

Financial Investigator Seminar 'Biodiversity & Climate'

# Driving Net Zero through Climate Engagements

18 April 2024 – Johannes Böhm



# Requirements for our Climate Strategy



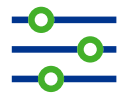
| Robustness



| Effect



| Implementation



| Degrees of freedom  
in portfolios



# Climate Assessment along Net Zero Investment Framework



No information on the execution of a review or target that covers only Scope 1 and 2

**Commitment to aligning**

**1. Ambition:**  
Long-term climate neutrality target (before 2050 - Scope 1-3)



**2. Targets:**  
Short- and mid-term Emission reduction target (Scope 1-3)

**3. Disclosure:**  
Disclosure Scope 1-, 2- and significant Scope 3- emissions



**4. Strategy:** Quantified plan, that has the measures to achieve the GHG targets and that states the eco-friendly revenue

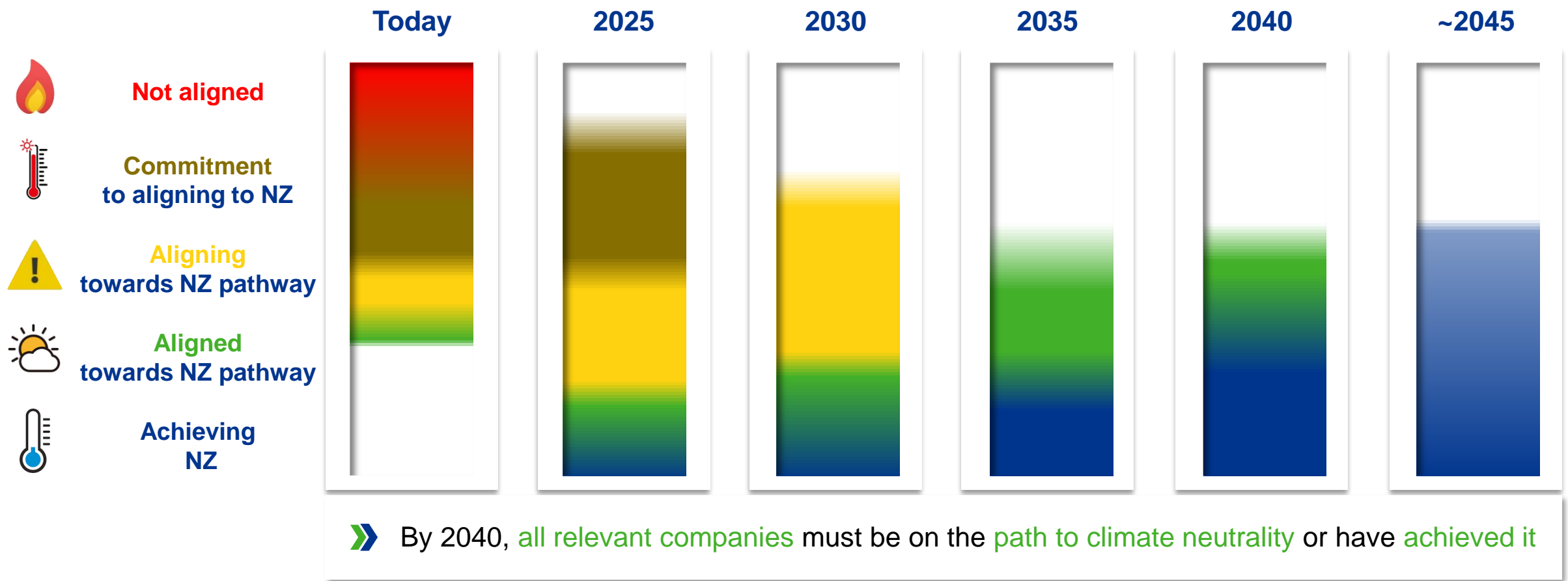
**5. CAPEX-adjustment:** CAPEX are compatible with climate neutrality upto 2050



