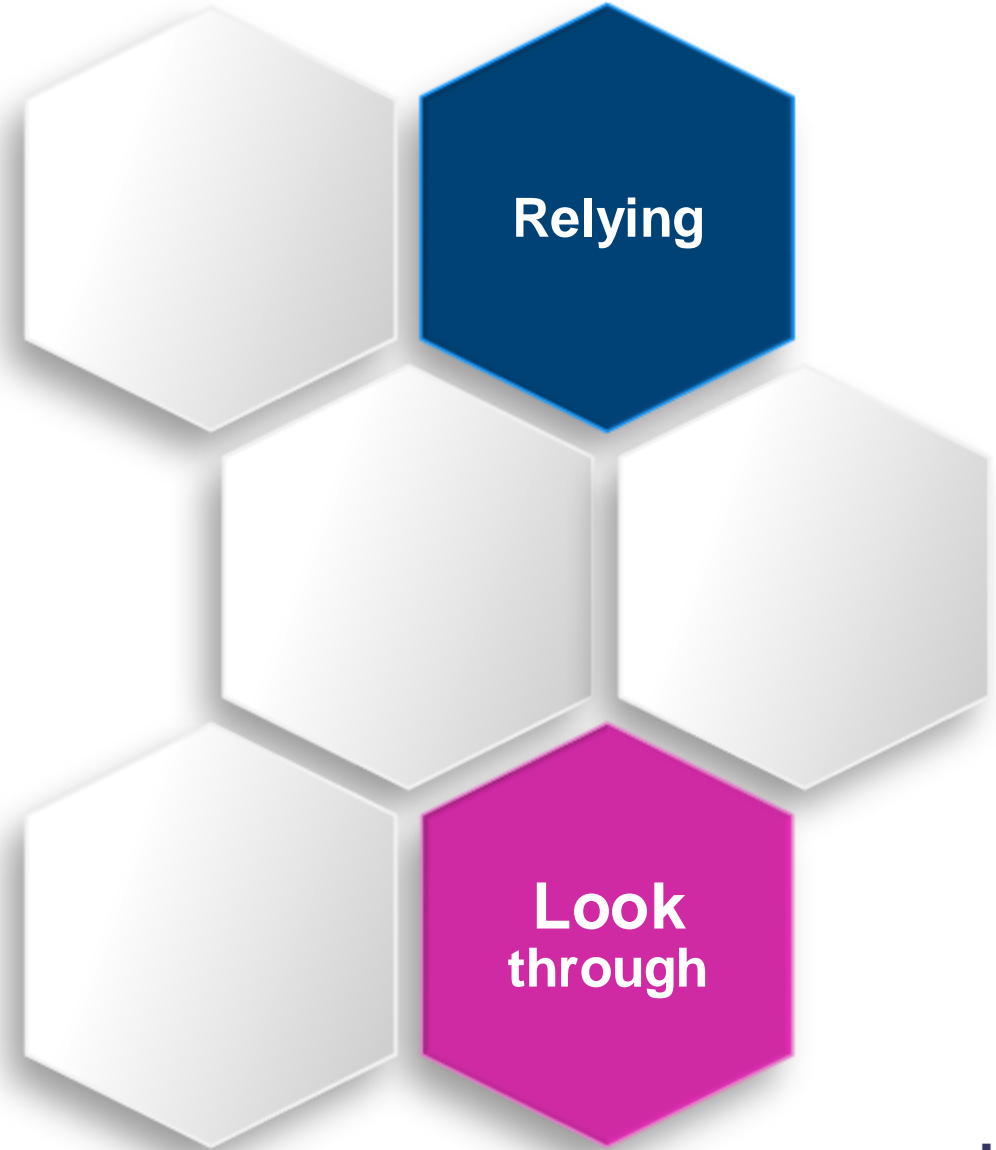
Indirect: 2 possible approaches



Relying on ESG data reported by underlying investment



Look through underlying investment, applying own ESG data





Recommendations



Recommendations



Per asset class



To all practitioners



Others



Per asset classes



**Private
assets**



Debts



Listed assets



Indirect



Recommendations for all practitioners

- Data providers questionnaire
- Alternative data sources
- Future data sources





Considerations for others





Presentation of the working group members

Our group of experts: a balanced representation of financial sectors and LSFI stakeholders.

- **Number of members: 13**

- **Chair: Nathalie DOGNIEZ**, Independent Director
- **Co-chair : Selim BOUDHABHAY**, Responsible Investment Manager PRI

- **Other members** (in alphabetical order)

- **Eleonora Maria BELENGHI**, Deloitte
- **Julien FROUMOUTH**, ABBL
- **Pascal GEITER**, Allianz Capital Partners
- **Pierre-Mickael GÉONET**, Crédit Suisse
- **Louis-Armand ISCLA**, Freelance Advisory
- **Béatrice MÉTHÉ**, Primera Purpose Advisor
- **Ala PRESENTI**, Moniflo
- **Marie-Laurence RIBES**, BIL
- **Alexandros SEVERIS**, ICE
- **Virginie WAUQUIEZ**, Carbon 4 Finance
- **Ludwika ZACHARZ-HARAZIM**, EIF



Masterclass

How to Integrate Biodiversity into Investment Decisions



Gabriela Andrea Hermosilla Goncalves

Technical Officer,
UNEP FI





UNEP Finance Initiative

LSFI Summit

Why we must talk about biodiversity and nature

Masterclass

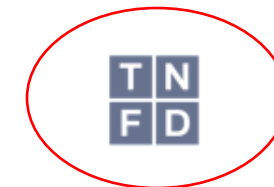
19 September 2024



What is UNEP FI?



UNEP FI supports global finance sector principles to catalyze integration of sustainability into financial market practice



+ founding partner to the TNFD
(with UNDP, Global Canopy and WWF)

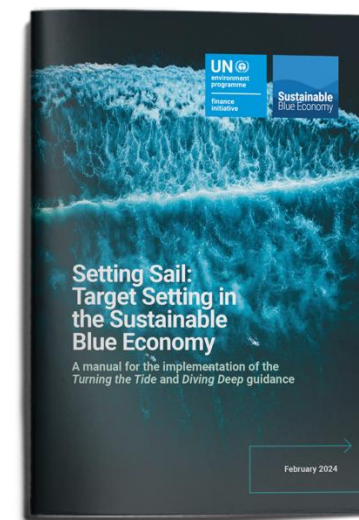
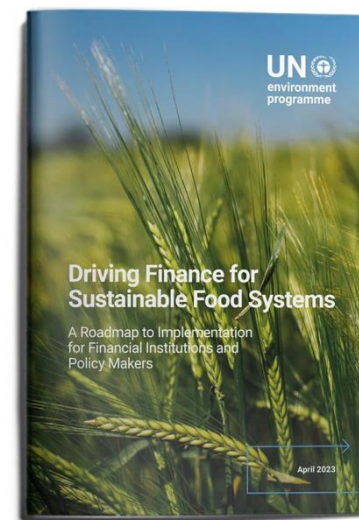
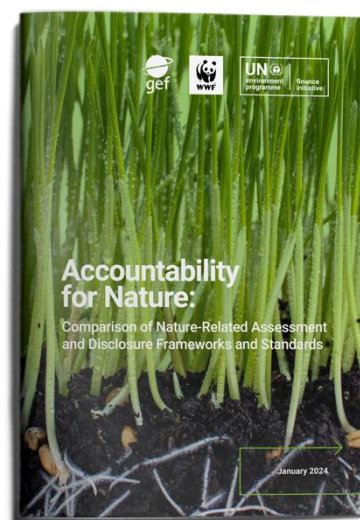
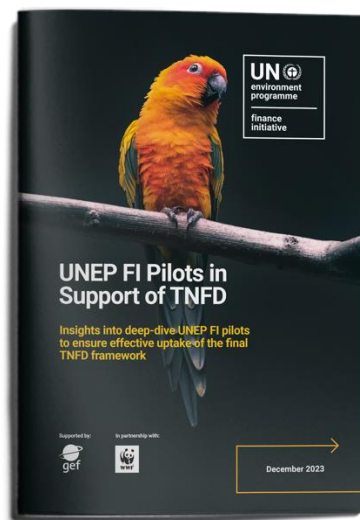
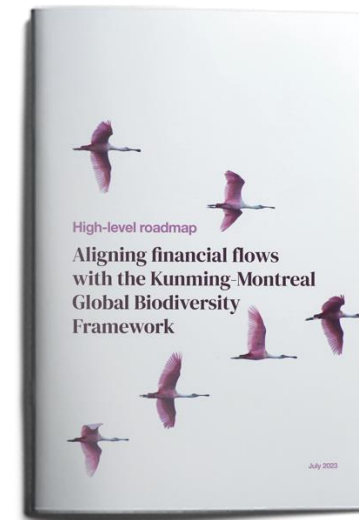
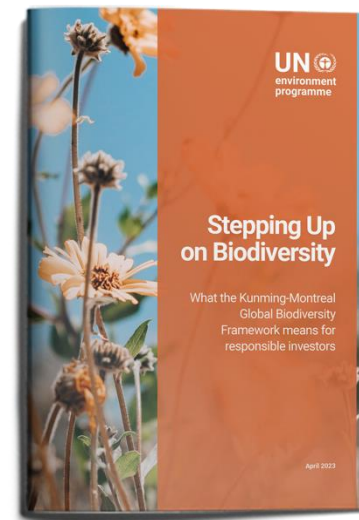


Principles for a responsible and sustainable financial sector

Net-zero Alliances and FIT

—
**How does UNEP FI mainstream
action from its members?**

Supporting the finance industry in aligning with the GBF



Nature has hit mainstream

Nature is the the foundation for global sustainable development



The SDGs wedding cake

The Stockholm Resilience Centre's illustration brings the global goals together and shows that the biosphere is the foundation for global sustainability.

Economies and societies should be seen as integral parts of the biosphere.

It suggests that all sustainable development goals are directly or indirectly connected to sustainable food systems.

The business case for including nature in decision-making is clear

50% of the global economy is under threat from biodiversity loss

TNFD's September launch will be a milestone moment for investors

PRI welcomes Commission ESRS adoption but calls for clear materiality assessments

Environmental Risks Dominate WEF Risks Report's Long-term Prognosis

Comment: 'Nature positive' has hit the mainstream. We need to ensure it delivers transformation, not greenwashing

ISSB to commence research projects about risks and opportunities related to nature and human capital

Press Release: Nature and land use will make or break the climate transition

European Central Bank [+ Add to myFT](#)

ECB flags stark economic risks from biodiversity loss

Board member Frank Elderson warns that destroying nature will 'destroy the economy'

'Our role is to be translators': The rise of financial heads of nature

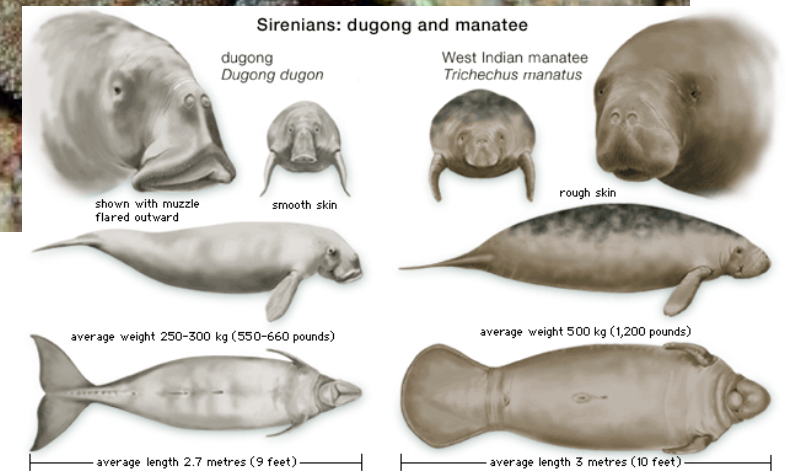
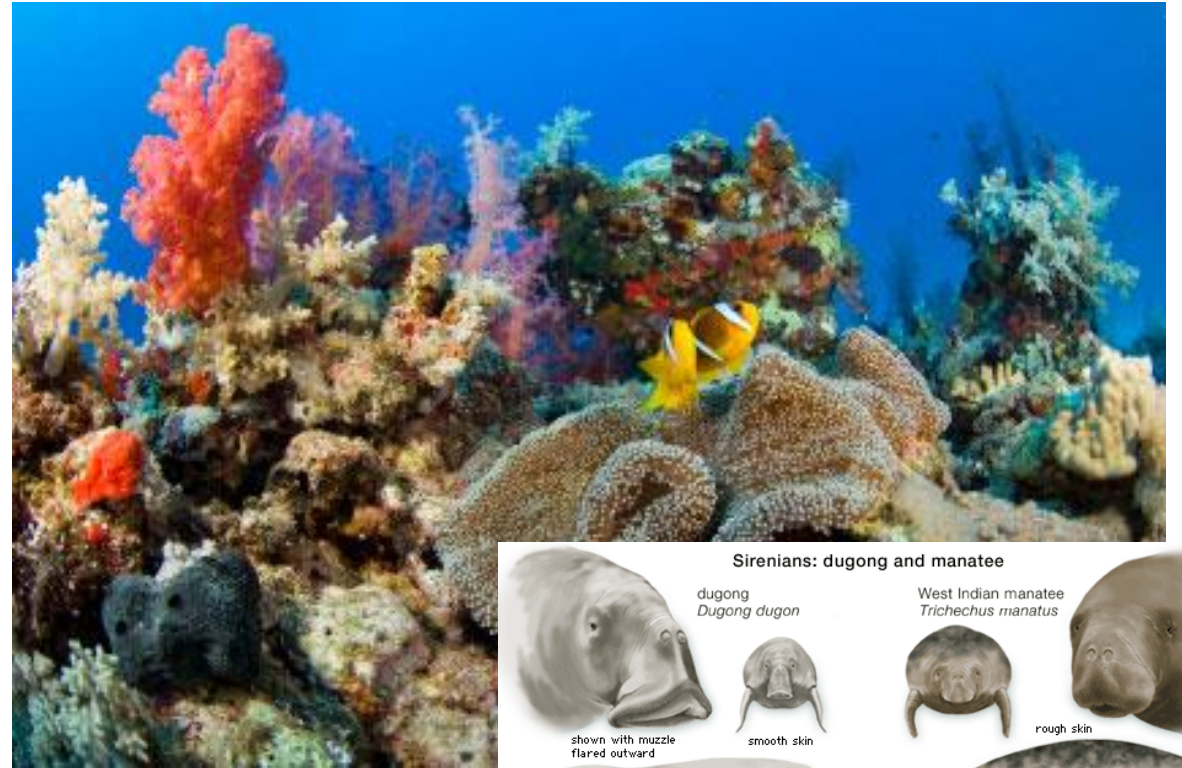
EU criminalises environmental damage 'comparable to ecocide'

Insurers Must Help Slow Damage To Nature, Trade Group Says

Legal body publishes 'groundbreaking' review of UK fiduciary duty and sustainability

Understanding biodiversity, nature & the economy

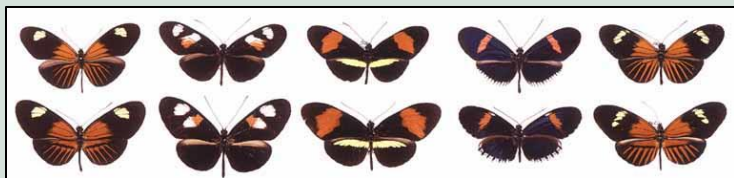
What is biodiversity?



Understanding biodiversity & nature

Biodiversity is...

...the variety of life at all levels



In other words, biodiversity is the part of nature that is alive, and includes every living thing on Earth.

And nature...

...underpins and sustains human quality of life, includes ecosystems and their services

(IPBES)



Nature without biodiversity



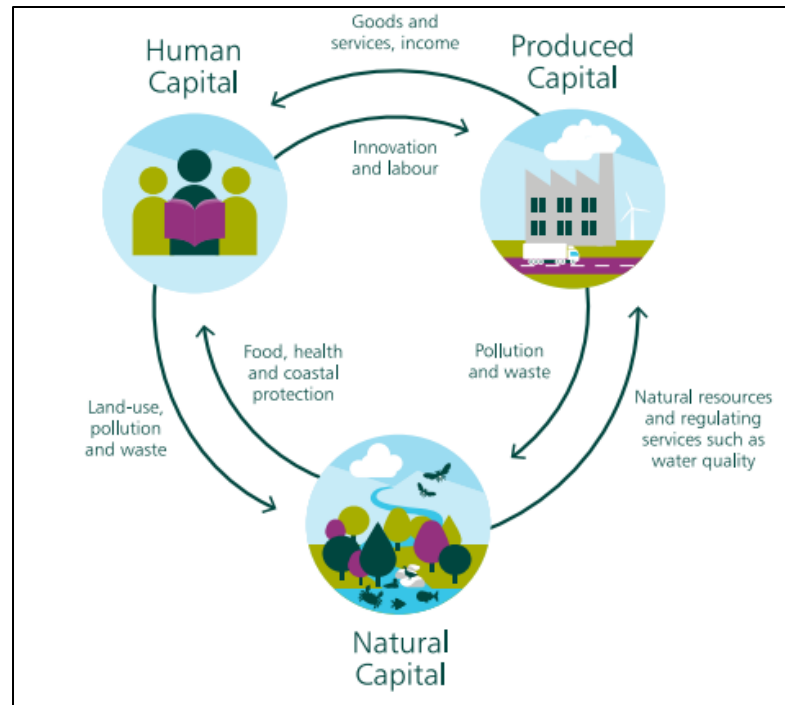
Nature with biodiversity

In other words, nature is all life on Earth (i.e. biodiversity), together with the geology, water, climate and all other inanimate components that comprise our planet.

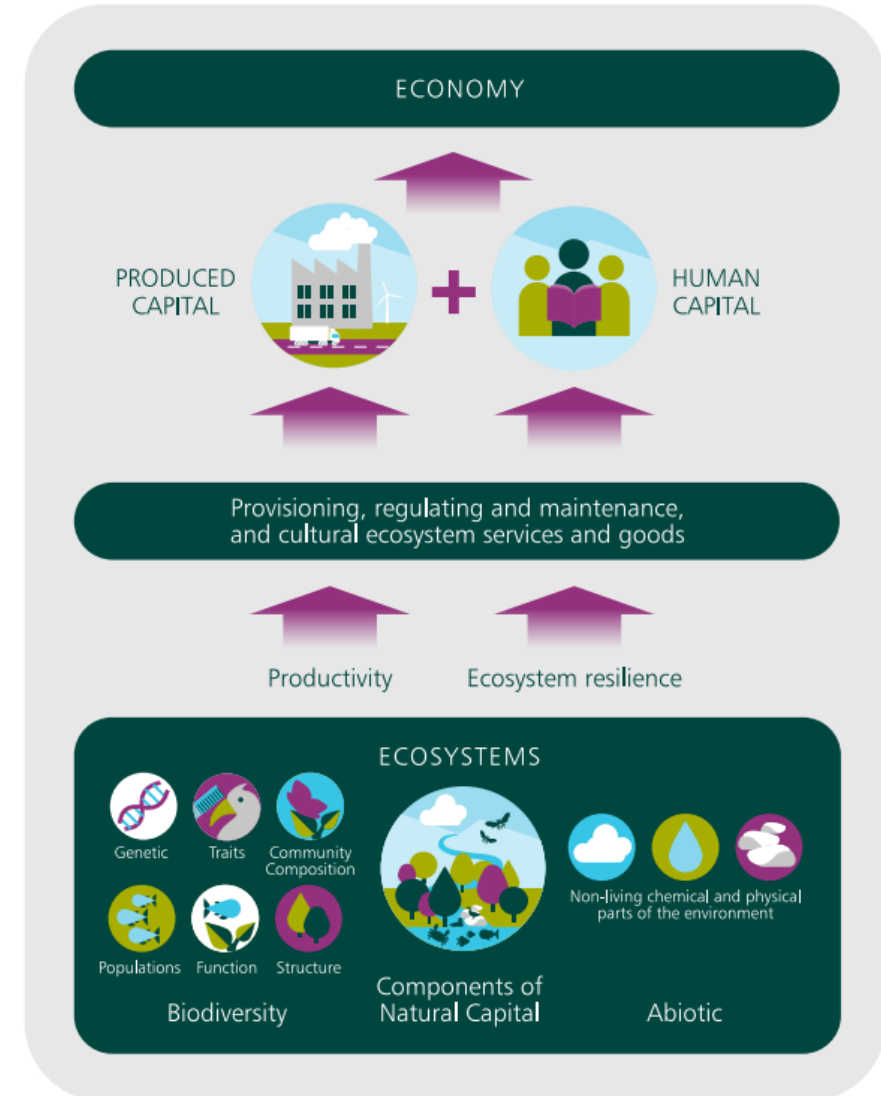
(UN Convention on Biological Diversity)

The importance of nature for the economy

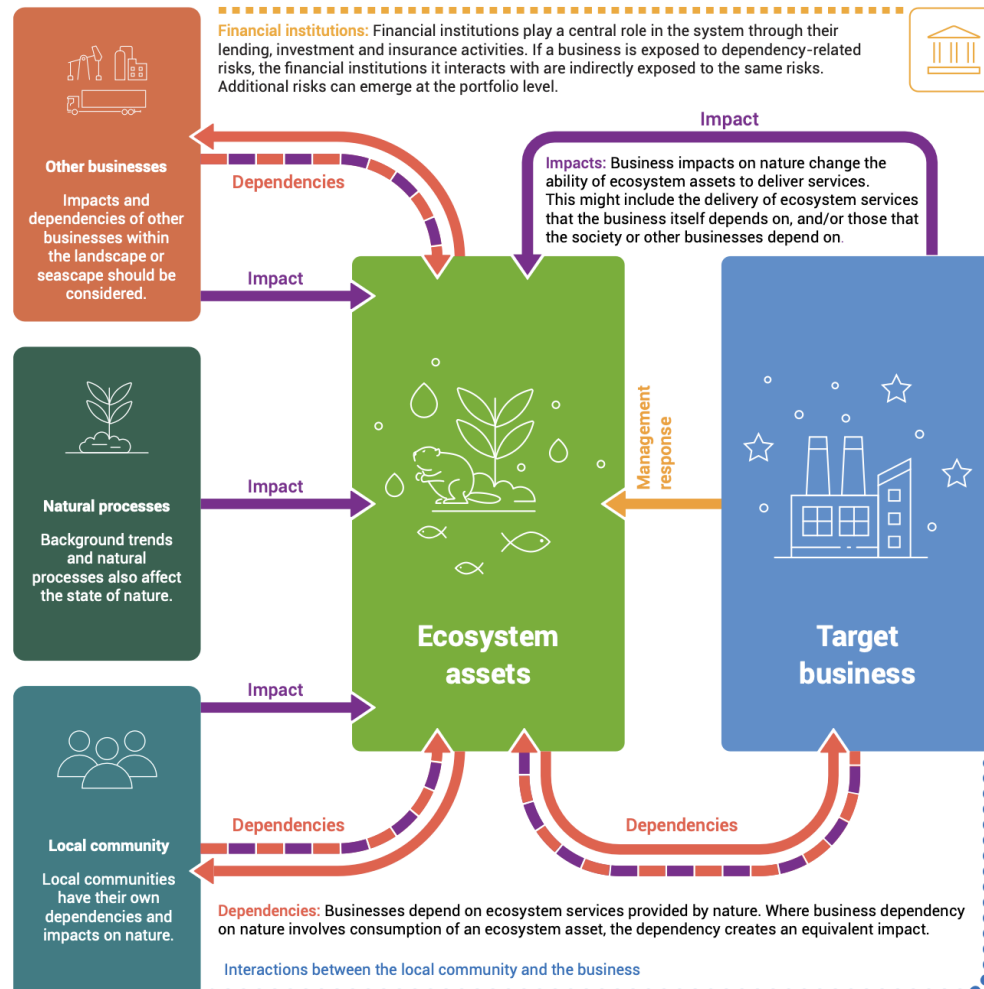
- The global economy is deeply intertwined with natural resources, relying on them for essential inputs like raw materials, energy, and food.
- A significant portion of the world's GDP is dependent on nature, highlighting the economic risks associated with biodiversity loss and ecosystem degradation.



(The Dasgupta Review)



How are nature and businesses connected?



*“The three pervasive features – **mobility, silence and invisibility** – make it impossible for markets to record adequately the use we make of Nature’s goods and services”*

Professor Partha Dasgupta



Figure 1: Interconnectedness of dependencies and impacts on nature

Our economies underprice nature

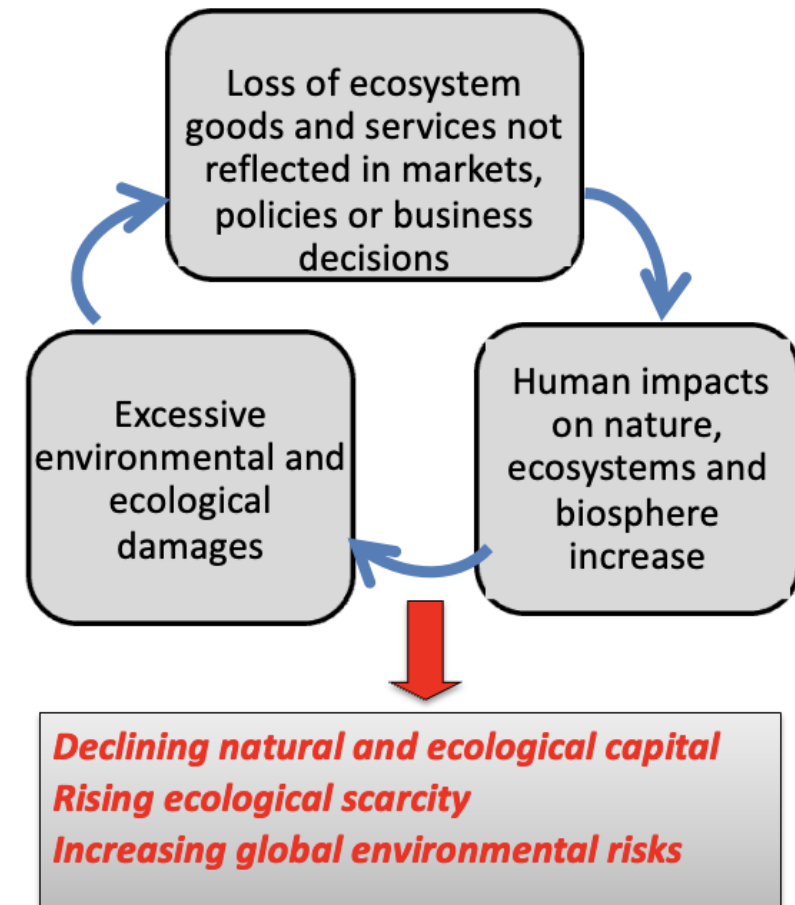
- Most of nature's valuable goods and services are **provided for free**.
- They **do not appear in markets**, and largely ignored in policy and business decisions.
- Many ecosystems and their services are often given a "**negative price**", as we pay (subsidize) economic activities to destroy nature.

Modern economies are:

- squandering valuable natural and ecological capital
- failing to act on rising global environmental risks.

Rising global environment risks = greater business risks

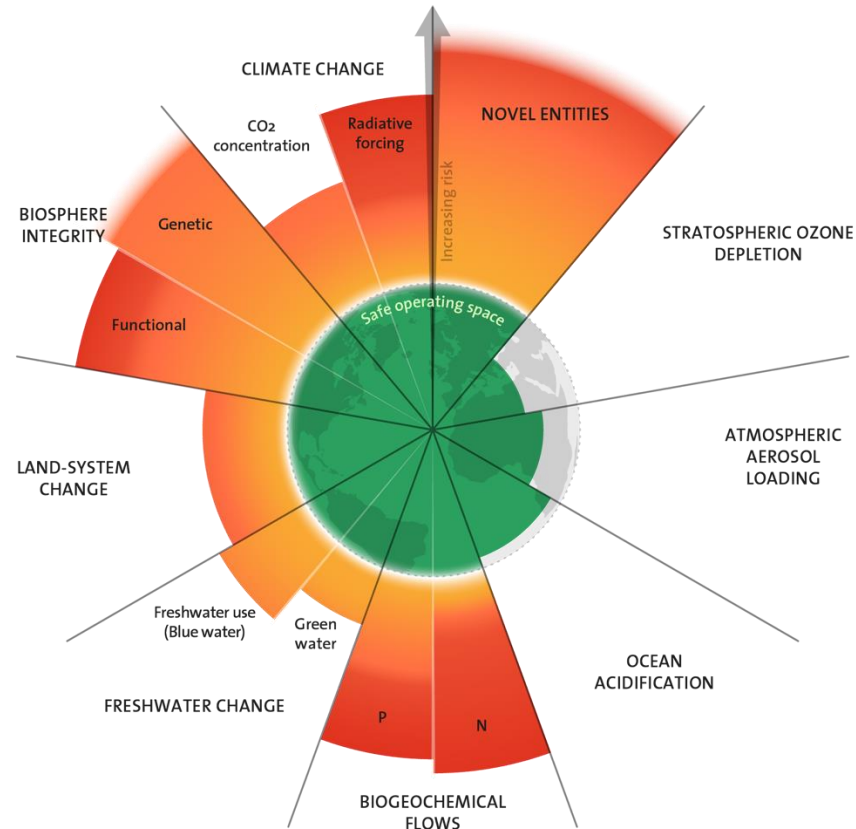
(Prof. Robert T. Watson, IPBES)



Source: Barbier
(2022), Fig. 1.2

— The biodiversity challenge...


