

# Dutch Seminar.

A sustainable vision  
for challenging times





**Speaker**

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**Global Head of Responsible ESG Research & Investments**

**Member of the Executive Committee**



# Agenda

1

**The energy trilemma.**

2

**Understanding the transition .**

3

**Investing with impact.**



# ESG Risks Dominate the Global Landscape.



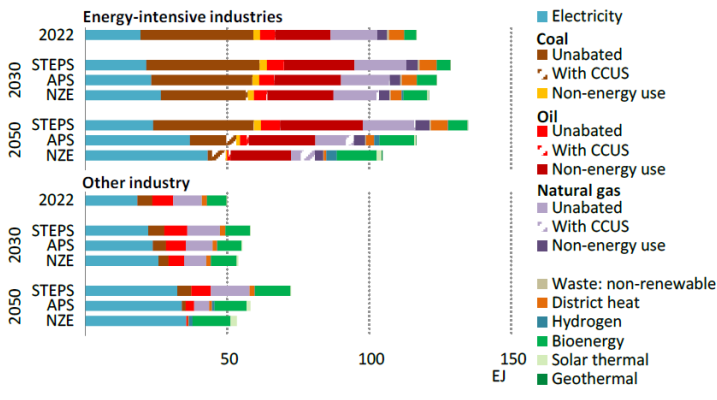


# The Energy Trilemma



## DECARBONISATION

Energy demand by fuel for energy –intensive and other industries by scenario

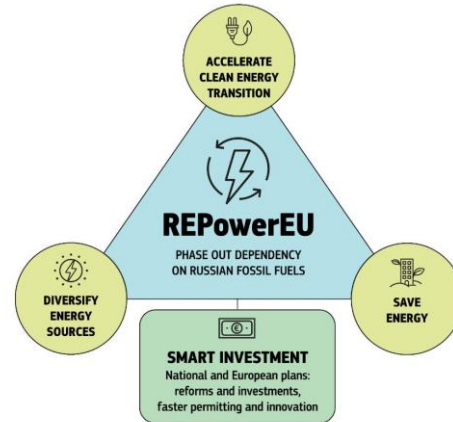


Achieving climate ambitions in industries relies on electrification



## ENERGY SECURITY

Transforming EU's energy system through REPowerEU

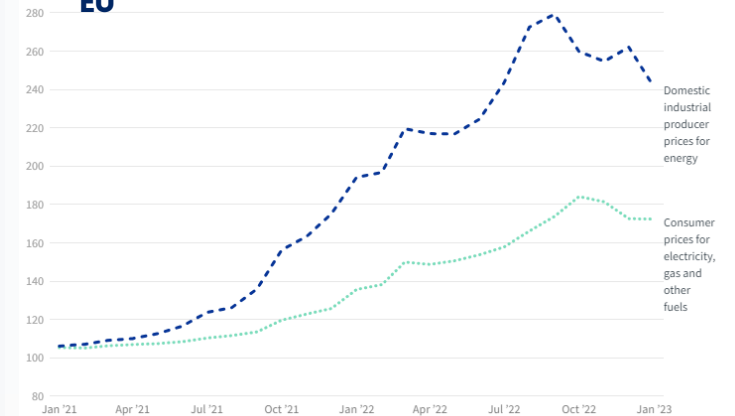


In 2021, the EU's 45% dependence on Russian gas prompted decisive actions from EU governments.



## PRICE AFFORDABILITY

Producer and consumer energy prices in the EU



Russia's war and the use of energy as a political weapon had a devastating impact on energy markets



# Transition risk and performance

Searching for solutions to climate change issues can generate risks and opportunities

Climate change has a **material impact** on companies and investments. It results on the existency of **transition risks and opportunities**, as splitted below :

## Risks

**Policy and legal** risks

**Technology** risks

**Market** risks

**Reputation** risks

## Opportunities

**Resource efficiency**

**Energy source**

**Products/Services**

**Markets**

**Resilience**

## Transition risks can result in changes of:

### PRICES OF ENERGY RESOURCES



#### › Changes in **prices of energy**

› For example, reduction of renewable energy costs, and increase in supply of renewable energies, have driven down demand for the **highest-polluting energies**

#### › Risks of **stranded assets**



### ANTI –POLLUTION TAX

› **Rising CO2 prices** due to changes in anti-pollution taxes and stricter carbon markets.