**6. Performance:**  
Current emission-intensity (Scope 1, 2 and 3) vs. path to climate neutrality

# Status Quo and Illustration of possible Target Paths

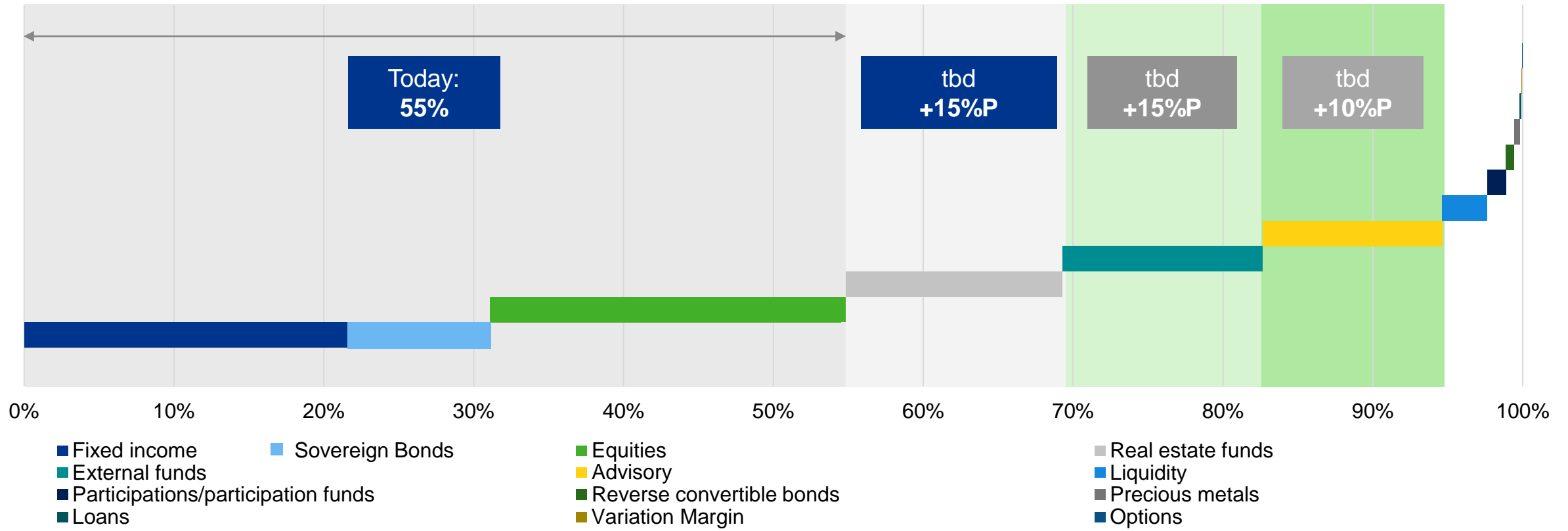
Climate alignment level of major CO<sub>2</sub>e emitters



\* Financed CO<sub>2</sub>e emissions in Union Investment's securities portfolio (Scope 1+2+3). Top 50 = 75% of financed greenhouse gases.

# Scope: Each Asset Class to be climate neutral by 2050

## Breakdown of assets under management by asset class

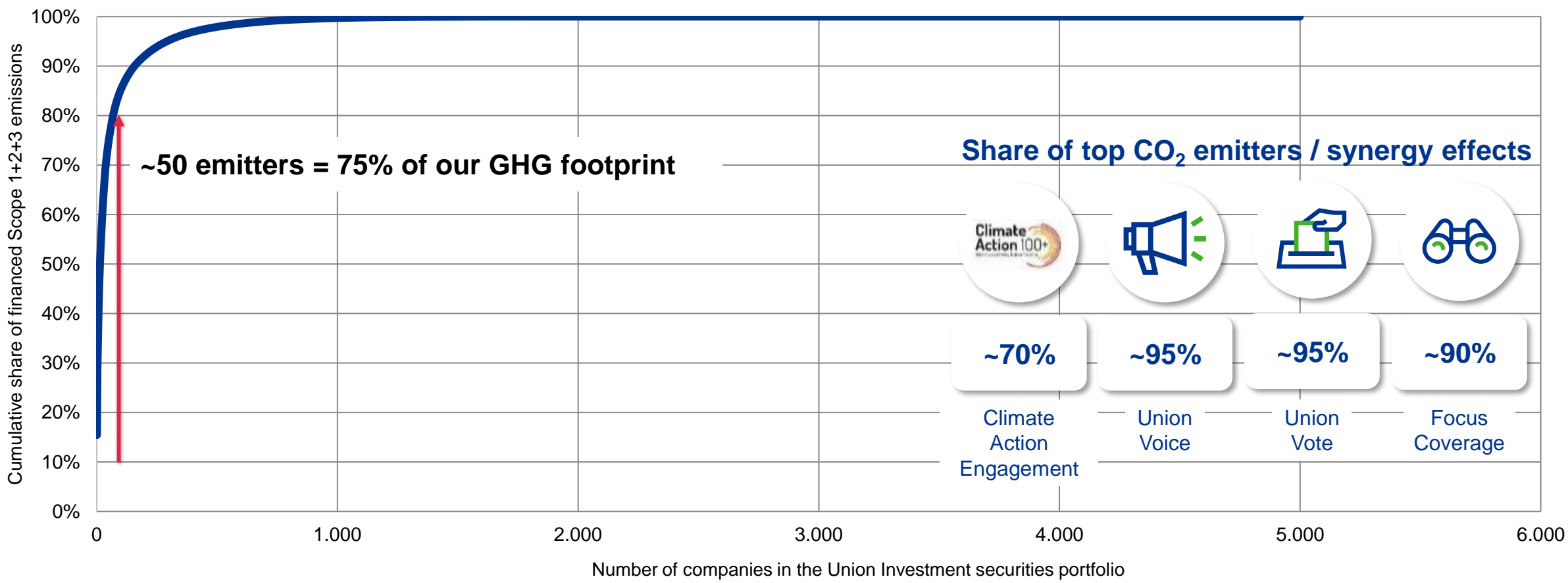


Assumption: Union Investment's investment universe remains essentially stable, both regarding the investment mix (e.g., inclusion of new classes of securities or investment vehicles such as crypto) and regarding the data essential for calculating the issue (e.g., CO<sub>2</sub> intensities and exchange rates). Status: 22/04/2022