Why we must speak about biodiversity loss



1 million species are under risk of extinction, most of them in the near future

Animal populations have fallen by **70%** since 1970

- Nearly **US\$3 trillion** could be lost from global GDP by the end of the decade without sustained action to protect biodiversity and ecosystems (World Bank, 2021)
- 5 primary pressures—**land-use and sea-use change, direct overexploitation of natural resources, climate change, pollution, and the spread of invasive species** — are causing steep biodiversity loss (IPBES)



—
**... and the Global Biodiversity
Framework**

The Kunming-Montreal **Global Biodiversity Framework (GBF)**

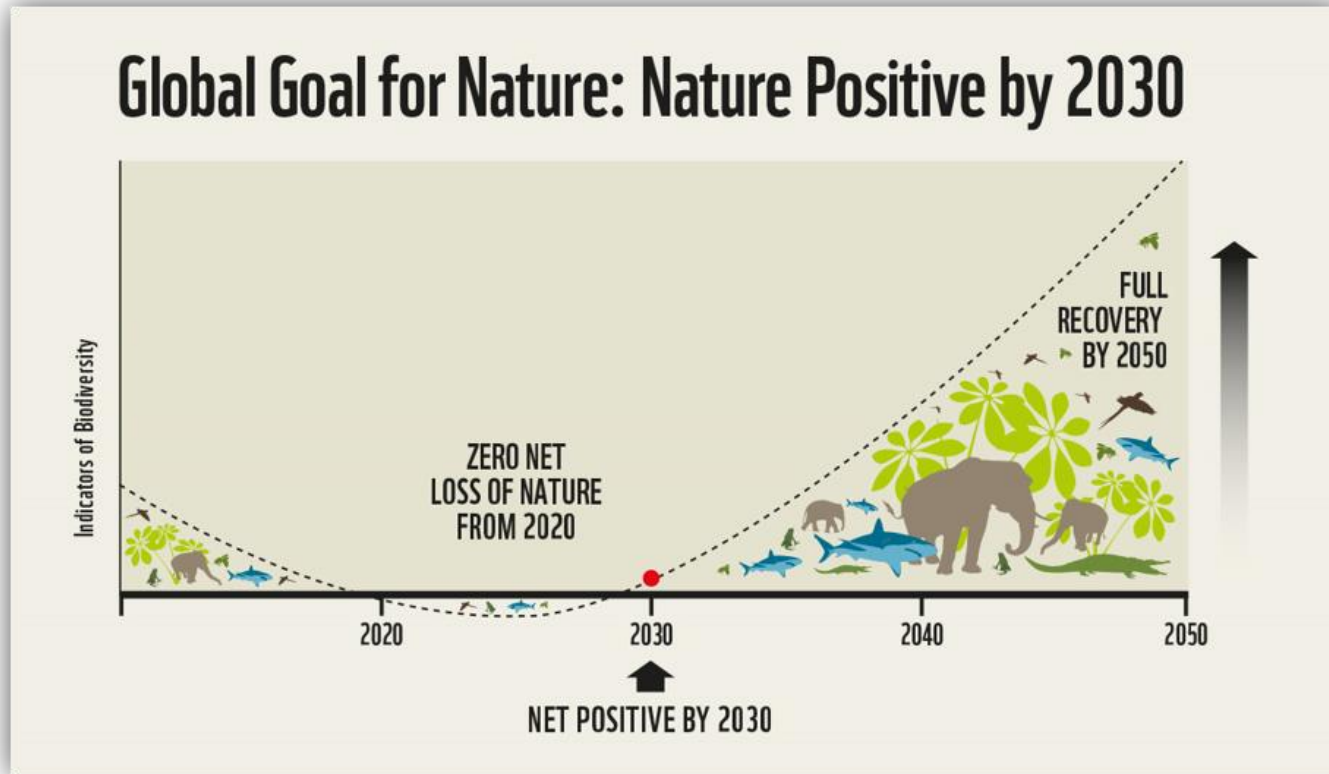
The “Paris” moment for nature

2030 Mission

To take urgent action to halt and reverse biodiversity loss to put nature on a path to recovery for the benefit of people and planet by conserving and sustainably using biodiversity, and ensuring the fair and equitable sharing of benefits from the use of genetic resources, while providing the necessary means of implementation.



The Global Biodiversity Framework: towards the **nature-positive** journey



4 goals to 2050 and 23 global targets for urgent action over the decade to 2030

- Protect 30% of Earth's lands, oceans, coastal areas, inland waters;
- Reduce by \$500 billion annual harmful government subsidies;
- Mobilize by 2030 at least \$200 billion of **public and private funding**;
- Require the **private sector** to monitor, assess, and transparently disclose their risks, dependencies and impacts on biodiversity.

National Biodiversity Strategy & Action Plans

EU (May 2020) - "Bringing nature back into our lives"

Strategy comprises more than 100 actions aimed at:

1. establishing a coherent EU network of protected areas;
2. launching an EU Nature Restoration Plan;
3. enabling transformative change;
4. supporting the global biodiversity agenda;
5. and tracking implementation progress

Luxembourg (Jan 2023) – Plan National concernant la Protection de la Nature

- 1. Provide legal protection for at least 30% of the national territory, taking national territory, taking into account ecological corridors, with a view to a truly coherent and resilient trans-European nature**
- 2. Implement strict protection for at least a third of protected areas (10% of the national territory)**
- 3. Ensure effective management of all protected areas, in line with the objectives and conservation objectives and measures**



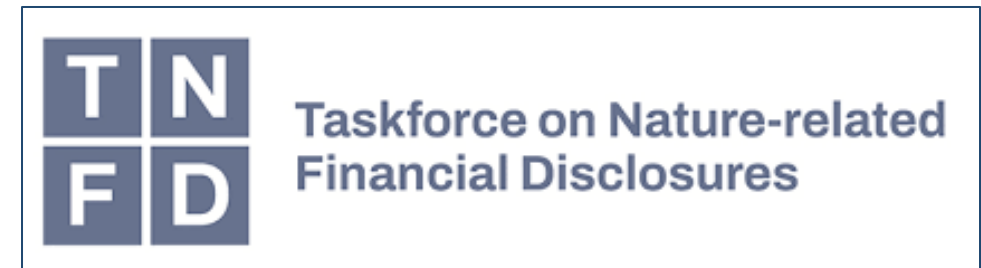
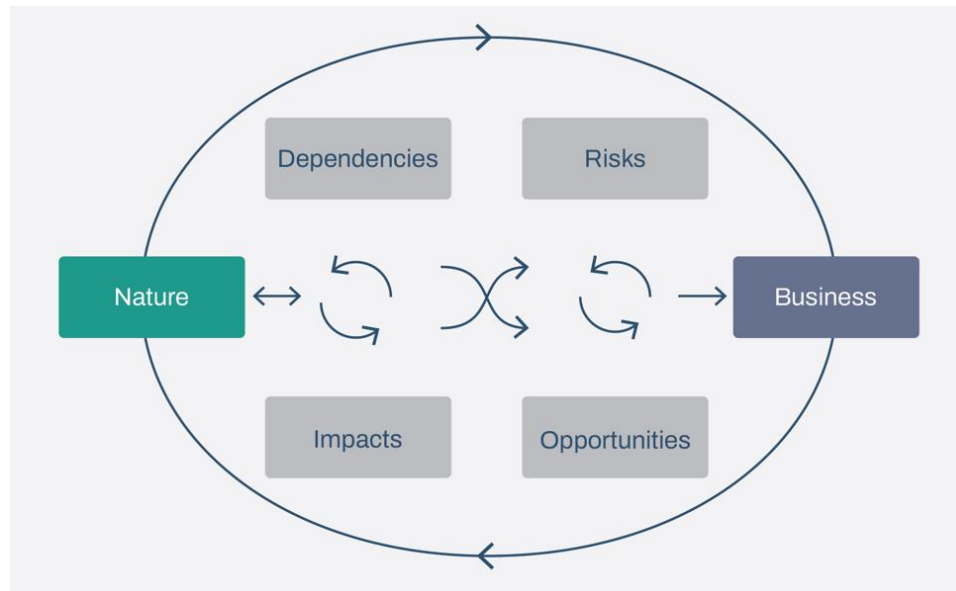
Role and key considerations for private financial institutions:

- ➔ By aligning their financial activities with these goals and actions, financial institutions can ensure their investments are supporting national priorities and enhancing their reputation.
- ➔ Implementation of the strategy will lead to emerging opportunity to help clients in key transition sectors to transform their business models.
- ➔ Goals in relation to nature restoration and building resilience will derive investment opportunities in nature-based solutions.
- ➔ Awareness and alignment with the GBF/NBSAPs will also reduce transition risks and avoiding legal and reputational issues.

— The Taskforce on Nature-related Financial Disclosures (TNFD)

What is the TNFD?

To deliver a **risk management and disclosure framework** for organisations to report and act on evolving nature-related risks and opportunities, with the aim of supporting **a shift in global financial flows** away from nature-negative outcomes and toward nature-positive outcomes.

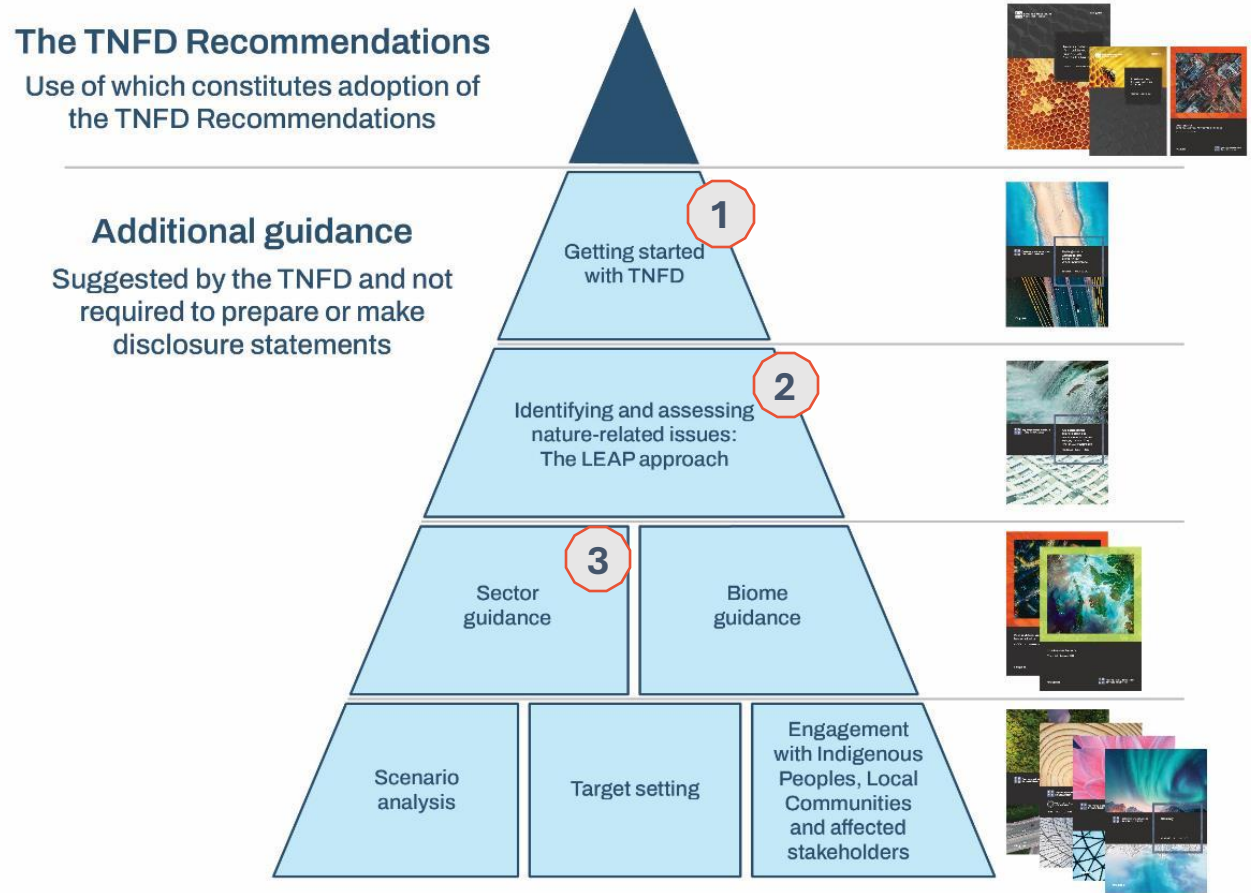


Business and finance organizations today do not have the information they need to understand the risks and opportunities for their organisation that result from their impacts and dependencies on nature

The TNFD is a market-led and science-based initiative supported by national governments, businesses and financial institutions worldwide built to develop recommended disclosures and drive more transparency to market players

What the TNFD has published

A framework to help advance reporting on nature-related issues



Highlights for financial institutions

- 1) Getting Started Guidance:** based on the piloting work conducted by UNEP FI
- 2) LEAP approach:** A risk management framework for internal assessment
- 3) TNFD FI Guidance:** Disclosure guidance for financial institutions with 2 proposed core metrics

- Locate**
The interface with nature
- Evaluate**
Dependencies & impacts
- Assess**
Risks & opportunities
- Prepare**
To respond & report

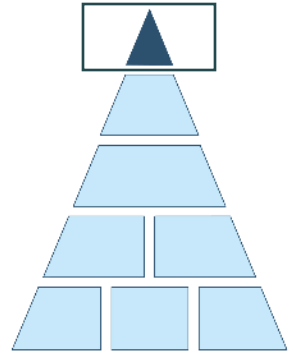
The LEAP approach – the TNFD risk management framework



Highlights

- Suggested guidance – not required to make TNFD disclosures
- Extensive market feedback and pilot tested by over 240 institutions across sectors, geographies and biomes
- Designed as a reference manual for an internal assessment team
- A flexible approach with components

Core global metrics for FIs



Metric	
Financial exposure to a defined set of sectors considered to have material nature-related dependencies and impacts	For banks: Absolute amount or percentage of lending volume.
	For asset owners and managers: Absolute amount or percentage of invested or owned assets.
	For insurers: Absolute amount or percentage of net premiums written or total sums insured.
Financial exposure to companies with activities in sensitive locations	For banks: Absolute amount or percentage of lending volume.
	For asset owners and managers: Absolute amount or percentage of invested or owned assets.
	For insurers: Absolute amount or percentage of net premiums written or total sums insured.

Highlights

(updated in July 2024)





Required:

- 2 **core global metrics** for financial institutions, recognising data dependency issues and to provide a place to start;
- 5 **core risk and opportunity metrics**

Expected:

- Expectation FIs will report on the other **D&I** metrics; and
- On **new approaches and methodologies** (eg biodiversity footprinting) over time as data is available from investees, clients and customers

TNFD Recommendations

TCFD Climate-related Disclosure Recommendations			
Governance	Strategy	Risk Management	Metrics & Targets
Disclose the organisation's governance around climate-related risks & opportunities.	Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning where such information is material.	Disclose how the organisation assesses and manages climate-related risks	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.
Recommended Disclosures	Recommended Disclosures	Recommended Disclosures	Recommended Disclosures
<p>A. Describe the board's oversight of climate-related risks and opportunities.</p> <p>B. Describe management's role in assessing and managing climate-related risks and opportunities.</p>	<p>A. Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.</p> <p>B. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.</p> <p>C. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.</p>	<p>A. Describe the organisation's processes for identifying and assessing climate-related risks.</p> <p>B. Describe the organisation's processes for managing climate-related risks</p> <p>C. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.</p>	<p>A. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.</p> <p>B. Disclose Scope 1, Scope 2 and if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.</p> <p>C. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.</p>
			
Carry-over to TNFD with minimal required change	Carry-over to TNFD with minimal required change	Carry-over to TNFD with minimal required change	Adaptation required

TNFD recommended disclosures			
Governance	Strategy	Risk & impact management	Metrics & targets
Disclose the organisation's governance of nature-related dependencies, impacts, risks and opportunities.	Disclose the effects of nature-related dependencies, impacts, risks and opportunities on the organisation's business model, strategy and financial planning where such information is material.	Describe the processes used by the organisation to identify, assess, prioritise and monitor nature-related dependencies, impacts, risks and opportunities.	Disclose the metrics and targets used to assess and manage material nature-related dependencies, impacts, risks and opportunities.
Recommended disclosures	Recommended disclosures	Recommended disclosures	Recommended disclosures
<p>A. Describe the board's oversight of nature-related dependencies, impacts, risks and opportunities.</p> <p>B. Describe management's role in assessing and managing nature-related dependencies, impacts, risks and opportunities.</p> <p>C. Describe the organisation's human rights policies and engagement activities, and oversight by the board and management, with respect to Indigenous Peoples, Local Communities, affected and other stakeholders, in the organisation's assessment of, and response to, nature-related dependencies, impacts, risks and opportunities.</p>	<p>A. Describe the nature-related dependencies, impacts, risks and opportunities the organisation has identified over the short, medium and long term.</p> <p>B. Describe the effect nature-related dependencies, impacts, risks and opportunities have had on the organisation's business model, value chain, strategy and financial planning, as well as any transition plans or analysis in place.</p> <p>C. Describe the resilience of the organisation's strategy to nature-related risks and opportunities, taking into consideration different scenarios.</p> <p>D. Disclose the locations of assets and/or activities in the organisation's direct operations and, where possible, upstream and downstream value chain(s) that meet the criteria for priority locations.</p>	<p>A(i) Describe the organisation's processes for identifying, assessing and prioritising nature-related dependencies, impacts, risks and opportunities in its direct operations.</p> <p>A(ii) Describe the organisation's processes for identifying, assessing and prioritising nature-related dependencies, impacts, risks and opportunities in its upstream and downstream value chain(s).</p> <p>B. Describe the organisation's processes for managing nature-related dependencies, impacts, risks and opportunities.</p> <p>C. Describe how processes for identifying, assessing, prioritising and monitoring nature-related risks are integrated into and inform the organisation's overall risk management processes.</p>	<p>A. Disclose the metrics used by the organisation to assess and manage material nature-related risks and opportunities in line with its strategy and risk management process.</p> <p>B. Disclose the metrics used by the organisation to assess and manage dependencies and impacts on nature.</p> <p>C. Describe the targets and goals used by the organisation to manage nature-related dependencies, impacts, risks and opportunities and its performance against these.</p>

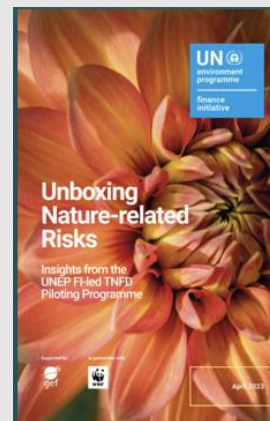
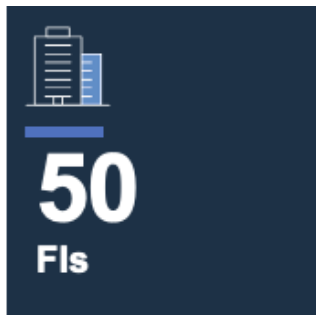
UNEP FI's TNFD pilots with global financial institutions

Piloting the TNFD's LEAP approach



Supporting financial institutions to understanding climate and nature-related risks and integrating them into their risk management approach

- During a **one-year timeframe**, UNEP FI invited **banks and investors** to pilot the Taskforce on Nature-related Financial Disclosures (TNFD) beta framework with their industry peers
- The goal was to assess the feasibility of this emerging framework for market uptake through a **high-impact sector lens to assess exposure in portfolios and asset classes, including**



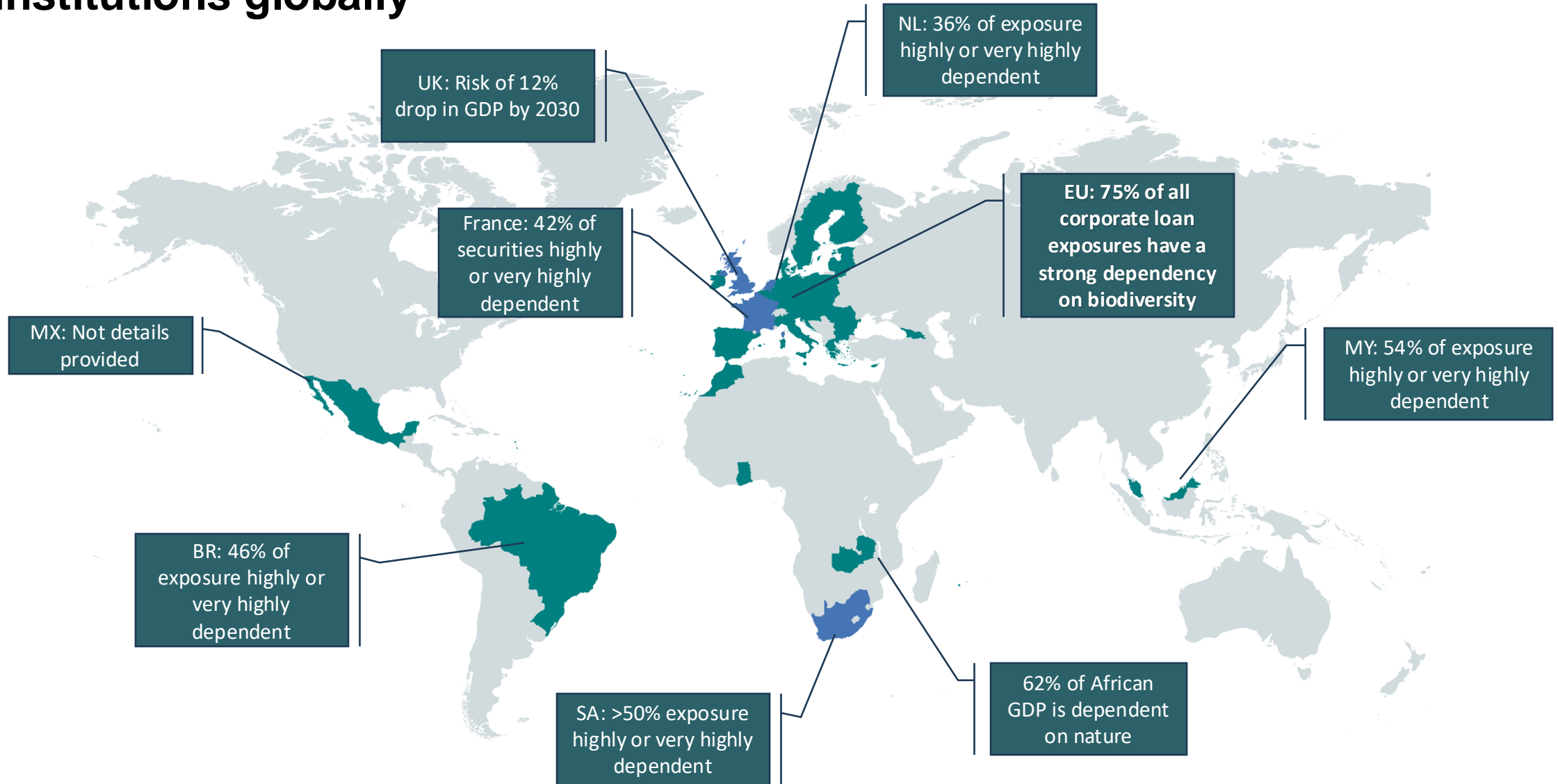
Agriculture



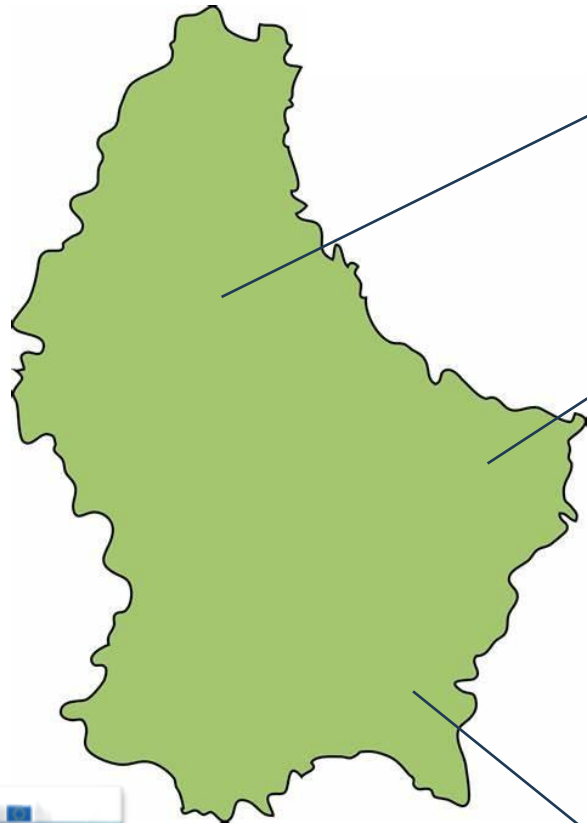
Offshore wind farms

Loss of nature emerging as a financial risk

Nature loss is emerging as a significant financial risk to financial institutions globally



Zoom to understand nature risks in Luxembourg



A quarter of all habitats in the country, and all open environment habitats, are in bad condition

Biodiversity exposure:
Lenders in Germany, France, **Luxembourg**, Netherlands, Spain, and the UK have the highest exposure to such risks through their participation in the syndicated loans market

Physical risks

Transition risks

Loan defaults can become higher given the level of exposure of borrowers to nature-related risk exposure

Highlights ECB

- **2020:** guide on supervisory expectations for the risk management of climate-related and environmental (C&E) (*deadlines in 2023*)
- **2024/2025:** focus area on exploring nature related risks through the ECB's **Climate and Nature Plan**
 - Understanding risks to price stability and financial stability



—

Global Landscape – Policy, Regulation & Emerging Frameworks

Policies and Regulations – Global View

OECD: Provided a paper on the methodological supervisory framework for central banks and financial supervisors to assess nature-related risks in the financial sector.

NGFS: Conceptual framework to guide actions by supervisors and central banks and addresses the twin crisis of environmental degradation and climate change.

US

- 2022: EO to safeguard mature forests on federal lands.
- 2021: Commitment to protecting at least 30% of land and waters by 2030.
- 2024: The America the Beautiful Freshwater Challenge to protect and restore 8mn acres of wetlands and 100,000 miles of rivers and streams.

Switzerland:

- 2024: FINMA circular setting out supervisory practice on management for nature-related risks

EU:

- 2024: Parliament adopts Nature Restoration Law requiring member countries to restore 20% of habitats by 2030 (awaiting approval by EU Council)
- 2024: CSDDD to address environmental and human rights issues inside and outside the EU.
- 2022: CSRD / ESRS (E2,E3, E4 and E5 – Impact Drivers and Biodiversity) Reporting Requirements
- 2020: EU Taxonomy (Protection and restoration of biodiversity and ecosystems)
- ECB: 2024 and 2025 focus area on exploring nature related risks
- EIOPA: Engagement with insurance companies on practices to integrate nature into ORSA

China:

- 2023: National Biodiversity Conservation Strategy and Action Plan (2023-2030).
- 2023: Revision of the Marine Environmental Protection Law enhances land discharge controls and conserves marine systems.
- 2023: Major polluters must submit ESG disclosures under new legal measures.
- 2022: China Green Bond Endorsed Projects Catalogue and EU-China Common Ground Taxonomy.
- 2022: Polluters must bear nature restoration costs under new ecological damage compensation rules.