› **Emissions Trading System (ETS)** based on Cap principle



### FINANCING & INSURANCE RISKS

› **Financing and insurance risks for companies active** in high-polluting sectors or involved with obsolete energy activities.



# 2 Key Solutions to play for a clean future: mitigate & adapt

## ALTERNATIVES

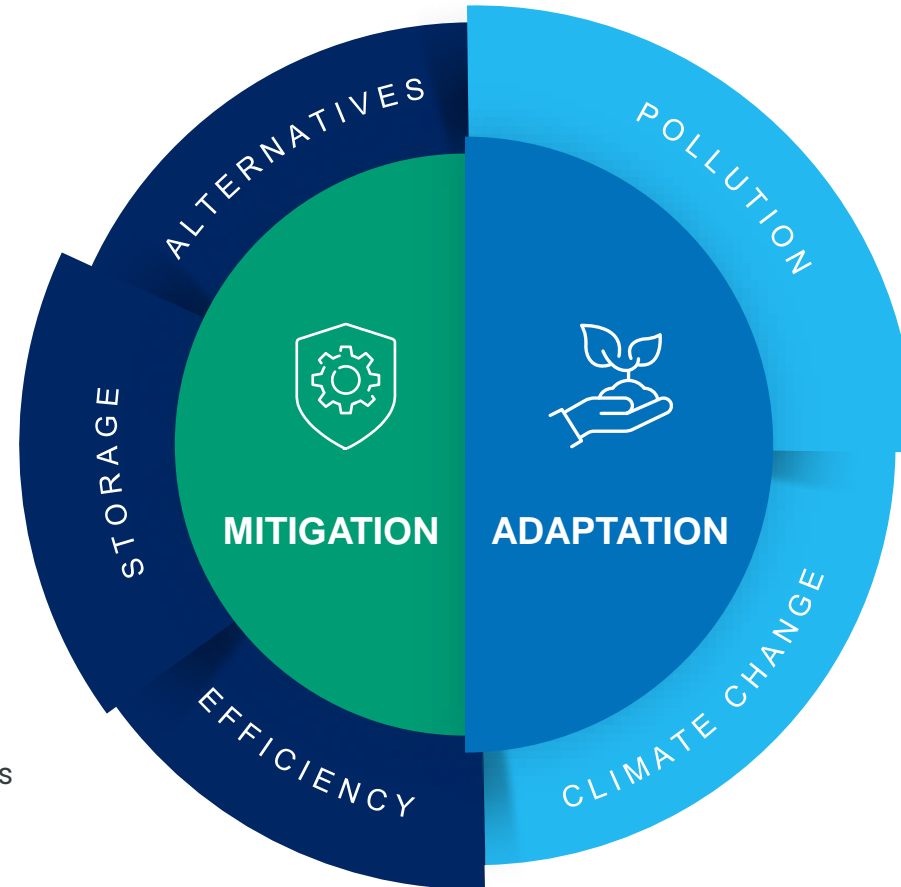
- › Waste-to-energy
- › Wind
- › Solar
- › Hydro
- › Geothermal
- › 2<sup>nd</sup> gen biofuel

## STORAGE

- › Lithium batteries
- › High Density Batteries
- › Hydrogen

## EFFICIENCY

- › Enzyme technology
- › Electric vehicle
- › Advanced materials
- › Power electronics
- › Smart City
- › Smart Buildings



## POLLUTION ADAPTATION

- › Waste-to-energy
- › Recycling
- › Air treatment & Pollution control
- › Waste management & Technology
- › Shared Economy

## CLIMATE CHANGE ADAPTATION

- › Enzyme technology
- › Water management
- › Water smart meter
- › Water infrastructure & technology



