

An aerial photograph of a wind farm in a lush green field. Several white wind turbines are visible, with one in the foreground and others in the background. The field is divided into sections of different shades of green, suggesting different crops or land use. A dirt road or path runs through the field, and a small body of water is visible in the distance.

Green Bonds impact report

May 2023

Eurizon Fund - **Absolute Green Bonds**

Eurizon Fund - **Green Euro Credit**

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EURIZON
ASSET MANAGEMENT

Green Bonds impact

report May 2023



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Eurizon

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Aware investment to safeguard the planet

Themes related to climate change are now almost universally acknowledged as crucially important, and the role played by sustainable finance is fundamental in consistently channelling available resources towards improving conditions on the planet. In addition to financial return on invested capital, sustainable finance tools, such as **Green Bonds**, can generate positive externalities as well, to the benefit of the environment and of society.

Green Bonds are debt instruments, the proceeds of which are used exclusively to finance or refinance, entirely or in part, new or existing projects that have a positive impact on the environment. In 2022, new Green Bond issues amounted to around **500 billion dollars**. In 2023, the asset class is still being supported by several technical factors, and analysts forecast an increase in new issues to levels above the total reached in 2021, at around **600/700 billion** dollars in total (+30% more than last year).

The **creation of shared standards** and the identification of a **taxonomy for the classification of projects** are two important elements in fuelling the growth of the Green Bond market. With the introduction of the SFDR regulation, **disclosure** has become an increasingly relevant aspect.

Within individual states, focus on environmental themes remains high both in Europe and in the United States, as also proven by the Inflation Reduction Act.

In 2022, no major progress was made in terms of global efforts aimed at “keeping alive” the Paris Agreement. The **COP27** held in Sharm el Sheikh failed to produce a definitive agreement on the gradual elimination of fossil fuels, and achievement of the 1.5 °C target laid-down by the Paris Agreement remained on hold. The next United Nations Conference on Climate – COP28 – will be held in Dubai in November 2023.

Climate change: risks and consequences on global growth

How can the risks tied to climate change be measured, therefore allowing the consequences on the economy to be estimated? There are two indicators to consider: **physical risk**, and the **transition risk**. Physical risk is the financial impact of climate changes, including increasingly frequent extreme meteorological events and gradual changes in the weather, as well as environmental degradation, i.e. air, water and soil pollution, water stress, loss of biodiversity, and deforestation. Transition risk represents the financial loss a business entity may incur directly or indirectly as a result of the transition towards a low-carbon emission, more environmentally sustainable economy¹.

CONSEQUENCES ON GLOBAL GDP

The stress test drawn up by Swiss Re Institute, presented in the report published in April 2021² and conducted on 48 economies that account for 90% of the world economy, illustrates the **potential consequences of the physical risk to global economic growth**. The research paper focuses on four different scenarios for the increase of global temperatures. According to the Institute, an increase in the average temperature of more than 3°C would result in a potential contraction of the global economy by 18% over the next 30 years. The paper also stresses that the impact could be reduced if both the public and private sector take determined action.

The reduction of GDP at the global levels could stop at 4% if average temperatures do not rise by more than 2°C, allowing the goals laid out by the agreements signed in 2015 by the governments to be achieved. The “Climate and natural catastrophe risk” classifies countries based on vulnerability metrics to extreme weather events, such as droughts and flooding, and on resilience. The final ranking shows that **the hardest hit countries are those that lack structures that allow adjustment to change**.

These countries are concentrated in the developing regions, and include for instance Malaysia, Thailand, India, the Philippines and Indonesia, that are already suffering due to higher temperatures, whereas the Western countries (for instance the USA, Canada, Switzerland, and Germany) seem to be better prepared. However, the string of extreme weather events observed over the past few years are cause for alarm. The impacts of the physical risks tied to the increased frequency and intensity of weather events classified as “severe” lead to volatility in the global social and economic systems, for instance generating uncertainty in the procurement of production materials needed by manufacturing companies to make their products, with resulting delays or disruptions in the distribution or supply of products and services, with significant impacts on the company.

1 - <https://www.bankingsupervision.Europe.eu/ecb/pub/pdf/ssm.202011finalguideonclimate-relatedandenvironmentalrisks~58213f6564.it.pdf>

2 - <https://www.swissre.com/institute/research/topics-and-risk-dialogues/climate-and-natural-catastrophe-risk/expertise-publication-economics-of-climate-change.html>

Climate change: risks and consequences on global growth

EFFECTS OF THE TRANSITION TO A ZERO-EMISSIONS ECONOMY

The transition to a low-carbon economy will imply fundamental changes in all sectors of the economy. For instance, if the companies that operate in high-carbon emissions sectors fail to reap the opportunities offered by the transition, they could have to face the risk of becoming stranded assets. The speech delivered by Isabel Schnabel of the ECB, “A new age of energy inflation: climateflation, fossilflation and greenflation”, also consider the relative impacts of the change in the economic and inflation framework towards a more sustainable economy. (https://www.ecb.europa.eu/press/key/date/2022/html/ecb.sp220317_2~dbb3582f0a.en.html) Schnabel points out that while we build a more sustainability-aware economy, we are tackling a new era of energy inflation with three separate but interconnected shocks, that may lead to an extended period of upwards inflationary pressures.

The first shock, “**climateflation**”, is tied to climate change itself and to the number of natural disasters and to severe weather events, such as drought, for instance. The second, “**fossilflation**”, is heavily responsible for the recent flare-up of inflation in the euro area, where energy accounted for over 50% of overall inflation. The reason lies in the dependence on fossil

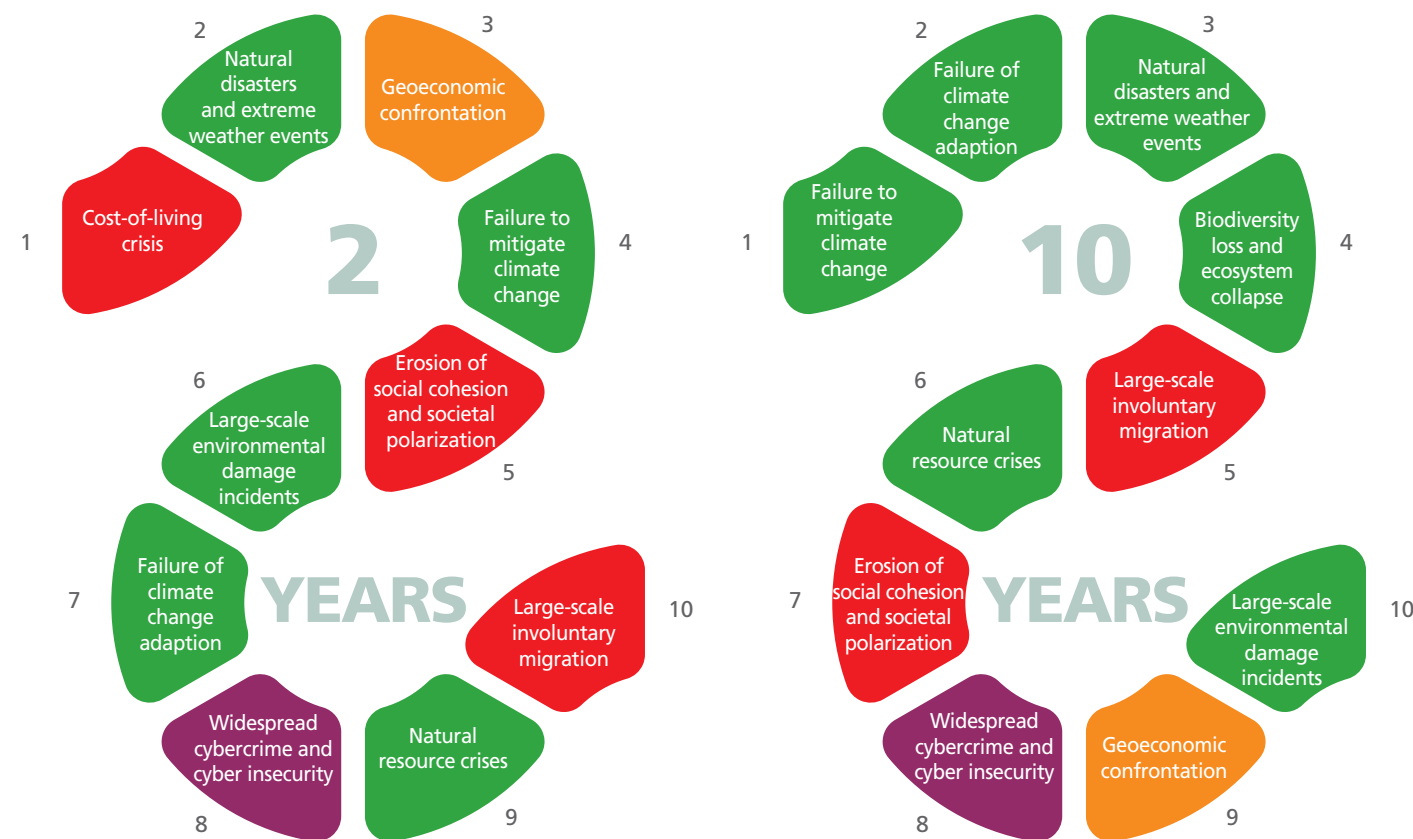
fuels, not sufficiently reduced over the past decades. The third category of shock, “**greenflation**”, refers to the updating of the production processes of businesses in order to reduce emissions. In a nutshell, most green technologies require significant quantities of metals and minerals (copper, lithium, and cobalt, for instance), especially in the transition period; the mismatch between the demand and supply of many commodities generates inflationary effects. These factors take on further importance in an uncertain geopolitical scenario, that could see delays in the drawing up and implementation of climate change mitigation policies.