Others – Taxonomies with nature component (excerpt)

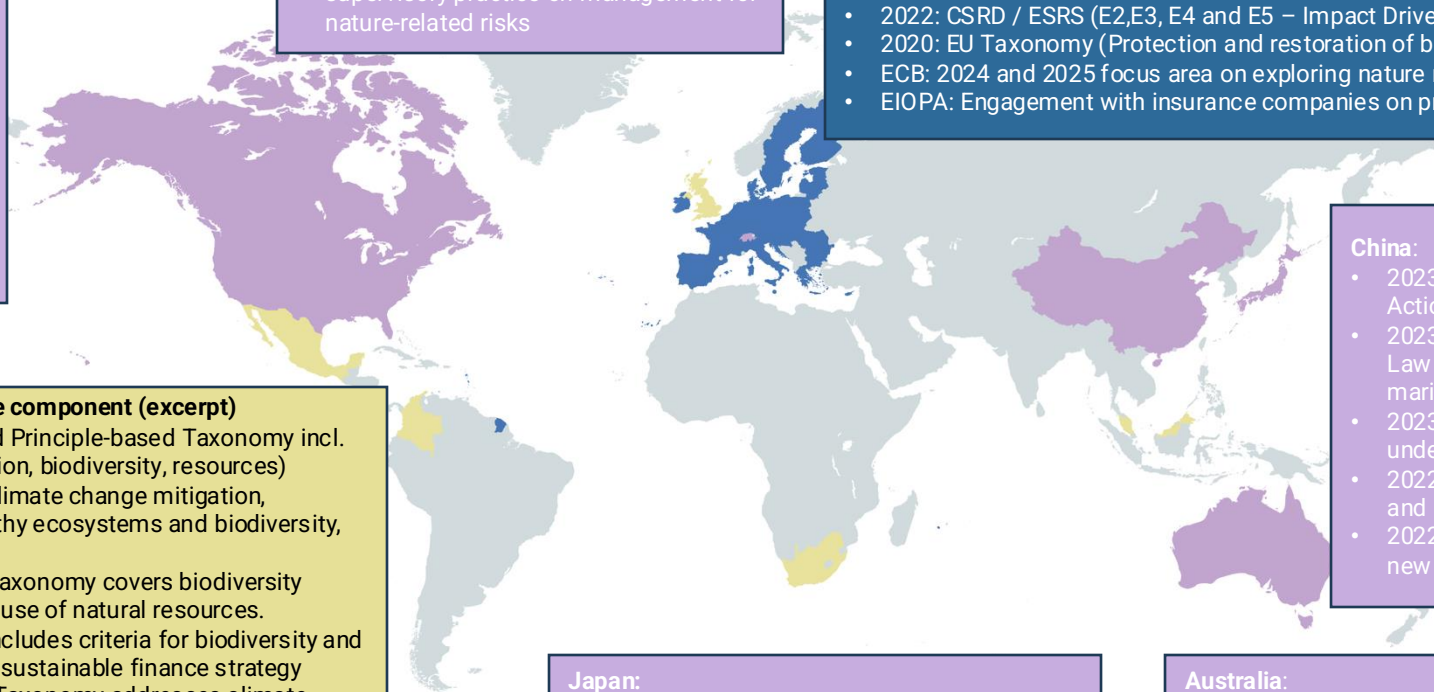
- Malaysia: Climate Change and Principle-based Taxonomy incl. broader environmental (pollution, biodiversity, resources)
- ASEAN: Taxonomy includes climate change mitigation, adaptation, protection of healthy ecosystems and biodiversity, and resource resilience.
- South Africa: Green Finance Taxonomy covers biodiversity conservation and sustainable use of natural resources.
- Colombia: Green Taxonomy includes criteria for biodiversity and ecosystem services within its sustainable finance strategy
- Mexico: Sustainable Finance Taxonomy addresses climate change mitigation, adaptation, and biodiversity.
- UK: Green Taxonomy incorporates biodiversity and ecosystem restoration measures based on EU metrics.
- LAC
- Brazil

Japan:

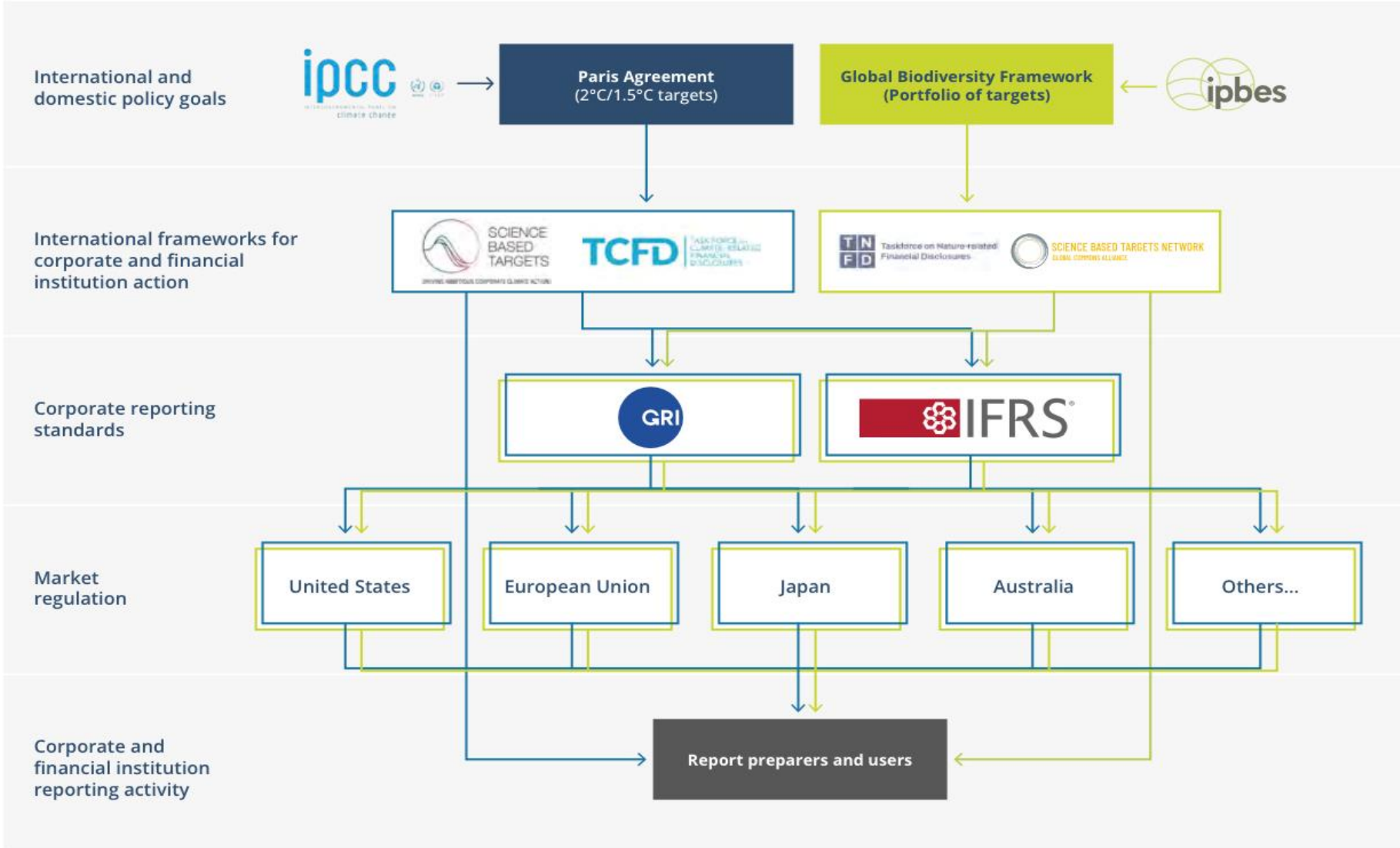
- 2023: National Biodiversity Strategy & Action Plan and Transition Strategies towards Nature-Positive Economy
- 2024: Large number of organizations signing up for TNFD early adoption

Australia:

- 2023: Launch of the Nature Positive Plan committing to protect 30% of land and seas by 2030, and establishing an independent, federal-level Environmental Protection Agency to enforce environmental laws.



Emerging architecture of global policy goals & regulation



(TNFD)

The climate-nature nexus: There is no climate mitigation without combined “*Net-Zero + Nature-Positive*” strategies

Common grounds in **core capabilities and ambition**

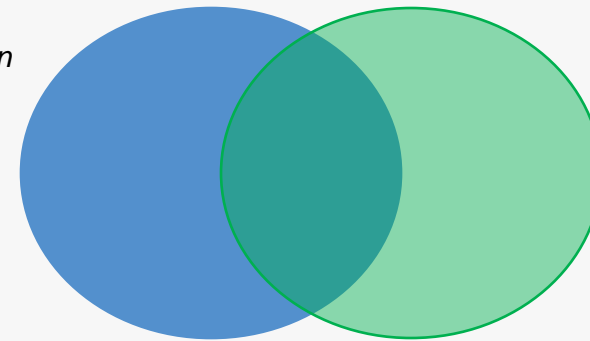


(WEF, 2022)

Common grounds in **implementation and financing opportunities**

Net-Zero

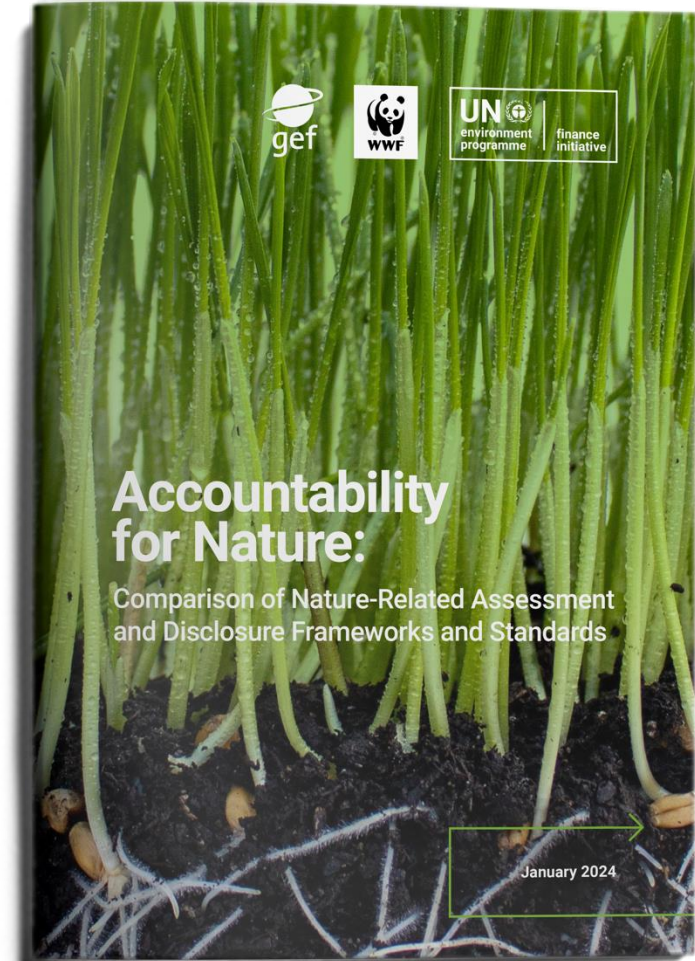
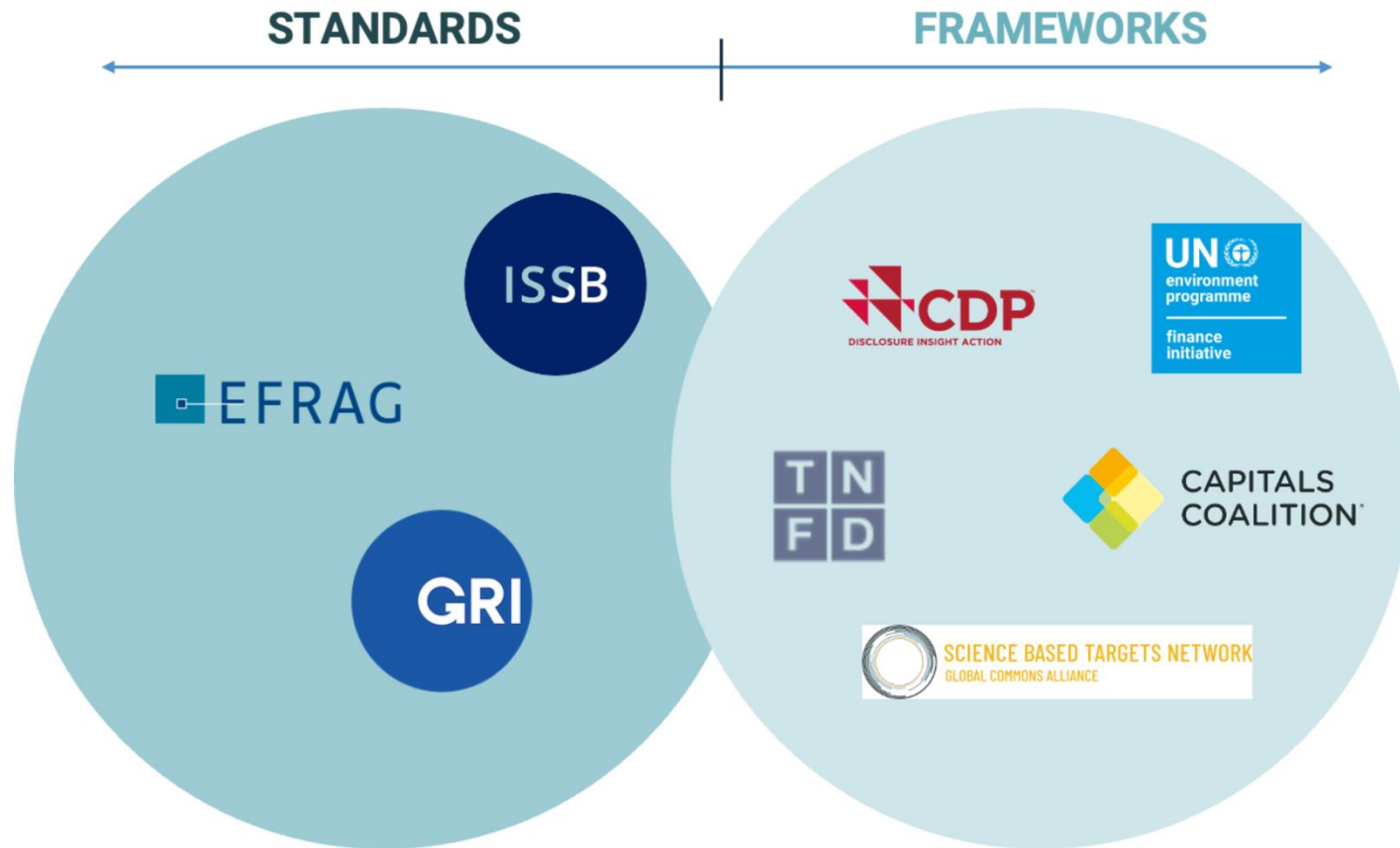
- Electromobility
- Sustainable fuels
- Sustainable aviation
- Energy efficiency equipment
- Renewable energy
- Low-carbon materials
- Green hydrogen
- Carbon removals
- Electrification of machinery
- Retrofitting and green constructions



Nature-Positive

- Regenerative agriculture
- Biodegradable materials
- Biofuels and bioenergy
 - Biochemicals and biomedicine
 - Biowaste
- Nature-based solutions
 - Nature-based carbon removals
- Sustainable supply chain management
 - Water efficient technology
- Regenerative tourism

Nature-related approaches and emerging convergence



Snapshot: Standards & frameworks on nature-related risks

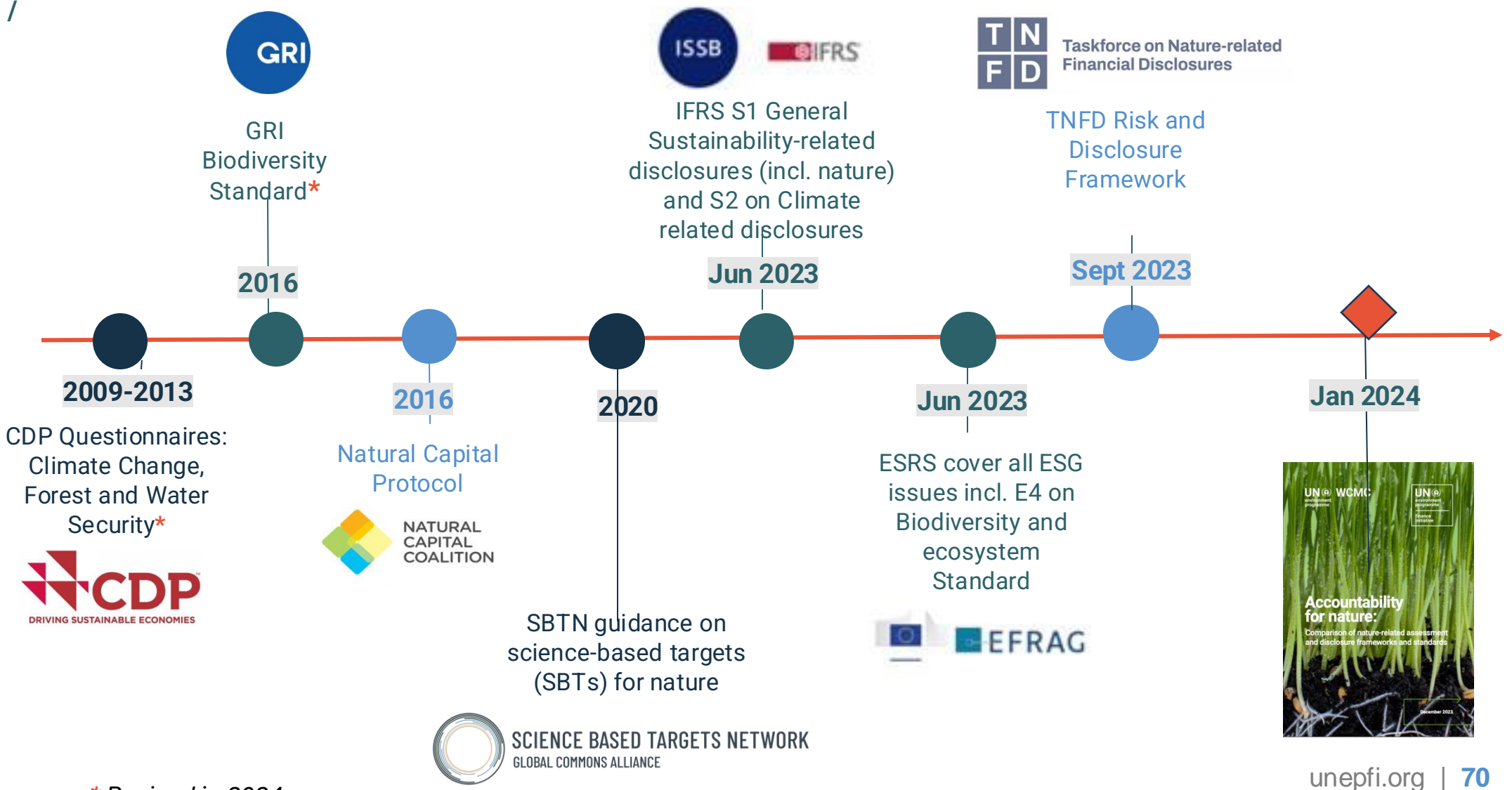
Focus on reporting / disclosure

STANDARDS

FRAMEWORKS

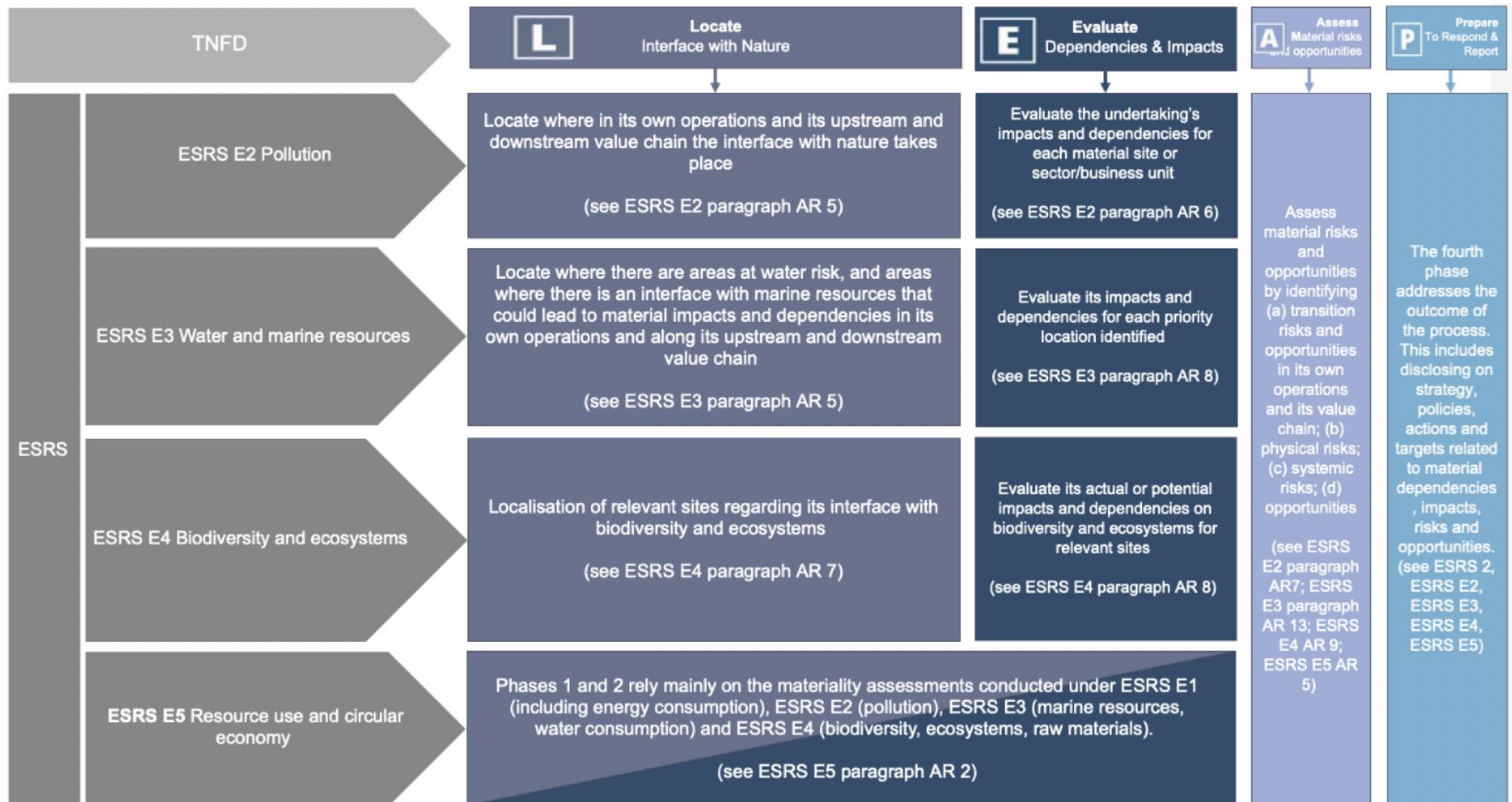
ASSESSMENT

Focus on identification



* Revised in 2024

Recent developments towards more alignment



Interoperability mapping between ESRS-TNFD

Towards more alignment between frameworks and standard setters

- **ISSB** board formally approved the intent to conduct research on Biodiversity (Ecosystem and Ecosystem Services)
- **CDP** questionnaires revised to include **TNFD**
- **GRI** Biodiversity Standard revised, also including **TNFD**
- **ESRS** Standards referring to the **TNFD's LEAP approach**
 - Updated **EFRAG-TNFD published**
- **GRI-TNFD** mapping published (*both ways*)
- **ISSB-GRI** interoperability mapping coming soon

What's coming next?

PRB Nature Guidance*



The Principles for Responsible Banking (PRB) is the world's **largest banking sustainability framework**, representing over **50% of the banking industry**. The PRB Nature Guidance (Nov 2023) is designed for banks that intend to **act on nature loss** and **align their business activities and strategies** with the objectives of the Kunming-Montreal **Global Biodiversity Framework**, adopted in Dec 2022.

It was **co-developed** with 34 PRB banks from all world regions with support from strategic partners to ensure **consistency with existing frameworks**.

1

Portfolio Analysis & Disclosure
(GBF Target 15)

2

Strategy, Capacity building, Culture & Governance
(GBF Targets 14 & 21)

3

Advocacy & Stakeholder Engagement
(GBF Targets 14, 20 & 21)

4

Mobilizing Finance & Portfolio Alignment
(GBF Goal D & Target 19)

5

Client Engagement
(GBF Targets 7, 8 & 14)

6

Policies & Processes
(All GBF Targets esp. 1 & 14)



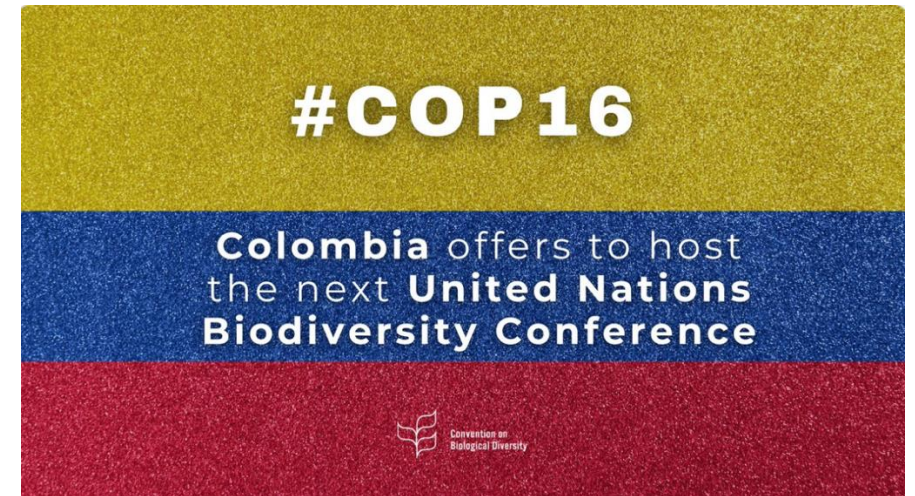
**coming guidance for the insurance sector!*

What's next at UNEP FI? – Calling the financial sector towards transformative change



Launch of the UNEP FI Risk Centre during the WEF at Davos (January 2024)

*“Climate and nature risks are real but often underpriced and overlooked. Climate change is making parts of the world uninsurable. The degradation or collapse of ecosystems is disrupting supply chains, Food producers, for example, could face higher costs as natural pollinators vanish. We know this as UNEP does the horizon watching via the global environmental outlook, the global chemicals outlook, and other key publications. **We see the need for a unified risk approach to provide the baseline for unified action.** Following our role supporting the establishment of the TNFD and our earlier work in support of the TCFD we are happy to be rolling out UNEP FI Risk Centre this year. That will address the climate, the nature, the environment and other emerging risks.”*



COP 16 – What's next for implementation?
(21 Oct – 1 Nov 2024; Cali, Colombia)

UNEP FI is organizing the Finance Day at COP 16.

CBD COP 16 will be the **first biodiversity COP** since adopting the Global Biodiversity Framework. Governments will be tasked with **reviewing the state of implementation of the GBF** are expected to show the **alignment of their National Biodiversity Strategies and Action Plans (NBSAPs)** with the Framework.

—
Thank you!

Gabriela Hermosilla, Senior Technical officer, UNEP FI

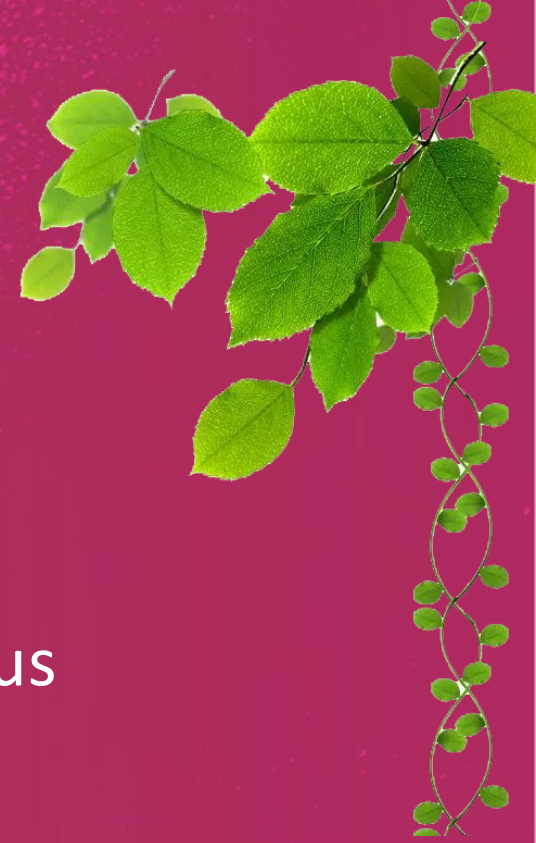
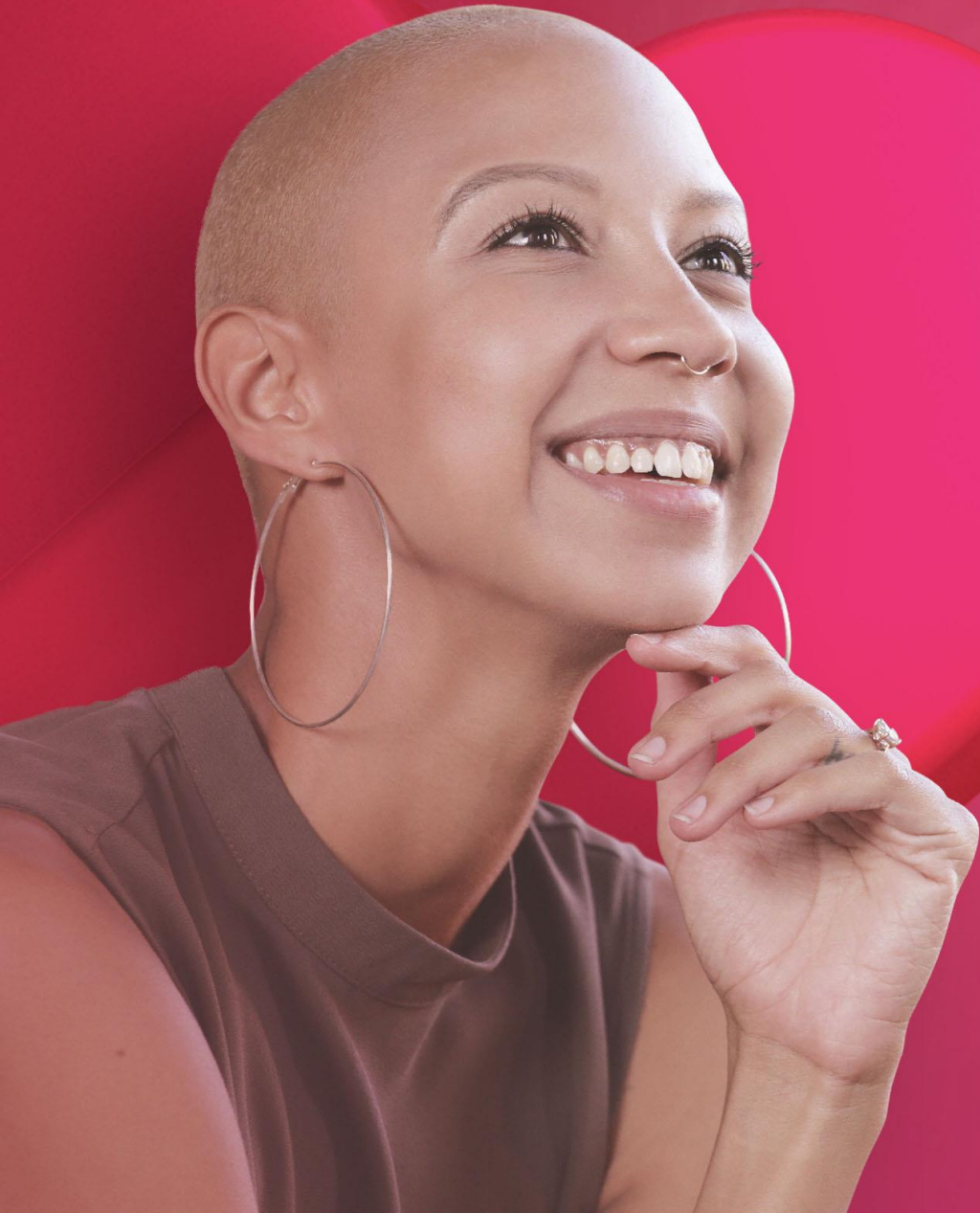
gabriela.hermosillagoncalves@un.org



William Laureys

Young Pro: ESG Insurance | Comm. and ESG
Belins, Belfius


Belfius



Biodiversity at Belfius

LSFI summit masterclass





My roadmap

Belfius team

Why Biodiversity

As is: DMA and definition of strategy

Next steps: challenge, tool selection, methodology, actions...

