Green Boogad Teport 2023

Eurizon Fund - **Absolute Green Bonds** Eurizon Fund - **Green Euro Credit**

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Consciously investing to safeguard the planet

Climate change issues are almost universally recognised as being of crucial importance, and the role of sustainable finance is vital in order to consistently direct available resources towards the implementation of solutions and projects with a positive impact. Sustainable finance instruments, such as Green Bonds, in addition to a financial return on invested capital, also have measurable positive external factors, with the aim of bringing about benefits for the environment and communities. Green Bonds are debt instruments, the proceeds of which are used exclusively to finance or refinance, in whole or in part, new or existing projects with a positive environmental impact.

In 2023, the market for new issues of Green Bonds reached a total of almost **600 billion dollars equivalent of issues**. Analysts' estimates of growth in the green market for 2024 vary between a confirmation of 2023 issues and a moderate growth scenario (Source: BNEF, Eurizon internal processing - December 2023).

The creation of shared standards

and the identification of a taxonomy for classifying projects are two important elements in fuelling the growth of the Green Bonds market. From as early on as 2018, the European Union launched an action plan outlining the strategy and measures to be taken for the realisation of a financial system capable of promoting sustainable development, and since then the topic of disclosure has become increasingly relevant.

Even at the level of Central Banks, the focus on environmental issues remains high. The **President of the ECB Christine Lagarde** has repeatedly stated the importance of the central bank's role

in combating climate change. In particular, Lagarde stressed that "in today's difficult geopolitical context, it is easy to lose sight of the ongoing climate crisis. But we must continue our efforts to support the green transition. Climate-related disasters are becoming more frequent and more serious. The catastrophic floods of 2023 in Slovenia, Italy, Greece and France are a clear reminder of this. At the same time, global temperatures continue to rise at an increasing rate. July and August 2023 were the two hottest months ever recorded globally and the planet is now on track to reach, and potentially exceed, an average warming of 1.5 degrees by 2030".

In general, however, "climate change and environmental protection are also relevant for the ECB, both from the point of view of our primary and secondary objectives. The ECB therefore remains committed within its mandate. First of all, by ensuring the achievement of our primary objective of price stability". Lagarde also emphasises that "**progress in the green transition**, also to accelerate Europe's energy independence, is **essential as it will reduce the likelihood of higher and more volatile energy prices**" and thus help in inflation returning to lower levels.







CLIMATE CHANGE AND ECONOMIC GROWTH

The 2023 summer season brought worrying weather phenomena to the headlines, such as the extremely high temperatures reached in many locations in southern Europe, the storms and the adverse events that hit some regions of central Europe. These adverse climatic events generate an increased risk of fire and/or hydrogeological disruption with consequent negative economic impacts.

In fact, many scientists, including Nobel Prize winner Giorgio Parisi, have joined in an appeal to further raise awareness: "This is not bad weather but the effects of climate change".

But **what is climate change?** From a scientific point of view, climate change is a persistent and long-term change in weather conditions. Climate change is mainly **caused by a set of greenhouse gases** (GHG) accumulating in the atmosphere, of which carbon dioxide (CO₂) is the most common.

These gases contribute to the greenhouse effect and act as an insulator on the planet, raising the average temperature in the atmosphere, land and wate.

According to the UN agency UNFCCC, climate change is defined as "a change in climate attributed directly or indirectly to human activity that alters the composition of the global atmosphere and that adds to the natural climate variability observed over comparable time periods". Of course, climate science is not yet able to comprehensively understand the effects of climate change, especially since the phenomenon interacts with other factors and it is therefore not a simple matter to isolate causes from effects. In addition, historical data are insufficient (humans have never before experienced an environment in which the CO_{2} concentration in the atmosphere exceeds 400 parts per million) and it is therefore a non-obvious matter for scientists to model scenarios of possible future global





In any case, **important progress is being made** in terms of gathering new knowledge and analyses, which are used to produce **GDP-impact estimates**: "GDP-based measures are able to capture the effects of average temperature increases through mechanisms such as changes in productivity, investment, and labour supply".

In this regard, the Bank of Italy recently published an interesting paper on the long-term economic impact of rising temperatures in our country. The study, entitled "Temperature Dynamics and Economic Activity in Italy: A Long-Term

Analysis", is edited by Di Michele Brunetti, Paolo Croce, Matteo Gomellini and Paolo Piselli, and examines in particular the impacts on GDP per capita of rising temperatures in Italy at the provincial level over the 20th century.

Since the beginning of the 20th century, the average temperature of the earth's surface has increased at an unprecedented rate and most scientists agree that global temperatures are set to rise further (source: IPCC, 2021).

Many simulations suggest that, in the absence of mitigation actions, future temperature rises may progressively lead to a **significant contraction of GDP** due to direct or indirect effects (for example due to increases in commodity prices): "Rising temperatures may have direct

negative effects on domestic production through a wide range of channels such as shrinking agricultural output, reduced labour productivity, and a fluctuation of investments in sectors more exposed to the consequences of global warming". As the authors of the paper point out, the estimates made are "by default" in that they include the direct negative effects of rising temperatures on national production, but do not include the effects of extreme climate events (natural disasters, increased mortality, health deterioration, migration). Moreover, the 'stock' losses (damage to buildings, land, infrastructure) are not specifically addressed. In the absence of mitigation actions, "a plurality of studies show that temperature increases negatively influence the economy in both developing and developed countries and impact several sectors and key economic variables, (...) also influencing individual cognitive functions and human health." Many simulations suggest that the most advanced areas of the world will in forward-looking terms be impacted to a greater extent than the desired increase of 1.5°C on average by 2100. In fact, temperatures could rise globally between about 0.5 and 1°C, up to a worst-case scenario in which the global temperature could increase by up to +4.5°C (SSP -Shared Socioeconomic Pathways, IPCC). "Average temperatures in Italy have risen by about 2°C since the beginning of the

last century, with a substantial uniformity of growth trends at territorial level. These increases have had a negative impact on the growth of GDP per capita, which became more pronounced at the end of the 20th century in parallel with the rise in temperatures in the period 1981-2001". On the basis of the analyses carried out by the authors of the Bank of Italy study, "an emissions scenario with temperature increases of +1.5°C by 2100 could slow down the growth of GDP per capita by reducing its annual increase in a range between 0.04 and 0.13 percentage points, even leading to a level at the end of the century between 2.8 and 9.5 per cent lower than that which would prevail if GDP grew at its historical trend".