In January 2022, the consulting firm McKinsey published “*The net-zero transition: what it would cost, what it could bring*”, a paper that highlights **the negative and positive effects of the transition to a zero-emissions economy**. McKinsey analysed the scope of the economic changes required to achieve the net zero emissions, taking into consideration 69 countries and the sectors of activity that account for 85% of total emissions. The scenario considered is the Net Zero 2050 target laid down by the Network for Greening the Financial System (NGFS). Numerous considerations are made in the study, led by the fact that the transition should be implemented on a **universal scale**:

all business sectors and countries should take part. The scope of the economic transformation required is significant. The consulting firm estimate at 275k billion dollars (an annual average of 9,200 billion dollars) the capital that needs to be invested by 2050, equivalent to **7.5% of Global GDP**. Therefore, 3,500 billion dollars more will have to be invested on average every year, compared to today, in low-carbon (low CO₂ emissions) technologies and infrastructures, ranging from renewable energy sources to electric mobility, across all the other sectors (industry, buildings, agriculture, hydrogen production, soil and forest management). At the present stage, around 20% of global GDP is generated by high-greenhouse-emissions activities, while the net-zero scenario calls for a drastic reduction of all fossil fuels by the middle of the century. McKinsey also point out the many risks of a potential “disorderly” transition, i.e. managed too sluggishly by governments and businesses, as well as of the potential volatility of prices in the event of power supply shortages, that would generate higher economic and social costs. Although the transition to a net-zero economy is rife with risks in the near term, in the longer run the process will reduce physical risks and the consequent energy price increases with relevant impacts mostly in regions of the world with low per-capita income. In fact, electricity prices could increase by 25% by 2040, and drop below

Climate change: risks and consequences on global growth

Higher Global risks ranked by severity over a 2-year and 10-year period



- Economic
- Environmental
- Geopolitical
- Societal
- Technological

Fonte: WEF – The Global Risks Report 2023
https://www3.weforum.org/docs/WEF_Global_Risks_Report_2023.pdf

today's levels only beyond 2050, as a result of the lower operating cost of renewable energy sources.

An interesting aspect pointed out in the paper is that, despite the adjustments that will have to be made at the economic and social level, the transition should open up **growth opportunities across sectors and geographical activity**. The balance between jobs lost and jobs gained would be positive by +202 million in direct and indirect jobs gained thanks to the transition.

NET ZERO 2050

Achievement of carbon neutrality by 2050 will call for a fundamental transformation of the global economy, although the risks tied to a "business as usual" scenario or to inadequate policies to combat climate change are perceived as high by the financial community.

At the beginning of January 2023, the World Economic Forum (WEF) published the 18th edition of the Global Risk Report, that illustrates the results of the survey of the risks perceived by experts and decision-makers in the various sectors of the economy, and highlights the dominant risks over the next two years: the risk of a recession, borrowing growth, the persistent increase in the cost of living, the polarisation of societies due to disinformation, the suspension of swift action on climate, and the geopolitical crisis.



Climate change: risks and consequences on global growth

On a 10-year horizon, on the other hand, the scenario changes and risks related to the climate and to the natural environment rank at the top as the 10 most serious, led at the global level by failures on the climate change mitigation and adaptation fronts, followed by natural disasters and extreme weather events, loss of biodiversity and collapse of the ecosystem.

Little progress was made at the COP27 held in Sharm el Sheikh. The resolutions included the establishment of a “Loss and Damage Fund”, addressed to the poorer countries that have felt the devastating effects of climate change, undoubtedly a positive step forward. The Fund should support developing countries in compensating the losses incurred due to drought, flooding, rising sea levels, and other weather-related disasters. The details of the Fund still need to be negotiated, for instance where the money will come from and which countries will benefit. To date, the list of donors would not seem limited to the advanced countries, and could therefore potentially include China, one of the leading contributors to global emissions.

COP27 came to an end without a definitive agreement on the gradual elimination of fossil fuels, and the reaching of the 1.5 °C Paris Agreement has been kept on hold. The inequality on CO₂ emissions is one of the themes pointed out by some ONGs, such as Oxfam (a non-profit organisation active around the world, and in Italy as well, to provide communities with means of subsistence, resilience capacity, and to protect lives in emergencies), that recently published a report highlighting that people in the top decile of world income distribution account for 50% of global greenhouse gas emissions, whereas those that fall in the bottom half of the distribution account for only around 10% (<https://www.oxfam.org/en/pressreleases/carbon-emissions-richest-1-percentmore-double-emissions-poorest-halfhumanity>, data from 1990 to 2015). According to Oxfam, furthermore, the fact that minorities and low-income communities are hit particularly hard by the disastrous effects of climate change, contributes to increasing the so-called carbon inequality.

Eurizon's green solutions

Eurizon's range of products includes **two funds specialised in investing in Green Bonds: Eurizon Fund - Absolute Green Bonds**, established in 2018 as the first Green Bond sub-fund created by an Italian asset manager, specialised in the international bond markets, and **Eurizon Fund - Green Euro Credit**, established in February 2021 and specialised in green corporate bonds.

The two sub-funds of the Eurizon Fund Luxembourg fund, established by Eurizon Capital S.A. and managed by Eurizon Capital SGR, are **Article 9 funds as per Regulation (EU) 2019/2088** and are therefore considered an impact investment, as they use investment selection methodologies aimed at generating a social or environmental impact, as well as a measurable financial return (so-called **"Impact investing"**).

Eurizon Fund - Absolute Green Bonds contributes to financing projects benefiting the environment, and offers diversification by issuer and by geographical region. The many projects financed by green bonds include wind farms, solar power plants, or other renewable energy plants, the circular economy (aimed at making devices and/or all their parts recyclable, therefore repeatedly reusable), the creation of barriers against erosion and sea level rise, protections against flooding, and high-energy-efficiency homes. The fund **aims to achieve positive absolute return in the medium term. The management style is flexible** and uses

credit, currency and duration strategies. More in detail, the product's duration profile may vary significantly over time: a further advantage in a context of low yields. **Eurizon Fund – Green Euro Credit**, on the other hand, is a **benchmark fund that invests in corporate bonds** mostly denominated in euros, issued to finance projects that benefit the environment. This is a sub-fund of the Luxembourg fund Eurizon Fund, established by Eurizon Capital S.A. and managed by Eurizon Capital SGR. The fund aims to achieve a stronger performance than the green corporate bond market as a whole as measured by the benchmark index **(Bloomberg MSCI Euro Corporate Green Bond 5% Capped Index)** and **adopts an active management style**, using macroeconomic and market analysis to determine portfolio strategies (top-down approach), whereas the selection of green issues is based on a bottom-up approach to identify the assets with the strongest positive environmental or social impact. The fund may also invest in corporate bonds that finance social projects, albeit residually.

The risk category

The summary risk indicator of **Eurizon Fund – Absolute Green Bonds is 3** on a scale from 1 (minimum) and 7 (maximum). We have classified this product as 3 out of 7, which is a medium-low risk class. The summary risk indicator shows how likely it is that the product will lose money because

of movements in the markets or because we are not able to pay you.

The risk indicator assumes you keep the product for 3 years. This rates the potential losses from future performance at a medium-low level, and poor market conditions are unlikely to impact the capacity of Eurizon Capital S.A. to pay you.

The summary risk indicator of Eurizon Fund – Green Euro Credit is 2 on a scale from 1 (minimum) and 7 (maximum). We have classified this product as 2 out of 7, which is a low risk class. The summary risk indicator shows how likely it is that the product will lose money because of movements in the markets or because we are not able to pay you. The risk indicator assumes you keep the product for 4 years. This rates the potential losses from future performance at a low level, and poor market conditions are very unlikely to impact the capacity of Eurizon Capital S.A. to pay you.

The funds do not offer any form of capital protection against future negative market conditions and, as a consequence, you may lose part of or the entire amount originally invested.

The risk category indicated may not remain unchanged, and the classification of the funds may change over time. Please read the KID and the Prospectus for a detailed description of the risks tied to investing in these sub-funds.

Eurizon's green investment process



Both products, **Eurizon Fund - Absolute Green Bonds** and **Eurizon Fund - Green Euro Credit** managed by the Green and Sustainable Finance team, adopt an asset selection process that excludes bonds issued by issuers or in industries that have a low ESG score, or that are involved in the controversial weapons industry. Also, the bonds must adopt a due diligence programme that complies with the **Green Bond Principles (GBP)**, as defined by the **International Capital Market Association (ICMA)**, and with the Green Bond Standard (GBS) European regulatory framework. In assessing the individual projects, credit fundamentals analysis is combined with specialised techniques aimed at assessing the “greenness” of the bond, selecting those that hold the highest value. Specifically, the bonds are classified based on a **“greenness scale” with five levels, from “brown” to “dark green”**, combining qualitative and quantitative analyses. The first step is an ex-ante or qualitative analysis of the

projects financed, followed by an ex-post or quantitative analysis:

- **Ex-ante valuation:** conducted using a mostly qualitative process, geared to analysing the issue before it is placed on the market, or in the period prior to the publication of the impact report by the issuer, and based on the documentation made available by the issuer and the information gathered during bond placement.
- **Ex-post valuation:** conducted using a mostly quantitative process, based on the impact reports published by the issuer and based on an analysis of the documentation provided by the issuer, and/or calls with the issuer, and/o information made available by external info providers. Furthermore, the environmental goals updated by the company are assessed, as also the various environmental metrics, based on both punctual data and their evolution over time tempo. The process is repeated at least annually, or when new information on the issuer/issue become available on the market.

How we identify **green issues:** from theory to practice

We make considerable efforts on the research front to avoid instances of greenwashing.

More in detail, we scan the “green” universe and select financial instruments that boast a high level of environmental sustainability, awarding a preference to the sectors in which the positive environmental impact is stronger. Our process for the selection of green issues is detailed below.