5 tips



My roadmap

William Laureys



Universiteit Leiden

Master's degree · Biology and Business

2020 - 2022

Business development internship as M&A manager at team.blue.

Master thesis biology in ecosystem service model validation at the Planbureau voor Leefomgeving.



KU Leuven

European Bachelor · Biology and Business

2016 - 2019

With Minor Business and Innovation at the faculty of science.



6 Months ESG bank:

- Mapping landscape of biodiversity in finance
- Developing first high level DMA

6 Months ESG Risk:

- Bettering high level DMA
- Work on ETS and Carbon pricing

6 Months ESG Belins:

- Starting biodiversity for insurance project
- Continuing strategy development on bank side
- DMA extension to Real estate, Gov/Corp
- Bonds, Equity, Mortgages



Belfius team



Belfius looking for diverse profiles

Belfius is a strong believer in the power of diversity.

- ESG team very diverse, yet people with critical mindset and strong values.
- Team about 30 (covering bank, insurance and asset management) having to work on expertise, data, reporting, legislation and action.
- Previous professional experiences include energy, agriculture, pharmaceutical sectors on top of a range of more technical backgrounds from a multitude of sectors in the data team.
- With study backgrounds in Environmental sciences, CSR, Business administration, bio-engineering, political sciences and so forth.

Why biodiversity?

Why Biodiversity?

Belfius choice to start working on this

Might seem odd

Belfius bank of public sector and small communes (Proportionally large focus on S rather than E). Very **limited exposures in agriculture** (most material sector for natural crisis).

Still extremely material

Limited direct influence of agriculture, but **retailers** make for indirect effect. Also high materiality of **manufacturing, construction and real estate sectors**.

Climate triple threat

Theres no solving the climate crisis without also tackling pollution (the main feeder of climate problems, a carbon source) and **biodiversity (the main remedy, a carbon sink)**.

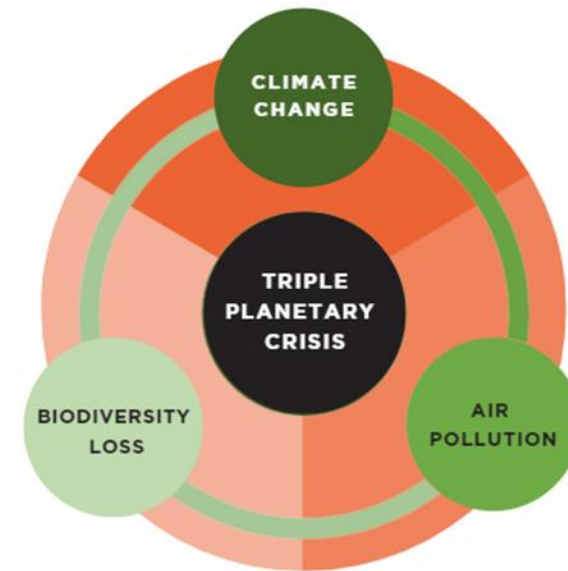
Evolution of sustainability landscape

International ambition rising, legal obligations, reporting obligations, tools:

PCAF => PBAF

TCFD => TNFD

SBTI => SBTN

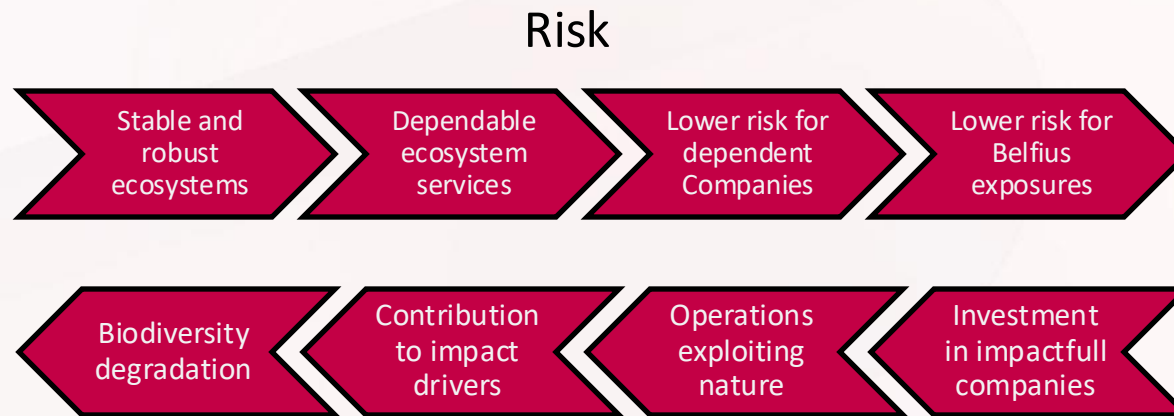


Why Biodiversity?

ESS are the services that are provided to society by nature

The World Economic Forum estimates that over half of the world's GDP, **\$44 trillion of economic value**, is at moderate or severe risk due to nature loss (2020). A more recent (2023) assessment by PWC sets this amount at **\$58 trillion**. Large sectors such as agriculture, food, and construction are heavily dependent on nature for future resilience.

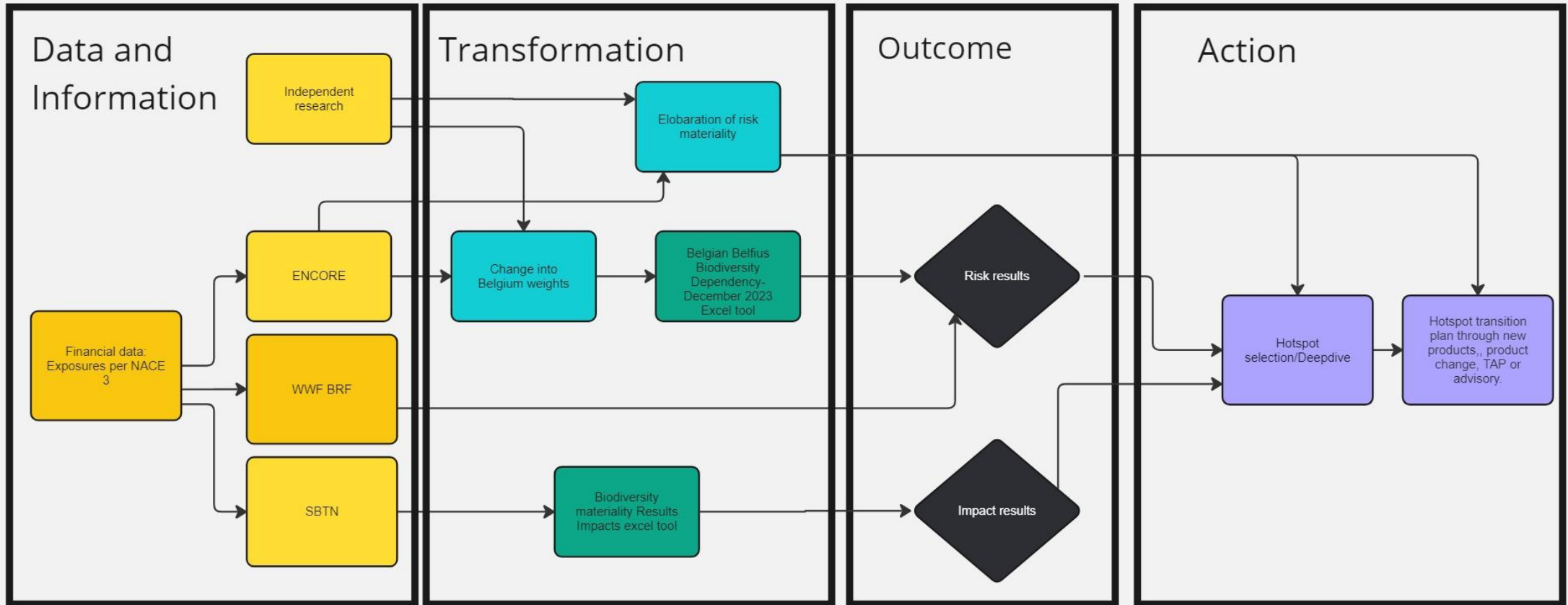
VITO, UA and UGhent have assessed the value of the Natura 2000 network in Flanders. This conservative study estimated that the 168 000 hectares (ha) of Natura 2000 areas in Flanders have a total value to society of **EUR 800 million to 1.2 billion** (RBINS, 2019).



**As is: DMA and definition of
strategy**

As is

Current methodology

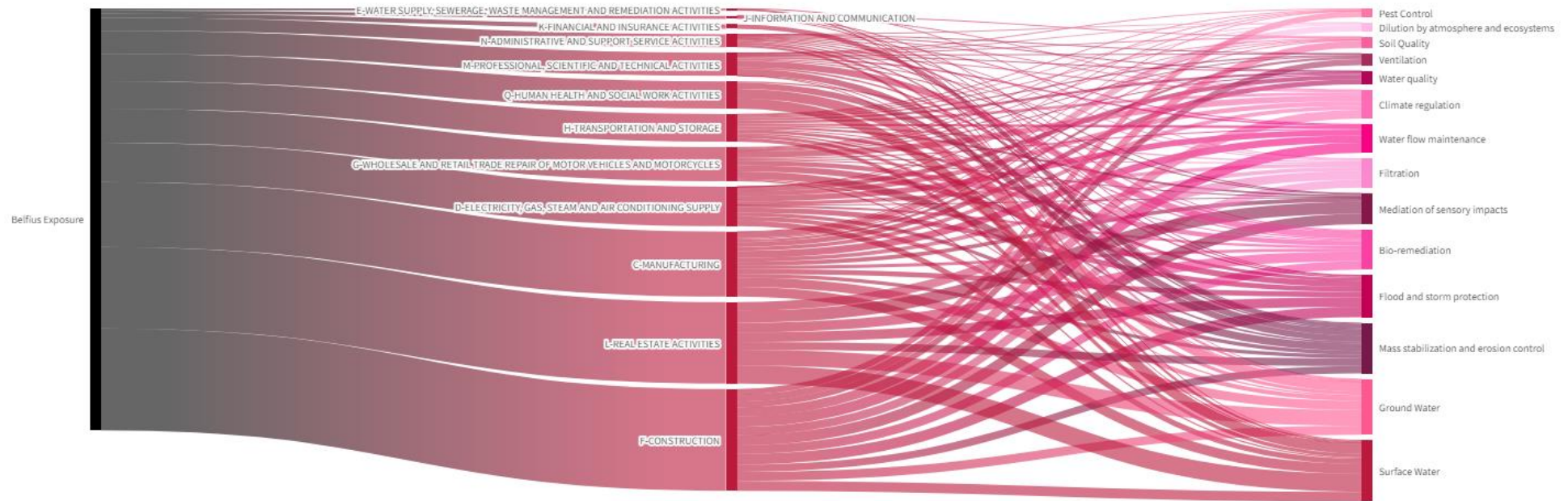
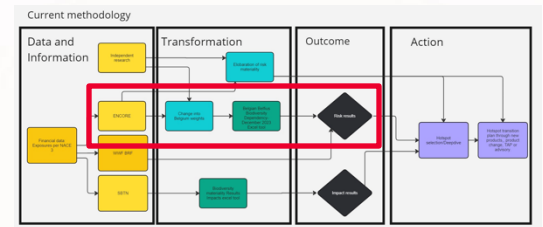


Not possible to do much action yet, except some minor suggestions based on the results.

WWF BRF was used in previous analyses but the main results used now are purely based on ENCORE risks.



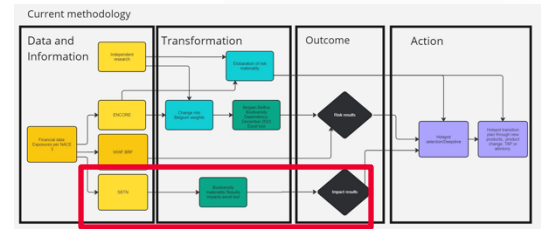
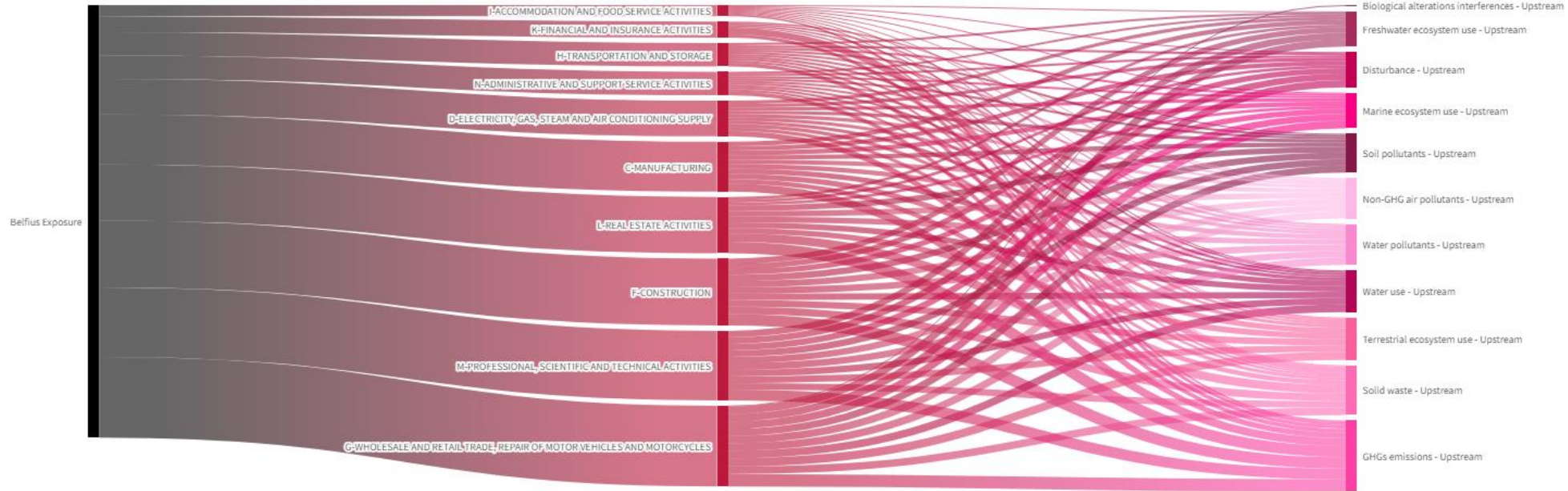
Risks distribution per sector



Construction represents 23% of total Risk score



Impacts distribution per sector

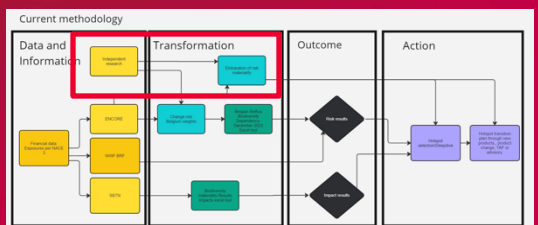


Top biodiversity risks per NACE 1 sector with sources

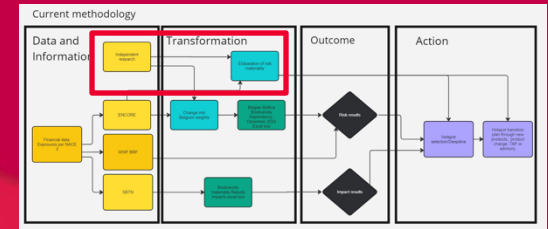
Sector	Risk ID	Risk Description	Impact	Sources
F-Construction	Top 5 ESS	1. Food and farm production (1.01) 2. Freshwater (1.02) 3. Land and marine resources (1.03) 4. Biodiversity (1.04) 5. Air quality and climate (1.05)	High	Concrete, brick, steel and aluminum are the main materials used in construction and their production is highly water intensive. Among the main contributors to on-site water consumption are dust suppression activities, hydro-demolition, vehicle and equipment washing, wet trades such as bricklaying, plastering, concreting and screeding, and groundworks such as drilling and grouting.
G-WHOLESALE AND RETAIL TRADE, REPAIR OF MOTOR VEHICLES AND MOTORCYCLES	Top 5 ESS	1. Mass stabilisation (1.01) 2. Food and farm production (1.01) 3. Freshwater (1.02) 4. Land and marine resources (1.03) 5. Biodiversity (1.04)	High	Micro-organisms used in the process of bio-remediation facilitate the recovery of reusable valuable resources from many environmental pollutants such as industrial waste or wastewater. This approach also minimises waste generation, reduces the need for resource extraction and encourages circularity. Circularity as at the core of making retail and wholesale a more efficient sector with less dependence on extracted resources and therefore very volatile markets.
L-Real estate	Top 5 ESS	1. Surface water (1.01) 2. Groundwater (1.02) 3. Biodiversity (1.04) 4. Air quality and climate (1.05) 5. Freshwater (1.02)	High	Water scarcity is a major concern for the real estate market. The presence of the necessary natural capital assets has a great influence on house prices and the necessary natural capital asset has a great influence on house prices and the necessary natural capital asset has a great influence on house prices.

All biodiversity risks per NACE 3 sector

Sector	Risk ID	Risk Description	Impact
Consumer	023	GATHERING Agricultural I Small-scale	Dependence on timber and wood.
Materials	024	SUPPORT Forest Produ Large-scale	Dependence on timber and wood.
Materials	024	SUPPORT Forest Produ Small-scale	Dependence on timber and wood.
Consumer	031	FISHING Agricultural I Freshwater wild-caught fish	Genetic re-Freshwater fishing requires a reservoir, river, lakes et Microorg; Organism: The atmof The atmosphere and Riverine fi Riverine fi Riverine fi River
Consumer	032	AQUACUL Agricultural I Aquaculture	Aquacultu Aquacultu Aquacultu Aquaculture ground water withdrawals for Bioremed Aquacultu Aquacultu Aquacultuists are dr Aquacultu Sediment; Aquacultu Coast
Energy	051	MINING OI Coal & Cons Mining	The mine I The mine will require freshwater resources for a number of activities, including: plant water sup; The mine relies on sc Maintenance of
Energy	061	EXTRACT Oil & Gas Ex Oil and gas	Use of local natural materials for roads, building camps etc.
Energy	062	EXTRACT Oil & Gas Ex Oil and gas	Use of local natural materials for roads, building camps etc.
Materials	071	MINING OI Steel Steel production	Water res Water resources for a number of activities.
Materials	072	MINING OI Coal & Cons Mining	The mine I The mine will require freshwater resources for a number of activities, including: plant water sup; The mine relies on sc Maintenance of
Materials	072	MINING OI Diversified n Iron extraction	The mine I The mine will require freshwater resources for a number of activities, including: plant water sup; The mine relies on sc Maintenance of
Materials	072	MINING OI Diversified n Mining	The mine I The mine will require freshwater resources for a number of activities, including: plant water sup; The mine relies on sc Maintenance of
Materials	072	MINING OI Gold Mining	The mine I The mine will require freshwater resources for a number of activities, including: plant water sup; The mine relies on sc Maintenance of
Materials	072	MINING OI Silver Mining	The mine I The mine will require freshwater resources for a number of activities, including: plant water sup; The mine relies on sc Maintenance of
Materials	081	QUARRYII Constructio Constructio Cement production requires limesto	Water is Water is required for washing processes ; To mainta To mainta To mainta Requires a Green infrastructure used to pr To maintain wa
Materials	081	QUARRYII Constructio Constructio Cement production requires limesto	Water is Water is required for washing processes ; To mainta To mainta To mainta Requires a Green infrastructure used to pr To maintain wa
Energy	089	MINING AI Diversified n Iron extraction	The mine I The mine will require freshwater resources for a number of activities, including: plant water sup; The mine relies on sc Maintenance of
Energy	089	MINING AI Coal & Cons Mining	The mine I The mine will require freshwater resources for a number of activities, including: plant water sup; The mine relies on sc Maintenance of
Materials	089	MINING AI Diversified n Mining	The mine I The mine will require freshwater resources for a number of activities, including: plant water sup; The mine relies on sc Maintenance of
Materials	089	MINING AI Diversified n Mining	The mine I The mine will require freshwater resources for a number of activities, including: plant water sup; The mine relies on sc Maintenance of
Materials	089	MINING AI Fertilizers & Synthetic fertilizer production	Sometime Water is Water is used for cooling and cracking ch; Important Important Important Dilution of Green Belt Erosion control to pr Water flow Gre



Top 5 ESS dependencies for construction



1) Water flow maintenance (5.95)

- Provision of ground and surface water for **water intensive** construction operations and resources.
- Prevention of **subsidence** which damages buildings and removes constructible land.
- Flood prevention

2) Flood and storm protection (5.93)

- Biodiversity stabilizes the ground and prevents sudden stream diversions/leakages. Healthy systems naturally slow down water, absorb rainfall and buffer winds.
- Flooding and storms damage infrastructure

3) Mediation of sensory impacts (5.90)

- Noise/light/smell pollution have **high impact on quality of life** of an area. The mediation of these sensory impacts by ESS increase local value and benefit the construction sector
- Construction runs more smoothly without complaints

4) Surface water (5.53) and 5) Ground water (4.94)

- On-site for machine functioning/cleaning and concrete
- In supply chain for manufacturing of materials. Aliminum, Brick, Steel, Wood, etc...

Top 5 Impacts of construction (Direct and upstream)

1) Terrestrial ecosystem use - Direct operations (4.6)

- Some 40% of Natural Areas highlight 'development' as a significant issue
- Land use and construction practices contribute to the removal of natural habitats
- The built environment is very reliant on primary resources and the mining sector which are some of the main causes for biodiversity loss.

2) Water use - Direct operations (4.0)

- Almost all construction related resources and activities need water.
- Among the main contributors to onsite water consumption are dust suppression activities, hydro-demolition, vehicle and equipment washing, bricklaying, plastering, concreting and screeding, drilling and grouting.
- There is intense contribution to droughts.

3) Disturbances - Direct operations (3.6)

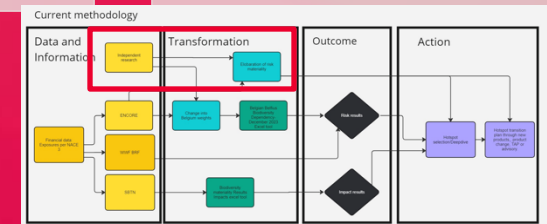
- Construction uses land which can destroy habitats
- Noise and light generated during construction processes could affect feeding and breeding behaviours which could have negative impacts on population levels.
- The use of land may also divide up land and separate/fragment habitats. This can influence population dynamics.

4) Solid waste - Direct operations (3.6)

- Construction and demolition waste (CDW) accounts for more than a third of all waste generated in the EU.
- Waste leads to water, air and soil pollution which disrupt the environment and lead to habitat loss.
- Improper waste management also drives the introduction of invasive species.

5) Freshwater ecosystem use - Direct operations (3.3)

- Concrete, brick, steel and aluminum are the main materials used in construction and their production is highly water intensive.
- The intense water use drains freshwater ecosystems and disturbs the natural dynamics.



Next steps

Data challenges

Current main pain point is the data gap. Up to now only broad high level top down estimates have been possible. The biodiversity issue is a local issue.

- Location data of all company assets and asset types
- External data on biodiversity condition
- Economic activity data (input/output)
- Value chain data

Getting upper management on board with convincing strategy

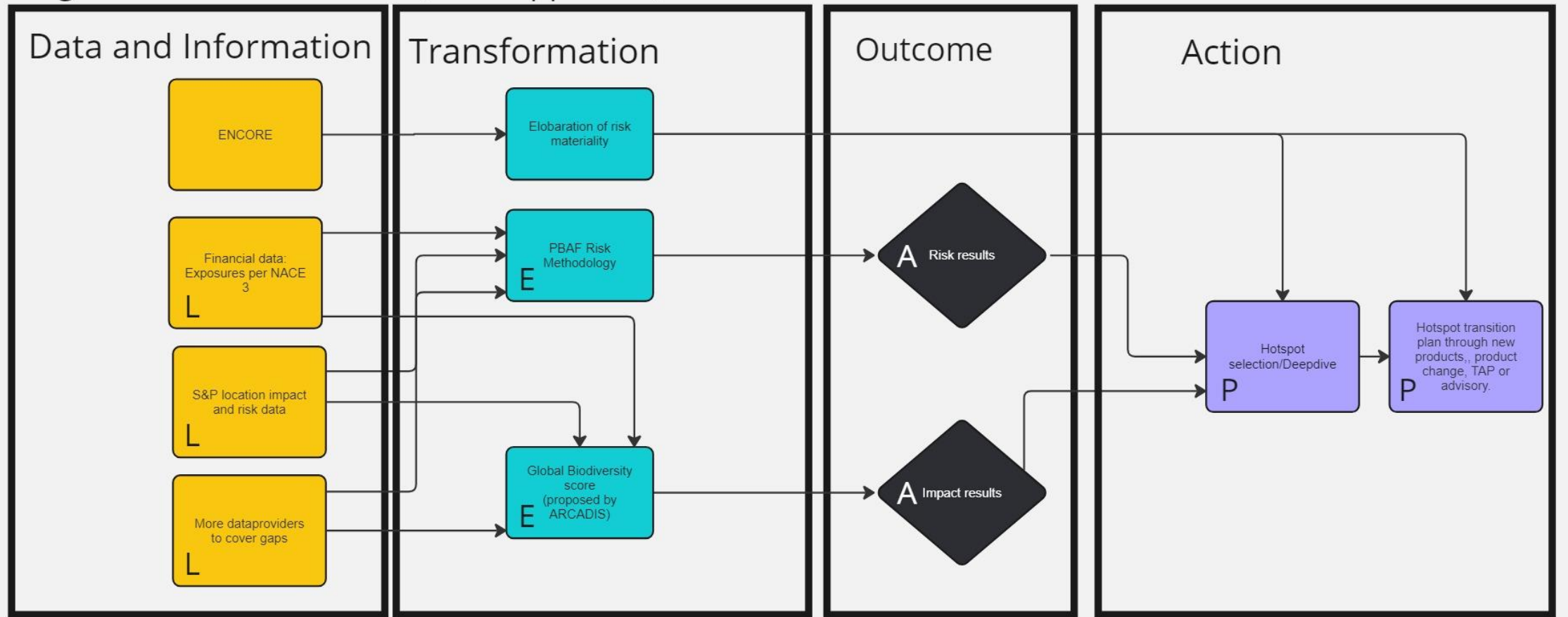
Less tangible than climate, hard to grasp the relevance to the Bank/Insurance.

- Align with company's mission
- Limit economic losses (short term)
- Raising awareness
- Replicability

Next steps: Tool selection and reporting

To get to:

Align with CSRD and TNFD (LEAP Approach)



External consultants currently helping us, through their experience and knowledge of the landscape, with setting up Data and transformation. They're training us to be able to autonomously create outcome and take action while aligning with mainly CSRD and if possible also TNFD.

Next steps: Actions

- Nature based solutions
- Sustainability linked loans
- Other Nature-Positive products for relevant sectors
- Investments
- Raising awareness for clients and internally
- Lobbying
- Sectorial restriction tightening (TAP)
- Broaden engagement with partners
- Keep learning by joining expertise groups (FfB, PBAF)

Belfius believes the best course for nature action is through company-wide rules that are embedded in the core strategy

5 Tips

1) Don't get lost in details

You don't need to know everything your customers do, just enough to take relevant action in the relevant places to best reduce your indirect impacts and dependencies. You don't do on site measurements, you're a financial institution and you use your leverage for the wellbeing of society and your company

2) Use strength and knowledge to help clients

Your clients are your connection to nature (direct operations often very limited for FI's use your helicopter view of the situation to help them. A win-win is formed where clients can better act on their biodiversity issues and you become a more trusted partner who is more likely to be considered for a long term relationship.

3) ENCORE

It is good to do your own tool assessment and find the best fit for your company. But as a start ENCORE is an excellent tool to get the first overview. Not only giving the materiality scores to find hotspots, but also being very good at explaining the nature of the problem within these hotspots.

4) Maturing on biodiversity is getting local

If you find the biodiversity crisis to be very relevant for your company, it is imperative for you to cover the data gap.

5) Don't wait for legislation

Public moves slower than private on the topic. Large banks are feeling the effects of the environmental crisis and are moving on their own. Waiting for legislation will put you in time restraints and not only to satisfy the legal obligations but also in developing expertise to understand your risks and impacts.

Robust company wide policy

Having rules that count everywhere and don't allow loopholes, you avoid the possibility to misuse/avoid the strategy you go for and subsequent greenwashing. It aligns the whole company and sensibilises every colleague of the importance the company assigns to ESG/Biodiversity.

