



Eurizon
the pathway
to **Net Zero**

December 2022

Table of contents

The pathway to Net Zero	1
Why should greenhouse gas emissions be reduced?	2
The financial world and Net Zero	3
Eurizon and sustainability	4
Eurizon and Net Zero	5
Eurizon's in-Scope Portfolio	7

The pathway to **Net Zero**

Climate change is one of the most important challenges for the future of our planet: to combat its effects, in December 2015, **the Paris Agreement** was signed, which represents the **first major universal and binding agreement for combating climate change**. The Agreement was signed by 193 countries committed to the long-term objective of holding the increase in the global average temperature to “well below 2°C” above pre-industrial levels, and preferably limit the increase to 1.5°C.

In 2021, during the twenty-sixth summit of the Climate change conference (the COP 26), the countries that signed the Paris Agreement decided to **limit the increase in global temperature to 1.5°C and ensure climate neutrality by mid-century**.

In this regard, in 2020 the EU presented its long-term strategy for reducing emissions and updated climate plans, committing itself to reducing its emissions by at least 55% by 2030 compared to 1990.

It is estimated that in order to contain the rise in temperatures within 1.5°C, carbon emissions in the atmosphere are expected to decrease by around 45% between 2010 and 2030 and that it is necessary to achieve net zero emissions, i.e. climate neutrality, by 2050. This process is significantly more difficult than the one required to achieve the 2°C limitation, which instead leads to a reduction in emissions by around 20% by 2030 and net zero emissions by 2070 (Source: Climate Change 2022 - IPCC).

In order to achieve the objectives set out in the Paris Agreement, it is therefore necessary to immediately reduce greenhouse gas emissions in order to achieve **climate neutrality (Net Zero) by 2050**: greenhouse gases released in the atmosphere will have to be progressively reduced and reabsorbed by natural resources such as forests, land and oceans and through new technologies capable of capturing them.

Why should greenhouse gas emissions be reduced?

The Global Warming of 1.5°C report by the Intergovernmental Panel on Climate Change (IPCC) estimates that from the pre-industrial age to date, human activities have caused a rise in temperatures by around 1°C (with a probable variation between 0.8 degrees and 1.2 degrees). In this scenario, it is clear that **nature is reaching its maximum capacity to adapt to rising temperatures and it is reasonable to expect that the impacts of climate change will intensify as temperatures rise.** For example, an increase in global warming by only 0.5°C, from 1.5°C to 2°C, would lead to a sea level rise of 6 centimetres, destined to rise further over time due to the breakup of the ice sheets in Greenland and Antarctica¹; this in turn would cause ocean acidification (which would absorb more carbon dioxide), the loss of animal and plant biodiversity and the reduction of healthy ecosystems and the population would be 2.6 times more exposed to extreme heat phenomena over a five-year period.

The greater frequency of extreme weather events could lead to further consequences, causing enormous social and economic damage.

Heat waves, droughts, landslides, floods, hurricanes and the loss of

agricultural crops could in turn have increasingly significant effects on the growth of the global economy, and not just that of developing countries: the World Bank estimates that crop losses could be equal to 5% in 2030 and reach 30% in 2080.

What are greenhouse gases?

These are the gases are those gaseous constituents of the Earth's atmosphere which are responsible for regulating the planet's temperature: some of them retain the infrared light radiated by the Sun and by the Earth itself, preventing their dispersion and are the cause of global warming. Most of these greenhouse gases have a natural origin, but recently we have seen a considerable increase in anthropogenic (i.e. man-made) greenhouse gases, especially carbon dioxide (CO₂).

*Specifically, there are seven greenhouse gases identified by the Kyoto Protocol; each of them is associated with a global warming potential, i.e. a degree of contribution to global warming, which can be expressed in equivalent terms of CO₂: **carbon dioxide is mainly responsible for long-term climate impacts.***

1 - Source <http://www.ipcc.ch/report/sr15/>

The financial world and Net Zero

In order to achieve the climate objectives set by 2050, change must involve civil society and all production sectors, naturally including the financial sector.

In this regard, the financial community has a leading role since it is in a position to accelerate processes by directing more capital towards sustainable models, new technologies, investing in companies already involved in the transition to net zero emissions and guiding those which, albeit less sustainable, prove themselves concretely ready for the transition. If, on the one hand, the Paris Agreement requires governments to create legal frameworks and take concrete measures to reduce greenhouse gases, on the other hand **it is also essential to undertake non-governmental projects that can contribute effectively to achieving the sustainability objectives.**

To this end, several initiatives have been launched to address global challenges and enable the achievement of climate neutrality by 2050.