Use of proceeds

- List of key project categories
- Project examples
- Ratio of Expected uses/Proceeds greater than one
- Indication of the percentage of financing and/or refinancing
- Length of the lookback period

Process for Project Evaluation and Selection

- Detailed description of the selection process of the projects to be funded
- Dedicated governance units with description of the organizational role of these structures
- Involvement of experts external to the company

External review

- Robustness of the Green Bond Framework and alignment with the GBPs
- Quality of the certification
- Presence of the CBI certification
- Indication of the SDG targets associated to the projects
- ESG coverage by a rating agency

Management of Proceeds

- Level of disclosure related to the allocation of proceeds
- Presence of internal and/or external auditors
- Dedicated accounts
- Fund allocation tracking
- Existence of a replacement process in case of partial or complete project withdrawal

Reporting

- Presence of an Annual Sustainability Report
- Verification of changes related to the GBPs and adjustments made by the company
- Indication of KPIs (key sustainability performance indicators)

Source: Eurizon.
There can be no assurance that the investment objective will be achieved or that there will be a return on capital.

Why an Impact Report

The impact report is a document that **describes and quantifies the environmental impact of projects financed through green issues**. It is a very useful tool for investors interested in assessing the positive externalities generated by their investments. Investors are given a **detailed breakdown** of where their capital is invested, of what they are financing, mostly on the environmental front, but also in the social sphere, and of the results they are achieving.

The report is divided into two sections. The first offers a definition of green bond, analysing the impetuous growth of the market in recent years, both in terms of the number of issues and of diversification (for instance, by issuer, by business sector, and by country). **The findings of the quantitative analysis of the impact of the green investments are then described**, providing evidence of the **sustainable development goals (SDG) intercepted**. Green bonds are instruments that relate to the theme of sustainable development finance, and therefore help achieve these objectives.

MainStreet Partners

MainStreet Partners (MSP) was established in 2008 with the aspiration of providing investors with transparent and easy access to companies and funds that achieve consistent financial returns while improving people's lives and protecting our planet.

MainStreet Partners is based in London and regulated by the Financial Conduct Authority and consists of two main divisions:

- **Investment Advisory** support clients in creating offers bespoke investment solutions creating ESG multi-asset and multi-manager portfolios with mutual funds, single stocks and bonds using traditional or absolute return benchmarks. We develop products which target United Nations Sustainable Development Goals or thematic investments.
- **Portfolio Analytics** which provides a holistic approach to ESG analysis through several solutions such as: transparent and detailed Fund ESG Ratings, corporate and government issuers ESG Ratings, Green, Social and Sustainability bonds best in class database, assessment of clients' portfolios to enhance their ESG profile and align them with "green" regulations.

European taxonomy and Greenwashing

When talking of green bonds, there is increasing mention of the word **Taxonomy**. What does it mean, and most importantly, what is it for? In 2018 the **European Commission** published an **action plan on financing sustainable growth**, in accordance with the recommendations provided by a technical Expert Group (EU TEG) appointed by the European Commission. The taxonomy is one of the instruments identified by experts to **channel financial capitals towards sustainable assets, manage financial risks tied deriving from climate change, promote transparency, and achieve sustainable and inclusive growth in Europe**. In addition to the taxonomy, other tools are the creation of green standards and labels for financial products, and the introduction of new categories of low-carbon benchmarks.

WHAT IS THE EU TAXONOMY FOR?

The European taxonomy is aimed at **identifying which economic and financial activities are environmentally sustainable or not**. The taxonomy **creates a common European language** to protect investors and businesses from Greenwashing.

Greenwashing consists of providing misleading information on a company's environmental friendliness and sustainability. At the European level, the taxonomy system is crucial to achieve the

objectives Europe has laid out for itself, and will help businesses in the transition process towards an economy in line with the European goals: both the intermediate objective of cutting net CO₂ emissions by 55% by 2030, and the climate-neutrality goal by 2050. Within the EU, the taxonomy has already become part of Community Law through the adoption of a dedicated regulation (2020/852), that came into force in July 2020, and that lays out **six highly challenging objectives**:

- 1) climate change mitigation
- 2) climate change adaptation
- 3) the sustainable use and protection of water and marine resources
- 4) the transition to a circular economy,
- 5) the reduction and reuse of waste, pollution prevention and control,
- 6) the protection and restoration of biodiversity and of ecosystems.

Based on the taxonomy timeframe, by the end of 2023 the taxonomy eligibility and alignment of assets will have to be reported by financial operators, including asset managers and banks.

The eligibility of an un asset essentially rests on a certain activity making a substantial contribution to at least one of the taxonomy's objectives, whereas alignment goes further and identifies activities that meet the technical screening criteria, as well as the "Do Not Significant Harm"

(DNSH) and Minimal Social Safeguards (MSS) criteria. At the beginning of February 2023, the European Commission approved a delegated act that includes, under strict conditions, activities tied to the gas and nuclear energy sectors in the list of economic activities covered by the EU Taxonomy. The Commission stressed that **the technical criteria required for gas and nuclear are in line with the EU's goals on climate and on the environment**, and will help accelerate the transition from fossil fuels, that have a higher environmental impact, to a carbon-neutral future.

Actual enforcement of the taxonomy will be gradual, to allow financial operators to equip themselves with the necessary tools for its full adoption. The Non-Financial Reporting Directive (NFRD) requires financial and non-financial institutions to disclose the percentage of their taxonomy-eligible activities by the end of 2022, in relation, however, only to the first two requirements, i.e. climate change mitigation and adaptation.

Starting in 2024, financial firms will have to certify their alignment with the taxonomy. Furthermore, by the end of 2023, banks will have to disclose their Green Asset Ratio (GAR, assets that finance EU Taxonomy-eligible activities on the total banking book, excluding the government bond component) required and monitored

by the EBA, and asset managers their Green Investment Ratio (GIR).

In February (2023), **the European Parliament and the Council of the European Union reached a provisional agreement on the text of the EU Green Bond Standard Regulation.**

The Regulation defines the requirements issuers must meet – the most important of which is alignment with the EU taxonomy of the use of proceeds – to use the **“EU Green Bond”** (or “EUGB”) **label** for their issues of environmentally sustainable bonds. The text will be subject to technical activities in order to be perfected, and to the formal adoption procedures by the European Parliament and Council before being published in the EU's Official Journal and coming into force. The definitive text of the document will be made available in the course of the year.

*By the end of **2023** Disclosure of the Green Asset Ratio by banks (assets that finance EU taxonomy-eligible activities in relation to the banking book, excluding the sovereign component)*

*Starting in **2024** Starting in 2024, financial firms will have to publish their alignment with the taxonomy*

The Green Bonds market

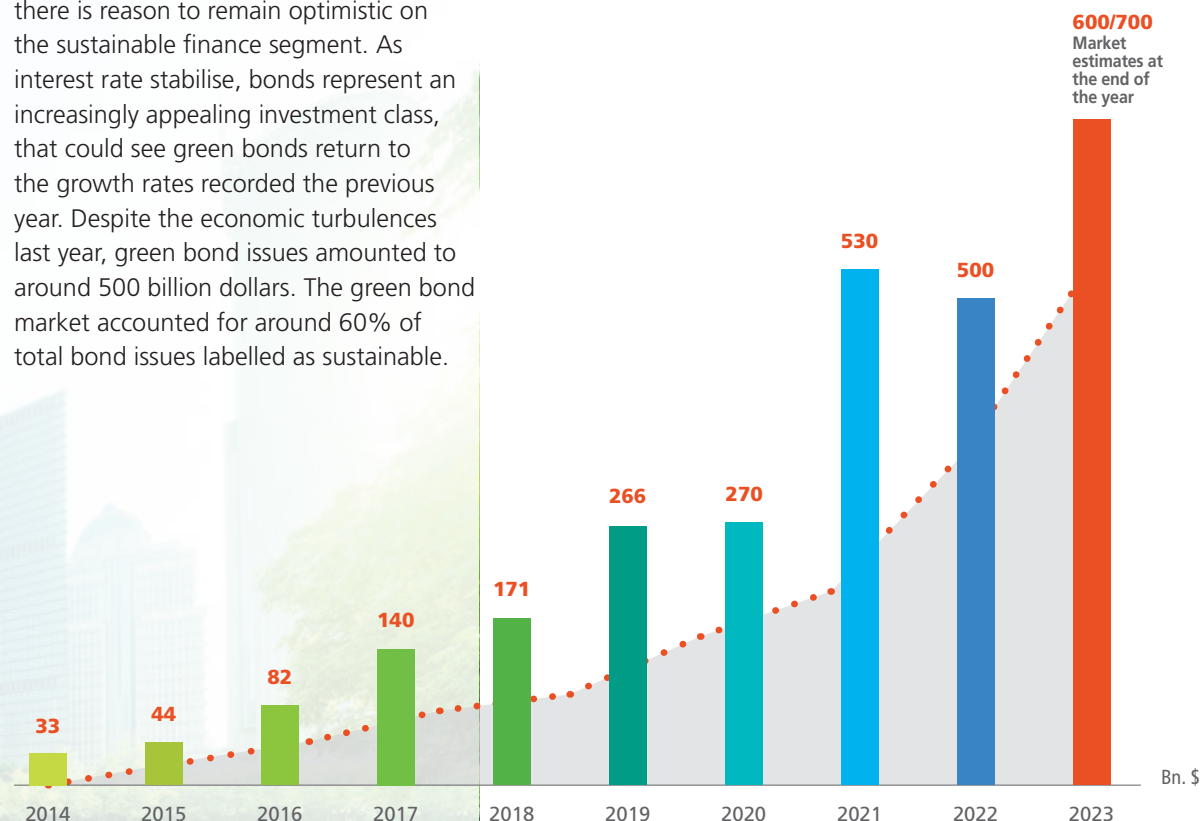
WHAT IS A GREEN BOND?