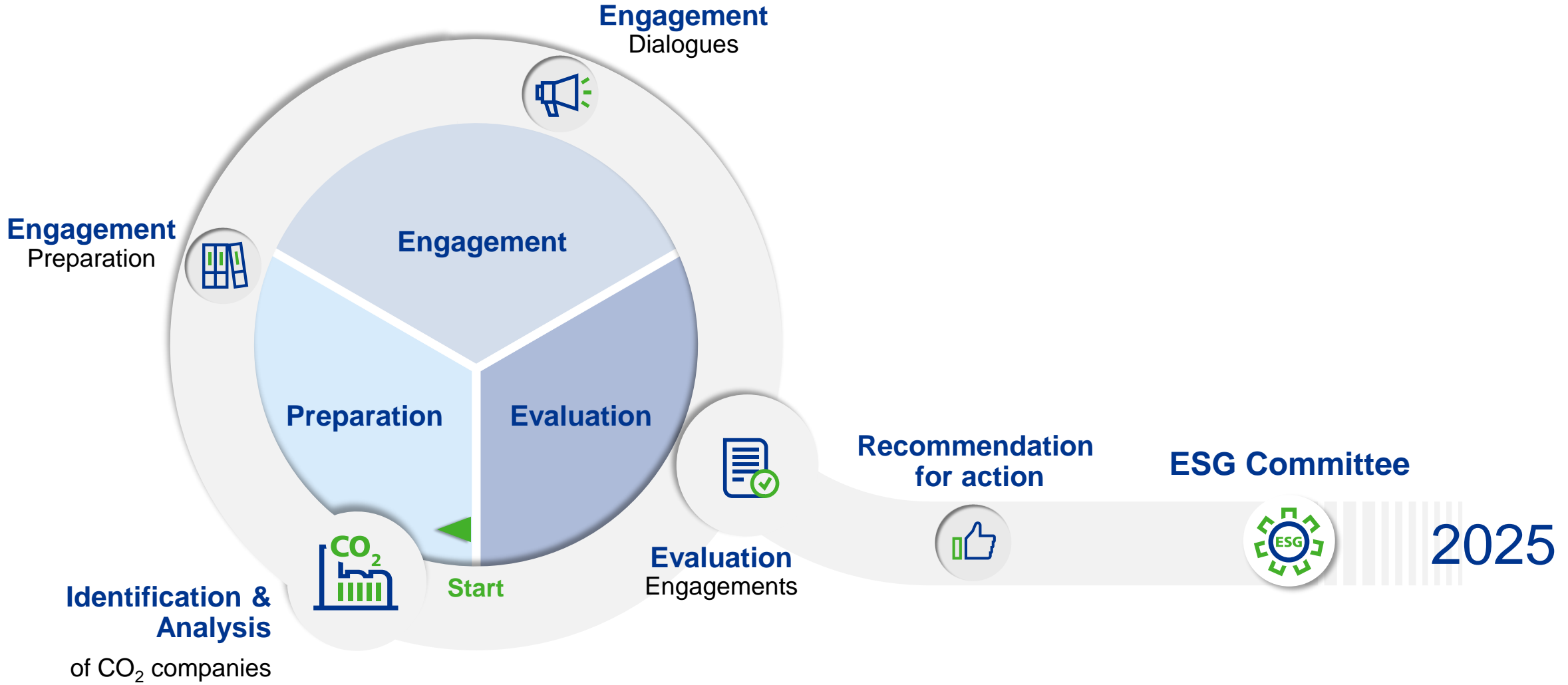


# Analysing Union Investment's Carbon Emissions

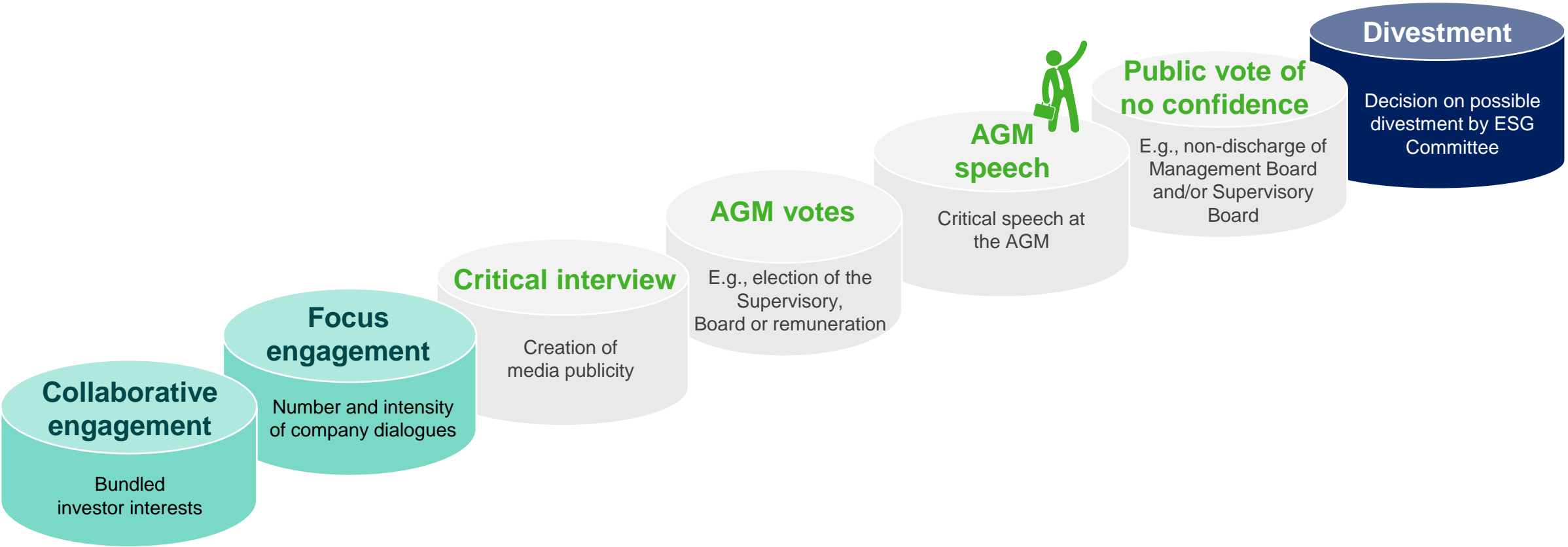
Small number of companies represent dominant share of carbon footprint