The Bank of Italy document shows us the range of the possible cost of a failed transition: **it is up to us to implement mitigation and emission reduction actions** before it is too late.

the International Energy Agency IEA: "THE PATH TO 1.5°C HAS NARROWED, BUT CLEAN ENERGY GROWTH IS KEEPING IT OPEN"

Current affairs have awoken us from our momentary torpor by reminding us of the impacts events such as the outbreak of a war or the spread of a pandemic can have, not only in terms of casualties but also regarding the long-term effects on

our lives and on the economy with the sudden rise in energy costs (with prices in some cases rising five to ten times their historical levels) and the uncertain and slow path to recovery. The evolution of global dynamics must therefore make us further reflect on the transition - which we can no longer put off - from a linear economy based on fossil fuels, to an economic model that is as circular as possible, and that also relies on renewable or at least less polluting energy sources.



On this topic, the International Energy Agency (IEA) recently updated its first report in May 2021 'Net Zero by 2050: A Roadmap for the Global Energy Sector' taking into account some important events impacting the energy sector, in particular the significant changes in the energy landscape over the last two years (the post-pandemic economic recovery and the extraordinary development of some clean energy technologies), but also the increase in investment in fossil fuels and emissions that remain high (Source: Net Zero Roadmap A Global Pathway to Keep the 1.5C Goal in Reach 2023).



Solar, photovoltaic and wind power growth rates and sales of electric vehicles



Pre-Paris Baseline: • 2015 • 2017 • 2019 • 2021 • 2023

Based on data reported by the International Energy Agency, emissions from the energy sector remained high, reaching a new record of 37 gigatonnes (Gt) of carbon dioxide equivalent (CO_2) in 2022, 1% above the 2019 level. In developed economies, emissions will be **around 4% lower** than pre-pandemic figures. In emerging and developing markets, on the contrary, emissions will be about 4.5% (about 1 Gt) higher than in 2019. This increase was largely driven by China, where emissions went up by 7% between 2019 and 2022, compared to an increase of only 2% in other developing and emerging market economies.

The agency's scenario predicts a peak in emissions by the middle of this decade and a drop to 35 gigatonnes (Gt) by 2030, 7.5 Gt below the pre-Paris reference scenario (43 Gt), i.e. a reduction comparable to the current combined emissions of the US and EU energy sectors. According to the IEA paper, although the demand for fossil fuels has not yet started to decline, the deployment of and investment in some clean energy technologies has increased very rapidly in the last two years, partly due to increased political support through economic recovery and support programmes in the post-pandemic period, but also due to political responses to the global energy crisis, mainly caused by the geopolitical situation.

As can be seen from the graph alongside, three technologies contribute most to reducing emissions compared to the pre-Paris Reference Scenario: solar photovoltaics, wind power and electric vehicles. Recent growth rates in the adoption of solar photovoltaics (PV) and electric vehicle (EV) sales have been impressive. According to the paper: "If all the announced projects are realised, solar PV capacity will exceed the 2030 level of the previous 2021 scenario and the battery capacity of electric vehicles will come very close to the requirements. Progress in technologies such as wind energy and CO₂ capture, utilisation and storage (CCUS) has been less rapid. Overall, recent advances in clean energy technologies have been encouraging, although much remains to be done to bring the world in line with the NZE Scenario roadmap."

The authors of the report point out that the acceleration of clean technology deployment has been particularly strong in the last two years. The rapid growth of clean energy technologies has occurred in parallel with a declining trend in the deployment of new fossil fuel-based equipment in several sectors. The increase in fossil fuel-based power generation capacity peaked in 2012 and fell to less than half of the maximum level in 2022. While sales of internal combustion vehicles (ICE) peaked in 2017, to fall by 25% in 2022. As a result, energy production

and consumption technologies from sustainable funds have grown both in absolute terms and as market shares.

The International Energy Agency also emphasises that **bolder action is needed** in this decade. Global renewable energy capacity will triple by 2030 with a huge increase in clean energy capacity that will reduce demand for fossil fuels by 25% by 2030, reducing emissions by 35% from the all-time high recorded in 2022. According to this scenario, demand for fossil fuels will be reduced by 80% by 2050.

Consequently, there is no need to invest in new oil and gas development projects, which also involve long lead times, and new coal mines. However, in order to avoid damaging price spikes or supply shortages, it will be essential to continue investing in some existing oil and gas assets, in addition to projects already approved, according to the agency. The decline in the demand for and supply of fossil fuels has reduced traditional energy security risks, but not made them disappear, especially in a complex and rapidly changing geopolitical context. In the Net Zero Emission (NZE) Scenario, the highest-cost producers are squeezed out of a declining market and supply begins to be concentrated with the large holders of resources, whose economies are most vulnerable to the process of change. From as early on as 2023, the world will

invest a record 1.8 trillion dollars in clean energy, and according to the NZE approach outlined by the international agency, this could rise to around 4.5 trillion dollars per year by the early 2030s. Investments in clean energy pay off over time through reduced costs in utility bills. However, a major effort will have to be made by developing countries, where annual funding for clean energy will have to reach around 80-100 billion dollars by the early 2030s. Particular attention will also have to be paid to the gap between the demand for and supply of minerals needed for the transition and to the geographical concentration of both raw material suppliers and companies capable of processing them. These factors increase the risks of supply disruptions, due for example to geopolitical tensions, extreme weather events or simple industrial accidents.

So, for the IEA, electricity will become the 'new oil' of the global energy system in the NZE scenario and the security of electricity supplies and transport networks will become even more important. In general, the IEA points out that an increasing geopolitical fragmentation signals the need for fair and efficient international cooperation to achieve the clean energy transition and that "the path to 1.5°C has narrowed, but clean energy growth is keeping it open", a message that is certainly encouraging in difficult times such as these.