# Getting Impact Right ... is Hard

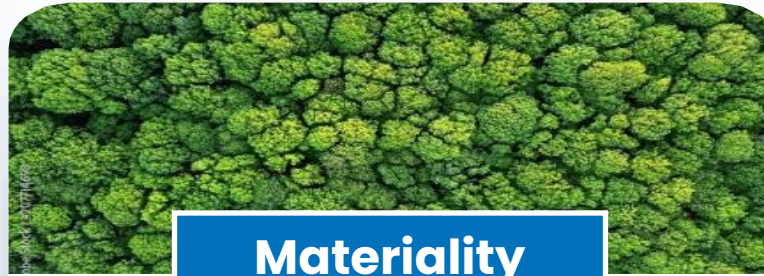


## Intentionality

**Positive Social / Environmental Impact  
Alongside Financial Return**

- **A sustainability objective**
- The aim of directly or indirectly improving or **pursuing positive environmental and/or social outcomes**

**No Hierarchy of  
Investment Approaches**



## Materiality

**From Additionality  
to  
Materiality**

- ESMA & FCA
- **Contribution** to Positive Outcomes
- **Theory of Change / Activities based assessment**, that is, defining
  - The primary and Secondary channels achieve a positive outcome for the environment and/or Society (Theory of Change)

**Business Activities &  
Engagement**



## Measurability

**Define KPI's  
on  
Impact and Contribution**

- **Measure & Monitor**
- **Report**
- **KPIs**
  - How investment activities contribute to achieving the impact (ie their investor contribution) as well as how the assets are achieving the impact.

**Qualitative &  
Quantitative**





# Impact, materiality and business activities

## Business Activities Score & Materiality

### KEY SUSTAINABILITY CHALLENGES

Key Sustainability Challenges material for this sector?  
No / Yes?

If yes, to what extent?



Climate Change

XX %



Resource Depletion

XX %



Health & Wellness

XX %



Digitalisation

XX %



Demographic Evolution

XX %

Company's Business Activities Score

+100



0

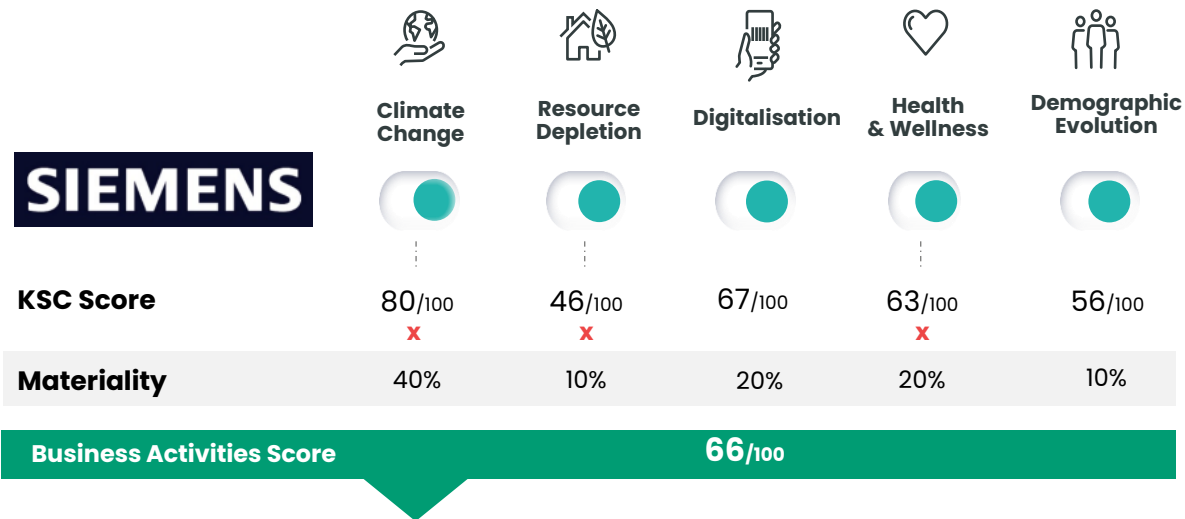
## Materiality of Key Sustainability Challenges (KCS) for Each Sector

- Candriam's proprietary ESG analysis allows for a **forward-looking assessment** of **companies' sustainability**.
- Sector-level **double materiality assessment** to determine the exposure to **each KCS**
- Taking into account **CAPEX, OPEX, and revenues (forward-looking)**
- Aligned with the general philosophy of the **EU Taxonomy on sustainable activities**.