Green Bonds are bond instruments the proceeds of which will be used exclusively to finance or refinance, in part or in full, new or existing projects that benefit the environment.

Twenty-twenty-two was a particularly tough year for the bond market, and green issues were no exception. However, there is reason to remain optimistic on the sustainable finance segment. As interest rates stabilise, bonds represent an increasingly appealing investment class, that could see green bonds return to the growth rates recorded the previous year. Despite the economic turbulences last year, green bond issues amounted to around 500 billion dollars. The green bond market accounted for around 60% of total bond issues labelled as sustainable.

As interest rates stabilise, bonds represent an increasingly appealing investment class, that could see green bonds return to the growth rates recorded the previous year. Despite the economic turbulences last year, green bond issues amounted to around 500 billion dollars. The green bond market accounted for around 60% of total bond issues labelled as sustainable.

According to the Climate Bonds Initiative, cumulated bonds issues labelled as sustainable crossed the 3,500 billion dollar mark. In 2023, analyst forecasts point to an expansion of the market by between 600 and 700 billion dollars, up by around 30% compared to 2021.

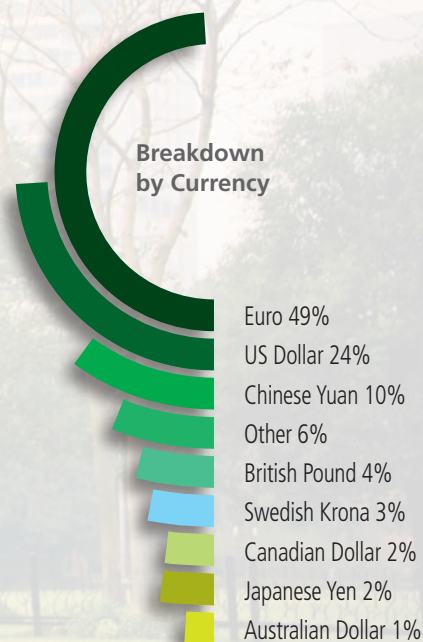


Source: Climate Bonds Initiative Bloomberg Data and estimate - December 2022

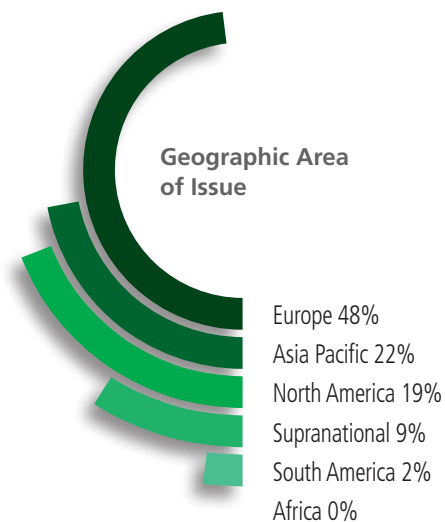
Over time, **an important market for this kind of bond** has developed in absolute terms both in size and geographical and currency diversification. Most green issues can boast a **investment grade status**, also thanks to the contribution to credit merit made by Governments, agencies, and supranational agencies in their position as issuers. From the point of view of currencies, over **80% of the market is denominated in three currencies** (euro, US dollar, and Chinese renminbi). Other

G10 currencies are also represented, such as the Swedish krona, pound sterling, the Australian dollar, the Canadian dollar and some emerging country currencies. In terms of geographical distribution, **Europe is still the top contributor** (with France in the lead, followed by Germany and the Netherlands), followed by North America and Asia-Pacific (mostly China). Among **advanced country government issuers**, in September 2022 Italy made a contribution by issuing its second


green bond, that was welcomed by ESG investors, that subscribed to over half of the placement. Also among the advanced countries, Switzerland, Canada, Austria, and New Zealand all issued their first green bonds. France created and issued its first green inflation-linked bond, whereas Austria issued its first “green bill”, a green monetary market instrument with February 2023 maturity, worth one billion euros in total. Other European countries, such as Germany, France, Spain, and Great Britain,



Source: Refinitiv Eikon - 31/12/2022



Source: Climate Bond Initiative – 31/12/2022



were also active in stepping up the size of existing green bonds. Among the emerging countries, Hungary, Singapore, Hong Kong, Indonesia, and Colombia, issued green bonds, raising around 10 billion dollars in hard and local currency. Among supranational issuers, the EU was the leading actor, with total issues in the year worth around 26 billion, with two new issues and the reopening of existing bonds. In 2023, new and subsequent government green bond issues are expected from European and emerging countries totalling around 60 billion euros, just above the total for 2022.

For what concerns corporate issuers, the **financial sector remains the most important segment of the market, accounting for a share of around 33%**, with other corporate issuers showing growth and reaching around 30% of total issues since the market was born (Bnef data). Mounting interest in, and awareness of, climate change and pollution control, have further contributed to issuance growth, with bonds also diversified by seniority (senior, subordinate, etc.) and rating. As a result, the participation of corporate issuers with high yield ratings increased.

The creation of shared standards and the identification of a taxonomy for the classification of projects mark two important steps forward important to

boots the green bond market. Central banks will also play an important role.

In 2022 the **European Central Bank (ECB)** and its officials outlined the actions the bank intends to implement to fight climate change. The ECB has in fact announced it will reinvest proceeds from assets purchased under the Quantitative Easing programme mostly towards issuers with the **best climate performances**. The European Central Bank intends to accelerate the **decarbonisation of its bond portfolio** with the aim of reducing the carbon intensity of its portfolio by 50%.

Not only the monetary policy authorities, but also individual governments, are showing an increasing awareness of environmental themes. The President of the United States, Joe Biden, signed off the **Inflation Reduction Act**, a package of health care, climate and fiscal measures drawn up by the Democrats. The law, in its approved form, will address 369 billion dollars to investment in renewable energy sources and to the reduction of emissions, marking the country's largest single effort to **combat the climate crisis**. The overall impact of the new law could help reduce net emissions in the US by 42% by 2030 compared to 2005 levels, approaching Biden's target to halve emissions by the end of the next decade. Therefore, the package approved offers unprecedented support to clean energy and the climate, mostly in the form of incentives

to encourage the development of clean energy, energy efficiency in the housing sector, and clean means of transport. This context, with new capitals made available, will make it cheaper for companies to achieve significant progress on the environmental front. Stronger support for renewable energy sources and clean transportation will enable businesses to more easily reach existing goals, and set new and ambitious ones on greenhouse gas emissions.

Furthermore, at the recent Davos meeting (January 2023) the European Commission presented the Green Deal Industrial Plan to enhance the competitiveness of the EU's zero-emissions industry and support its transition to carbon neutrality.

The President of the European Commission, Ursula von der Leyen, said that the EU intends to respond to the US package of incentives in support of the transition included in the Inflation Reduction Act (IRA) with a European package called **Net-Zero Industry Act**. The plan is built on four pillars: a predictable and simplified regulatory framework, swifter access to financing, the enhancement of skills, and open trade for resilient procurement chains.

The **first pillar** will include a Net-Zero Industry Act, that will provide a regulatory framework for the diffusion of net-zero emissions technologies.

The **second pillar** will accelerate

investment and financing for the production of clean technologies in Europe, including the use of existing EU funds.

The **third pillar** will concentrate on the development of competences for a green transition centred on people through Net-Zero Academies for industry and a "skills-first" approach.

The **fourth pillar** will concern global cooperation on trade for the green transition, including the shielding of the Single Market from unfair trade and the creation of partnerships for Net-Zero clean/ industrial technologies. In Davos, therefore, von der Leyen spoke of a sovereign fund the study of which will be at the heart of the mid-term review of the European budget for this year, with the intention of bringing back to the fore the common funding of sovereign debt aimed at financing research, innovation, and the implementation of Green strategic plans.

The future of electric vehicles

Mainstreet Partners article


The car manufacturing industry will be on the more radical end of the transition to a low-carbon economy, which will affect aspects ranging from how the vehicles are produced to which materials are sourced for the necessary technologies.

It is then surprising, however, that the car manufacturing sector has been relatively late to meaningfully step into the Green Bond market. Since 2020, which was a high-profile year for auto-industry Green Bond issuance, the industry's share of total Green Bonds issuance has been increasing significantly, climbing **from 7% in 2021 to 20%** in 2022 out of the non-financial corporates. This comes against the backdrop of governments around the world setting targets for the phase out of combustion vehicles, such as the EU in 2035, and the UK in 2030, as well targets for EV sales as a portion of car sales, such as China's 40% target by 2030.

The change is happening as we speak, with **Battery EV (BEV) sales growing 75%** year-on-year in the first half of 2022, and plug-in hybrid electric vehicle (PHEVs) sales growing by more than 37%. However, there are **two major hurdles** to the speed of this global transition. **Charging infrastructure** and the **supply** of both batteries and semiconductors directly affect the cost to purchase and the ease of use of EVs, representing challenges to a speedy rollout.

The most salient barrier, by far, is considered to be the **lack of charging infrastructure**. EV sales growth is consistently outpacing the growth in number of electric charging points installed. The European Union is having a particularly conservative, and unevenly distributed, rollout. Nearly half of all charging points in the region are concentrated in 2 countries (the Netherlands and Germany), despite these countries making up less than 10% of the EU's total surface area. In fact, charging point rollouts across member countries are significantly behind where they should be to achieve a smooth transition to electric road mobility – on average European countries need to speed up their charging point rollout rate by 9 times their current to achieve the stated EU-level 2030 target.