COP28 UAE

COP28 - A STEP FORWARD BUT...

COP28, which was held in Dubai, ended on 12 December 2023 with an agreement after prolonged negotiations and a first draft, hailed as 'disappointing' by Europe and the US. The final Dubai agreement calls on parties to "gradually move away from the use of fossil fuels towards energy production in a just, orderly and equitable manner, accelerating action in this critical decade, so as to achieve net zero by 2050, in line with scientific indications". Furthermore, the countries will contribute to the transition on a global basis and are not obliged to undertake this change alone. The final text was released a day late, but the President Sultan Al-Jaber emphatically endorsed it, declaring how a 'historic agreement' had been reached, putting in black and white, for the first time, the need to abandon fossil fuels. The path to an ambitious and credible agreement at this year's COP was far from easy and the outcome by no means a foregone conclusion. Holding the UN Climate Emergency Conference, which is supposed to increase the scope of action to achieve global climate targets and fix more ambitious ones, in a fossil-fuel producing country was in itself a rather challenging situation. The opening of the

proceedings with statements in a private interview by the President of COP28.

and the huge increase in the number of

representatives from fossil-fuel producing countries compromised the success of the Conference and influenced hopes that decades of scientific knowledge on climate, biodiversity reduction and global warming could be translated into political decisions. An important passage in the final document refers to "tripling renewable energy **capacity** and doubling energy efficiency improvements by 2030, at a global scale". This is undoubtedly an important goal and a victory for supporters of the transition process who demand that renewable energy sources and energy efficiency be placed at the centre of every energy and climate plan.

The final result still leaves some doubts. but is considered by many to be a good agreement because, for the first time in three decades of climate negotiations, the term "fossil fuels" is used in the final text of the COP. This agreement, given the premises, paves the way for further progress with future negotiations, also by bringing producer countries on board. According to some, however, the final document contains several 'loopholes'. For small island states, such as the Marshall Islands, which are most vulnerable to the impacts of the climate crisis, the document's approach will prevent the world from reducing greenhouse gas emissions dramatically enough to limit global warming to 1.5°C compared to preindustrial levels. For the more ambitious. the main criticism focuses on the **absence**





of "phasing out" fossil fuels.

The text does not specify a date for the cessation of fossil fuels. Instead, the use of technologies such as "carbon capture and storage" (CCS) has been indicated, which for more critical nations, risks lengthening the transition time. Developing countries also still need hundreds of billions in financing, to help them abandon coal, oil and gas.

Developed countries and oil producers will not be forced to move as fast as science demands. Who will finance the development of emerging countries and their transition if they cannot use fossil fuels and have to use renewable energies instead?

The Conference had started on a positive note with the approval of a "Loss and **Damage Fund**" for climate disasters, first presented at COP27 in Egypt last year. Wealthy countries most responsible for the climate emergency have so far pledged a total of just over 700 million dollars for the fund, equivalent to less than 0.2 per cent of the irreversible economic and noneconomic losses that developing countries face each year due to global warming. Basically, a drop in the ocean. In general, during COP27, doubts grew about the standards of the organisation of the events and the consensus-building method based on unanimous consent. A shift to a gualified majority method now seems imperative, as the mid-term targets

approach (we are halfway between 2015, the year of COP21 in Paris, and 2030) and to reduce the risk of downgrading the COP to a less important event. Another key issue is how the COP venue is selected.

It is therefore clear that hard political negotiation and global coordination are needed to achieve common goals.



Non vi è alcuna garanzia che questi obiettivi verranno raggiunti o che vi sia un rendimento dall'investimento. 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 funs 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 (socalled **"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 re 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 vields. 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 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 mediumlow 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 theses sub-funds.





Eurizon's **green** investment process



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.

Eurizon's **green** investment process



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 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 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 multiasset 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.

The European Taxonomy and **Greenwashing**



On the matter of green bonds, it is

increasingly common to come across the word Taxonomy. But what does it mean and, above all, what is it for? In 2018, the European Commission published an Action Plan for Financing Sustainable **Growth**, following recommendations from the working group of experts (EU TEG - Technical Expert Group) appointed by the European Commission. The taxonomy is one of the tools identified by experts to redirect financial capital towards environmentally sustainable activities, manage financial risks arising from climate change, promote transparency and achieve sustainable and inclusive growth in Europe.

WHAT THE EU TAXONOMY IS FOR The purpose of the European taxonomy

is to **identify which economic and financial activities are or are not**

environmentally sustainable. The taxonomy is aimed at creating a common European language, also to protect investors and companies from the phenomenon of Greenwashing. Greenwashing is a neologism made up of the word green - related to the environment, and the word whitewash meaning to cover up or hide something - for the purpose of presenting own activities as environmentally sustainable, trying to conceal their negative environmental impact. At a European level, the taxonomy system is **crucial for** the goals Europe has set itself, and will be able to help companies in the process of transition to an economy in line with the European targets, both intermediate - a 55% reduction in net CO₂ emissions by 2030, and climate neutrality by 2050 (source: European Green Deal). Within the European Union, the taxonomy has already become part of EU law through the adoption of a specific regulation (2020/852), which came into force in July 2020 and has six very challenging objectives:

a) climate change mitigation;
b) adaptation to climate change;
c) the sustainable use and protection of water and marine resources;
d) the transition to a circular economy;
e) the prevention and reduction of pollution;

f) the protection and restoration of biodiversity and ecosystems.

The timeframe of the taxonomy requires the first disclosure of taxonomy-aligned assets by financial operators, including asset managers and banks, to take place by 2023. The eligibility of an asset basically requires that a given asset contributes substantially to at least one of the six objectives of the taxonomy, while alignment goes beyond eligibility and identifies assets that pass the technical screening, and the DNSH (do no significant harm) and MCS (minimum social safeguards) criteria.

