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Sustainable finance at a glance Value creation services

Sustainable finance at a glance

Sustainable finance can bolster transition to net-zero economy in nearest future



What is the impact of climate change in the financial market?

- Extreme weather and climate-related events, including heat waves, floods and storms, caused by climate change have led to over €145 billion in economic losses in the EU over the past decade (2011-2021).
- Investments in adaptation and resilience-building account for less than 10% of total climate finance and continue to fall far short of the needs.
- Member States, the UK and EEA countries raised 57+ billion euro from the carbon rights auctions between 2012 and 30 June 2020. 78% of the revenue is allocated to companies or projects for climate and energy related purposes over the period 2013-2019.
- To stay on track in the Net Zero Scenario, this means that for every dollar invested in fossil energy supply, nearly five are invested into low-carbon supply through 2050. Investments needed in Economic Transition Scenario USD 119.5 trillion and investments needed in Net Zero Scenario USD 194.2 trillion.
- The overall assets under management in the European fund industry of €13.3 trillion, 42% of the funds were considered ESG-related in Q2 2022



Who will be impacted?

- The regulation around sustainable finance impacts every market participant in the financial ecosystem, driven by the ECB as regulator of financials institutions. The ECB currently is setting the renewed norms for the financial sector, especially by the climate risk stress test.
- > Companies will be impacted through their financing channel through sustainable reporting requirements, sustainability related KPIs and funding rates. Next to climate risk adjusted EBITDA and WACC for valuation purposes.

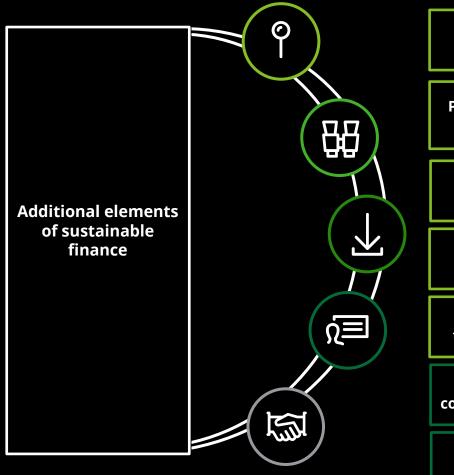


What will this mean for each company?

- Opt for investments in projects with environmental and social objectives to become or stay futureproof as a business or keep your license to operate
- Standardise sustainability reporting, prepare a baseline measurement of the sustainability status of the company, and update regularly on the progress made
- Prevent greenwashing and comply with the EU Directive on Green Claim to prevent legal risks

The seven strategies of including sustainable finance in investment portfolios

The Global Sustainable Investment Alliance (GSIA) defines an approach that considers environmental, social and governance (ESG) factors in portfolio selection and management and identified seven strategies to include sustainability in investment portfolios



Negative or exclusionary screening

Positive or best-inclass screening

Norms-based screening

ESG integration

Sustainabilitythemed investing

Impact or community investing

Corporate engagement and shareholder action

Investors apply ESG factors in their decision-making to invest based on sustainability strategy and the EU Taxonomy:

- Integration of ESG issues in investment decisions
- **Screening** and applying filters to potential investments base on an investor's preferences, values or ethics
- Thematic through combining risk return profiles with an intention to contribute to a specific environmental or social outcome (includes impact investing)

Focus on contributing solutions to social and environmental problems and its commitment to measuring the impact outcomes of investment

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Find out more about our <u>ESG Solutions</u> Value creation services

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