# Our Climate Strategy **Process Cycle**



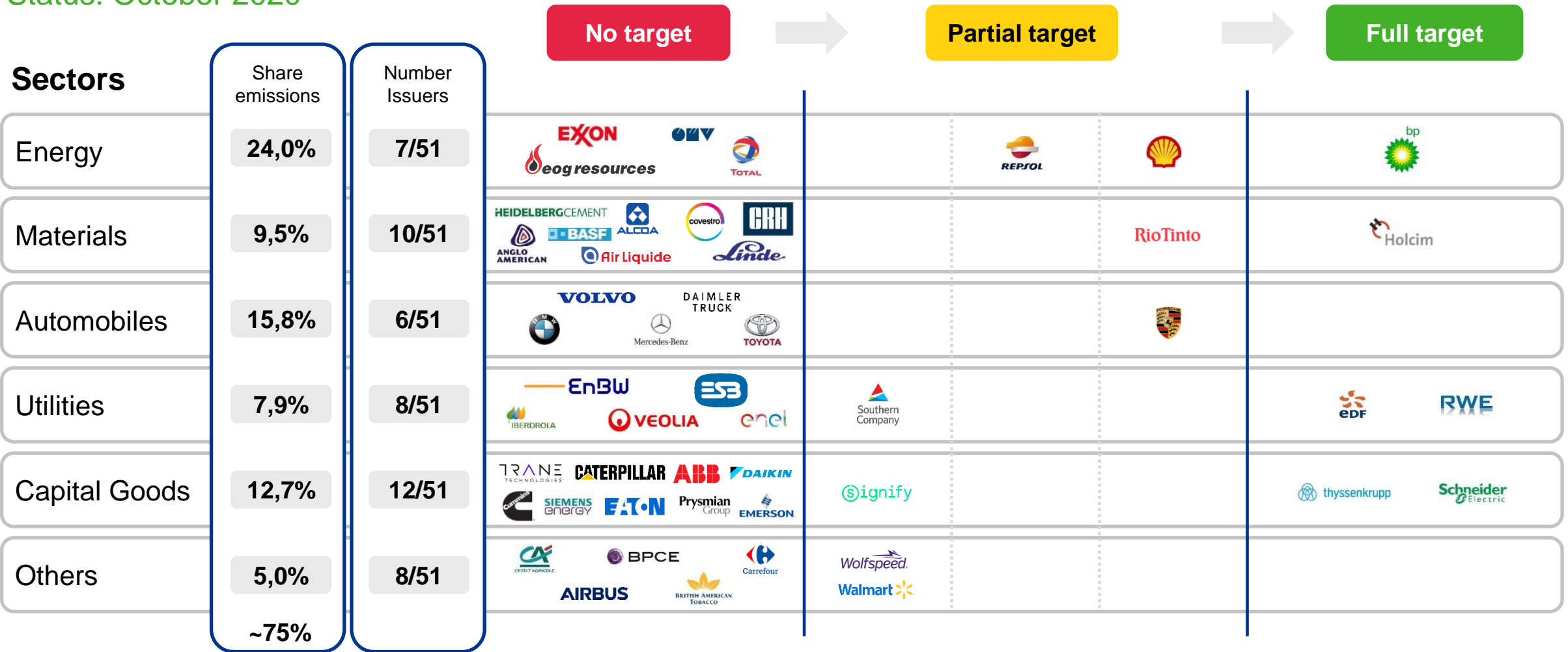
# Possible Escalation Steps until 2025





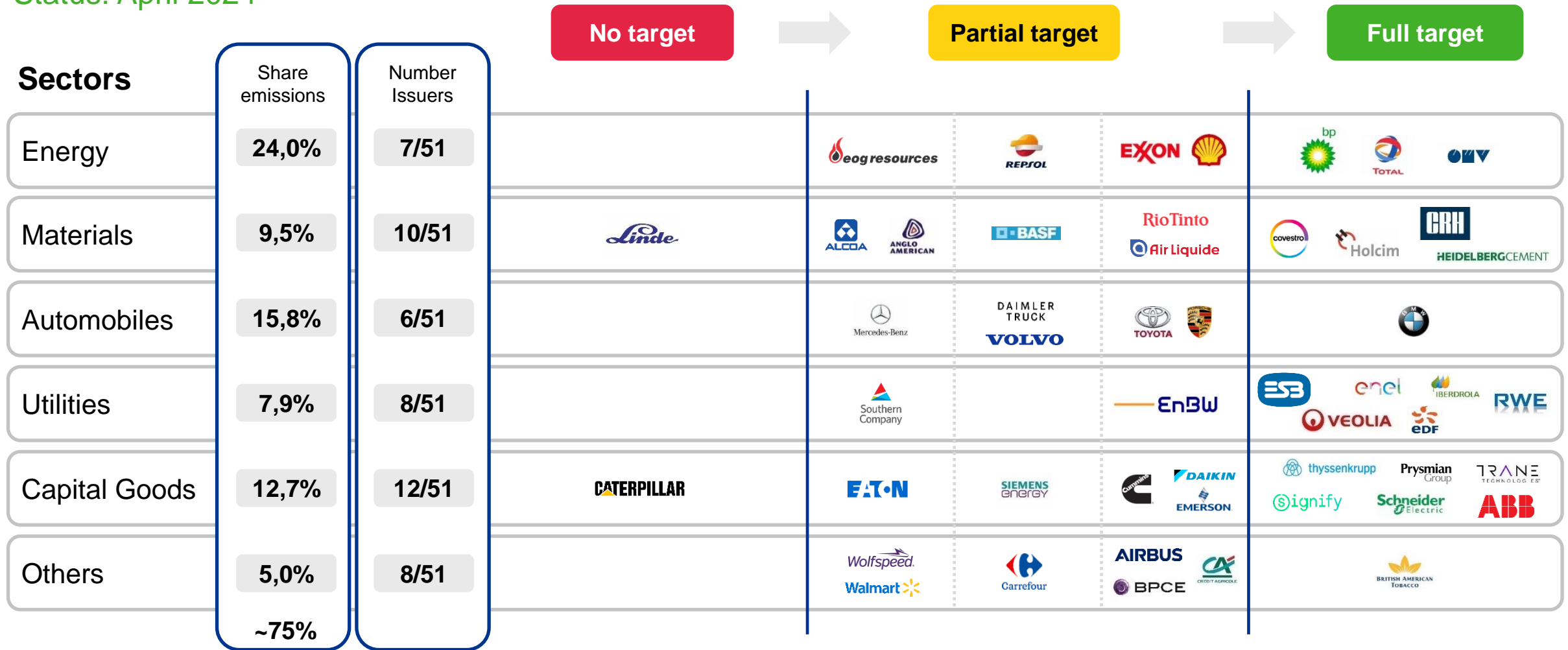
# Our Engagement Companies with realistic Net Zero Potential