According to the Commission, the technical criteria required for gas and nuclear energy are in line with the EU's climate and environmental objectives, and these activities, if they fulfil these criteria, contribute to an accelerated shift away from fossil fuels with a higher environmental impact towards a climateneutral future. The actual entry into force of the taxonomy will be gradual to allow financial operators to put in place the necessary tools for full adoption.

In 2023, the European Commission adopted the Delegated Regulation laying down the required technical selection criteria for the remaining four environmental criteria, which supplemented Regulation 2020/852 that came into force in 2024.





The Green Bonds Market



IS THE MARKET COMPOSITION? Green Bonds are bonds designed to raise funds for the exclusive financing or refinancing, in whole or in part, of existing or newly established environmental projects.

In 2023, the primary market for sustainable debt was influenced by the same factors that impacted the bond asset class in general (high interest rates and a difficult macroeconomic environment). contributing to reducing its growth potential compared to the previous year. For 2024, analysts' estimates of green market growth vary between a confirmation of 2023 emissions and a moderate growth scenario. The European market, although considered

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with the Asian market. The trend seems to be different for the US market in 2023. with a reduction in the amount and number of bonds issued compared to previous years. Market growth in the United States is also likely to be affected by the effects of the election campaign, which could influence the decisions of individual states and consequently the propensity of issuers to continue the transition process towards the use of green labelled securities.



The Green Bonds Market



However, the green bond market should continue to be supported by **investor demand growing at a faster pace** than the supply of securities. Looking at global trends, the green bond market has grown considerably in recent years, with a good number of issuers that already have a green curve, particularly in the corporate sector. In sectoral terms, the green bond market appears to have a higher concentration of issuers among financial and utility companies. These are two of the sectors that offer higher spread levels and can therefore represent a more advantageous sustainable investment opportunity than conventional credit. Turning finally to the government green bond segment, there has been steady growth over time with a significant increase in the last year. Analysts expect this trend to accelerate in 2024 and beyond, to the benefit of greater diversification and improved market liquidity.



Source: BNEF - 31/12/2023



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The Green Bonds Market



Over time, an **important market** for this type of bond has been created, both in absolute size and in terms of geographical and currency diversification. Most green issues have an **investment grade rating**, partly due to the contribution, in terms of creditworthiness, of states, agencies and supranational bodies acting as issuers. From a currency perspective, around **80% of the market is denominated in three currencies** (the Euro, the US dollar and the Chinese renminbi).

Other G10 currencies, such as the Swedish krona, the pound sterling, the Australian and Canadian dollars, and some emerging market currencies, are also commonly present. As far as geographical distribution is concerned, Europe remains the most important contributor (the most relevant country is Germany, then France, the Netherlands, Spain and Italy), followed by Asia-Pacific (mainly China) and North America. Among government issuers of developed countries in April 2023, Italy contributed by issuing the third green instrument, with a good participation of ESG investors. Also among developed countries, Israel undertook its first green issue, but the year was characterised by numerous re-openings of existing securities by European and non-European countries.

As far as corporate issuers are concerned, the **financial sector remains the most important** market segment with a weight of approximately 35%, followed by other corporate issuers that have reached 30% of total issues since the market's inception. The growing interest in and awareness of climate change and pollution control issues have further contributed to the growth of issues, which were also diversified by seniority (senior, subordinated, etc.) and rating. In fact, the participation of corporate issuers with a high yield rating has increased.

Data source: BNEF

EU Green Bond Standard: Paving the way for sustainable capital markets

Article by Mainstreet Partners

INFORMATION



The introduction of the EU Green Bond Standard (EU GBS) will certainly have significant implications on the European Green Bond market. The European Union already sees the Green Bond market as an important channel for transition finance, having issued EUR29 billion since 2021 (and over EUR100 billion in Social Bonds). The European Commission has also declared its intention to fund up to 30% of its EUR 250 billion NextGenerationEU programme through Green Bonds, which would make it the largest Green Bond scheme in the world. In a bid to make capital markets interlinked with the European Taxonomy, the EU GBS will provide further transparency, comparability, and credibility to the Green Bond market.

Adopting the EUGBS could see some issuer-specific benefits, such as higher demand from investors willing to increase the Taxonomy Alignment of their assets, or even result in pricing benefits (i.e., a greenium). With more reporting required, issuers will also need to consider reputational and litigation risks of using the label and failing to meet its requirements. Issuers are already setting the stage for a strong uptake of the EU GBS, disclosing Taxonomy information in pre-issuance documentation. For example, German utility E.ON Green Bond Framework from December 2021 already disclosed the full alignment of its projects with the European Taxonomy.

As a new standard comes to an already established market, it is normal that the initial uptake will start low and build up over time. There is an already well-functioning Green Bond market in the European Union, but the EU GBS label may pave the way for new issuers and investors into the market, whilst mitigating the risk of greenwashing. There are clear benefits to the EUGBS for issuers and investors. However, if the bonds are issued without intention and proper planning, the risks posed to investors



EU Green Bond Standard

89%



are tangible. Investors will need to keep closely monitoring the sustainability credentials of Green Bonds, beyond the label.

Real Estate & GSS bonds

The age of the building stock in many EU countries means the Real Estate sector will see a huge demand for financing to undertake their transition to modernised, more environmentally friendly stock. The UK, for instance, has the oldest building stock in Europe, followed by Denmark, Belgium, Germany and Italy, respectively.

It is no surprise that while 'green buildings' are a key beneficiary for GSS Bonds financing – i.e. 'use of proceeds' – the Real Estate sector is the main driving force behind the growth of issuance volumes in this category. Approximately 66% of GSS Bond-financed "Green Building" projects relate to existing buildings and the remaining 34% funds new developments and acquisitions. The latter may sound counterintuitive, but almost three-quarters of a building's emissions stem from its ongoing operations.

This suggests the sector is using GSS Bonds to finance efficiency upgrades and major renovations of the existing building stock.