Oliver Johnson

Head of ESG,
Climate Asset Management





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▶ Integrating Biodiversity into Investment Decisions

LSFI Biodiversity Masterclass

September 2024

This is a marketing communication. Please refer to the Private Placement Memorandum or Prospectus before making any final investment decisions. Image used for design purposes only. Source: Unsplash

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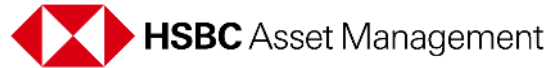
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Past performance does not predict future results.

► Climate Asset Management

A specialist asset management company focused on natural capital

A partnership between:



HSBC, one of the world's top banks²
for sustainable finance



Pollination, a global climate
investment and advisory firm

► We aim to deliver impactful and profitable
natural climate solutions at scale

Climate Asset Management Limited is authorised and regulated by the Financial Conduct Authority. 1) Climate Asset Management, August 2023. 2) Euromoney Awards for Excellence winner for "World's Best Bank for Sustainable Finance" in 2019 & 2020"; shortlisted in 2021, 2022, 2023. Past performance is no guarantee of future returns. The return, the value of money invested in the fund may become negative as a result of price losses and currency fluctuations. There is no guarantee that all of your invested capital can be redeemed.

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► Impact Measurement and Management Framework (IMM)

12 direct impact objectives aligned with global climate and nature goals, EU strategies and Article 9 / EU Taxonomy (note DNSH⁽⁹⁾ covered by ESG)

Biodiversity



- ▶ 1. 30% of land managed for nature ⁽¹⁾
- ▶ 2. Enhance ecosystem condition ⁽²⁾
- ▶ 3. Reduce overall use and risk from pesticide use by 50% vs. industry average from crop and/or region ⁽³⁾

Climate



- ▶ 4. Achieve Net Zero by 2030 for Scope 1&2
- ▶ 5. 10mtCO₂e GHG emissions reduced, avoided or removed ⁽⁴⁾
- ▶ 6. Soil organic carbon net gain
- ▶ 7. Adaptation solutions that contribute to reduce the risk of adverse climate impacts on landscape and/or community ⁽⁵⁾

Water



- ▶ 8. Improve water efficiency above industry average for crop and/or region
- ▶ 9. Reduce excess nutrient losses from synthetic fertilizers by 50% vs. industry average for crop and/or region, resulting in the reduction of fertiliser use by at least 20% ⁽⁶⁾
- ▶ 10. Protect and restore water-related ecosystems

Community



- ▶ 11. Community value creation ⁽⁷⁾
- ▶ 12. 30% of operating partner / asset manager management roles held by women and/or people of diverse representation ⁽⁸⁾

Source: Climate Asset Management, August 2023. Any forecast, projection or target where provided is indicative only and is not guaranteed in any way. (1) Aligned with Global Biodiversity Framework (GBF) Target 2, EU Biodiversity Strategy Target 1. (2) Aligned with TNFD State of Nature metrics. (3) Aligned with GBF Target 7, EU Biodiversity Strategy (for 2030) Target 6. (4) Based on \$1b capital raise. (5) Aligned with Article 9/ EU Taxonomy (see disclaimer on p.5). (6) Aligned with GBF Target 7, EU Biodiversity Strategy Target 13. (7) Umbrella category including tax revenue, employment, recreational access, local partnerships, using local suppliers, creating market access, preserving/ enhancing cultural values / practices. (8) Aligned with 2x Gender Challenge, increased from 25% target for food & agriculture and expanded diversity definition. (8) 2x Gender Challenge: <https://www.2xchallenge.org/criteria>. (9) DNSH = Do No Significant Harm. **References** GBF: <https://www.cbd.int/article/cop15-final-text-kunming-montreal-gbf-221222>. EU Biodiversity Strategy for 2030: https://environment.ec.europa.eu/strategy/biodiversity-strategy-2030_en. TNFD metrics: <https://framework.tnfd.global/tnfd-draft-approach-to-metrics-and-targets/>.

► Impact Measurement and Management Framework (IMM)

Each potential asset is assessed for its potential to meet minimum thresholds and contribute to Strategy impact Objectives

Methodology

Assesses impact across each of 4 impact categories

Classifies the impact potential of each asset based on two elements:

1. Intensity of impact

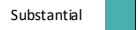
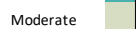
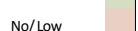
- Based on the % increase versus a pre-project baseline

2. Scope of impact

- Based on the extent of landscape or population affected

Matrix

Scope	Intensity				
	Very Significant	Significant	Minor	Reduced Negative	Negligible
Major Landscape	Substantial	Substantial	Substantial	Moderate	No/Low
Minor Landscape	Substantial	Substantial	Moderate	Moderate	No/Low
Localised	Substantial	Moderate	Moderate	No/Low	No/Low

Legend	
Substantial	
Moderate	
No/Low	

Intensity

Cause or likely to cause very significant improvements (>30%)

Cause or likely to cause significant improvements (20–30%)

Cause or likely to cause relatively minor improvements (<20%)

Causing or likely to cause slowing of negative impacts compared to business as usual but not improvements over 2020 baseline.

Causing or likely to cause negligible improvement

Scope

Affects a major proportion of the population/landscape (>30%)

Affects a minor proportion of the population/landscape (5-30%)

Effects are localised (<5%)

Source: Climate Asset Management, August 2023. Assessments highlight areas that can enhance value creation and therefore improve the outcome of the strategy. There is no assurance that the strategy will achieve its investment objectives as physical factors (such as climate and ecosystem risks) as well as other factors may impact the quantity and quality of production and any other value derived from an asset

► Fund Pipeline Screening (TNFD Aligned)

Impact assessment is based on the extent of the impact and the change in condition expected. Dependencies are drawn from the ENCORE database providing information on sector and production process dependencies on ecosystem services.

Impacts*

Impact Pathways	Agriculture 1	Agriculture 2	Agriculture 3	Forestry 1	Forestry 2
Land-use Change	Green	White	Light Green	Green	White
Land Management	Green	White	White	Green	White
Water-use	Green	Red	Light Green	White	White
Pollution	Green	Red	Light Green	White	White
Wildlife Disturbance/ Mortality	Light Green	Light Green	Light Green	Green	Light Green
Operational GHG	TBD	TBD	TBD	TBD	TBD
Invasive Species	White	White	White	White	White
Impact Upon Communities	Light Green	White	White	White	White

Positive Impact

Negative Impact

Dependencies

Ecosystem service		Agriculture	Forestry
Direct	Fibres and other materials	M	VH
	Genetic materials	M	N/A
	Ground water	VH	VH
	Surface water	H	VH
Enabling	Pollination	H	H
	Soil Quality	H	H
	Ventilation	L	N/A
	Water flow maintenance	H	H
	Water quality	H	N/A
Mitigating	Bioremediation	M	M
	Dilution by atmosphere and ecosystems	M	N/A
	Filtration	M	VL
Protecting	Buffering and attenuation of mass flows	H	N/A
	Climate regulation	H	VH
	Disease control	H	H
	Flood and storm protection	VH	VH
	Mass stabilisation and erosion control	VH	VH
	Pest control	H	H

Natural Capital Asset	Number of Associated Ecosystem Services
Atmosphere	5
Ocean Geomorphology	1
Land Geomorphology	3
Species	11
Habitats	11
Soils and Sediments	4
Minerals	1
Water	8

*Indicative portfolio based on pipeline projects

Investment Screening Tools

Desktop tools are used in the screening and due diligence process, which are complemented by location specific datasets and information, as well as targeted studies where potential issues are identified

Impact Category	Biodiversity	Climate	Water	Community
Approach	IBAT – Integrated Biodiversity Assessment Tool	MunichRe Climate Risk Tool	WRI’s Aqueduct tool	<p>Desktop tools not appropriate for community objectives.</p> <p>A location specific stakeholder review and engagement is conducted.</p>
	UNEP WCMC’s Global habitat screening layers	Botanic Gardens Conservation International – Climate Assessment Tool	WWF’s Hydrosheds	
	Maya Climate Lens – Upstream Tech			
	Ecoregion Intactness Index			
	Additional third-party assessments where risks are identified.			

Climate Assessment Tool

Assessment Results
 for taxon *Macadamia integrifolia* Maiden & Betche
 at garden Bundaberg Botanic Gardens (Australia)
 with climate change scenario **Current conditions**

Source	Records	MAT	Temperature in Celsius											
			14°	15°	16°	17°	18°	19°	20°	21°	22°	23°	24°	
GBIF BGCI	272	19.6 °C	0	0	0	1	2	3	3	1	0	0	0	
GBIF Current	311	19.5 °C	0	1	1	2	3	3	3	2	1	1	1	
Model	0	19.6 °C	1	1	2	2	3	3	3	3	2	2	1	
UrbanPlants	13	17.6 °C	0	3	3	3	3	3	3	3	2	2	2	
PlantSearch	63	16.5 °C	3	3	3	3	3	3	3	3	2	2	2	

► Case Study Project P – Pre and post Investment

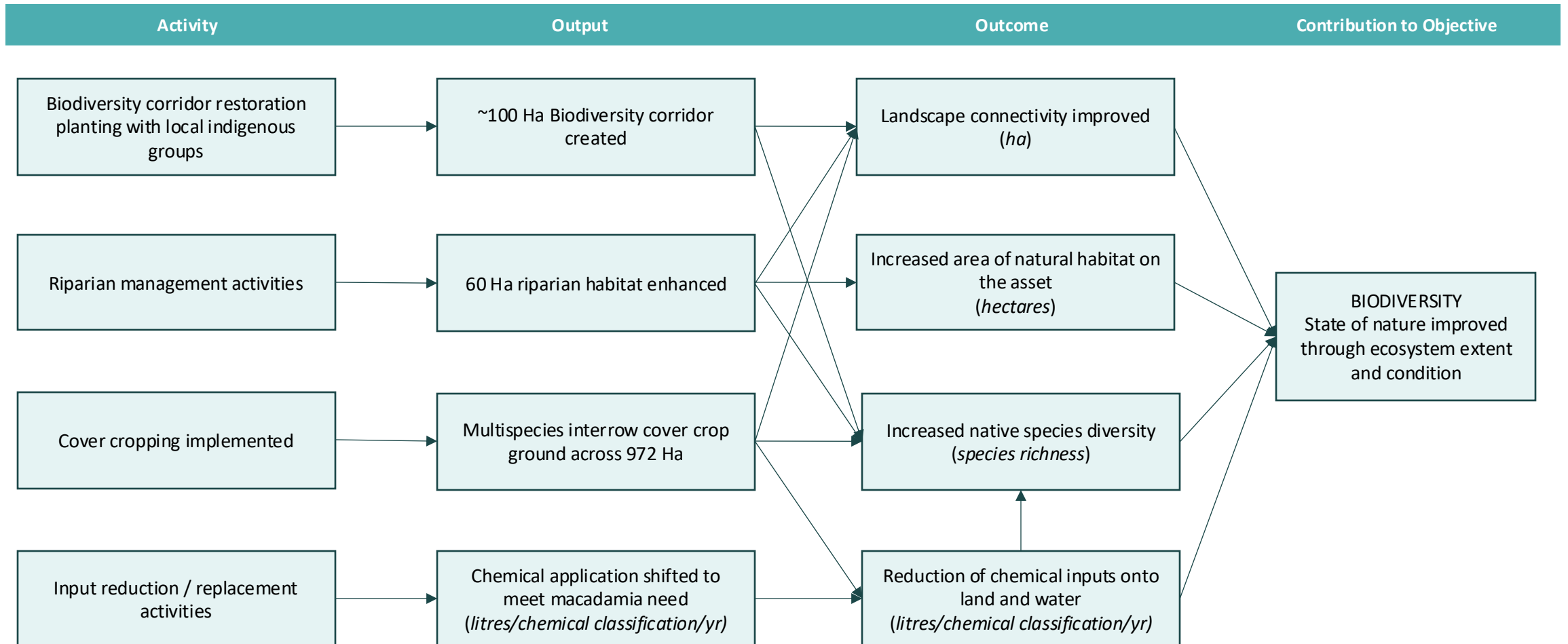
Before: Dense monoculture sugarcane, degraded land, low diversity irrigation channels and reservoirs.



After: Macadamia orchard with diverse inter-row cover cropping, increased soil carbon and health, restored native vegetation and riparian areas



► Case Study Project P – Biodiversity Theory of Change



► Case Study Project P – Regen Ag Practices

Inter-row Cover Crop



- Multi-species inter-row cover cropping with a diverse species mix comprised of millet, rhodes, couch tillage radish, mustard, chicory, lucerne and white clover to improve soil health

- 2: improved aboveground and below ground biodiversity
- 6: SOC increase
- 8: increased water filtration, reduced runoff

Orchard Recycling



- The incorporation of bark mulch, compost and older trees back into the soil

- 2: improved belowground biodiversity
- 8: increase water retention
- 9: reduced need for synthetic fertilisers

Habitat Restoration



- Recovery of a previously degraded ecosystem via the reintroduction of native species such as *Eucalyptus hallii* and *Macrozamia lomandroides*

Contribution to Impact Objectives

- 1: contributes 10% for nature
- 2: improved ecosystem connectivity and function
- 11: Community value creation

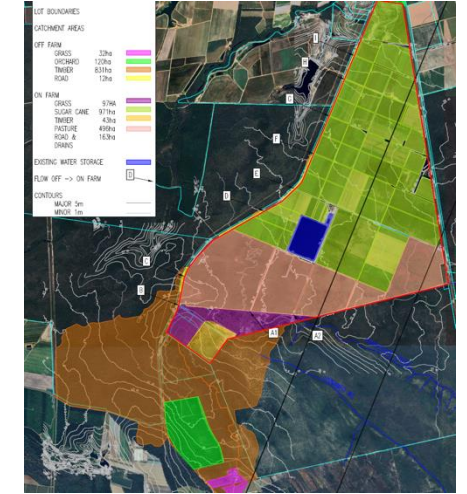
Carbon



- Planting over 800k trees, as well as native hedgerows, endangered species and multi-species swards

- 4: Net Zero
- 5: biomass and soil carbon credits

Reduced Run-off



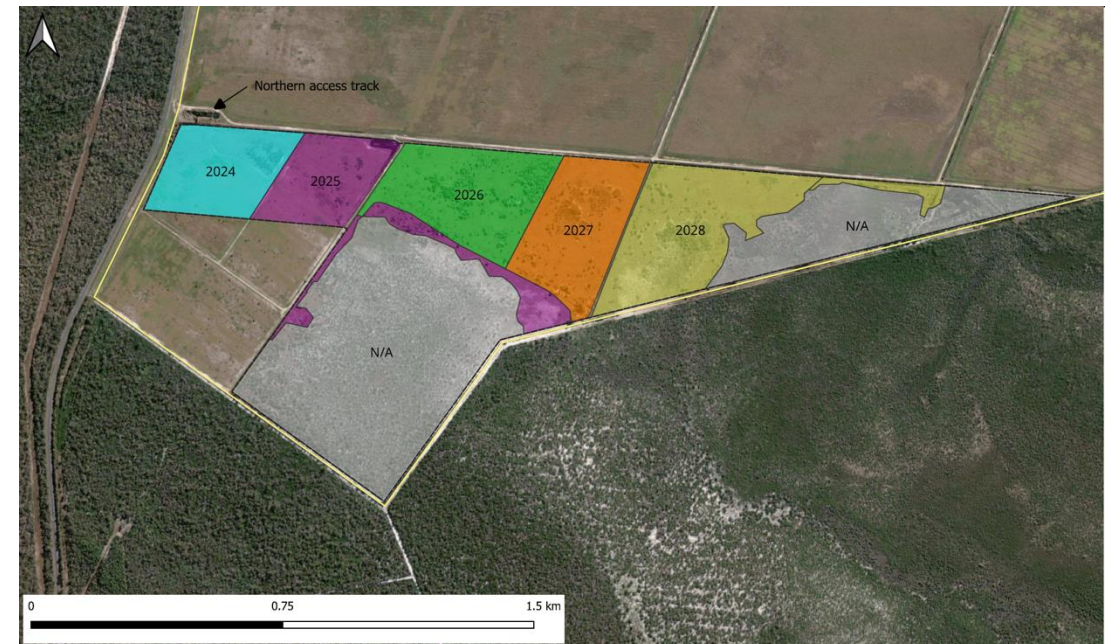
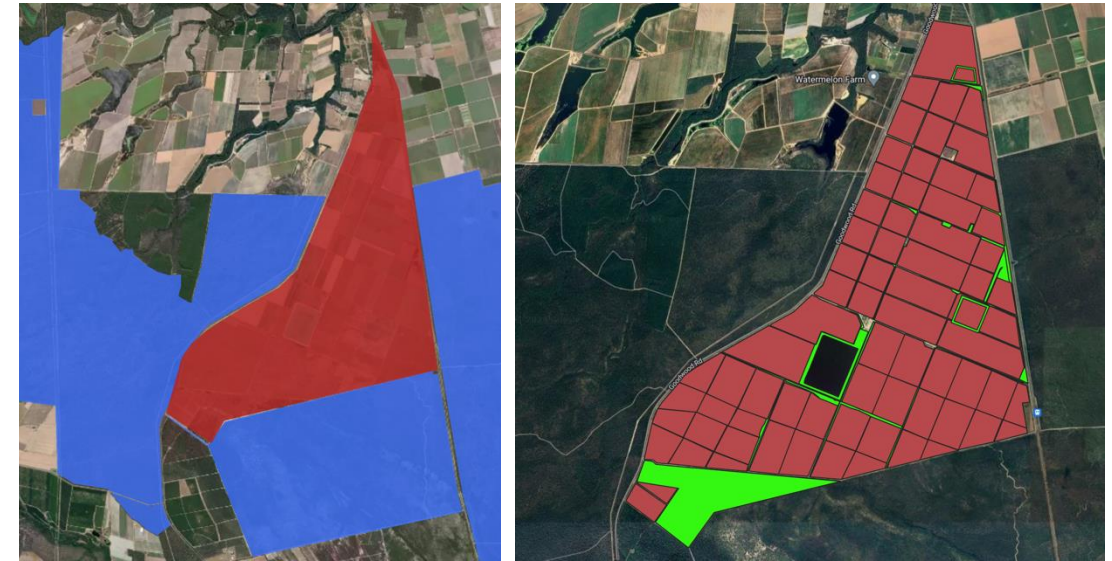
- Measuring and reducing runoff via catchment and overland flow modelling, effective drain and channel design

- 8: efficient water usage
- 9: reduced nutrient loss and chemical fertilizer inputs

► Case Study Project P - Biodiversity Corridor

Connecting the Bingera and Burrum Coast National Parks

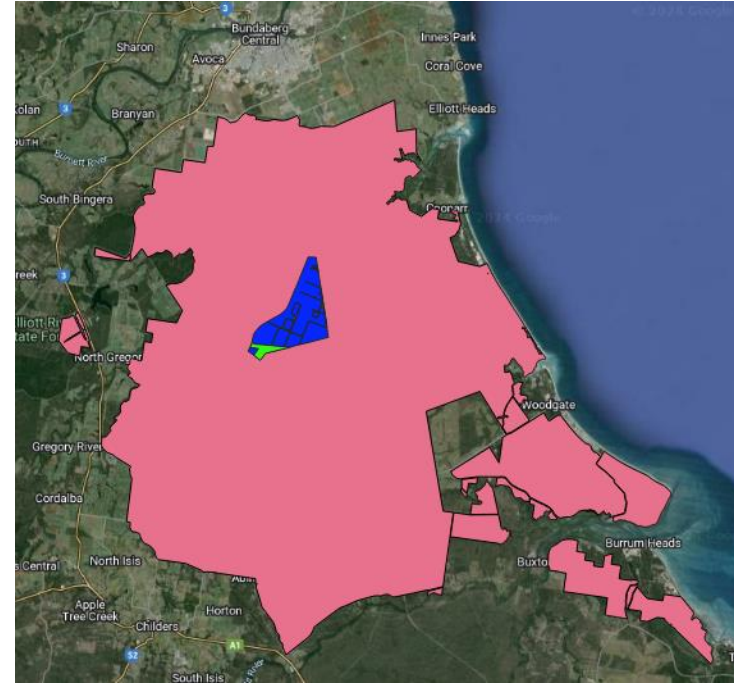
- Biodiversity corridor is ~115 ha of non-planted land;
- Aims to generate a connection across the asset between 2 National Parks
- Area is a combination of highly degraded land and areas of natural regeneration
- Restoration plan covers 5 years of active restoration planting ~23,600 individual plants, as well as managed natural regeneration.
- Implementation will be a combination of operating partner, local ecological consultants and local indigenous youth group



► Case Study Project P – Species Reintroduction

Supporting the conservation of Threatened species

- ▶ Asset sits with the “Burrum Coast” Alliance for Zero Extinction Site (AZE)
- ▶ AZEs are “areas that hold the last remaining populations of one or more species assessed as Endangered or Critically endangered”.
- ▶ *Macrozamia lomandroides* is an Endangered cycad which has seen 50-79% of its habitat lost within the past 50 years;
- ▶ Objective would be to reintroduce the species on restored land within the asset’s biodiversity corridor;
- ▶ Outcome could increase the globally available habitat for this species by 1.5%
- ▶ Project looks to partner with local ecological consultants and Queensland Herbarium to ensure seeds can be collected from wild population safely and managed on-site to maximise survival rates.



Source: Climate Asset Management, June 2024. Any forecast, projection or target where provided is indicative only and is not guaranteed in any way

► Case Study Project P - Partnering with Communities

W.Y.L.D community represents the youth in the Bundaberg region from First Nations Communities (Aboriginal and Torres Strait Islander)

W.Y.L.D Community

- Through W.Y.L.D projects, indigenous youth aged between 16-24 are engaged in restoration and conservation activities, providing them with work experience and employment opportunities
- The Indigenous youth receive support from traditional elders and community support groups, connecting them with their heritage and culture



Project Partnership

- **Project Activity:** Establishment of a 115-hectare habitat restoration site that includes the reintroduction of native and endangered plants. The project aims to create a biodiversity corridor connecting the two National Parks surrounding Project Paradise
- Partnership with the W.Y.L.D. community to employ Indigenous youth in preparing and implementing the restoration site, in collaboration with the project operator and local ecologists



► Case Study Project P – Payment for Ecosystem Services

Opportunities to income in both the compliance and voluntary markets

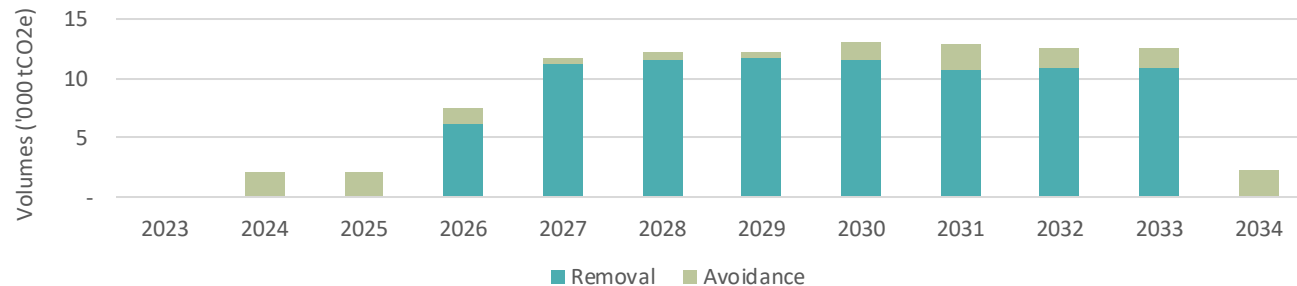
- Expected to feature two carbon projects: a native habitat restoration project generating ACCUs and eligible for the Queensland Land Restoration Fund for its co-benefits, and the orchard issuing VCUs:
 - Voluntary Carbon Market project under Verra's **Verified Carbon Standard (VM0042)**. The operating partner has partnered with a carbon market developer to submit a Verra **Project Design Document for a grouped project of existing orchards**. Estimated 100k VCUs over 10 years.
 - Native habitat restoration project under the **Emissions Reduction Fund's environmental plantings methodology**, with co-benefits eligible for consideration by the Queensland Government Land Restoration Fund (auction to be announced). Estimated 3,400 ACCUs over 25 years.



Transition from sugarcane to a sustainable perennial crop



Annual Carbon Profile (Voluntary)



Source: Climate Asset Management, June 2024. Any forecast, projection or target where provided is indicative only and is not guaranteed in any way. For illustrative purpose only and does not constitute investment advice. The decision to invest in the fund should take account of all the characteristics or objectives as described in the prospectus/information document of the AIF or equivalent documents. Actively managed.

▶ Integrating Biodiversity into Investment Decisions - Challenges

Regulatory changes and TNFD will bring meaningful changes to biodiversity disclosures

General

- ▶ **Data availability** – quality of datasets globally differs significantly
- ▶ **Resourcing/Expertise** – limited pool of experts and local knowledge to perform evaluations
- ▶ **Company disclosures** – few companies are adequately disclosing their biodiversity risks currently, changes will materialize through regulation and TNFD

Risk Mitigation and Compliance

- ▶ **Mitigating Risks** – the tools exist to perform high level portfolio/project risk assessments with little information. Being able to demonstrate risk mitigation (outside of avoidance) requires more in-depth analysis;
- ▶ **Cost** – survey and ongoing monitoring costs (as well as restoration costs if relevant) need to be factored into investment decisions from the start

Impact

- ▶ **Timescales** – biodiversity improvement/protection initiatives take time to generate results, e.g. CAM NCF is a 15-year close-ended fund
- ▶ **Permanence** – guaranteeing permanence is challenging and increases compliance burden, e.g. placing conservation easements, PES contracts



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Key Risks

Investors in alternatives products should bear in mind that these products can be highly speculative and may not be suitable for all clients. Investors should ensure they understand the features of the products and fund strategies and the risks involved before deciding whether or not to invest in such products. Such investments are generally intended for investors who are willing to bear the risks associated with such investments, which can include: loss of all or a substantial portion of the investment, lack of liquidity in that there may be no secondary market for the fund and none may be expected to develop; volatility of returns; prohibitions and/or material restrictions on transferring interests in the fund; absence of information regarding valuations and pricing; delays in tax reporting; key man and adviser risk; limited or no transparency to underlying investments; limited or no regulatory oversight and less regulation and higher fees than mutual funds.

Please note that alternatives related investments are generally illiquid, long term investments that do not display the liquid or transparency characteristics often found in other investments (e.g. listed securities). It can take time for money to be invested and for investments to produce returns after initial losses. As such alternatives related investments should be considered as a very high risk investment and are only suitable as part of a diversified portfolio. Before making such investments, prospective investors should carefully consider the risks set forth in the relevant investment documents.

GENERAL

There is no assurance that the fund will achieve its investment objective. The value of investments can go down as well as up and investors may not get back the amount originally invested. Income from investments is not guaranteed. Further information on the potential risks can be found in the Offering

Memorandum.

LIQUIDITY RISK

Investors should expect to be locked-in for the full term of the fund, which is subject to extensions. There may be restrictions on the transfer, assignment or sale of interests in the fund, there is no established secondary market.

UNPREDICTABLE CASH FLOWS

Capital may be called and distributed at short notice. There is no guarantee of distributions.

RISKS SPECIFIC TO THE ASSET CLASS

Including but not limited to: i) physical factors (such as climate and ecosystem risks) may impact the quantity and quality of production and any other value derived from the asset (such as carbon credits) ii) adverse changes in market prices of the product, land or any other assets or services provided by the asset iii) financial risk iv) government actions and v) changes in policy, law, regulations and tax laws.

LIQUIDITY OF INVESTMENTS

The fund's investments are expected to be illiquid and there can be no assurance that the fund will be able to realise investments at attractive prices or otherwise be able to effect a successful realisation or exit strategy. Furthermore, it may not be possible to establish their current value at any particular time. The lack of liquidity in the fund's asset portfolio may significantly impede the fund's ability to respond to adverse changes in the performance of its assets and may adversely affect the value of an investment in the fund.

EXCHANGE RATE RISK

Changes in currency exchange rates could reduce or increase investment gains or investment losses, in some cases significantly.

COUNTERPARTY RISK

The possibility that the counterparty to a transaction may be unwilling or unable to meet its obligations.

OPERATIONAL RISK

May subject the fund to errors affecting transactions, valuation, accounting, and financial reporting, among other things.

EMERGING MARKETS RISK

Emerging markets are less established, and often more unpredictable than developed markets and involve higher risks, particularly political, legal, economic, market, liquidity and currency risks.

INVESTMENT OPPORTUNITIES

The activity of identifying, completing, and realising attractive investments is highly competitive and involves a significant degree of uncertainty.

Key Risks

The sustainability risks identified are sector-based and relevant to NCF's investment activities – primarily agriculture and forestry assets. These have been determined using guidance from the Sustainability Accounting Standards Board framework, which identifies financially material ESG risks by asset class, and the Commonwealth Development Corporation's (CDC) ESG Toolkit Sector Profiles.

Climate resilience - Climate change may create long-term business uncertainty for some agriculture and forestry assets due to variations in precipitation patterns and temperatures, more frequent extreme weather events and forest fires, and an increased prevalence of diseases and pests. All of these climate-related actions could result in lost harvests or reduced productivity. Conversely, some geographies may experience moderated temperatures and higher rainfalls, thereby increasing productivity. Climate Asset Management, through its sustainability risk assessment processes, undertakes a physical risk assessment using climate scenarios to establish medium and long-term climate risks and opportunities from investments, in line with TCFD recommendations.

Along with the products they deliver (timber and food), landscapes provide valuable ecosystem services including carbon sequestration, wildlife habitat, water purification and storage, soil formation and recreational opportunities. Regressive forestry and agricultural production negatively impacts these ecosystem services. Climate Asset Management's strategy has been conceived to do the opposite, and instead enhance ecosystem services by establishing sustainably

managed forests and farms on previously poorly managed lands. As such, this impact is mitigated to a large extent.