Electric utility providers will be well positioned to deliver a coordinated roll out of EV charging infrastructure. There are some key advantages to strong involvement from utilities in electric charging infrastructure development. Firstly, the pace and scale of infrastructure development can be increased by opening the electric charging market to utility companies' capital and expertise. Secondly, and related, utility providers are in the unique position to coordinate existing utility investments and planning arrangements with the deployment of EV charging infrastructure, which would otherwise present coordination problems



for stand-alone EV charging providers. Finally, and perhaps most importantly, grid operators currently have little to no visibility into charging behaviour, **making it difficult to anticipate and manage electricity demand**. Utility involvement in infrastructure deployment at this scale is likely to benefit the Green Bond market. They are more likely to issue green bonds, given that the sector typically funds capital expenditures through debt financing as there is limited pricing power. Additionally, utility companies have historically been significant players in the green bond market (as well as the wider fixed income market, in general). If we look at the specific use of proceeds that will be needed by utilities to rollout EV chargers, we can see that grid efficiency enhancements, new smart grid capacities, as well as the charging points themselves are all projects that lend themselves well to green bond issuances. Considering that **a total investment of EUR1 trillion will be needed by 2050** for these use of proceeds in the EU-27 alone, there is significant scope for the **Green Bond** format **to facilitate these capital flows**.

Putting the infrastructure requirements aside, the next biggest hurdle is in relation to the **components needed for EV manufacturing themselves**. Semiconductors are vital for the auto industry, but significantly more so for electric vehicles: whilst a Ford Focus

requires around 300 semiconductor chips, an EV with similar performance requires around 3,000. Another key component, the battery, also presents challenges.

Battery demand has risen sharply in recent years as the uptake of EVs' picks up pace, putting pressure on supply chains. BNEF research shows that batteries already are a main component of the cost to produce a vehicle, making up 40% of an average EV's value. To make matters worse, EVs are expected to make up around 68% of global lithium demand, 39% of cobalt, and 13% of primary nickel (all elements of the cathode within an EV's battery). With 70-80% of current battery components of semiconductors being processed in China, at a time when political tensions are at an all-time high, in-housing of chip manufacturing is likely to continue accelerating, which will require significant amounts of investment. For the EV industry alone, cutting Western dependencies on China for batteries is expected to require at least USD150 billion in new capital expenditure in the next 7 years. In 2022 we have also seen GSS bonds from other large companies involved in major plans to onshore their supply chains, notably, Ford and General Motors.

The next decade is set for a **new cycle of capital expenditure** focussed on **reducing supply chain risk**, as manufacturers move from a model of

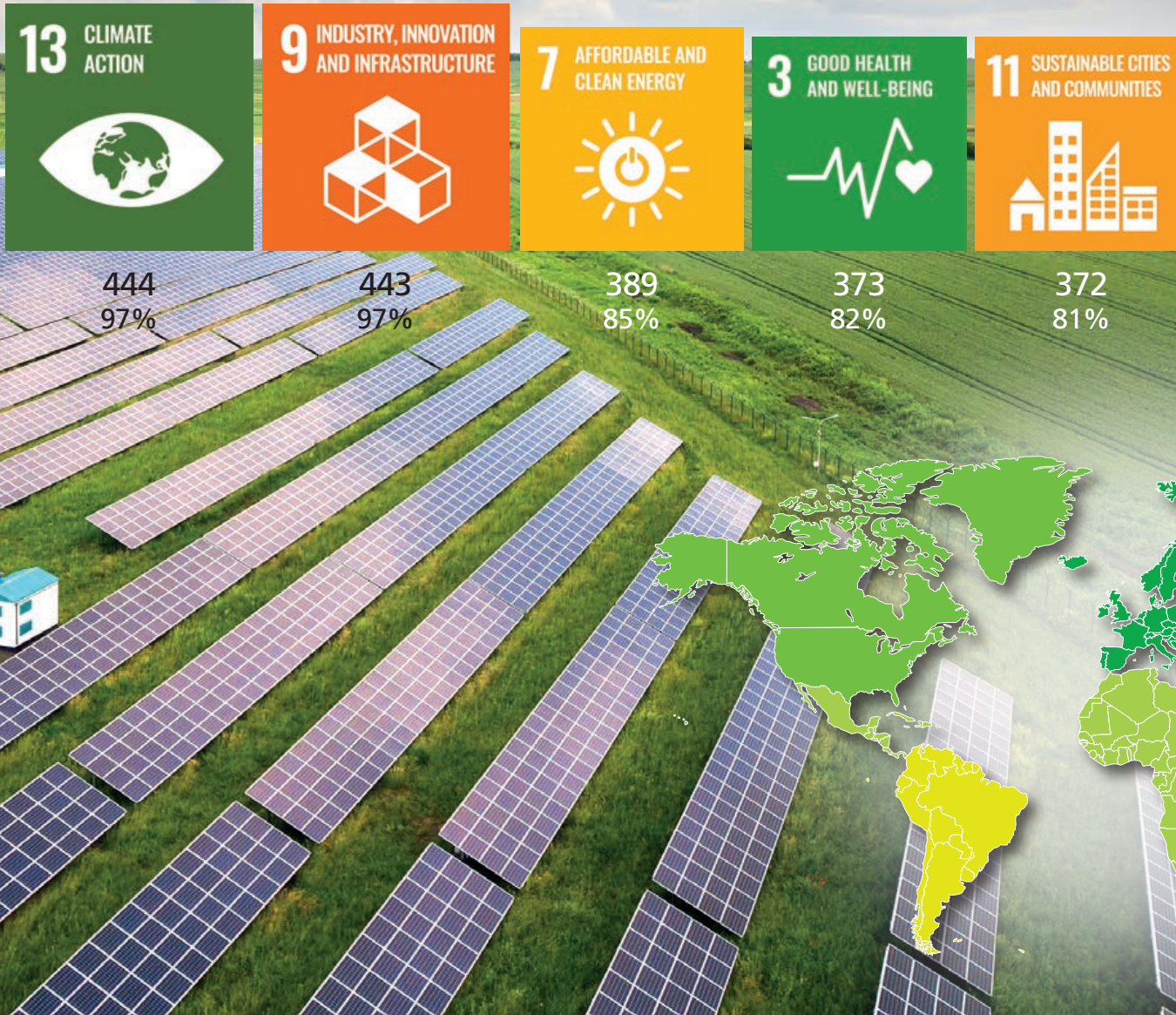
lowest cost to 'best cost', which factors in resiliency. Ordinary Green Bonds' use of proceeds, such as the manufacture of EVs, batteries, low carbon technologies for transport, as well as research and development, are all explicitly included within the EU Taxonomy. This makes **utilities** and **auto manufacturers** prime candidates for **future issuances of Green Bonds**.

Eurizon Fund - Absolute Green Bonds

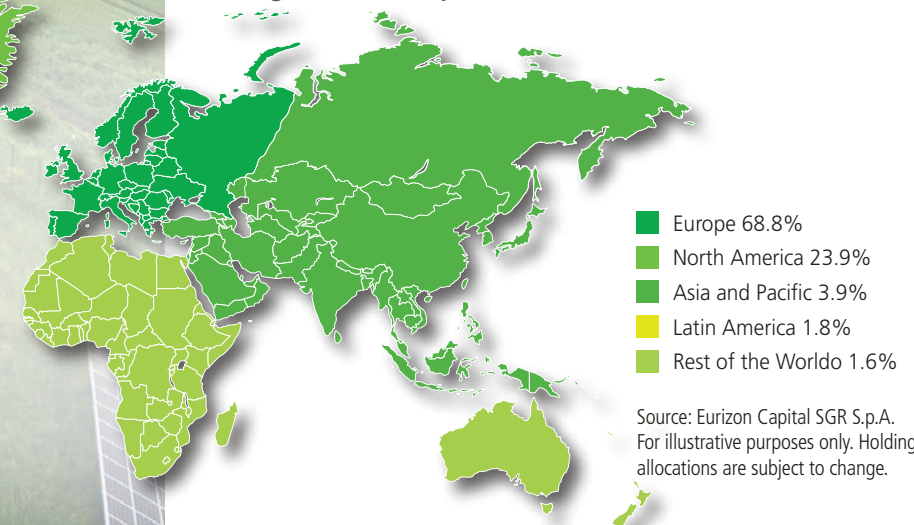
Source: Eurizon Capital SGR S.p.A. For illustrative purposes only. Holdings/allocation are subject to change.

From 1 January 2022 to 31 December 2022, **Eurizon Fund – Absolute Green Bonds** invested in 457 green bonds and green themes.

A description follows below of how the bonds contribute to the pursuit of Sustainable Development Goals (SDGs), as approved by the United Nations (UN). Each green bond and green theme can contribute to one or more SDG.



In which regions of the world we generate an impact



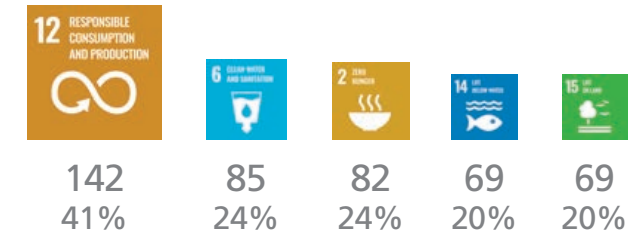
Source: Eurizon Capital SGR S.p.A. For illustrative purposes only. Holdings/allocation are subject to change.