With the Sustainable Finance Disclosure

Regulation (SFDR) and the EU Taxonomy fully taking the spotlight for financial sector "sustainability" regulation, the Real Estate industry has lagged. The legislation that launched the Energy Performance Certificate (EPC) 20 years ago laid the groundwork for the more ambitious Energy Performance of Buildings Directive. The latter aims to at least double the annual energy renovation rate of buildings by 2030.

The current rate of renovations is still widely insufficient, with the annual European energy renovation rate at 1%, though this is expected to increase in the medium term. The main reason the pace of change has been so slow is high construction costs and a related lack of clear monetary incentives, as well as fragmentation in the renovations market – SMEs contribute more than 70% of the "value-added" in the EU's building sector. The Real Estate sector is a prime candidate for sustained high levels of future GSS Bond issuances going forward if wider EU level goals are to be met.

Renewable Energy

Renewable Energy remains one of the favourite categories for issuers to target with Green and Sustainable Bond issuances. Aside from its very clear line towards generating impact, another positive of this Use of Proceed is its naturally high alignment to the EU Taxonomy, given that many forms of renewable energy generation activities are derogated under the same regulation. Wind and solar stand out as the favourite types of renewable energy generation activities. More broadly speaking, in fact, in 2022, for the first time, wind and solar (combined) overtook gas in terms of percentage of total energy generation in Europe.

The GSS Bonds Market is playing a key role in supporting this trend. From 2015 to 2022, allocation towards solar photovoltaic power generation technologies has increased at an average yearly rate of 73%. For the comparable period for wind power generation, allocations have increased on average 68% per year.

Wind and solar are, at least currently, the definitive favourites in terms of types of renewable energy generation projects, despite these projects displaying some key disadvantages, such as generation vulnerability towards adverse weather conditions, as well as a lack of ability to provide reliable baseload generation that forms the foundation of an effective grid.

A key determinant of which energy projects receive funding is their Levelized cost of Electricity (LCOE), defined as the price at which the electricity produced needs to be sold at for the entire project

EU Green Bond Standard

THINK GREEN

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We then turn to modularity. One advantage that wind and solar power generation projects enjoy, versus geothermal and hydropower, for example, is that they are highly modular. These facilities can be constructed in such a way that they are able to be divided into smaller standardized units, where each unit can be independently used, replaced, and critically, produced. Solar power systems are modular by design, with each unit consisting of a single panel, with a similar logic for wind turbines. Adding a turbine to a large-scale hydropower facility, however, would take a significant amount of time and investment, and could affect the capacity of the dam whilst this is underway.



15 ::...

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Eurizon Fund -**Absolute Green Bonds**

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

From 1 January 2023 to 31 December 2023, Eurizon Fund – Absolute Green Bonds invested in 426 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.





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 2023 to 31 December 2023, **Eurizon Fund – Green Euro Credit** invested in 367 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.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	13 CLIMATE ACTION	3 GOOD HEALTH AND WELL-BEING	7 AFFORDABLE AND CLEAN ENERGY	11 SUSTAINABLE CITIES AND COMMUNITIES	12 RESPONSEELE CONSUMPTION AND PRODUCTION	6 tille test at sector	2 ==	14 II	15 ∰aaa ∳	
359 98%	356 97%	319 87%	317	314 86%	167 46%	98 27%	92 25%	83 23%	83 23%	
					In which regi we generate	ons of the vanimpact	world	Europe North Asia ar Rest of Latin A Source: Euriz For illustrativ allocations a	93.7% America 4.9% Id Pacific 0.7% The World 0.3% Imerica 0.0% on Capital SGR S.p.A. e purposes only. Holding re subject to change. t Report April 2024	gs/







CLEAN TRANSPORTATION (SDG 11)

Make cities inclusive, safe, resilient and sustainable

Today, 54% of the world population lives in urban areas, a figure that should increase to 66% by 2050. The phenomenon of urbanization and the expansion of cities on one hand has favoured social and economic progress worldwide, but on the other hand, it has contributed to the development of degradation and poverty related to the inadequate management of natural resources at the local level, and to the scarcity or total lack of funds allocated for supporting basic services and adequate housing facilities for everybody. Currently, 828 million people live in cities in conditions of degradation and urban poverty. SDG 11 aims to transform urban centers into sustainable cities through the access for everyone to affordable and safe housing, basic services and adequate public transportation, especially for those who are most vulnerable. In addition, the cities of the future must be green, a goal which is achievable through the reduction of negative impacts on the environment, the development of safe and inclusive

green areas and public spaces, with specific attention paid to the urban outskirts. Finally, the preservation of the artistic and cultural heritage must be guaranteed.

Corporate role:

firms can adopt manufacturing processes that take into account the protection of the cultural and natural heritage of the area where they operate; they can promote *eco-friendly* transportation whether for company use or externally; invest in projects and initiatives for the protection and support of the people exposed to possible environmental disasters. The companies most connected to *SDG 11* are those operating in the construction sector, but all the others can contribute too. Further information

How to measure the corporate contribution:

some indicators to evaluate corporate actions include: the number, type and impact of initiatives promoting the use of sustainable modes of transport; the quantity and impact of investment in *eco-friendly* transport services and infrastructures; the number, type and impact of contingency measures and programmes focusing on prevention and management of disasters and emergencies; and the number and percentage of people who, at local level, have changed their residence due to noise resulting from corporate activities.

Austria

- **Issuer**: The Republic of Austria has the 14th highest GDP per capita globally and is the world's 43^{rd} largest economy; it is also one of the most biodiverse countries in Central Europe, counting about 68,000 different species. Austria has committed to CO₂ neutrality by 2040 and to do that it has set a short-term target to use 100% of the renewable energy produced in the country by 2030.
- Use of Proceeds: The issuer brought to the market approximately EUR20 billion in Green Bonds since its debut in 2021. Its focus is on financing the expansion and electrification of its railway infrastructure and the installation of renewable energy production plants, as well as the construction of wastewater treatment facilities. As of the latest reported data, over 60% of the Green Bond proceeds have been allocated to Clean Transportation projects.