As a result of the combination of the Business Activities Analysis and Stakeholder Analysis, each company receives an **ESG Rating**



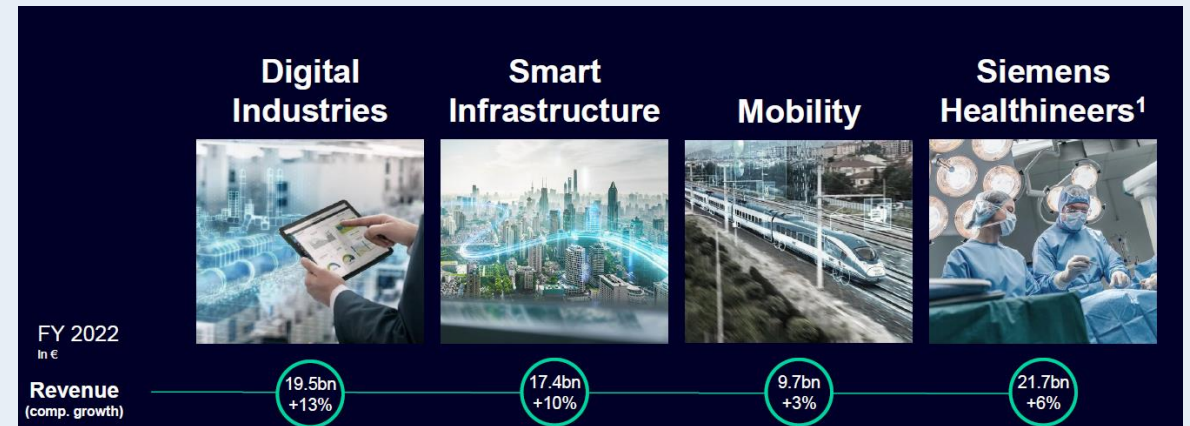
# ESG Business Activities Analysis in practice



## 80 – Climate Change

### Focus – Solutions to Decarbonize other Industries

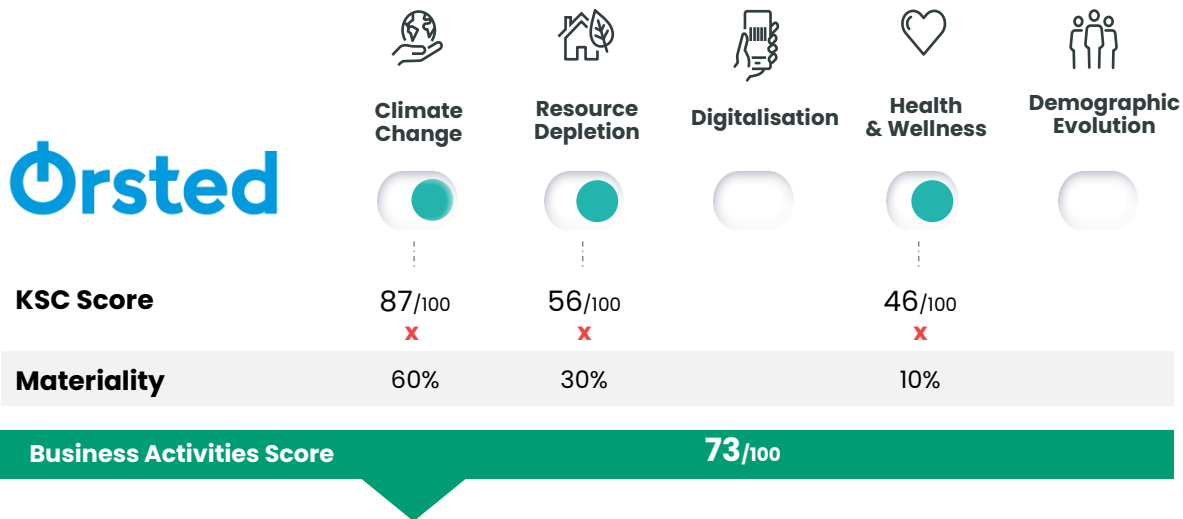
- › “Enabler” solutions across all segments, allowing decarbonization of high-emitting sectors Transport, Industry & Buildings
- › Digital Industries – automaton & motion & energy efficient products & Systems
- › Smart Infrastructure – Smart building management & Grid equipment & systems
- › Mobility – battery & hydrogen trains