An example is Race to Zero, a global campaign promoted by the United Nations, aimed at all non-governmental entities such as businesses, universities and financial operators, which includes 1,049 cities, 5,235 companies, 441

major investors and 1,039 higher education institutions: these “real economy” players, together with 120 countries, are brought together in the largest alliance ever and cover almost 25% of global CO₂ emissions and over 50% of world GDP.²

In the financial sector, various global alliances have been established, which bring together the different financial institutions. More specifically, in the asset management sector, in December 2020 **the Net Zero Asset Managers Initiative (NZAMI)** was launched, which currently includes 273 signatories, representing over 61 trillion dollars of assets under management, committed to supporting the objective of net zero greenhouse gas emissions by 2050 and to backing investments in line with this objective.

NZAMI is committed to **ensuring transparency and accountability** also in the achievement of an ambitious **interim decarbonisation goal** involving a portion of the assets managed by 2030.

Participation in NZAMI also takes the form of the positive management of the asset management companies, for example by monitoring the carbon footprint of their activities (e.g. energy consumption and sources).

2 - Source <https://unfccc.int/climate-action/race-to-zero-campaign>

Eurizon and sustainability

Eurizon has been committed to **ethical and sustainable issues for over 25 years** and promotes investment strategies, products and behaviours focused on the integration of sustainability factors into investments. Eurizon was the leading Italian operator to launch ethical funds in 1996 and, in 2017, it introduced ESG factors into its investment process.

by reporting on the alignment of its investments with the 17 Sustainable Development Goals (SDGs) promoted by the United Nations, as well as the impact measured on certain environmental and social metrics, such as the reduction of carbon emissions, water savings and energy consumption. In addition, Eurizon annually donates a sum from the ethical funds to finance numerous projects and initiatives of a social and environmental nature, both locally and nationally.

The asset management company annually publishes the **impact reports**



Eurizon and Net Zero

In November 2021, **Eurizon was the first Italian asset manager to have joined the Net Zero Asset Managers Initiative**, undertaking, among other things, to cooperate with the companies in which it invests in tangible decarbonisation objectives.

The first step towards achieving the Net Zero objective is the identification of assets, the so-called **“in-Scope Portfolio”**, which will be managed with a view to achieving climate neutrality by 2050 and the definition of four objectives indicated below:



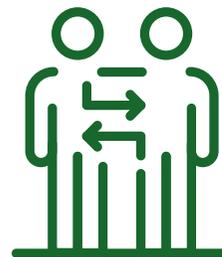
Asset Level Alignment Target



Portfolio Level Reference Target



Stewardship Target



Climate Solution Target



Asset Level Alignment Target

It plans the gradual alignment of the “in-Scope Portfolio” with the net zero emissions scenario by 2050. **The analysis of the degree of alignment of the companies to date and the projection in subsequent years** is carried out through an assessment that takes into consideration numerous variables such as the declared commitment, short, medium and long-term targets, the disclosure of emissions, as well as the decarbonisation strategies and the consistency of capital expenditures with the stated objectives.

Portfolio Level Reference Target

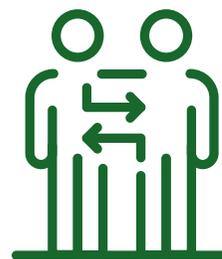
It represents the **interim target by 2030** and requires to **estimate and monitor the decarbonisation rate for the “in-Scope Portfolio”**. Eurizon has considered **Scope 1** direct emissions, i.e. deriving from sources owned or controlled by the company and **Scope 2** indirect emissions, i.e. generated by the energy purchased. Indirect emissions generated by the value chain, so-called **Scope 3**, will be included when the availability of such data improves.

Stewardship Target

The gradual alignment of the “in-Scope Portfolio” with the Net Zero scenario and its decarbonisation can be achieved through **dialogue (the engagement activity) with investee companies to encourage them** to undertake processes of decarbonisation of their businesses and gradually align themselves with the Net Zero scenario.

Climate Solution Target

Eurizon has stated its intention to **increase investments in Green Bonds**, i.e. in debt securities issued with the aim of financing environmental projects with a measurable and positive impact in addition to a financial return.