GREEN BUILDINGS (SDG 9)

Build resilient infrastructure, promote sustainable industrialization and foster innovation

roads, maritime links, and access to electricity, water and Internet are all essential in making communities prosperous and sustainable. In addition, with the increasing growth of the global population, it is necessary to build more infrastructures in accordance with sustainability criteria. Technological developments and scientific research and innovation are essential in finding lasting solutions to the economic and environmental challenges. Currently, more than 4,000 million people lack access to the Internet. SDG 9 aims to achieve sustainable and high-guality infrastructures for everybody, to stimulate a new business model that respects the principles of sustainability and that adopts clean technologies and industrial processes, and that promotes innovation and achieving equal access to information, especially through the Internet. These objectives have a direct impact on the productivity growth of populations and

on their ability to access health care and educational and training opportunities, as well as supporting the protection and care of ecosystems and natural resources at global level.

Corporate role:

firms need to promote industrial processes that do not impact on the environment by incorporating small and medium-sized enterprises in their value chain. In other words, the private sector is called upon to promote the expansion of infrastructures and sustainable communication technologies and to support innovation and research within their range. Although companies operating in the sectors of telecommunications are more related to this goal, all firms can contribute. Further information

How to measure the corporate contribution:

some indicators to evaluate corporate actions include: the total expenditure and investment for environmental protection; the development and impact of infrastructure investments and services; the size, type and impact of technological assets; and the direct economic value that is generated and distributed.

Berkeley Group Holdings

- **Issuer**: The issuer specializes in largescale regeneration projects in South-East England. The company has approved Science-Based Targets, among which the one, by 2030, to align its business with a temperature increase of 1.5 degrees Celsius. As of the latest reported data, Berkeley Group has already achieved a 76% reduction in Scope 1 and 2 CO_2 emissions compared to 2019 levels.

- Use of Proceeds: The proceeds of Berkeley's Green Bond will be used to finance renovations of green buildings, with a particular focus on the regeneration of complex large-scale brownfield projects. Its Green Buildings portfolio includes buildings at various stages of development and has so far contributed to renovating to high energy efficiency standards an area equivalent to over 32,000sqm.









CIRCULAR ECONOMY (SDG 12)

Ensure sustainable consumption and production patterns

SDG 12 aims to ensure the welfare of people through access to water, energy and food, while reducing the excessive consumption of natural resources. The current models of production and consumption bring about a considerable waste of resources and damage to ecosystems globally. It is estimated that the global population will reach 9.6 billion by 2050; with this number of people the natural resources of three planets would be required to meet the needs of employment and consumption at global level. Natural resources need to be used efficiently and distributed equitably among the population, so that everybody has access to electricity, clean water and adequate food. Therefore, it is important to change the model of production as well as consumption habits. Through SDG 12 the United Nations aspire to change the current model of production and consumption in order to achieve an efficient management of natural resources, setting in motion, for example, processes for the elimination of food

waste, the use of eco-sustainable chemical products and the reduction of waste in general. In the promotion of an efficient approach, responsible and sustainable natural resources, this SDG is aimed at companies (production processes), people (consumption and practices such as sustainable tourism), and governments (at the regulatory level, for example, disincentivizing the use of fossil fuels).

Corporate role:

firms wishing to contribute to *SDG 12* and gain a competitive edge can act in several different ways, especially those operating in the food, textile and consumer goods sectors. For example, companies could gradually withdraw products or services from the market that require an excessive consumption of energy and natural resources, progressively favoring the use of recyclable and biodegradable materials in their production processes. Further information

How to measure the corporate contribution:

some indicators to evaluate corporate actions include: the reduction in energy consumption in the production and distribution of products and services; the type and number of sustainability certificates, quality and ethics; the percentage of recycled materials used; how much the environmental impacts of products and services are reduced; and the number and type of actions for the dissemination of responsible consumption practices.

Brambles

- **Issuer**: Brambles has been a pioneer of the sharing economy, with its platforms being used across 60 countries and a variety of industries including consumer goods, retail and manufacturing. Its circular business model facilitates the 'share and reuse' of one of the world's largest pools of reusable pellets and containers.
- Use of Proceeds: Its Green Bond supports the development of eco-efficient and Circular Economy-adapted products, such as plastic pallets, crates, and containers, as well as reusable timber. Its financing program is pivotal for the issuer to achieve its long-term target of achieving net zero GHG emissions across Scope 1, 2 and 3 CO₂ emissions by 2040, as well as ensuring that no product materials are sent to landfill by 2025.



SUSTAINABLE MANAGEMENT OF RESOURCES (SDG 15)

Sustainably manage forests, combat desertificaion, halt and reverse land degradation, halt biodiversity loss

Terrestrial ecosystems, such as forests and mountains, are the main food sources, provide clean air and water as well as a habitat for millions of species, but they are gravely threatened by the consequences of human activities and climate change. Every year 13 million hectares of forest disappear and 22% of animal species are endangered. Soil degradation is on the increase, hindering the farming activities which are needed to produce enough goods and services for everyone, especially in poorer regions. 50% of agricultural land in the world has been degraded and every year 12 million hectares become no longer arable. If we want to ensure that water and food are to be available to the world's population, long-term solutions must be found to combat desertification and deforestation and to preserve terrestrial habitats. SDG 15 aims to boost the sustainable use of terrestrial ecosystems, particularly by combating deforestation and soil degradation. This goal also aims

to take steps to preserve biodiversity by protecting endangered plant and animal species, and by combatting poaching and the trafficking of protected species.

Corporate role:

firms can help achieve this goal by eliminating the impact of production activities on ecosystems and terrestrial habitats, by respecting the environmental legislation of the countries in which they operate and by integrating the conservation of biological diversity into their *business* Further information

How to measure the corporate contribution:

some indicators to evaluate corporate actions include: the amount of land (owned, rented or under management which is used for production or mining) degraded or restored; the number of natural habitats protected or restored as a result of company activities; and the number and percentage of areas where the risk to biodiversity has been assessed and monitored.

Mondelez International

 Issuer: Mondelez International is an American multinational snack food company operating in over 150 countries around the world. The company's sustainability strategy embodies several short-term targets to improve the sourcing of ingredients and their packaging. By 2025, the issuer expects to reduce water use by 10% and food waste by 15% (vs 2018), as well as ensuring that 100% of packaging is recyclable.