**Low Carbon Solutions 30–50%**

**High R&D (7.8%)**

# ESG Business Activities Analysis in practice

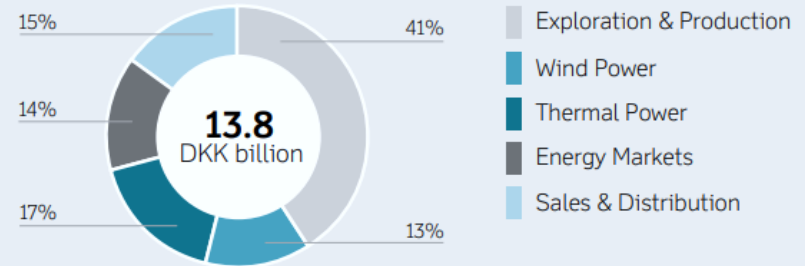


## 87 - Climate Change

### Focus: GHG emission of power generation

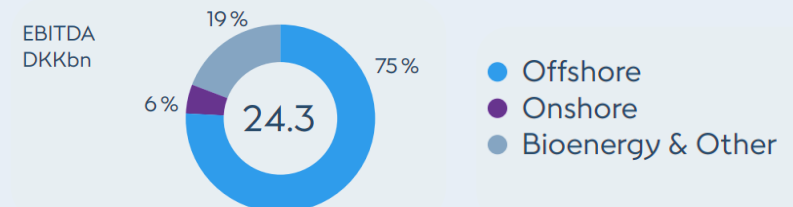
- › Wind offshore/onshore Power Generation (score: 100) (73% EBITDA): zero carbon emissions and does not produce harmful SO<sub>x</sub>, NO<sub>x</sub> or mercury emissions
- › Coal Power Generation (0) (4% EBITDA): dirtiest power source, between 800 - 1000gCO<sub>2</sub>/kWh
- › Biomass Power Generation (35) (23% EBITDA) for CHP plants: CO<sub>2</sub> release while burning biomass + risk of productive capacity loss

### EBITDA 2011



- The company is on track to reduce its scope 1&2 emissions from generation by **98% in less than 20 years (2006-2025)**
- One of the very few companies in the world (less than 10) to have committed to **Net Zero** on its full value chain (scope 1,2,3) by 2040

### EBITDA 2021



# ESG Business Activities Analysis in practice

## Business Activities Score & Materiality

KEY SUSTAINABILITY CHALLENGES



### Utilities companies

Climate Change



Is this KSC material ?

|                                |         |
|--------------------------------|---------|
| Coal power generation          | 0/100   |
| Natural gas power generation   | 30/100  |
| Hydroelectric power generation | 80/100  |
| Wind power generation          | 100/100 |
| Solar power generation         | 100/100 |





# Investing with impact

## ESG Research

**25 years**

of successfully combining **sustainability** and **financial objectives**



### Extensive in-house resources

- › **Experienced, dedicated ESG Analysts**
- › Proprietary ESG database
- › In-house sector and country specific models

## Stewardship

### Impactful active ownership

- › **Dedicated Engagement & Voting Team**
- › Proxy Voting Policy since 2003
- › Ongoing dialogue with issuers

### Use our voice as an active investor to

- › **Encourage** transparency,
- › **Foster** sustainable practices
- › **Support** investment decisions.

## ESG Partner

### Sustainable investments across

- › **Asset classes**
- › **ESG Thematic innovation**
- › **Tailor-made sustainable solutions**

### Partner

**to investors** in their journey towards sustainability through various **ESG-related services**

## Reporting

### Detailed, transparent ESG reporting



### Carbon footprint

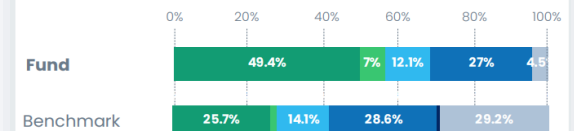


Tons CO2eq per million € invested in fund/benchmark



### Power generation mix

The power generation mix of a portfolio shows the percentages that different energy sources represent within electric power generating companies held in the portfolio.





# Thank you for your attention.

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