Status: October 2020

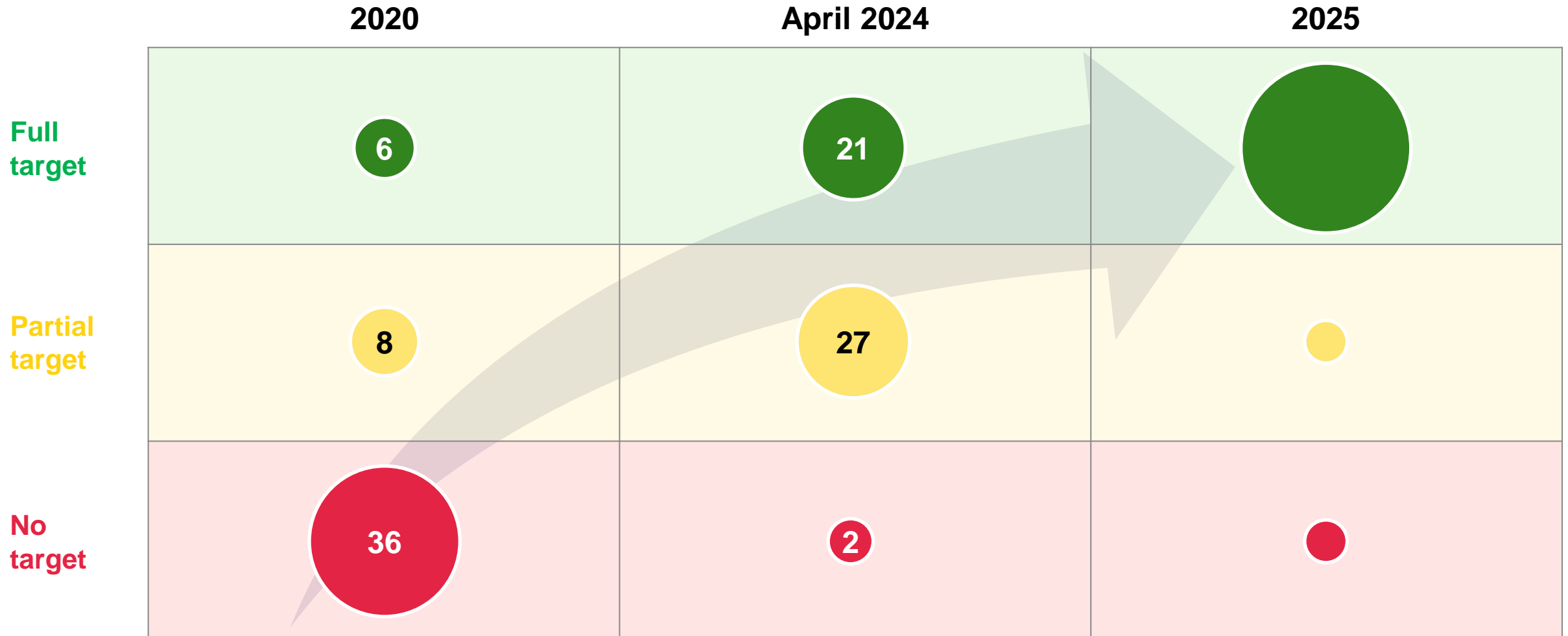


# Our Engagement Companies with realistic Net Zero Potential

Status: April 2024



# Strong Momentum in adoption of Net Zero Targets



Source: Press releases from the identified major CO<sub>2</sub> emitters regarding adopted climate strategies and targets

# Milestone: Covestro



## Background

- We called for a comprehensive carbon reduction strategy including a **full net zero target**.
- In particular, the **inclusion of Scope 3** emissions is a key requirement.



## Commitment

- We discussed which carbon reduction measures are already being implemented. Covestro already had an ambitious Scope 1-2 target.
- **We strongly emphasized our Scope 3 requirement.** Covestro subsequently also set a Scope 3 emissions target.



## Result

- Covestro has set itself a **full net zero target** including Scope 3.
- To achieve this goal, **Covestro is focussing on the circular economy** and has already developed its own product line for this purpose.
- Covestro is also **committed to engagement along the supply chain** and has already started **working with suppliers** to reduce their emissions.