Eurizon Fund - Green Euro Credit

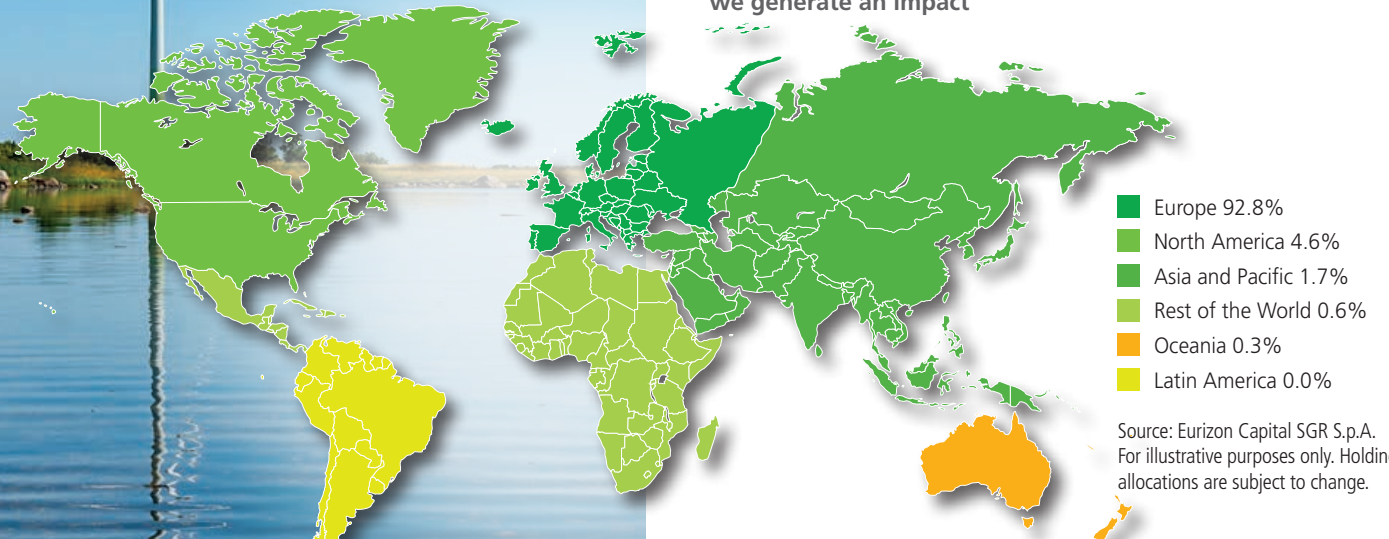
Source: Eurizon Capital SGR S.p.A. For illustrative purposes only. Holdings/allocations are subject to change.

From 1 January 2022 to 31 December 2022, **Eurizon Fund – Green Euro Credit** invested in 347 green bonds and green themes.

A description follows below of how the bonds contribute to the pursuit of Sustainable Development Goals (SDGs), as approved by the United Nations (UN). Each green bond and green theme can contribute to one or more SDG.



In which regions of the world we generate an impact



Source: Eurizon Capital SGR S.p.A. For illustrative purposes only. Holdings/allocations are subject to change.

SDG Case Study



SDG 6 CLEAN WATER AND SANITATION

Water scarcity affects more than 40 percent of people, an alarming figure that is projected to rise as temperatures do. Although 2.1 billion people have improved water sanitation since 1990, dwindling drinking water supplies are affecting every continent.

More and more countries are experiencing water stress, and increasing drought and desertification is already worsening these trends. By 2050, it is projected that at least one in four people will suffer recurring water shortages.

Safe and affordable drinking water for all by 2030 requires we invest in adequate infrastructure, provide sanitation facilities, and encourage hygiene. Protecting and restoring water-related ecosystems is essential.

Ensuring universal safe and affordable drinking water involves reaching over 800 million people who lack basic services and improving accessibility and safety of services for over two billion.

In 2015, 4.5 billion people lacked safely managed sanitation services (with adequately disposed or treated excreta) and 2.3 billion lacked even basic sanitation.

Suez

- **Issuer:** SUEZ Environment is a utility company that offers a range of services that include water management, recycling, waste recovery, and urban development. In 2021, the company produced drinking water for 66 million people worldwide and sanitation services for more than 33 million people, as well as generated over 3.5 TWh of energy from waste and wastewater (equivalent to the annual energy usage of a country the size of Cyprus).

- **Use of Proceeds:** The issuance of the green bond will help the group meet its 2030 sustainability targets, such as cutting CO₂ emissions from water activities by 40% compared to 2022. The planned expenditures include both direct capital expenditures, such as construction and extension of water collection systems, as well as research and development in CO₂ emissions and water leakage detectors.

SDG Case Study

7 AFFORDABLE AND CLEAN ENERGY



SDG 7 AFFORDABLE AND CLEAN ENERGY

Between 2000 and 2018, the number of people with electricity increased from 78 to 90 percent, and the numbers without electricity dipped to 789 million.

Yet as the population continues to grow, so will the demand for cheap energy, and an economy reliant on fossil fuels is creating drastic changes to our climate.

Investing in solar, wind and thermal power, improving energy productivity, and ensuring energy for all is vital if we are to achieve SDG 7 by 2030.

Expanding infrastructure and upgrading technology to provide clean and more efficient energy in all countries will encourage growth and help the environment.

Acciona

- **Issuer:** Acciona S.A. develops, constructs, operates, and maintains sustainable infrastructure worldwide. The company is the largest global energy operator dedicated exclusively to renewable energies (excluding China). In 2021 the company reported an increase in its annual Capital Expenditures in “sustainable activities” according to the European Taxonomy from 87% to 94%.

- **Use of Proceeds:** The bond will be dedicated to renewable energy generation projects from solar and wind energy generation plants, as well as bioenergy generation installations that achieve at least 80% emissions reduction against a fossil fuel alternative. The capital raised will support the company increasing renewable energy installed capacity above beyond the 11 GW already in operation.

SDG Case Study



SDG 11 SUSTAINABLE CITIES AND COMMUNITIES

More than half of us live in cities. By 2050, two-thirds of all humanity—6.5 billion people—will be urban. Sustainable development cannot be achieved without significantly transforming the way we build and manage our urban spaces. The rapid growth of cities—a result of rising populations and increasing migration—has led to a boom in mega-cities, especially in the developing world, and slums are becoming a more significant feature of urban life. Making cities sustainable means creating career and business opportunities, safe and affordable housing, and building resilient societies and economies. It involves investment in public transport, creating green public spaces, and improving urban planning and management in participatory and inclusive ways.

Mercedes Benz Group

- **Issuer:** Mercedes-Benz Group AG is a German multinational automotive corporation. In 2022 the company delivered over 2 million vehicles, of which 16% were either electric or hybrid. The sale, specifically, of electric vehicles doubled compared to 2021, reaching 118,000.
- **Use of Proceeds:** The proceeds of the bond are dedicated to achieving the group's ESG targets, which include targets for the footprint of their sales, such as increasing the share of electric or hybrid vehicles in annual sales to 50% by 2025, and for the footprint of their production processes, such as ensuring that (by 2030) at least 40% of all raw materials used in car manufacturing are recycled or reused. Among the projects financed by the bond, the issuer is focusing on the remanufacturing of batteries, the installation of on-site solar energy generation and the development of zero emission trucks.

SDG Case Study



SDG 13 CLIMATE ACTION

There is no country that is not experiencing the drastic effects of climate change. Greenhouse gas emissions are more than 50 percent higher than in 1990. Global warming is causing long-lasting changes to our climate system, which threatens irreversible consequences if we do not act.

The annual average economic losses from climate-related disasters are in the hundreds of billions of dollars. This is not to mention the human impact of geo-physical disasters, which are 91 percent climate-related, and which between 1998 and 2017 killed 1.3 million people, and left 4.4 billion injured. The goal aims to mobilize US\$100 billion annually by 2020 to address the needs of developing countries to both adapt to climate change and invest in low-carbon development. Supporting vulnerable regions will directly contribute not only to Goal 13 but also to the other SDGs. These actions must also go hand in hand with efforts to integrate disaster risk measures, sustainable natural resource management, and human security into national development strategies. It is still possible, with strong political will, increased investment, and using existing technology, to limit the

increase in global mean temperature to two degrees Celsius above pre-industrial levels, aiming at 1.5°C, but this requires urgent and ambitious collective action.

Equinix

- **Issuer:** Equinix, Inc. is an American multinational company specialized in enterprise network and cloud computing, with over 200 data centres globally. Considering its high environmental footprint, it's worth mentioning that over 95% of the energy internally used by the issuer is derived from renewable energy sources.
- **Use of Proceeds:** Since 2020 Equinix issued USD5 billion in Green Bonds and has been using the capital obtained to reach its climate neutrality target by 2030. The proceeds of the bond are dedicated to capital expenditures to develop new energy efficient data centres and to modernize the ones already in operations. The projects financed by the bond are focused specifically on reducing the amount of energy and of water utilised in the facilities.

SDG Case Study



SDG 15 LIFE ON LAND

Human life depends on the earth as much as the ocean for our sustenance and livelihoods. Plant life provides 80 percent of the human diet, and we rely on agriculture as an important economic resource. Forests cover 30 percent of the Earth's surface, provide vital habitats for millions of species, and important sources for clean air and water, as well as being crucial for combating climate change. Every year, 13 million hectares of forests are lost, while the persistent degradation of drylands has led to the desertification of 3.6 billion hectares, disproportionately affecting poor communities. While 15 percent of land is protected, biodiversity is still at risk. Nearly 7,000 species of animals and plants have been illegally traded. Wildlife trafficking not only erodes biodiversity, but creates insecurity, fuels conflict, and feeds corruption.

Urgent action must be taken to reduce the loss of natural habitats and biodiversity which are part of our common heritage and support global food and water security, climate change mitigation and adaptation, and peace and security.

Germany

- **Issuer:** Germany's official environmental target (also called "Nationally Determined Contribution") is to reduce by at least 55% its net domestic greenhouse gas emissions by 2030 compared to 1990. Germany is also engaged in initiatives to support developing economies' fight against climate change. In fact, the country is one of the biggest donors to the Green Climate Fund (GCF), with over EUR1.5 billion donated between 2020 and 2023.
- **Use of Proceeds:** part of the proceeds of the bond are dedicated to supporting developing markets in their environmental transition, with a specific focus in the protection of habitats, improvement of sustainable agriculture practices, and technological solutions to install renewable energy generation facilities. The capital is allocated to developing countries mainly through the country's contribution to international investment funds, such as the GCF, or via partnerships with local countries that tackle specific projects.