Eurizon's in-Scope Portfolio

In order to define its targets, Eurizon has chosen to use the **Net Zero Investment Framework** as its reference methodology and has also established that the asset classes considered in this first phase are **listed equities** and **corporate fixed income**, excluding for the time being government bonds, due to the low number of methodologies still in the consolidation phase.

Our initial target disclosure is based on an analysis of the characteristics of the **active funds**, considering among others, the relevance of the exposure to Corporate Fixed Income and/or Listed Equity.



Net Zero



Asset Level Alignment Target

Eurizon has identified an “in-Scope Portfolio” of **67.5 billion euro**, equal to 15.39% of its AUM at 31 December 2021, which will be managed with the aim of achieving climate neutrality by 2050, thereby undertaking to increase the “in-Scope Portfolio” to include 100% of its assets.

67.5
billion
euro



Stewardship Target

Eurizon aims to implement engagement activities with **48 companies** (representing **70% of the emissions financed by the “in-Scope Portfolio”**) by 2025 and another **107 companies by 2030** (up to **90% of financed emissions**) focusing on issuers belonging to the sectors deemed to be “material” for decarbonisation purposes.

90%

emissions financed
by 2030

Eurizon’s Net Zero targets

The commitments undertaken by Eurizon through its participation in NZAMI comprise four areas of action



Portfolio Level Reference Target

Eurizon aims to reduce the intensity of Scope 1 and Scope 2 greenhouse gas emissions by **50%** of the “in-Scope Portfolio” by 2030.

50%
reduction



Climate Solution Target

Eurizon is committed to increasing the total AUM invested in Green Bonds from 1.53% to around **4%** by 2025.

4%
Total AUM

Eurizon
the pathway
to **Net Zero**
December 2022



Eurizon the pathway to **Net Zero**

December 2022

Embarking on a pathway to Net Zero means preparing for the future, reducing the exposure of our portfolios to climate risk, which today represents one of the main long-term risks not only for investments, but for our society as a whole. The transition to a net-zero society and planet is one of the most important challenges of the coming decades, and it is crucial to ensure that investment portfolios are suitably equipped to meet it.

This is a marketing communication.

The information, forecasts and opinions contained in this document are formulated solely with reference to the date of preparation and there is no guarantee that the results or any other future event will be consistent with the opinions, forecasts or estimates contained herein. The information and forecasts provided and the opinions contained in this document are based on sources deemed to be reliable and in good faith. However, no representations or warranties, whether express or implicit, are provided by Eurizon Capital SGR S.p.A. in relation to their accuracy, completeness and correctness. Any information and forecast contained in this document may, after the date of preparation thereof, be amended or updated. The Company and its employees are not liable for any damages arising from having made reliance on the information, forecasts and opinions contained in the aforementioned document or for any errors and/or omissions contained therein. The contents set out therein may not be reproduced, redistributed to third parties or published, in whole or in part, without the prior written consent of Eurizon Capital SGR S.p.A.. The value of the investment and its corresponding return are subject to fluctuations, and may increase or decrease. As a result, fund subscribers may lose all or part of their initial investment. Reference is made to the Prospectus and the Key Investor Information document (KIID) prior to making a final investment decision.

December 2022 edition

www.eurizoncapital.com

Sede Legale

Piazzetta Giordano Dell'Amore, 3
20121 Milano - Italia
Tel. +39 02 8810.1
Fax +39 02 8810.6500

Eurizon Capital SGR S.p.A.

Capitale Sociale € 99.000.000,00 i.v. • Codice Fiscale e n. Iscrizione Registro Imprese di Milano 04550250015 Società partecipante al Gruppo IVA "Intesa Sanpaolo", Partita IVA 11991500015 (IT11991500015) • Iscritta all'Albo delle SGR, al n. 3 nella Sezione Gestori di OICVM e al n. 2 nella Sezione Gestori di FIA • Società soggetta all'attività di direzione e coordinamento di Intesa Sanpaolo S.p.A. ed appartenente al Gruppo Bancario Intesa Sanpaolo, iscritto all'Albo dei Gruppi Bancari Socio Unico: Intesa Sanpaolo S.p.A. • Aderente al Fondo Nazionale di Garanzia



EURIZON
ASSET MANAGEMENT