Landscapes contribute directly to the livelihood of millions of people worldwide. Effective relations with local communities and indigenous populations are essential to avoid negative impacts on these communities, including land conflicts and competition for water. Conflict with community and/or indigenous populations may result in regulatory action or restrictions to a company's ability to operate in the region. For all investments, a stakeholder mapping and engagement exercise is undertaken consistent with the sustainability standards and norms that Climate Asset Management applies. Stakeholder engagement is undertaken as a relationship-building exercise based on mutual respect and trust.

Forestry and agriculture projects present significant occupational hazards through the handling of machinery, working outdoors and manual labour. Violations in health and safety standards could result in monetary penalties and high injury rates and could lead to reputational damage. Climate Asset Management undertakes a detailed working conditions assessment during due diligence, evaluating occupational health and safety risks as well as the contractual conditions of workers. All investments are required to implement health and safety plans aligned to good international industry practice such as ISO 45001. Sustainability risks including but not limited to those identified above can lead to significant deterioration in the financial profile, liquidity, profitability or reputation of the underlying investment. NCF's strategy

is geared towards eliminating these and even benefitting from the upside opportunities of ecosystem restoration and the monetisation of these. Failure to take sustainability risks into account could lead to a significant adverse effect on the ability of the Fund to sell an investment, an investment's ability to generate income, the market price of an investment and/or reputational issues that could have an impact on financial returns to the Fund. The assessment of sustainability risks and their potential impact on investment returns is complex, may be difficult to determine and may involve subjectivity. The aim of this assessment is to ensure that negative financial impacts of sustainability risks associated with a potential investment are mitigated, protecting, to the extent possible, the returns of the Fund. The assessment also highlights areas where value creation can be enhanced and can therefore improve the returns of the financial products available, and ultimately, positively impact returns to the Fund. There is no guarantee that the Fund will be able to mitigate any potential negative financial impact of sustainability risks and therefore losses may be incurred. Furthermore, there is no guarantee that the Fund will be able to create value and increase Fund returns.

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Masterclass

The Key Role of Stewardship to Advance Sustainable Finance



Katja Brunner

Director Legal & Regulatory,
Swiss Sustainable Finance



Introducing the Swiss Stewardship Code

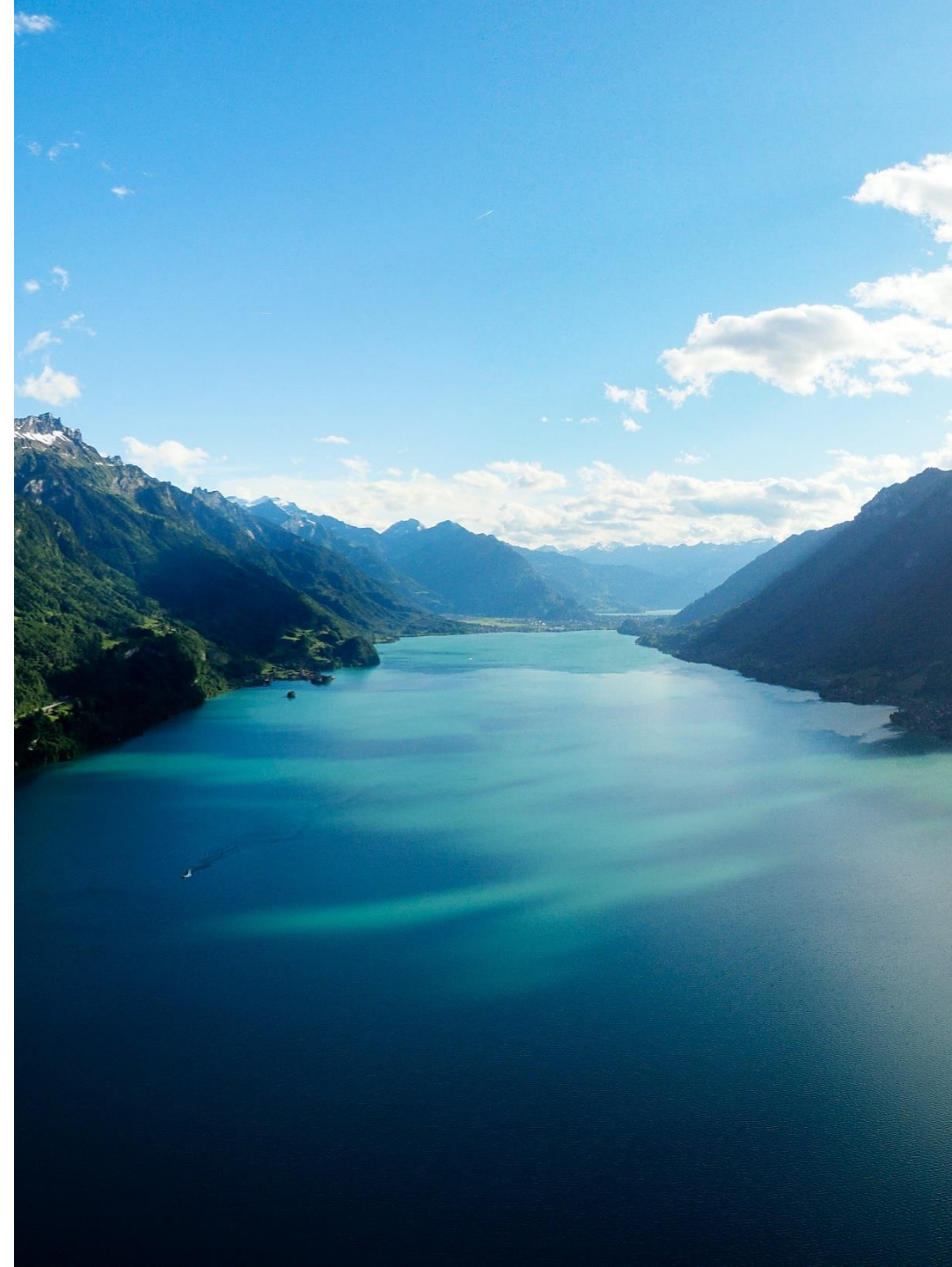
Katja Brunner, Director Legal & Regulatory, SSF

18. September 2024



Agenda

1. Swiss Sustainable Finance (SSF)
2. Defining Stewardship
3. Why Stewardship?
4. Swiss Stewardship Code
5. Q&A



1 Swiss Sustainable Finance (SSF)



Broad SSF members base (>250 members and network partners)

Category	Examples of members
> 130 Asset Managers and Banks	
> 35 Pension funds and other asset owners	
8 Insurance companies	
> 30 Service providers	
> 10 Research and education facilities	
> 10 NGOs und public sector	

SSF publications

Swiss Sustainable Investment and Lending Market Studies
(updated annually)

Spotlight series:

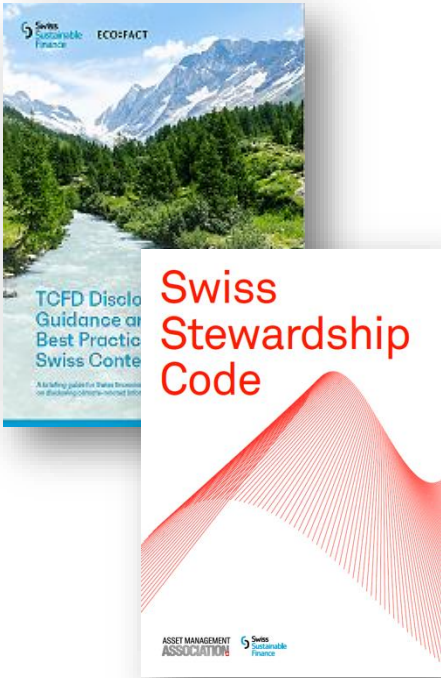
- The Role of Derivatives
- Sustainable Real Estate Investments

Guidelines:

- TCFD Disclosure – Guidance and Best Practice in the Swiss Context
- Swiss Stewardship Code

Compendiums:

- Sustainability in Lending
- Financing The Low Carbon Economy



2 Defining Stewardship



Definition

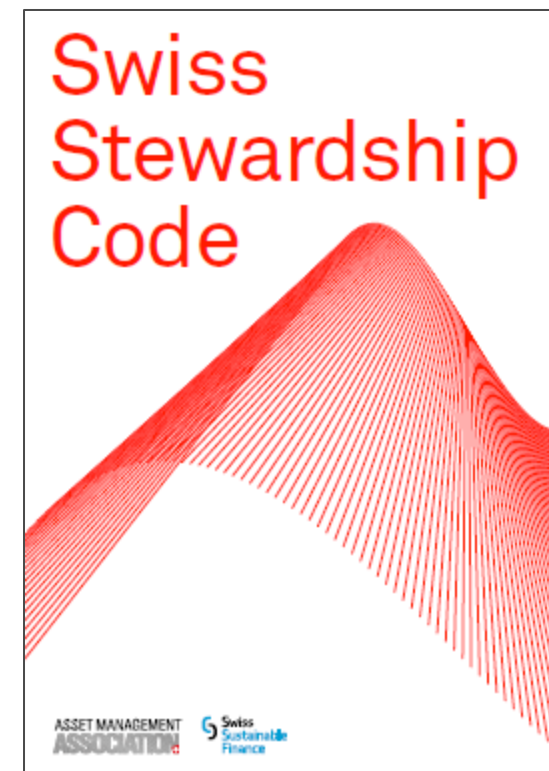
*“Responsible investment approach
by which investors collaborate and interact with investee entities
to generate long-term financial, environmental and societal
value and
to reach positive and long-term sustainable outcomes”*

– **Two Means**

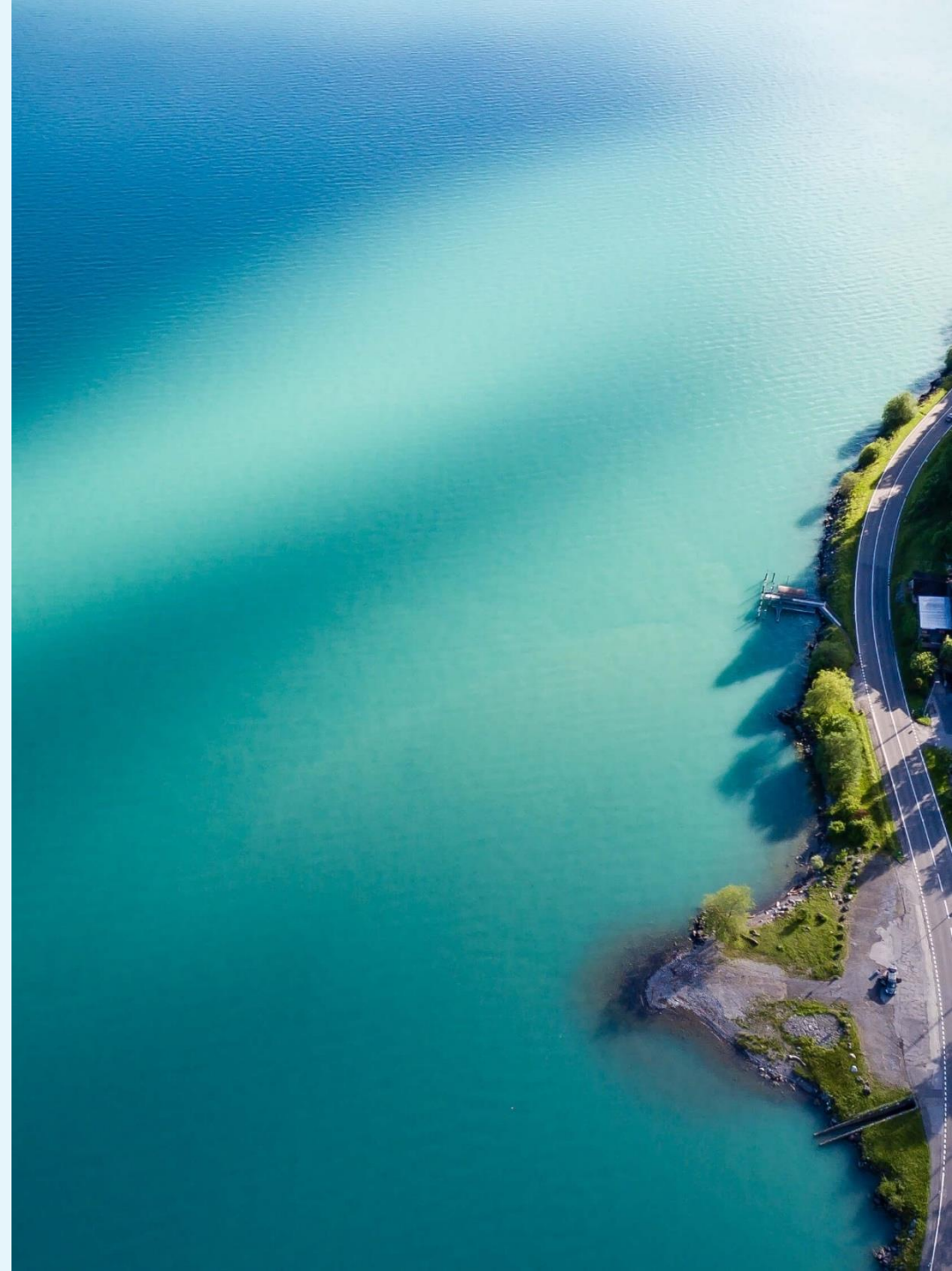
- Active exercise of investor voting rights
- Engagement in an active dialogue with investee entities

– **Importance of outcomes**

- Long term financial, environmental and societal value through measurable, positive and long-term sustainable outcomes.
- Double materiality: effective investment decision making (investors) and long-term sustainable development (investees)



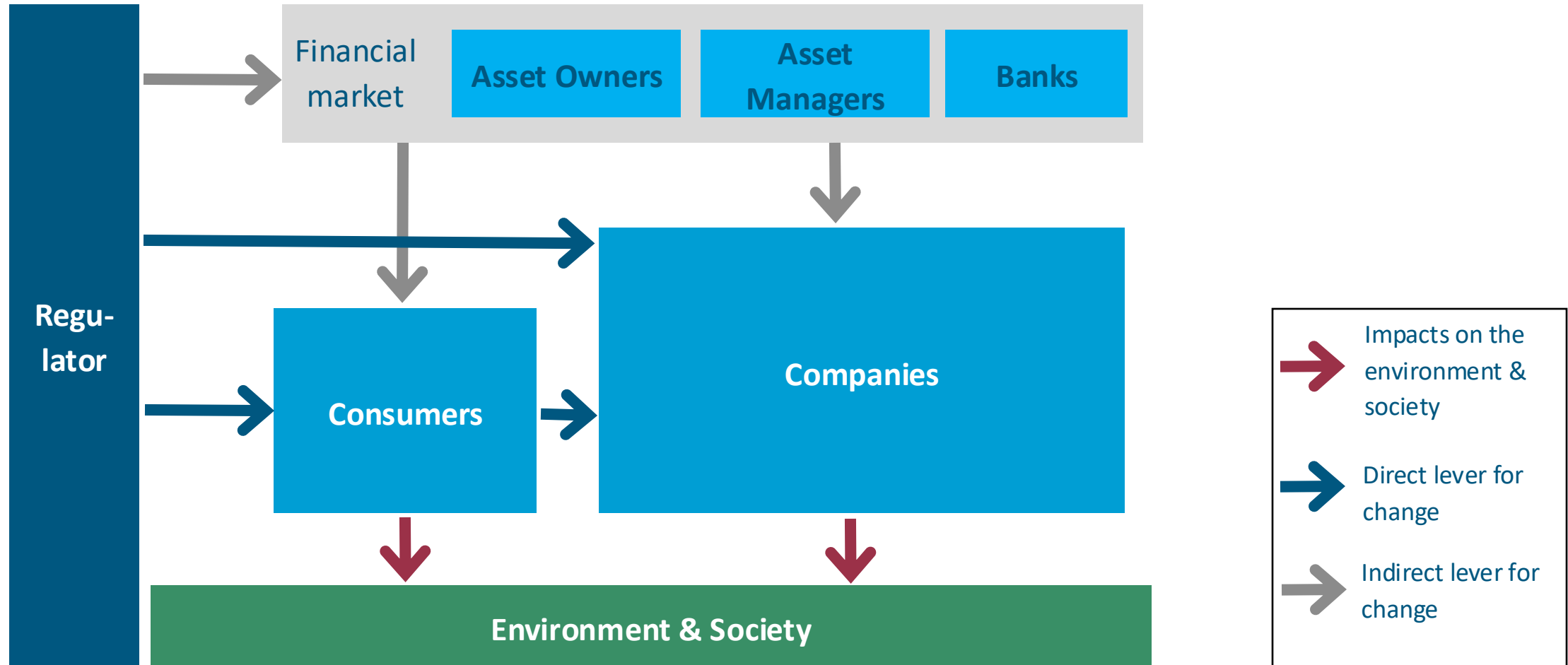
3 Why Stewardship?



Stewardship as a driver for risk mitigation and long-term value creation

- **Company perspective**
 - Forster sustainable value creation
 - Increase long-term risk-adjusted returns, benefitting all investors equally
- **Investor perspective**
 - Core element of the fiduciary duty: protects and enhances long-term value

What are the levers for change?



Levers of the financial industry

Asset Management:

- New capital for companies developing sustainable solutions or for sustainable assets
- Exercise of voting rights and engagement with companies to encourage the development of credible climate and sustainable strategies (Stewardship)

Financing Business:

- Pricing in risks associated with unsustainable activities
- Engagement with companies to promote sustainable business models (particularly net-zero strategies)

Mortgage Business

- Mortgages with incentives for sustainable construction
- Providing information to clients on sustainable buildings

Wealth Management/ Advisory

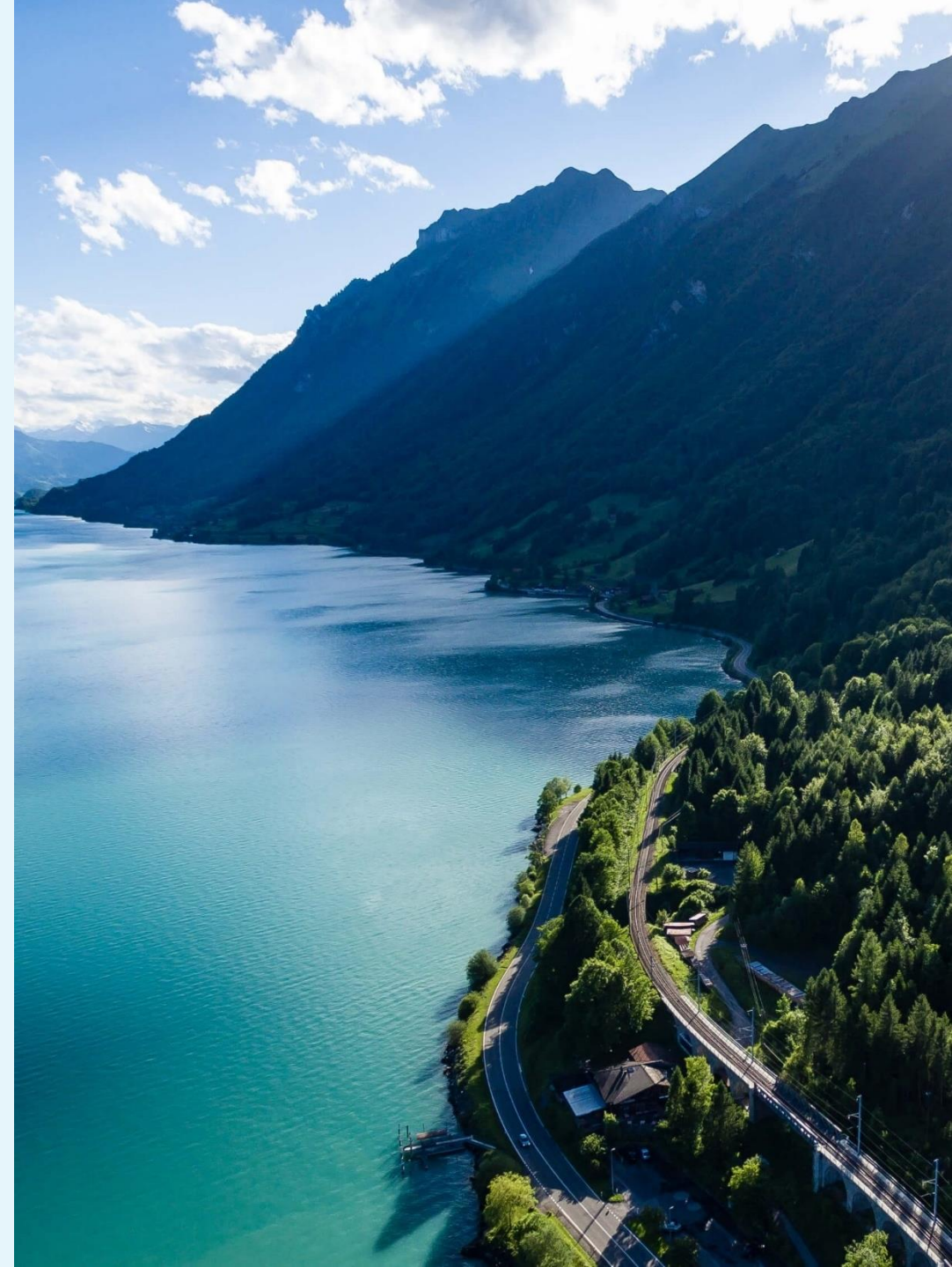
- Broad range of sustainable investment solutions
- Advising clients on sustainable investments

Asset Owners

- Long term commitments and long investment horizon
- Interest in directly mitigating systemic risks (e.g. climate change, biodiversity loss, etc.) in the real economy to preserve the long-term returns

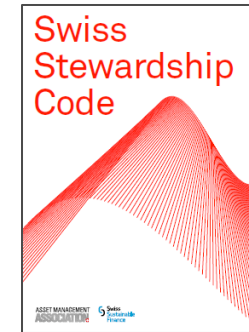
4

Swiss Stewardship Code



Background

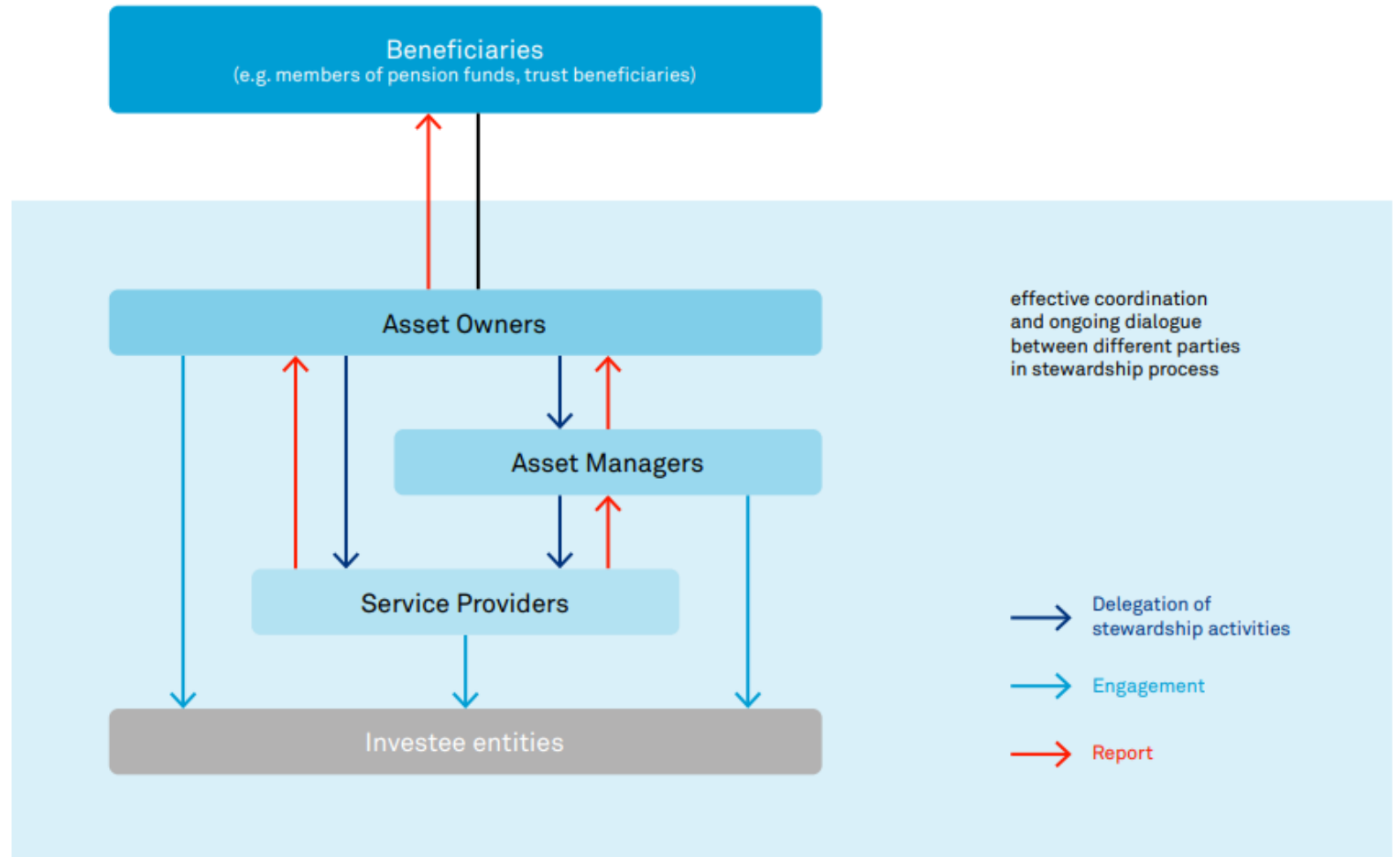
- In **Switzerland**, engagement and voting are not broadly adopted and implemented in **many different forms**
- **Importance of Stewardship:**
 - Sustainable value creation: helps to increase long-term risk adjusted rate of returns (company perspective)
 - Protects and enhances long-term value (investor perspective)
- **Objective of the Code:** guidance for more stewardship across the Swiss investment industry while offering a framework that leads to better comparability
- **Joint Working Group of Swiss Sustainable Finance (SSF) and the Asset Management Association of Switzerland (AMAS)**
 - Bringing asset owners, asset managers, services providers together
- **Scope of application:** Investors (asset owners, asset managers) and third party service providers to whom investors delegate their stewardship activities
- Applicable on a **voluntary basis**
- **Basis:** ICGN Global Stewardship Principles and UK Stewardship Code
- Code as a **starting point:** Going forward, the Swiss Stewardship Code will be updated to reflect gained experience and future changes in stewardship market practices



The ecosystem of effective Stewardship

The **success of effective stewardship** implementation relies on:

- Clear understanding of the different roles of AO, AM, SP
- Transparent and ongoing dialog
- Joint efforts in addressing sustainability related risks and contributing to positive outcomes.



Source: Swiss Stewardship Code

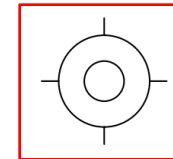
In a nutshell - 9 principles for effective Stewardship



Principle 1
Governance



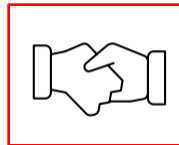
Principle 3
Voting



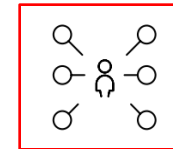
Principle 6
Monitoring of Stewardship Activities



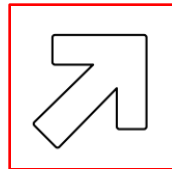
Principle 2
Stewardship Policies



Principle 4
Engagement



Principle 7
Delegation of Stewardship Activities



Principle 5
Escalation

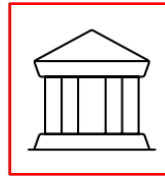


Principle 8
Conflicts of Interest



Principle 9
Transparency and reporting

Principle 1: Governance



- Consistent with the **fiduciary duty** to clients, investors and service providers integrate stewardship into their investment management and/or working models with the objective to create long-term value for clients and other stakeholders.
- **Board leadership,**
- Appropriate **oversight**
- **Regular review** of governance practices
- Further key elements of a good governance:
 - Governance structure and processes
 - Resources: expertise, training
 - Remuneration system: aligned with the interest of clients and beneficiaries

Principle 2: Stewardship Policies



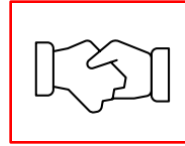
- Investors and service providers develop effective stewardship policies which **reflect** the principles for effective stewardship and are aligned with their goals and values.
- Key elements:
 - Be aligned with the goals/values of the investor/service provider
 - Match the investment practices of the investor
 - Be endorsed at the highest level of the governance structure
 - Periodic review
 - Address governance, delegation of stewardship, conflict of interests, voting, engagement, escalation, monitoring of investee entities (see principles 1, 3-8)

Principle 3: Voting



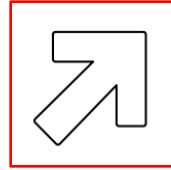
- Investors and service providers commit to **active and informed voting**
 - > Understanding the investee's business model, strategy and the potential influence of ESG factors on risk/opportunities
- Integrate **effective voting mechanisms** into the investment process
- Elements of an **informed voting process**: Information and disclosure of information on e.g.
 - Overall process for arriving at voting decisions/recommendations
 - Methods for handling potential conflicts of interest and for conducting due diligence
 - Use of proxy research, voting/ESG services
 - Make actual voting records available on the website and to clients
 - Consistency between voting policies and voting activities
 - Detailed internal voting policy
 - Disclose how sustainability criteria are considered in the voting policy
 - Disclose at least a summary of the voting policy on the website
 - In case of delegation/outsourcing: responsibility remains with the institutional investor

Principle 4: Engagement



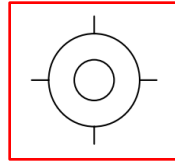
- Different types of engagements in which investors can be involved: individual and / or collaborative
- **Individual Engagement:**
 - Define investor's own engagement activities including the purpose, process, prioritization and adequate methods of engagement activities and their respective use cases
 - Define relevant and measurable KPIs (quantitative metric or a qualitative description of an intended state)
 - Outline the expected outcomes of the engagement conducted based on the relevant predefined time-bound KPIs
 - Engage the executive management but also the board of directors of investees
- **Collaborating** with other investors
 - Role of collaborative engagement initiatives
- **Public policy Engagement:** Collaborating with public stakeholders and policymakers directly or indirectly

Principle 5: Escalation



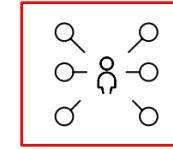
- Escalation of stewardship activities to encourage investee entities towards generating long-term financial and societal value
- Guidance for effective implementation:
 - Define the **conditions** under which an engagement is considered to be failing
 - Define the **relevant** engagement activities used in case of escalation
- Examples of **escalation steps**:
 - Proxy voting and voicing concerns at AGM individually or with other investors
 - Convening extraordinary shareholders' meeting
 - Formally adding an entity to an exclusion list
 - Modification of asset allocation i.e. exclusion and divestment

Principle 6 Monitoring



- Monitoring of investee companies
- Guidance for effective implementation:
 - Regularly oversee investee entities to evaluate their individual situations, performance and long-term prospects
 - **Develop an understanding** of the investee entities' corporate governance and sustainability practices
- Information to monitor:
 - Not only financial information but also **ESG information**

Principle 7 : Delegation of Stewardship Activities



- Investors ensure **consistency** of the delegated activities with their **own investment beliefs, stewardship policy and strategy**.
- They remain responsible and accountable for the effectiveness of the delegated activities.
- Elements that should be part of the **stewardship policy**:
 - Expectation for the delegated party along the investment chain
 - Milestones of an appropriate due diligence process for the delegation
 - Description of monitoring process
- See slide 16: the ecosystem of effective Stewardship

Principle 8: Conflicts of interests



- Investors and service providers manage conflicts of interest in the best interests of their clients.
- They review their investment activities and their client interests to identify and appropriately manage real or potential conflicts of interest and
- Disclose conflicts of interest along with the remedies to mitigate them.