Eurizon Fund - Absolute Green Bonds Impact Report

The environmental and social results of Eurizon Fund - Absolute Green Bonds sub-fund are shown in the charts below. The most common analysis metrics were used, calculating the impact generated by the portfolio as a whole and for each million euros invested in the strategy.

From 1 January 2022 to 31 December 2022 Eurizon Fund - Absolute Green Bonds has invested in 457 Green and thematic bonds. The investments made by Eurizon Fund - Absolute Green Bonds contributed to the achievement of the following environmental and social impact results:*

*Source:
see methodological notes -
data as of 31/12/2022

The plants financed for the production of renewable energy have a generating capacity of

763 Megawatt



Equal to 2,384,375 solar panels installed on homes

The energy production deriving from these plants is equal to

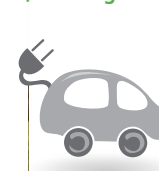
1,941,577 Megawatt/ora



Equal to the energy consumed by 539,327 European citizens in a year

Investments in sustainable infrastructure (real estate and transport) have contributed to energy savings of

151,277 Megawatt/hour



Enough to make 1,626,634 trips between Milan and Rome with an electric car

Overall, annual emissions were reduced by

1,736,120 tons of carbon dioxide



Equivalent to the amount absorbed by 8,276 square kilometres of forest in a year

Investments in production plants and production processes have allowed

3,431,431,092 litres of water



Equal to 1371 olympic swimming pools

Funding for waste management projects has led to the recycling of

21,421 tons of waste



Equal to 4,284,200 recycled garbage cans

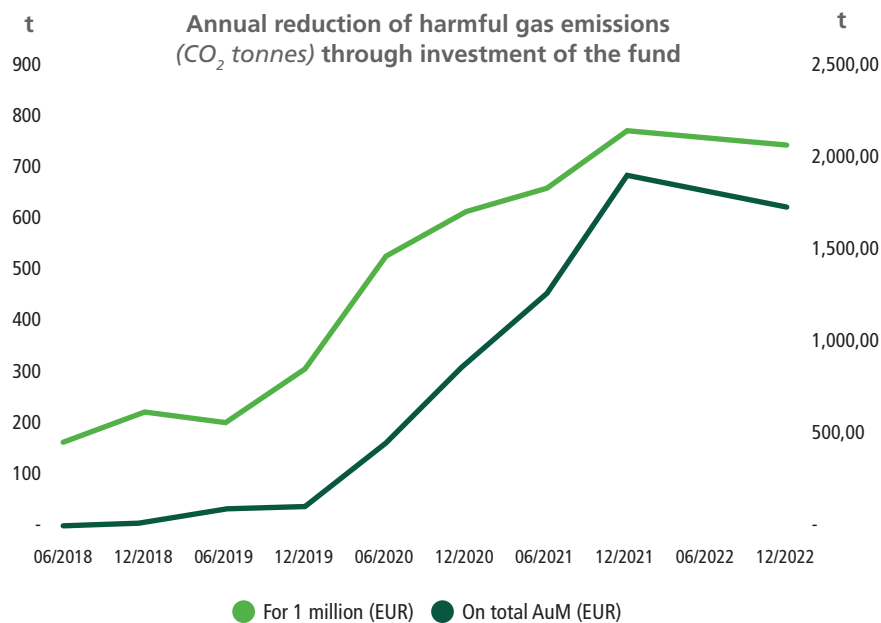
The employment created by the total portfolio is equal to

132 jobs

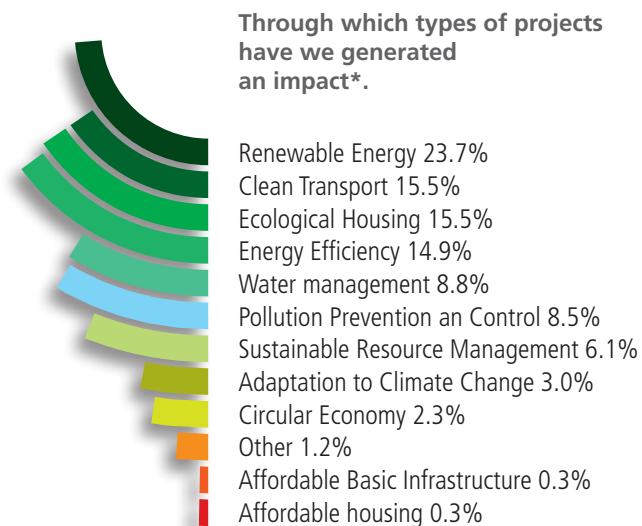


Source: Eurizon Capital SGR S.p.A.
For illustrative purposes only. Holdings/allocations are subject to change
Source of the data and rating: MainStreet Partners. Please see page 32 of this document for more information on the rating calculation methodology.

Eurizon Fund - Absolute Green Bonds Impact Report



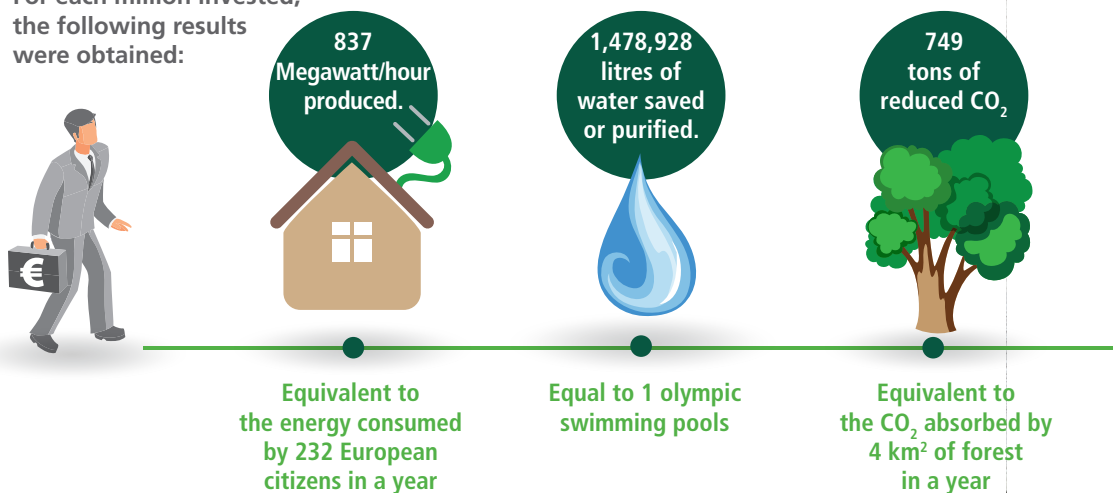
Source of rating: MainStreet Partners. Please see page 32 of this report for more information on the calculation methodology of this rating.



Source: see methodological notes - data as of 31/12/2022

*The types of projects funded reflect those established by the Green Bond Principles promoted by the ICMA. The data refer to the percentage of the portfolio accounted for by Green and theme bonds.

For each million invested, the following results were obtained:



Source: Eurizon Capital SGR S.p.A.
For illustrative purposes only.
Holdings/allocations are subject to change.

Data source: MainStreet Partners.

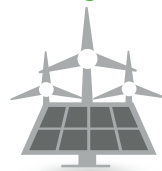
Eurizon Fund - Green Euro Credit Impact Report

The environmental and social results of Eurizon Fund - Green Euro Credit sub-fund are shown in the charts below. The most common analysis metrics were used, calculating the impact generated by the portfolio as a whole and for each million euros invested in the strategy.

From 1 January 2022 to 31 December 2022 Eurizon Fund - Green Euro Credit has invested in 347 Green and thematic bonds. The investments made by Eurizon Fund - Green Euro Credit contributed to the achievement of the following environmental and social impact results:*

The plants financed for the production of renewable energy have a generating capacity of

242 Megawatt



Equal to 756,250 solar panels installed on homes

The energy production deriving from these plants is equal to

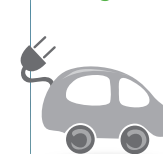
550,984 Megawatt/hour



Equal to the energy consumed by 153,051 European citizens in a year

Investments in sustainable infrastructure (real estate and transport) have contributed to energy savings of

30,439 Megawatt/hour



Enough to make 327,304 trips between Milan and Rome with an electric car

Overall, annual emissions were reduced by

374,108 tons of carbon dioxide



Equivalent to the amount absorbed by 1,783 square kilometres of forest in a year

Investments in production plants and production processes have allowed

834,952,672 litres of water



Equal to 334 olympic swimming pools

Funding for waste management projects has led to the recycling of

4,930 tons of waste



Equal to 986,000 recycled garbage cans

The employment created by the total portfolio is equal to

188 jobs



Sustainability Score

*Source: see methodological notes - data as of 31/12/2022.

Source: Eurizon Capital SGR S.p.A.

For illustrative purposes only. Holdings/allocations are subject to change. Rating source: MainStreet Partners. Please see page 32 of this document for more information on the rating calculation methodology.

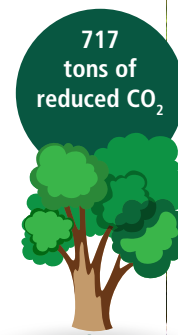
For each million invested,
the following results
were obtained:



Equivalent to
the energy consumed
by 293 European
citizens in a year

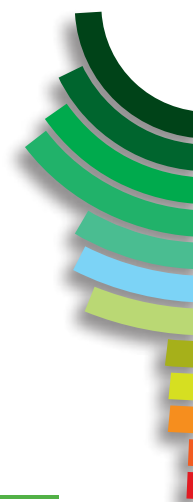


Equal to
1 olympic
swimming pools



Equivalent to
the CO₂ absorbed by
3.4 km² of forest
in a year

Through which types of projects
have we generated
an impact*.