- Use of Proceeds: Mondelez's Green Bond proceeds are mainly used to finance projects relating to the sustainable sourcing of ingredients through its 'Cocoa Life' and 'Harmony Wheat' programs. These programs not only reduce the environmental impact of the company's supply chain, but also have collateral positive effects on the cocoa farmers and their communities. In 2022 alone, approximately 220,000 farmers were trained in sustainable farming practices.









RENEWABLE ENERGY (SDG 7)

Ensure access to affordable, reliable, sustainable and modern energy for all

It is essential that everyone in the world can obtain enough energy to improve access to heating systems, lighting in schools and hospitals, communication, access to the Internet and work tools. all the issues that have a direct impact on development. The United Nations Development Programme (UNDP) states that to lead a decent life, the minimum daily consumption of electricity per person is 0.5 kWh. To date, one person in five has no access to electricity. Moreover, at present, the global economy depends heavily on fossil fuels, contributing to the increase of greenhouse gas emissions, the consequences of which have serious impacts in humanitarian, social and environmental terms. The SDG 7 aims to ensure universal access to sustainable. reliable, and modern sources of energy in order to improve the lives of millions of people. This goal promotes both the increased use of renewable energy to replace fossil fuels as well as energy efficiency, creating a fully sustainable

economy, for the benefit of society and the environment.

Corporate role:

the private sector plays a central role in achieving this goal, especially regarding the energy sector. Companies can invest in clean energy sources, such as solar, wind or thermal ones, focus on technologies that reduce electricity consumption in buildings and industries, and implement projects that help provide energy to disadvantaged communities. Further information

How to measure the corporate contribution:

some indicators to evaluate corporate actions include: the kWh of energy consumption in the organization; the total of investments in renewable energies; the kWh of energy consumption of buildings.

E.ON

- **Issuer**: With over EUR10 billion in Green Bond issuances since 2017, the utility is a recurrent issuer of Gree Bonds. E.ON is an international energy company with the highly ambitious target of reducing by 2050, 100% of its CO2 emissions across Scope 1, 2 and 3. - Use of Proceeds: most of its green financing is dedicated to the development of Renewable Energy generation capacity, as well as its storage and distribution. All projects financed by its Green Bonds are fully aligned with the Climate Mitigation Environmental Objective of the European Taxonomy.





ENERGY EFFICIENCY (SDG 13)

Take urgent action to combat climate change and its impacts

Climate change is a phenomenon that affects every single country and person in the world. Global warming continues to increase, greenhouse gas emissions are currently 50% higher compared to 1990 levels, and it is expected that by 2030 there will be a further increase of 45%, unless they are immediately counteracted. There are direct consequences for the planet, causing warmer oceans, a rise in sea level, the melting of polar glaciers and extreme weather events, such as fires, desertification, drought, earthquakes, floods and tsunamis. These phenomena also have an impact on people, destroying crops, making it difficult to access water, causing diseases and blocking real social and economic progress. The consequences of climate change may be irreversible if urgent measures are not taken. SDG 13 seeks to introduce climate change as the primary issue on the political agenda, in the strategies and programmes of national and regional governments, and of firms and civil society, improving the response

to the problems created such as natural disasters, and promoting education and raising awareness of the entire population.

Corporate role:

the private sector can develop strategies to reduce their greenhouse gas emissions, through the use of renewable energy instead of fossil fuels. Further information

How to measure the corporate contribution:

some indicators to evaluate corporate actions include: external verification of greenhouse gas emissions generated directly and indirectly; reductions in greenhouse gas emissions; the volume of investments in renewable energy; and the total expenditure and investment in environmental protection.

Iren S.p.A

Issuer: the utility's '2030 Strategic Plan' includes targets such as reducing its Scope 1 CO₂ emissions intensity per MWh of energy generated by 47% (vs 2020). It also includes a Scope 2 CO₂ emissions net zero target in the same timeframe.

- Use of Proceeds: Although its Green Bond issued in 2017 targets a wide range of projects, 50% of financing was allocated to energy efficiency improvements in its transmission infrastructure and the deployment of smart metering solutions in electricity and gas networks.





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 2023 to 31 December 2023 Eurizon Fund - Absolute Green Bonds has invested in 426 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:*

Investments in sustainable infrastructure (real estate and transport) have contributed to energy savings of 137,603 Megawatt/hour



Enough to make 1,479,598 trips between Milan and Rome with an electric car

The employment created by the total portfolio is equal to **4,3 jobs**



Overall, annual emissions were reduced by 1,157,453 tons of carbon dioxide



Equivalent to the amount absorbed by 5,518 square kilometres of forest in a year

*Source: MainStreet Partners see methodological notes - data as of 31/12/2023. Source: Eurizon Capital SGR S.p.A. For illustrative purposes only. Holdings/allocations are subject to change.

The plants financed for the production of renewable energy have a generating capacity of 898 Megawatt



Equal to 2,806,250 solar panels installed on homes

Investments in production plants and production processes have allowed 982.306.264 litres of water



Equal to 393 olympic swimming pools Equal to 4,732,964 recycled garbage cans

The energy production

deriving from these plants

is equal to

1,696,861 Megawatt/hour

Equal to the energy consumed

by 471,350 European citizens

in a year

Funding for waste

management projects has led

to the recycling of

23.665 tons of waste



Eurizon Fund -Absolute Green Bonds Impact Report

Source : MainStreet Partners.

For each million invested,

901

Megawatt/hour

produced.

Ŧ

Equivalent to

the energy consumed

by 250 European

citizens in a year

the following results

were obtained:



521,343

litres of

water saved

or purified.

Egal to

14.896 showers

saved

614

tons of

reduced CO,

Equivalent to

the CO, absorbed by

2.9 km² of forest

in a year



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

Renewable Energy 32.8% Ecological Housing 16.2% Energy Efficiency 14.6% Clean Transport 14.3% Pollution Prevention an Control 5.7% Sustainable Resource Management 5.6% Water management 5.4% Adaptation to Climate Change 2.5% Circular Economy 2.0% Other 0.7%

Source: see methodological notes - data as of 31/12/2023

*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.