# Engagement Initiative Biodiversity

## Status & next steps

### Pre-engagement (Q2 2022)

- ✓ **Consumer staples** are exposed to nearly every commodity associated with **deforestation**.
- ✓ **Commodity producers, food beverage, personal and household products** are likely to have high exposures due to the prevalence of all forest risk commodities across their supply chains.
- ✓ **50 companies identified**

### Engagement (Q3 2022)

- ✓ Take action to achieve **zero tropical deforestation** across value chains
- ✓ **Understand how well or poorly prepared companies are for the upcoming standards** for measuring and reporting on deforestation-related risks

### Evaluation

- ✓ Responses analyzed in **Q4 2022**
- ✓ **Presentation** of the engagement results and **decision** on next steps
- ✓ **Annual engagement** until 2024



# Positive Impact through our Climate Strategy



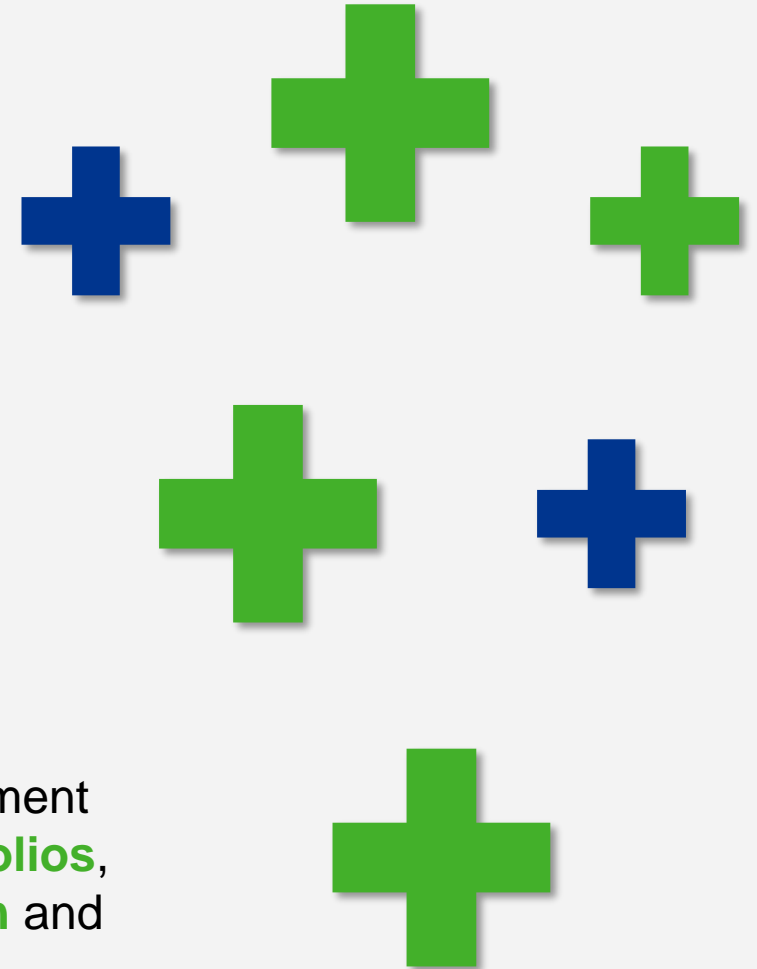
We believe institutional investors have a significant role to play in **driving the transition to NZ emissions**.