Principle 9: Transparency & Reporting



Investors and service providers disclose and publicly report their stewardship policies and activities to their clients and beneficiaries in a way that demonstrates effective fulfillment of their duties.

Publicly disclose the commitment to the Swiss Stewardship Code

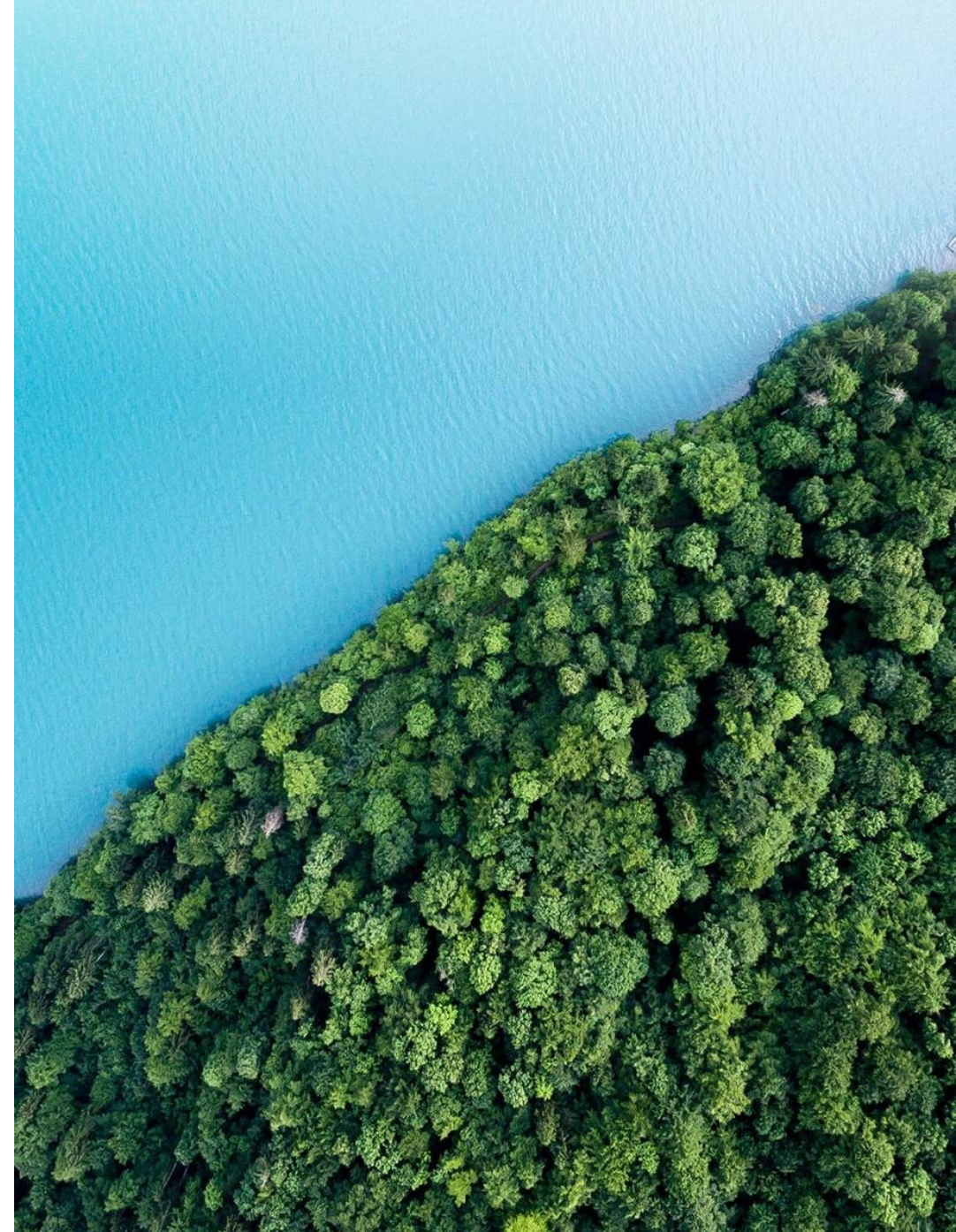
5 Q&A



Thank you!

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Vincent Kaufmann

Chief Executive Officer,
Ethos Foundation & Ethos Services



LSFI SUMMIT

MASTERCLASS

THE KEY ROLE OF STEWARDSHIP TO ADVANCE SUSTAINABLE FINANCE

Vincent Kaufmann

CEO, Ethos Foundation

September 19, 2024



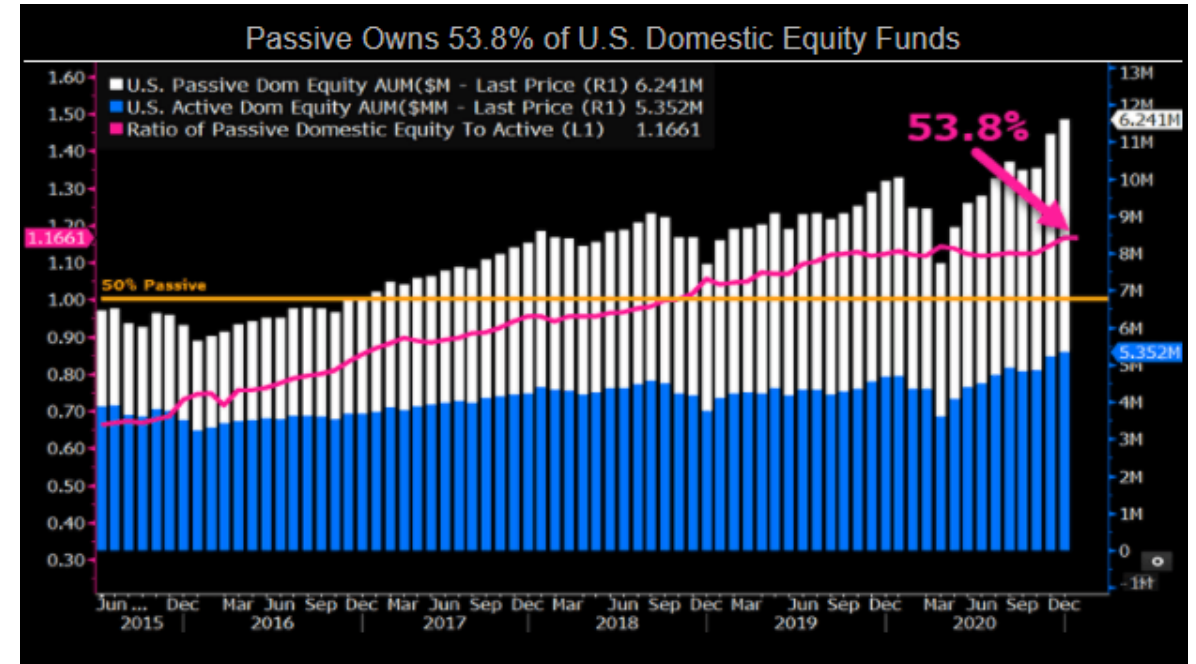
1. **Why Active Ownership**
2. Active ownership in practice
 - 2.1. Proxy voting
 - 2.2. Engagement
 - 2.3. Intensification



ACTIVE OWNERSHIP

Main drivers

- Fiduciary duties of institutional investors
- Rise of passive investing (No exit strategy)
- Hard law (EU Shareholder Rights Directive)
- Self-regulation (stewardship codes)



(Source: Bloomberg Intelligence)

1. Why Active Ownership
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PROXY VOTING

GENERAL MEETINGS: SHAREHOLDER COMPETENCIES

- Proposals of the board of directors
 - › Approve financial statements, annual report, dividend, discharge
 - › Approve sustainability report (as of 2024 in Switzerland) and/or climate strategy
 - › Approve the remuneration report or system
 - › Elect the board of directors
 - › Ratify the external auditors
 - › Amend the capital structure, mergers, acquisitions
 - › Amend articles of association
- Shareholder proposals
 - › Corporate governance issues
 - › Environmental and social issues

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PROXY VOTING

HOW TO EXERCISE VOTING RIGHTS FOR INSTITUTIONAL INVESTORS

- Institutional shareholders have to set clear rules based on :
 - › Long term interest of beneficial owners
 - › Code of best practices in corporate governance
 - › ESG criteria
- Publish the voting guidelines so beneficial owners are aware of the set of rules
- Annually disclose the voting track record of the institution

PROXY VOTING

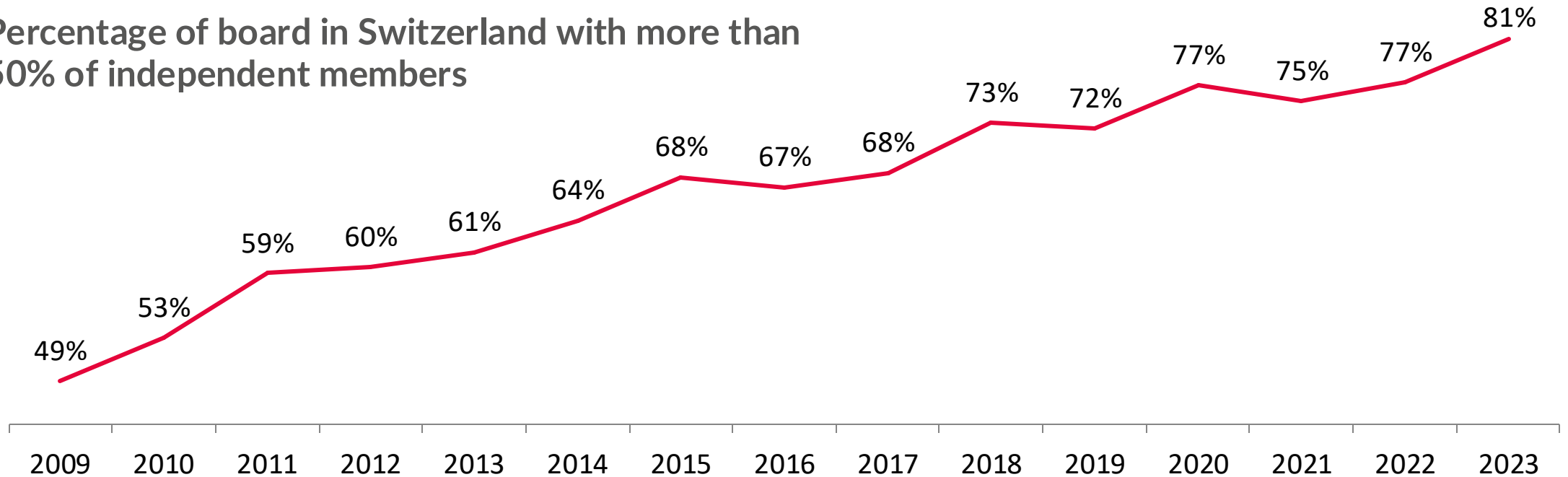
BOARD OF DIRECTORS – ETHOS' INDEPENDENCE CRITERIA

- a. Is not an executive director or employee of the company or a company of the same group and has not held such a position in the past five years.
- b. Is not or does not represent an important shareholder, a consultant of the company or another significant stakeholder in the company (employees, suppliers, customers, public bodies, the State, etc.).
- c. Has not held executive functions at a business partner, consultant, or an important shareholder of the company during the last 12 months.
- d. Is not a close relative of or does not have business relations with a member of the founding family, an important shareholder, or an executive of the company.
- e. Has not been sitting on the board of directors or has not been linked to the company or its subsidiaries for more than twelve years (or less, depending on the codes of best practice that apply in the country).
- f. Does not receive variable remuneration or options that represent a substantial part of his total remuneration and does not participate in the company's pension scheme (unless participation is compulsory for the member).
- g. ...

PROXY VOTING IMPACT ON THE BOARD'S INDEPENDENCE

- In Switzerland, there is no legal definition nor legal requirement on board's independence
- Pressure to improve governance mainly comes from shareholders when re-electing board members

Percentage of board in Switzerland with more than 50% of independent members



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PROXY VOTING

IMPACT ON GENDER DIVERSITY

- Investors voting guidelines increasingly take into consideration gender diversity on the re-election board members
- Refusal of the re-election of the chair of the board or the chair of the nomination committee when lack of gender diversity
- **Important in Switzerland as quota are on a comply or explain basis**

Ethos voting guidelines 2023 (page 14)

3.1 ELECTION OR RE-ELECTION OF NON-EXECUTIVE DIRECTORS

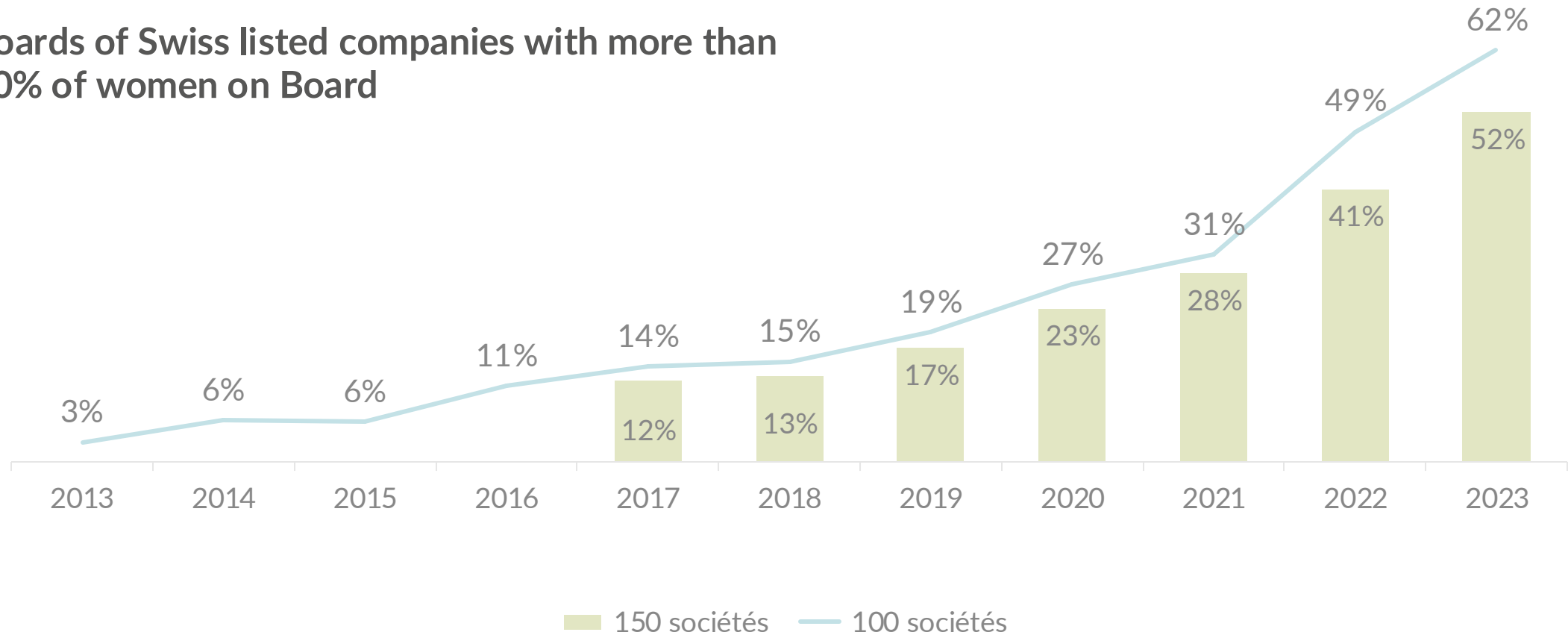
VOTE FOR the board of directors' or shareholders' proposal, however:

OPPOSE if one of the following conditions applies:

- e. The candidate chairs the nomination committee and one of the following points is true:
 - The renewal of the board of directors is insufficient.
 - The composition of the board of directors is unsatisfactory.
 - There are not enough women on the board of directors in accordance with the national standard, with a minimum of 20% without adequate justification (30% as of 2025).

PROXY VOTING IMPACT ON GENDER DIVERSITY

Boards of Swiss listed companies with more than 30% of women on Board



1. Why Active Ownership
2. Active ownership in practice
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 - 2.3. Intensification



- ethos

ENGAGE VS DIVEST

ENGAGE

- **Strengths (+)**
 - › Allows to change the behavior of companies from the "inside"
 - › Allows to have an impact on the real economy
 - › Allows to maintain a broader exposure to the market
- **Weaknesses (-)**
 - › The investor keeps the financial, extra-financial and reputational risks of certain companies
 - › Impact difficult to quantify
 - › Impossible to change pure players in certain fields (tobacco, arms)

DIVEST

- **Strengths (+)**
 - › Avoidance of certain financial and extra-financial risks in the medium and long term ("stranded assets")
 - › Alignment with moral/ethical values
 - › Easy to implement (dedicated index) and immediate impact
- **Weaknesses (-)**
 - › Once the shares are sold, you can no longer influence the company
 - › Impact is limited to the portfolio and not on the real economy
 - › Increases the tracking error (TE)

THE DIFFERENT TYPES OF ENGAGEMENT

	Collective Engagement	Direct Engagement
Private	<ul style="list-style-type: none">▪ Mobilization of shareholder groups on an ESG theme affecting one or more companies▪ Joint letter to one or more companies	<ul style="list-style-type: none">▪ Letters to one or more companies on a specific ESG topic▪ Dialogue (meetings, conference calls) with representatives of one or more companies on an ESG topic
Public	<ul style="list-style-type: none">▪ Investor Declaration▪ Publication of positive or negative lists on a topic (e.g. Clean 200)▪ Public support for shareholder resolutions	<ul style="list-style-type: none">▪ Intervention at the General Meeting▪ Filing of shareholder resolutions

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EXAMPLE OF COLLABORATIVE ENGAGEMENT CLIMATE ACTION 100+ (1)

- Background
 - › Relatively few companies cause relatively high CO₂ emissions
- Process
 - › Systematic engagement with the most CO₂-intensive companies (2017-2022)
 - › 167 companies from 33 countries (>80% of total annual industrial emissions)
 - › More than 700 institutional investors with AUM of more than USD 68 trillion
 - › Coordination: PRI and local investor groups
- Intention
 - › Decarbonize the entire economic system, not individual companies
 - › Paris-aligned reduction targets, suitable governance, appropriate reporting (TCFD recommendations)

A proud participant of:



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EXAMPLE OF COLLABORATIVE ENGAGEMENT
CLIMATE ACTION 100+ (2)

- Impact at the end of the first phase (2017-2022)

Reduction target



75%

of focus companies have net zero commitments (up from 50% March 2021)

Corporate Governance



92%

of focus companies have some level of board oversight (up from 87% March 2021)

Reporting in line with TCFD



91%

of focus companies have aligned with TCFD recommendations (up from 72% March 2021)



(Source: Progress Update 2022 - Five years of Climate Action 100+)

ENGAGEMENT CASE: HOLCIM CLIMATE STRATEGY (1)

- Holcim, largest cement producer in the world
- Ethos is the lead organization as part of the Climate Action 100+ engagement campaign
- December 2020: Ethos asked the board to reinforce the company's climate strategy and submit the climate report to a vote of shareholder (Say on Climate)
- February 2021, the chair of the board accepted Ethos' request to prepare a more ambitious climate strategy and submit it to shareholders vote at the 2022 AGM
- First report submitted at the 2022 AGM refused by Ethos
- Second part of the year, several discussion between Ethos and Holcim leading to significant improvement of the climate strategy and report
- Second report submitted at the 2023 AGM accepted by Ethos



ENGAGEMENT CASE: HOLCIM CLIMATE STRATEGY (2)

CLIMATE REPORT 2021

	SCOPE 1	SCOPE 2	SCOPE 3	
2018	576 BASELINE	38 BASELINE		
2021	553	34	-0%	Kg CO ₂ per ton of purchased clinker and cement
			-9%	Kg CO ₂ per ton of purchased fuels
			-9%	Kg CO ₂ per ton of material transported
2030	475 Kg CO ₂ net/t cementitious	13 Kg CO ₂ /t cementitious	-20%	Kg CO ₂ per ton of purchased clinker and cement
			-20%	Kg CO ₂ per ton of purchased fuels
			-24%	Kg CO ₂ per ton of material transported
2050	 GHG emissions across the value chain validated by  SCIENCE BASED TARGETS			

³ The target boundary includes land-related emissions and removals from bioenergy feedstocks

CLIMATE REPORT 2022

		Target Base Year		SCIENCE-BASED TARGETS	
		2018	2022	2030	2050
SCOPE 1	Kg CO ₂ / T cementitious	623 gross	602 gross	-22.4% gross	-95% 
		590 net	562 net	420 net	
SCOPE 2	Kg CO ₂ / T cementitious	46	37	-65%	
SCOPE 3		2020			
	PURCHASED CLINKER AND CEMENT Kg CO ₂ e / T purchased	710	709	-25.1%	-90% ² 
	PURCHASED FUELS Kg CO ₂ e / T purchased	286	285	-20% ³	
	DOWNSTREAM TRANSPORTATION [Kg CO ₂ e / T material transp.]	11	10	-24.3% ³	

¹ The target boundary includes land-related emissions and removals from bioenergy feedstocks.

² This net-zero validation was evaluated within the parameters of the Business Ambition for 1.5°C campaign, and covers categories 1, 3, 4, 6, 7 and 8 of Holcim's Scope 3 emissions.

³ Targets aligned with well-below 2°C

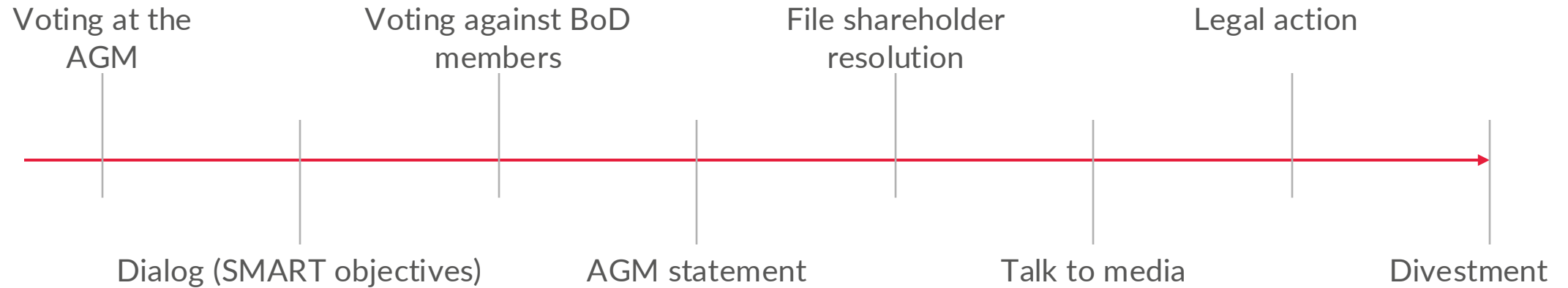
1. Why Active Ownership
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INTENSIFICATION

CREDIBLE ACTIVE OWNERSHIP IS BASED ON THE WILL TO ESCALATE



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INTENSIFICATION SHAREHOLDER RESOLUTIONS

Conditions for the filing of a shareholder resolution

- **USA:** Shares with a market value of USD 2'000 held for at least three years (shareholder resolutions are not binding and must be approved by the SEC)
- **Luxembourg:** 5% of the share capital
- **Scandinavia:** One share
- **UK:** 5% of the share capital or 100 individual shareholders
- **Germany:** 5% of the share capital or nominal value of EUR 500'000
- **France:** 0.5% of the share capital (example TotalEnergies: ≈ EUR 800 mn)
- **Switzerland:** maximum of 0.5% of share capital, unless a lower amount is specified in the Articles of Association (example Nestlé: 0.15% of share capital ≈ CHF 400 mn)

INTENSIFICATION SHAREHOLDER RESOLUTIONS

- Details on all main markets under the following link
:
 - › <https://www.clientearth.org/media/bovm4flz/know-your-rights-a-guide-for-institutional-investors-to-the-law-on-climate-related-shareholder-resolutions-final.pdf>



INTENSIFICATION

EFFECT OF SHAREHOLDER RESOLUTIONS IN SWITZERLAND

- Chair of the board of directors/CEO
 - › 4 resolutions between 2002 and 2010 (e.g., Zurich Insurance and Novartis)
 - › Less than 2% Chairperson/CEO in the SPI in 2022 compared to more than 20% in 2002
- Say on Pay
 - › 9 resolutions between 2008 (e.g., ABB and UBS) and 2009 (e.g., Holcim and Swiss Re)
 - › In 2012, 50% of companies conducted a voluntary advisory Say on Pay vote
 - › Minder Initiative 2015
 - › Restraining effect
- Climate change
 - › 2 resolutions for a Say on Climate in 2021 (Holcim and Nestlé) and a resolution for transparency regarding the financing of fossil assets in 2022 (Credit Suisse)
 - › Say on Climate vote at Nestlé in 2021 and at Holcim in 2022, 2023 and 2024
 - › Credit Suisse: Tightening of financing guidelines for oil sands and Arctic drilling loans

INTENSIFICATION TOTAL ENERGIES (TTE) LEGAL ACTION

- AGM 2022: A group of investors tabled a resolutions asking the company to set ambitious reduction target. The board of directors decides not to table a shareholder resolution on climate
- AGM 2023: The same shareholders asked again in 2023 with a consultative resolution which was this time accepted by the board
 - › Voting result: 30.44% FOR
- 2024: No improvement made by TTEs despite the strong message sent by shareholders

			2022	2023	Objectives	
					2025	2030
Scope 1+2 Emissions on Operated Activities Net Zero in 2050	Scope 1+2 emissions	Mt CO ₂ e vs 46 Mt in 2015	40 -13%	35 -24%	< 38	25-30 ¹ > -40% ¹
	Methane emissions	kt CH ₄ vs 64 kt in 2020	42 -34%	34 -47%	- 50%	- 80%
Indirect Emissions Net Zero in 2050, together with society	Lifecycle Carbon intensity of energy products sold² Scope 1+2+3	100 in 2015	- 12%	- 13%	- 15%	- 25%
	Scope 3 Worldwide⁴	Mt CO ₂ e 410 Mt in 2015 out of which Scope 3 Oil 350 Mt in 2015	389 ³ 254 ⁴ -27%	355 227 -34%	< 400	< 400 - 40%

1. Net emissions, including nature-based carbon sinks from 2030. 2. Lifecycle carbon intensity of energy products sold. See report's glossary for further details. 3. Excluding Covid impact for first half 2022. 4. GHG Protocol – Category 11. See report's glossary for further details.

INTENSIFICATION

TOTALENERGIES LEGAL ACTION (2)

- Ethos and other shareholders consider that the current combination of chair/CEO roles prevents the board from setting a more ambitious climate strategy
- 18 April 2024: Ethos and 19 investors representing 0.9% of the share capital file a consultive shareholder resolution to request a vote on a chair/CEO split at the AGM on 24 May 2024
- 25 April 2024: the board of TTE decide not to submit the resolution to the AGM

Board of Directors' position on the draft shareholder resolution

At its meeting of April 25, 2024, the Board of Directors of TotalEnergies has unanimously decided not to include on the agenda of the Annual General Meeting on May 24, 2024 the draft advisory resolution submitted by a group of shareholders representing less than 0.9% of the share capital. This resolution was aiming to request the Annual General Meeting to invite the Board of Directors, by means of an advisory vote, to decide that the Company's General Management will be assumed by a person other than the Chairman of the Board of Directors.