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

Data source: MainStreet Partners.

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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 2023 to 31 December 2023 Eurizon Fund - Green Euro Credit has invested in 367 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*.

Investments in sustainable infrastructure (real estate and transport) have contributed to energy savings of **30, 181 Megawatt/hour**

Enough to make 324,527 trips between Milan and Rome with an electric car

The employment created by the total portfolio is equal to **38,6 posti di jobs**

Overall, annual emissions were reduced by **302,936 tons** of carbon dioxide

Equivalent to the amount absorbed by 1,444 square kilometres of forest in a year

*Source: MainStreet Partners see methodological notes - data as of 31/12/2023. Source: Eurizon Capital SGR S.p.A. For illustrative purposes only. Holdings/allocations are subject to change.

30 | Green Bonds Impact Report April 2024

The plants financed for the production of renewable energy have a generating capacity of **488 Megawatt**

Equal to 1,525,326 solar panels installed on homes

Investments in production plants and production processes have allowed 736.187.880 litres of water

Equal to 294 olympic swimming pools

Equal to 1,115,850 recycled garbage cans

The energy production

deriving from these plants

is eg ual to

852,315 Megawatt/hour

Equal to the energy consumed

by 236,754 European citizens

in a year

Funding for waste

management projects has led

to the recycling of

5.579 tons of waste

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

Renewable Energy 31.7% Ecological Housing 20.3% Clean Transport 14.4% Energy Efficiency 12.8% Water management 5.6% Sustainable Resource Management 5.5% Pollution Prevention an Control 5.2% Circular Economy 1.9% Other 1.4% Adaptation to Climate Change 1.1%

Source: see methodological notes - data as of 31/12/2023

*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.

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

Data source: MainStreet Partners.

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Eurizon's **Sustainable Funds** characteristics

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: 1.25% of which management fees 1.00% Class Z: 0.52% 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	0.10%	0.13%
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").

AN IN A STATISTICS

Methodological notes

Methodological notes

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 GSS bonds, together with their contribution to the United Nations Sustainable Development Goals ("SDGs"), held in the funds:

- Eurizon Absolute Green Bonds
- Eurizon Green Euro Credit

from 1 January 2023 to 31 December 2023.

During this period, on average **100%** of both funds bond investments were invested in Green, Social, Sustainability (GSS) bonds, according to notional.

- For the Eurizon Absolute Green Bonds **91%** of the bonds in the overall portfolio by value have reported data relating to the social and environmental impact of funded projects and impact data for an additional **3%** of the portfolio has been estimated.
- For the Eurizon Green Euro Credit **87%** of the bonds in the overall portfolio by value have reported data relating to the social and environmental impact of funded projects and impact data for an additional **6%** of the portfolio has been estimated.

Impact results are calculated based on the amount invested in each GSS bond in relation to the nominal amount issued together with the holding period of the investment. Impact results are expressed according to the following 21 Impact metrics: CO2e avoided/reduced, Electric cars/trains deployed, Energy produced from Renewable Energy added, Energy saved, EV charging points installed, Farmers supported, Hospital beds added, Jobs created, Jobs saved, Land restored/reforested/certified, New or renovated green buildings, Patients treated, People Financed, Railway infrastructure constructed/renovated, Renewable Energy capacity added, Smart meters installed, SME/ Entities Financed, Social Housing units Financed, Students Supported, Waste treated/prevented, Water saved.

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 generalpurpose bonds are excluded from the calculation of environmental and social impact. Issuers of GSS 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 ICMA. Next, MainStreet Partners collects relevant impact data for each GSS 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, GSS 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 GSS bond whereas estimated data is either based on forecast data provided by the issuer prior to issuance of the GSS 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 GSS 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 GSS bonds in the portfolio are positively contributing to each SDG. All results are updated on a regular basis to take into account fresh data published by issuers following the first anniversary of issuance.

MainStreet Partners also analyses Issuers of Green, Social, and

Methodological notes

Sustainability (GSS) Bonds' projects-level information, including (often) their geographical location. A GSS Bond's geographical location can be assessed from two different perspectives: i) the location of the issuers; ii) the location of the projects financed by the bonds' proceeds. The latter helps understand where the impact of the bonds is truly located and the territories to which the assets financed are exposed. MainStreet Partners also provides assessment of each Green Bond and Sustainability Bond against the European Taxonomy. Such information enables investors to discover the specific activities a bond is financing (e.g., wind energy generation), beyond the more general project categories (e.g., Renewable Energy). The analysis verges upon a detailed scan of each project financed and provides a resulting percentage alignment to the "Climate Change Mitigation" Objective of the Taxonomy. Issuer-level "Do-No-Significant-Harm" and "Minimum Social Safeguards" assessment complement the analysis.

Definition of GSS Bonds

GSS 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. GSS bonds are divided into:

- 1. Green Bonds
- 2. Social Bonds
- 3. Sustainability Bonds
- 4. Transition Bonds

According to the Green Bond Principles published by ICMA¹, "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) Circular Economy, (ii) Clean Transportation, (iii) Climate Change Adaptation, (iv) Energy Efficiency, (v) Green Buildings, (vi) Pollution Prevention and Control, (vii) Renewable Energy, (vii) Sustainable Management of Resources, (viii) Water Management; Eligible Social Projects include: (i) Access to Essential Services, (ii) Affordable Basic Infrastructure, (iii) Affordable Housing, (iv) Education, (v) Food Security, (vi) Gender Equality, (vii) Healthcare, (viii) SME Finance, (ix) Socioeconomic Advancement.

About 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.

We are the trusted ESG partner of top tier investors for a simple reason: we provide a one stop shop for their Sustainability requirements at portfolio level. Our clients are some of the most sophisticated and leading Wealth Managers, Asset Managers, Investment Banks, Insurance Companies and Institutional Investors in the financial industry. 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.

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