As a signatory to the Net Zero Asset Manager Initiative, Union Investment is **committed to working with clients** to help them implement NZ alignment strategies in line with their investment objectives.



We continually develop our sustainable investment process to allow for **highly customised portfolios**, integrating strategies around **Decarbonisation** and **Biodiversity**, among others.



# Appendix



# Our Competence Center for ESG Research and Engagement within the Portfolio Management



Janne Werning  
Head of ESG Capital Markets & Stewardship



Dr. Henrik Pontzen  
Head of ESG



Florian Sommer  
Head of ESG Strategy



Janina Bartkewitz  
ESG Analyst



Dr. Thomas Deser  
Senior ESG Analyst



Anne-Katrin Leonard  
Senior ESG Analyst



Dominik Bauernfeind  
Senior ESG Analyst



Johannes Böhm  
Senior ESG Analyst



Katja Filzek  
Senior ESG Analyst



Johannes Kreim  
ESG Analyst



Linus Mörmel  
Portfolio Associate



Angela Quiroga  
Senior ESG Analyst



Anna Lea Gründl  
Junior ESG Analyst



Jakob Haerle  
Junior ESG Analyst



Fabian Niestert  
Junior ESG Analyst



Dr. Vanda Rothacker  
Senior ESG Analyst



Duy Ton  
Senior ESG Analyst



Verena Volgmann  
ESG Analyst

## Sustainability

**89** Portfolio managers and **18** Analysts – **129\*** (**91\*\***) billion EUR AuM – **282** Funds & Mandates

## Engagement

**223** billion Euro AuS – **34** voting countries – **1,759** votes at AGMs

\* in sustainable investments according to industry standard Art. 8 / Art. 9 of SFDR/ \*\* according to strict Union Investment sustainability criteria  
AuMs and AuS as of December 2023, Team as of March 2024

# Milestone: BASF - Progress in climate protection measures



## Background

- As part of our commitment, we called for an exemplary CO<sub>2</sub> reduction strategy with comprehensible key figures and a climate neutrality target.
- In particular, the inclusion of Scope 3 emissions in the climate targets is a key requirement as part of our climate commitment.



## Commitment

- Together with BASF, we discussed which CO<sub>2</sub> reduction measures are already being implemented.
- The challenges BASF faces, for example with regard to setting a Scope 3 neutrality target, were also discussed.



## Result

- BASF has set itself a net zero target for Scope 3.1 (upstream) by 2050.
- To reduce CO<sub>2</sub> emissions, BASF is focussing on the electrification of processes and the use of green electricity. To this end, green electricity is generated in our own wind farms and via PPAs (Power Purchase Agreements), although not yet to a sufficient extent.
- BASF is also working with SBTi on a sound methodology for better recording Scope 3 emissions.



# Milestone: ESB - Progress in climate protection measures



## Background

- As part of our commitment, we called for an exemplary CO<sub>2</sub> reduction strategy with comprehensible key figures and a climate neutrality target.
- In particular, the inclusion of Scope 3 emissions in the climate targets is a key requirement as part of our climate commitment.



## Commitment

- Together with ESB, we discussed which CO<sub>2</sub> reduction measures are already being implemented.
- The challenges faced by ESB, e.g. with regard to setting a Scope 3 neutrality target, were also discussed.