The choice of the form of governance is the exclusive competence of the Board of Directors.

INTENSIFICATION

TOTALENERGIES LEGAL ACTION (4)

- 2 May 2024: Ethos announce that it will challenge the board's decision in court



● ethos

Press release

Ethos challenges TotalEnergies' decision not to include a shareholder resolution on the agenda of its next general meeting

Geneva, 2 May 2024

The board of directors of TotalEnergies has decided not to include an advisory shareholder resolution calling for the separation of the functions of chairman of the board of directors and chief executive officer on the agenda of its general meeting of 24 May 2024. Ethos and several co-filers regret this decision, consider this is an obstacle to shareholder democracy and have decided to take legal action so that shareholders can express their views on a key issue of corporate governance.

Siège

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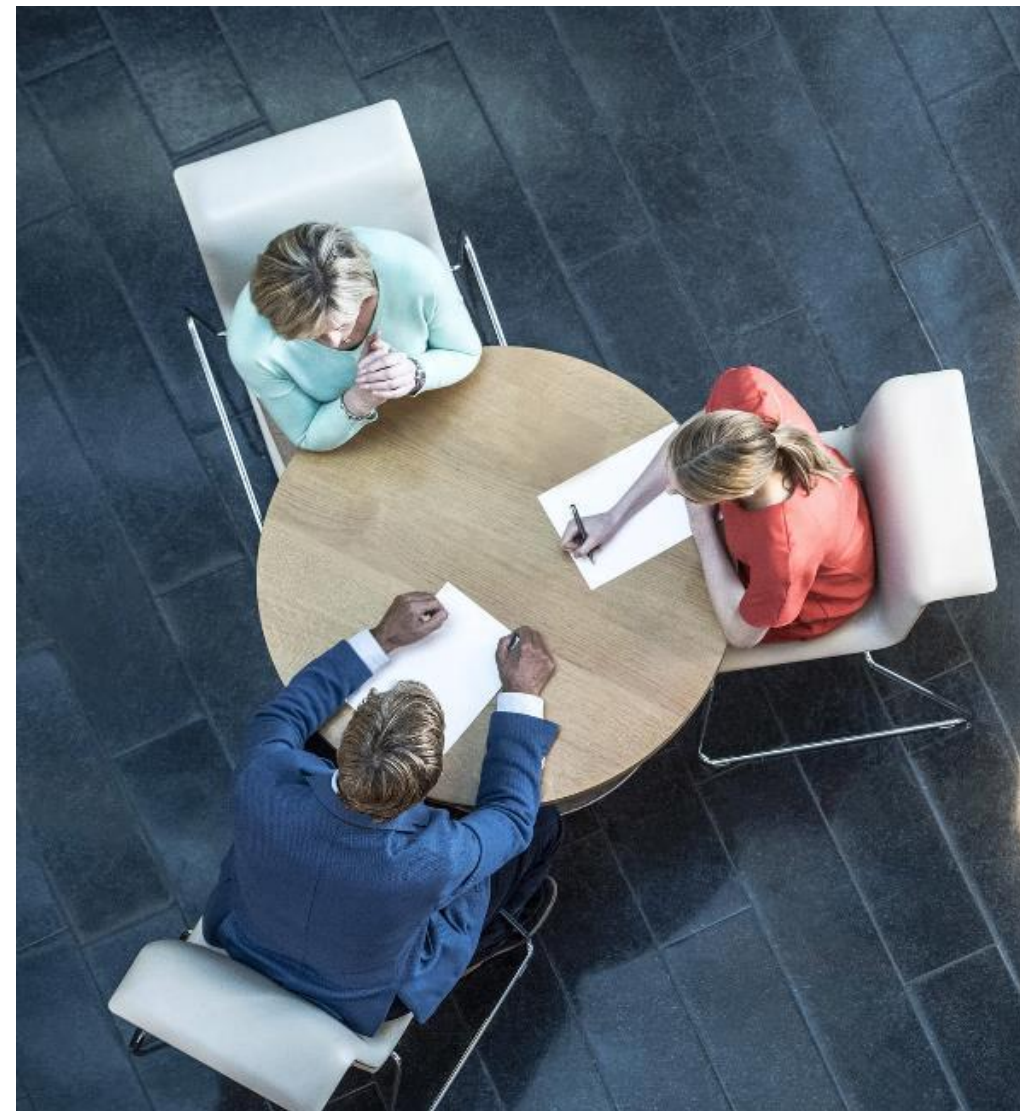
Bureau de Zurich

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www.ethosfund.ch



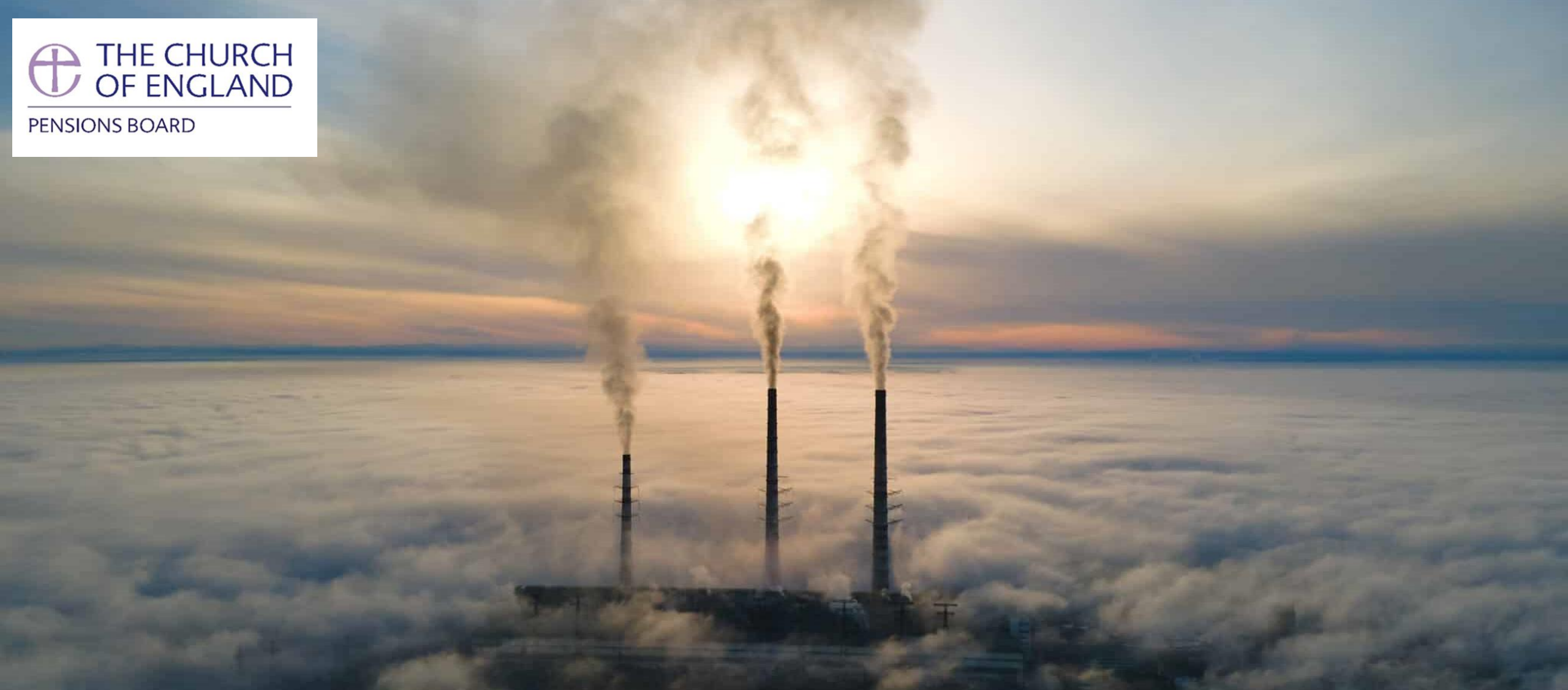
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Laura Hillis

Director, Climate & Environment,
Church of England Pensions Board





Investor stewardship on climate change

Laura Hillis, Director Responsible Investment



Public Equities	£829m	Private Debt	£192m
Index-linked Gilts	£599m	Private Equity	£146m
Infrastructure	£454m	Emerging Market Debt	£76m
Property	£276m	Alternative Income	£42m
Corporate Bonds	£211m	Cash	£78m


**THE CHURCH
OF ENGLAND**

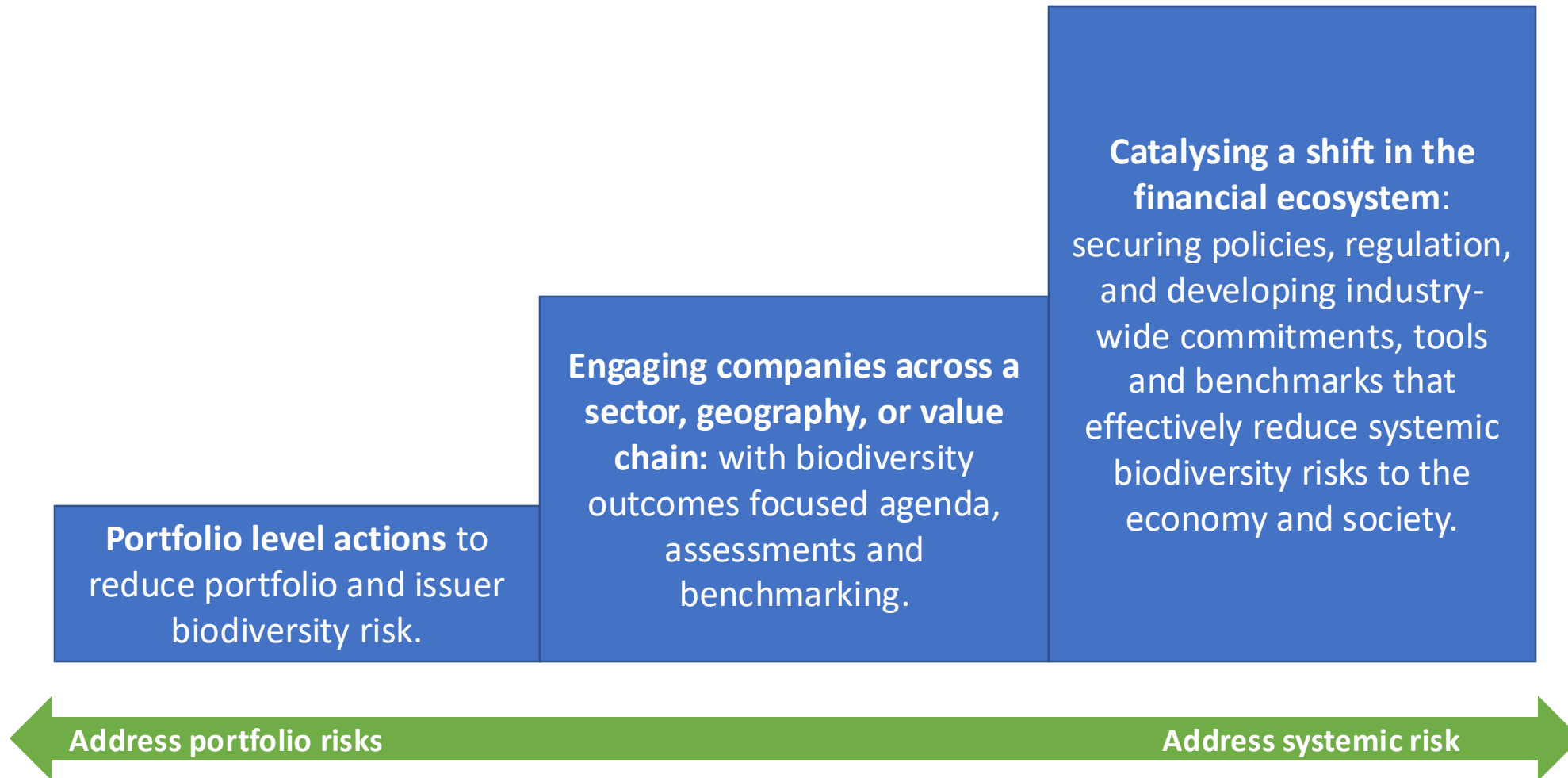
 PENSIONS BOARD





Systemic stewardship is a long-term stewardship approach which considers systemic risks to the global economy (and accordingly the portfolio) including social and environmental issues. By addressing these issues, stewards of portfolios are able to reduce risk and boost returns across their entire portfolio.

Systemic stewardship in practice



Systemic stewardship via collaboration

Pensions Board £3.3bn

The Emerging Market Just Transition Initiative

Convened by the Board in 2022, now supported by **£400bn** UK based AUM

The Global Investor Commission on Mining 2030

Convened by the Board in 2023, now supported by **\$11trn** AUM

The Investor Mining and Tailings Safety Initiative

Co-founded in 2019 and supported by **\$24trn** AUM

The Institutional Investors Group on Climate Change (IIGCC) Corporate Engagement Programme

We chair the programme representing **\$50trn** AUM

The Transition Pathway Initiative (TPI)

Co-founded in 2017 and supported by **\$60trn** AUM

KEY AUM – Asset under management

Climate change and stewardship



Emissions reduction targets: aligned with a well below 2C scenario, sector specific.



Lobbying: public policy advocacy by companies and their industry associations.



Capex: capital allocation to new technologies, and products, green revenues versus capital allocation to old technologies that need to be phased out.

Climate Action Plan

For the Pensions Board's Investments



The engagement cycle

1

Set clear, measurable and timebound expectations for focus company

2

Engage with company, individually and/or collaboratively.

3

Assess engagement success and company outcomes, using standards and benchmarks.

4

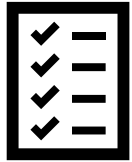
Vote for/against company ballot items on the basis of company meeting key engagement milestones and voting policy.

5

Consider escalation where company is not meeting expectations/where there is persistent misalignment after a sustained period of engagement.



Stewardship escalation



File/co-file/support shareholder resolutions on material topics

Vote against re-election of Board Directors where company is materially misaligned with below 2C climate scenarios, and/or on climate lobbying and/or board governance of climate change.



AGM statements and **pre-declaring votes** can increase public pressure on company.



Exclude or divest from companies where there is persistent misalignment following engagement.

Mining firms worked to kill off climate action in Australia, says ex-PM

Kevin Rudd says industry still has huge influence in a country beset by climate policy torpor

Why we need political action to tackle the oil, coal and gas companies - video explainer



Fossil fuel firms forcing countries to compensate them, Mary Robinson says

Former Irish president and Ban Ki-moon say fossil lobbying is hampering climate progress



There Are More Fossil Fuel Lobbyists Than Ever at COP28

3 MINUTE READ



EU poised to water down new car pollution rules after industry lobbying

Exclusive: Nitrogen dioxide limits and approval tests practically unchanged from current rules under Euro 7 proposals



Experts recommended significantly reducing the amount of nitrogen dioxide that vehicles are allowed to emit. Photograph: Thomas Kienzle/AFP/Getty Images

Inside big beef's climate messaging machine: confuse, defend and downplay

A Masters of Beef Advocacy program teaches 'scientific sounding' arguments on cattle's sustainability in an all-out public relations war

by [Joe Fassler](#)

Top companies' lobbying undermines their climate pledges, study finds

By Reuters

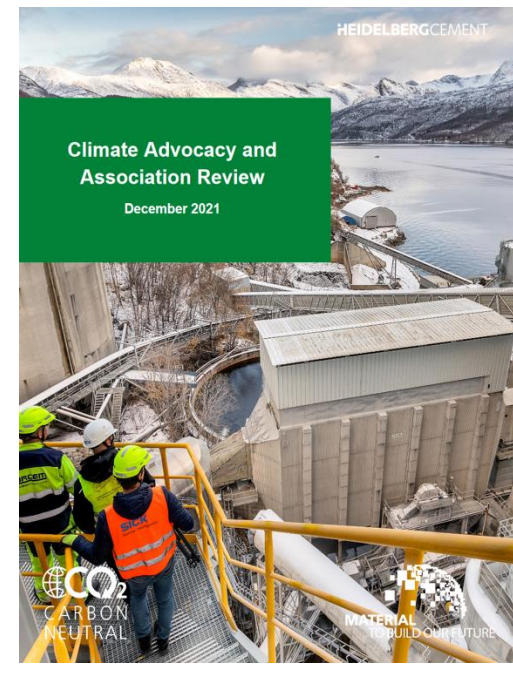
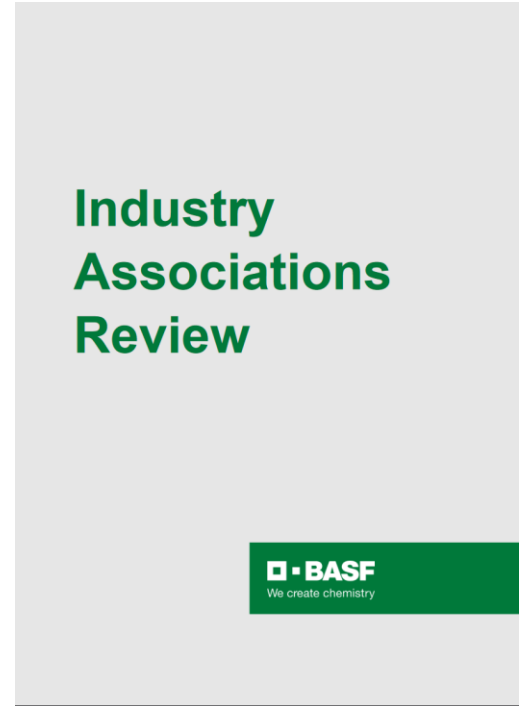
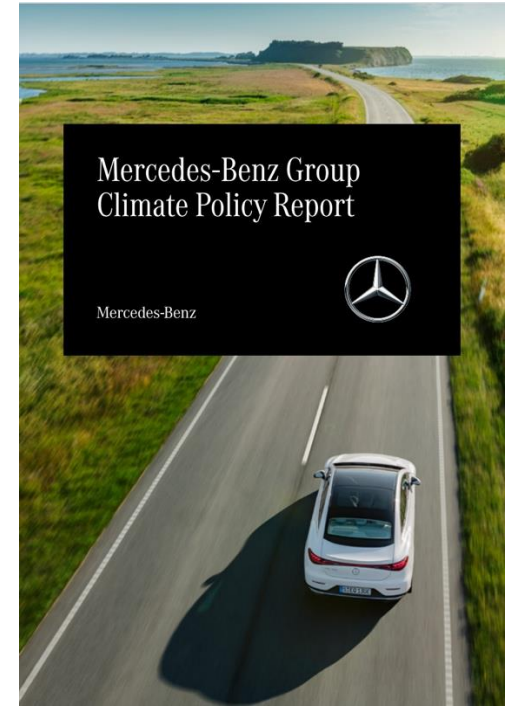
November 16, 2023 4:38 PM GMT · Updated 10 months ago



[1/3] The logo of commodities trader Glencore is pictured in front of the company's headquarters in Baar, Switzerland, July 18, 2017. REUTERS/Arnd Wiegmann/File Photo [Purchase Licensing Rights](#)



Over 70 CA100+ companies have now disclosed a review





Volkswagen rejects shareholder push for climate lobbying disclosures

Reuters

April 9, 2022 1:31 PM GMT+1 · Updated 2 years ago



The logo of German carmaker Volkswagen is seen on a rim cap in a showroom of a Volkswagen car dealer in Brussels, Belgium July 9, 2020. REUTERS/Francois Lenoir/File Photo [Acquire Licensing Rights](#)

EU poised to water down new car pollution rules after industry lobbying

Exclusive: Nitrogen dioxide limits and approval tests practically unchanged from current rules under Euro 7 proposals



Experts recommended significantly reducing the amount of nitrogen dioxide allowed to emit. Photograph: Thomas Kienzle/AFP/Getty Images

The EU is poised to water down a landmark piece of car pollution after extensive lobbying from the automotive industry, which will cause an estimated €100bn in health and environmental costs.

Analysis provided by the [Consortium for Ultra-low Vehicle Emissions](#)

Church of England Pensions Board pre-declares votes against Volkswagen Board of Management and Supervisory Board

14/04/2023

The Church of England Pensions Board has been engaging with Volkswagen AG (VW) for over four years on its approach to climate change.

As part of the Board's engagement, and as a designated lead investor through Climate Action 100+, the Pensions Board has urged the company to set stronger emissions reduction targets, and to provide public disclosure on its lobbying activities regarding climate change policy.

VW faces legal action over climate change lobbying activities

Pension funds accuse German carmaker of failing to disclose details of lobbying via trade associations



Volkswagen

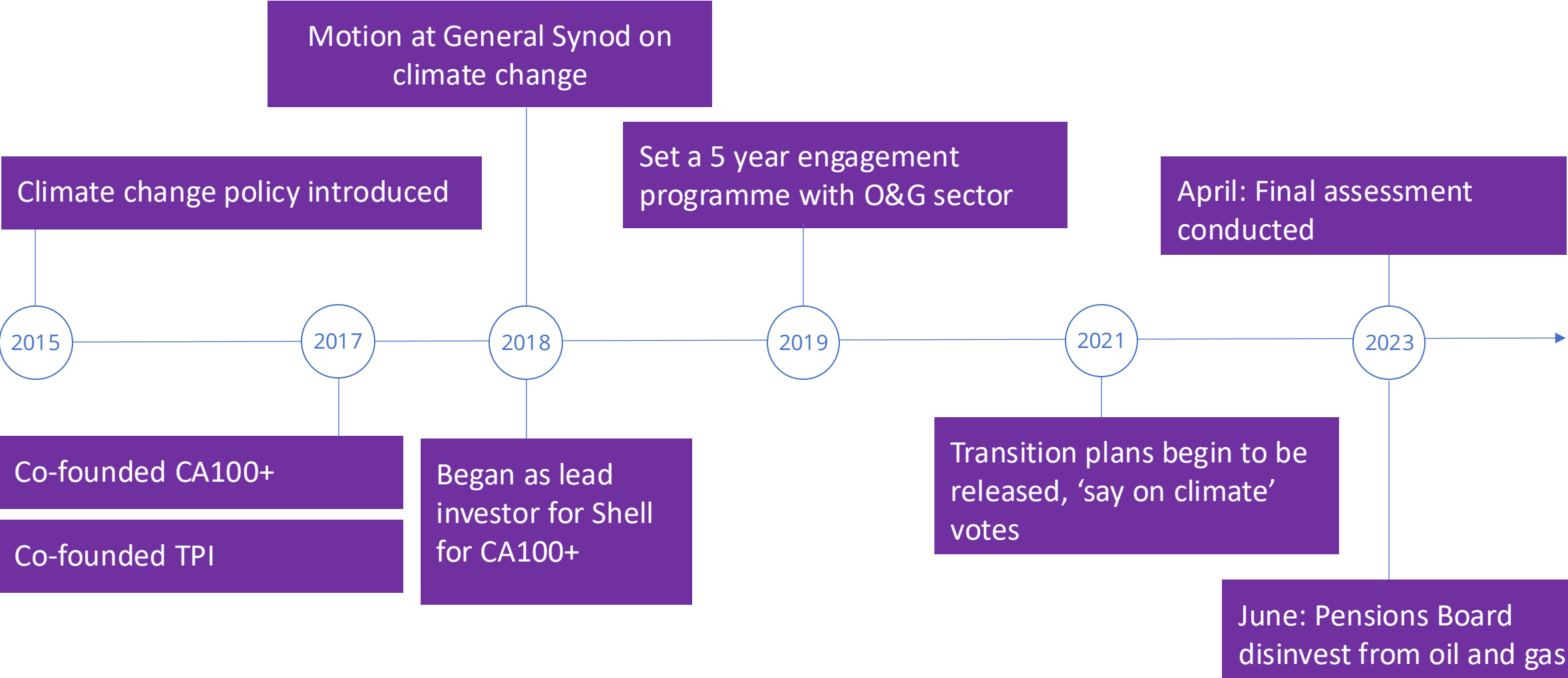
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VOLKSWAGEN GROUP

Association Climate Review

2023

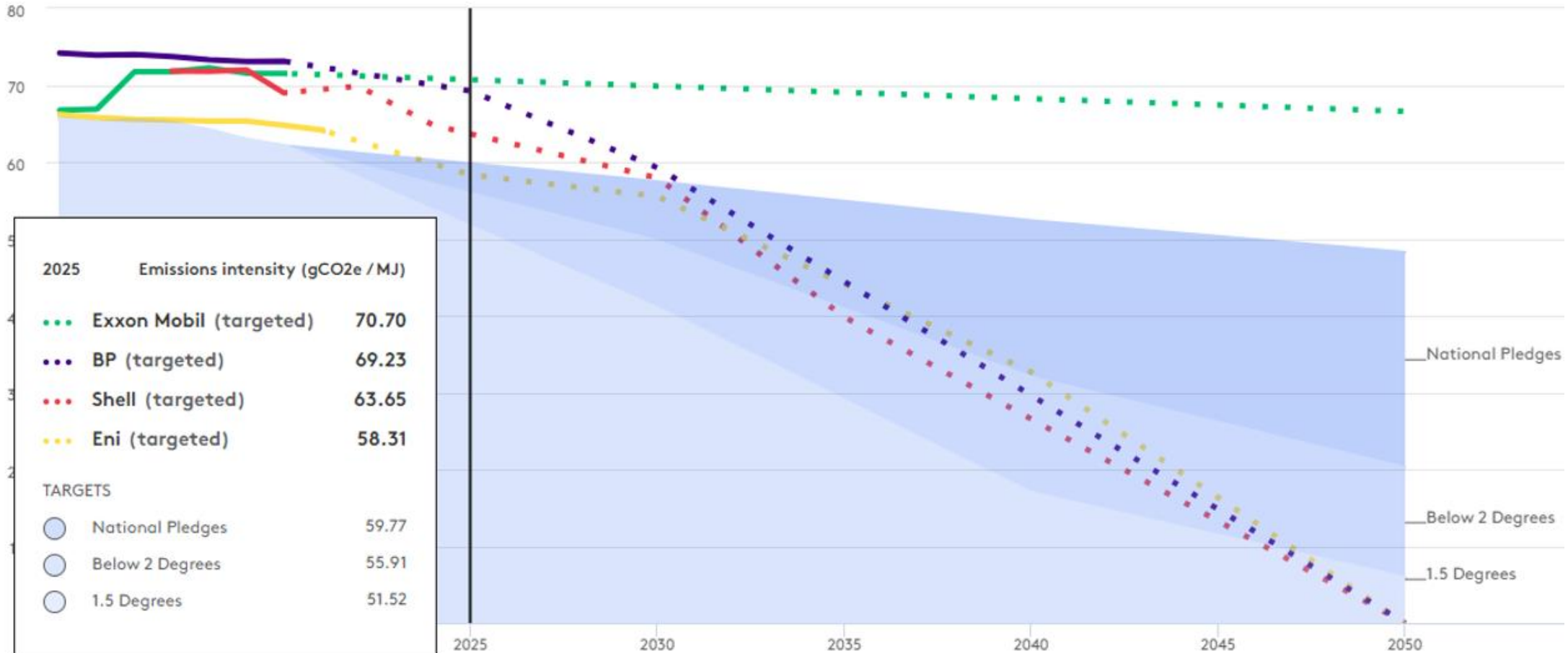
Engagement with the oil and gas sector



How we assessed the O&G sector

— Reported Targeted

Emissions intensity (gCO₂e / MJ)



Engagement

We engaged with the O&G sector for more than a decade to urge them to focus on 1.5C alignment of targets and investments. **We escalated where companies were misaligned.**

Exclusion

We have excluded all O&G companies across equity and debt holdings which are focused on exploration, production, refining or pipelines, as none were aligned with a 1.5C pathway.

Next steps

We will not reinvest without alignment with 1.5C and demonstrable alignment of capital expenditure & lobbying.

We will focus on diminishing demand for oil and gas through engagement with companies which are the largest users (e.g. electric utilities, autos and steel), and the financers of fossil fuels (ie. Global banks).

COMMENT

Why the Church of England is taking on Shell

Short-term profits cannot come before the long-term health of our planet

ADAM MATTHEWS

9 May 2023 • 6:00am

The oil and gas industry in Europe is at a crossroads.

The decisions the sector makes on where to allocate capital could make or break our collective efforts to limit global warming to 1.5°C, with massive implications for the economy, for communities and in particular the poorest and most vulnerable on the planet.

CofE Pensions Board to divest from all oil and gas holdings

Plans to divest from Shell and other oil and gas companies



Holly Roach

22 June 2023 • 3 min read

The Church of England (CofE) Pensions Board has revealed it will divest from all oil and gas holdings over a lack of progress towards net zero.

The divestment will apply to Shell and other oil and gas companies that fail show attempts to decarbonise in line with the goals of the Paris Agreement. The CofE Pensions Board said

Church of England Pensions Board pre-declares votes against Volkswagen Board of Management and Supervisory Board

14/04/2023

The Church of England Pensions Board has been engaging with Volkswagen AG (VW) for over four years on its approach to climate change.

Questions?

Laura.hillis@churchofengland.org



Divestment: upsides and downsides



There is little evidence that divestment leads to a change in liquidity or change in cost of capital for large listed companies.



You lose your voice, influence and voting rights when you divest.



There is little evidence that 'paper decarbonisation' drives real economy change.

BUT....



Divesting loudly can send important signal to the market including to policy makers.



Scarce engagement resources can be redeployed to companies and sectors where real change is more likely.



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