Source: see methodological notes - data as of 31/12/2022

*The types of projects funded reflect those established
by the Green Bond Principles promoted by the ICMA.
The data refer to the percentage of the portfolio accounted
for by Green and theme bonds.

Source: Eurizon Capital SGR S.p.A.
For illustrative purposes only.
Holdings/allocations are subject to change.

Rating source: MainStreet Partners.

Characteristics	Eurizon Fund – Absolute Green Bonds	Eurizon Fund - Green Euro Credit
ISIN	Class R: LU1693963701 Class Z: LU1693963883 Class ZD: LU2093577554	LU2215042321 (Class R) LU2215042594 (Class Z)
Risk profile (da 1 a 7)	3 The risk indicator assumes you keep the product for 3 years	2 The risk indicator assumes you keep the product for 4 years
Entry costs	Class R: Max 2.50%	Class R: Max 1.50%
Management fees and other administrative or operating costs	Class R: 1.24% of which management fees 1.00% Class Z: 0.53% of which management fees 0.35% Class ZD: 0.52% of which management fees 0.35%	Class R: 1.40% of which management fees 1.15% Class Z: 0.47% of which management fees 0.30%
Transaction costs	0.20%	0.18%
Performance fee (Classe R, Z and ZD)	20% the positive difference between: (i) the percentage increase of the Net Asset Value per Unit of each Class recorded during a calendar year over the High Water Mark and (ii) the performance of the Bloomberg Euro Treasury Bill Index®+1.30% p.a.	20% of the positive difference between any returns the Fund achieves above the highest Net Asset Value per Unit reached at the end of the five previous calendar years and the Bloomberg MSCI Euro Corporate Green Bond 5% Capped Index per year
Subscription fee	Class R: Max 15 euros (in favor of the paying agent)	Class R: Max 15 euros (in favor of the paying agent)

Before taking any investment decision, you must read the Prospectus, the Key Information Document (the “KID”), as well as the Management Regulations and the last available annual or semi-annual financial report (please refer in particular to section 12 “Investment Objective and Risks Factors”).

Methodological notes



Analysis and process of MainStreet Partners

The data published in this report is the result of the proprietary methodology developed by MainStreet Partners for the collection, classification and evaluation of the environmental, social and governance results generated by the thematic bonds, together with their contribution to the United Nations Sustainable Development Goals ("SDGs"), held in the Eurizon Fund - Absolute Green Bonds fund and Eurizon Fund - Green Euro Credit from 1 January to 31 December 2022.

During this period, on average 100% of the Eurizon Fund - Absolute Green Bonds portfolio was invested in thematic bonds. 76% of the bonds in the overall portfolio have reported data relating to the social and environmental impact of funded projects while an additional component of 10% has been estimated.

Eurizon Fund - Green Euro Credit portfolio was 100% invested in thematic bonds. 69% of the bonds in the overall portfolio have reported data relating to the social and environmental impact of funded projects, while an additional 18% has been estimated.

Impact results are calculated based on the amount invested in each thematic bond in relation to the nominal amount issued together with the holding period of the investment. Impact results are expressed according to the following metrics: greenhouse gas emissions avoided, renewable energy capacity installed, renewable energy generated, energy efficiency savings, water savings, waste avoided, and jobs supported.

These metrics reflect the guidelines established by the ICMA Green Bond Principles, internationally recognized by investors, issuers and financial intermediaries. The impact results achieved are reported both for the entire portfolio and for every million Euros invested in the fund over the course of a year.

Bonds that do not report data and general purpose bonds are excluded from the calculation of environmental and social impact. Issuers of thematic bonds usually report impact data one year after the date of issuance.

The proprietary methodology developed by MainStreet Partners for the calculation of the results presented in this report can be broken down into the following six steps:

1. Classification of the use of proceeds of each bond in the portfolio;
2. Collection of social and environmental data using official sources, third party data, public data and data provided by the issuer themselves, according to the taxonomy provided by the ICMA Green Bond Principles;
3. Analysis and verification of the quality of the data collected and integration with estimated data where appropriate;
4. Calculation of the aggregate impact at the portfolio level;
5. Mapping with the SDGs;
6. Ongoing monitoring of the impact results by updating calculations with fresh data.

The first step consists of analysing the eligible use of proceeds pursuant to the issuer's Green Bond framework for every bond present in the portfolio and verifying that the use of proceeds is consistent with eligible categories according to the Green Bond Principles.

Next, MainStreet Partners collects relevant impact data for each thematic bond in the portfolio by reference to documents or reports published by the issuer, information provided by third parties (including second party opinions or similar documents), public data or data obtained by engaging with the issuer directly where necessary.

The resulting data is analysed to verify its accuracy and completeness. In some cases, thematic bonds are issued as part of a broader programme. In such a case, if the data relating to the individual bond is not available then data relating to the broader programme is analysed and prorated according to the bond's contribution to the programme.

Environmental and social results generated by individual bonds fall into two categories: actual data and estimated data. Actual data refers to results achieved by the net proceeds of the thematic bond whereas estimated data is either based on forecast data provided by the issuer prior to issuance of the thematic bond or predicted based on actual data reported for similar bonds previously issued by the same issuer. If data is not available, the bond is excluded from the impact analysis.

Once the accuracy and completeness of the data is verified, MainStreet Partners calculates the environmental and social results of each bond based on the invested amount and bondholding period. Impact metrics reported are also translated into "equivalents" which are more intuitive and tangible than the pure scientific data. Translation of scientific data such as megawatt hours of renewable energy generated into equivalents such as the average annual energy consumption of a European household is based on information provided by government agencies, NGOs and in-house research.

In addition to checking the use of proceeds and the impact generated by each thematic bond in the portfolio, MainStreet Partners defines the contribution of each bond to the SDGs. Contribution to each of the 17 SDGs is determined by reference to the bond's use of proceeds and how it promotes various targets associated with each SDG. By aggregating the data it is possible to determine how many thematic bonds in the portfolio are positively contributing to each SDG.



Finally, results are updated on a regular basis to take into account fresh data published by issuers following the first anniversary of issuance.

Definition of Thematic Bonds

Thematic bonds are bonds issued by governments, companies and supranational institutions with defined use of proceeds to (re)finance assets or projects according to certain eligible categories with the intention of generating positive environmental and social impact. Thematic bonds are divided into:

1. Green Bonds;
2. Social Bonds;
3. Sustainability Bonds.

According to the Green Bond Principles published by ICMA, "Green Bonds are any type of bond instrument where the proceeds will be exclusively applied to finance or re-finance, in part or in full, new and/or existing eligible Green Projects and which are aligned with the four core components of the GBP: 1. Use of Proceeds; 2. Process for Project Evaluation and Selection; 3. Management of Proceeds; 4. Reporting."

Eligible Green Projects include: (i) renewable energy; (ii) energy efficiency; (iii) pollution prevention and control; (iv) sustainable management of living natural resources and land use; (v) terrestrial and aquatic biodiversity conservation; (vi) clean transportation; (vii) sustainable water and wastewater management; (viii) climate change adaptation; (ix) eco-efficient and/or circular economy adapted products, production technologies and processes; and (x) green buildings.

Source: International Capital Market Association:
<https://www.icmagroup.org/green-social-and-sustainabilitybonds/green-bond-principles-gbp/>

Fund Sustainability Rating

The sustainability rating of funds is assessed according to a proprietary methodology developed by MainStreet Partners composed of over 100 metrics and is scored on a scale from 1 to 5, where 1 represents the minimum score and 5 represents the highest.

The analysis is divided into three fundamental pillars equally weighted to produce the final score.

1. The asset management firm and fund management team, since this determines the ongoing credibility of the fund and the resources dedicated to it.

2. The strategy and sustainable investment objectives, evaluating how the eligible universe is determined and to what extent sustainability plays a role in security selection.

3. The portfolio holdings, in order to check their consistency with the sustainability objectives of the fund and their ESG profile.

This approach is particularly useful for assessing the sustainability profile of a fund over a long-term horizon.

*MainStreet Partners

- Independent advisory company, controlled by private shareholders and its management, based in London, regulated by the Financial Conduct Authority as investment advisor
- 10 years of track record dedicated exclusively to sustainable and impact investments
- International team, with over 15 years of experience in finance and complementary skills developed in asset management, investment banks, consulting and supranational organizations
- MainStreet Partners is a member of the Green Bonds Principles



Green Bonds Impact report May 2023

Access to Fund documents and other information in your country

Before taking any investment decision, you must read the Prospectus, the Key Information Document (the "KID"), as well as the Management Regulations and the last available annual or semi-annual financial report. These documents may be obtained at any time, free of charge at the Management Company's website: www.eurizoncapital.com. Paper copies of these documents may also be obtained from the Management company of the Fund upon request at Eurizon Capital S.A, 8 avenue de la Liberté, L-1020 Luxembourg, Grand Duchy of Luxembourg. The KIDs are available in the official local language of the EU/EEA country of distribution. The Prospectus is available in English and French.

In case this documentation is distributed to clients or potential clients of Luxembourg, Germany, Spain, Switzerland below information should be noted:

Luxembourg: Custodian bank and paying agent: State Street Bank Luxembourg S.C.A, 49 Avenue J.F Kennedy, L-1855, Luxembourg.

Germany: The net asset value of the Units is published daily on www.fundinfo.com.

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Source of information and data related to the Units of the Sub-Fund: Eurizon Capital SGR S.p.A, Società di gestione del risparmio, a public limited company (società per azioni) incorporated in Italy under number 15010 and having its registered office Piazzetta Giordano dell'Amore, 3, I20121 Milan and authorized to act as investment manager under the supervision of CONSOB.

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