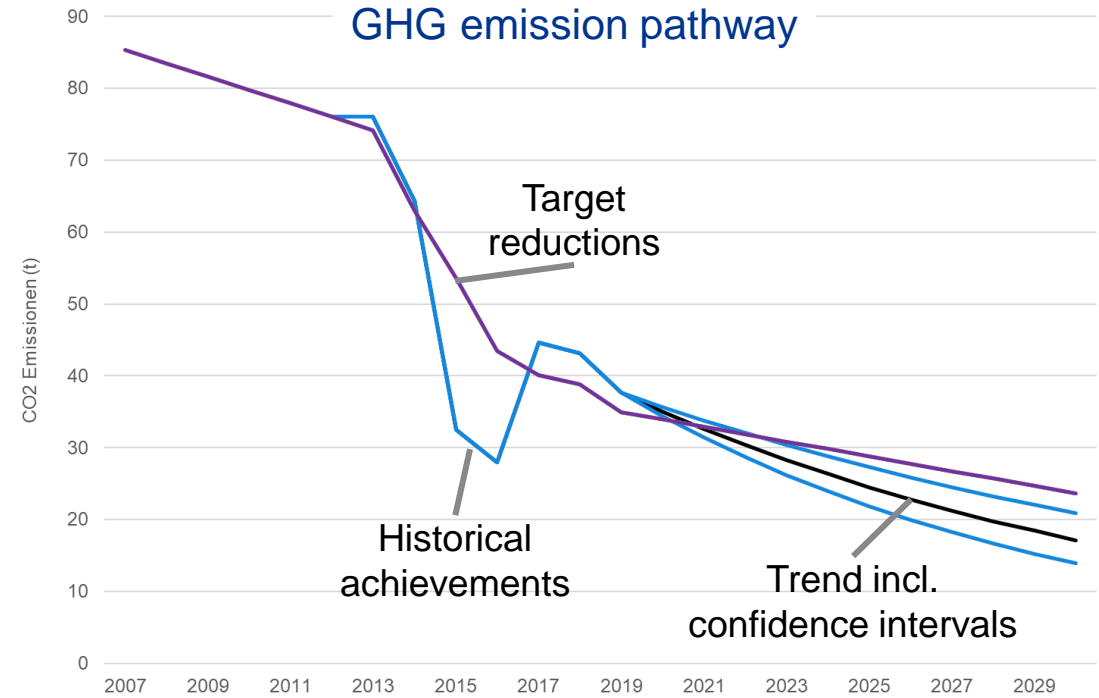
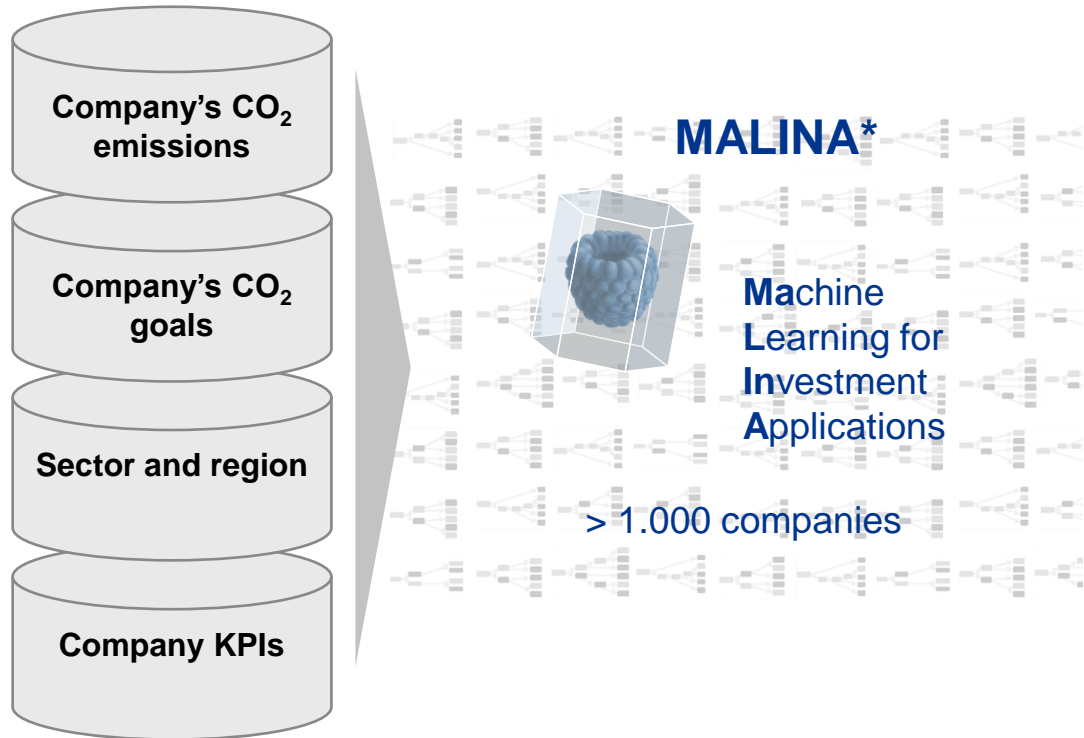


## Result

- ESB has set itself a complete climate target including Scope 3 by 2040.
- ESB plans to significantly increase its investments in renewable energies.
- ESB has also further tightened its medium-term target and now plans to achieve a 44 per cent reduction in emissions by 2028, two years earlier than previously planned.

# Climate Transition – Our Proprietary GHG Forecasting Method

MALINA – our quant-based forecasting tool using AI to identify future CO<sub>2</sub> success stories

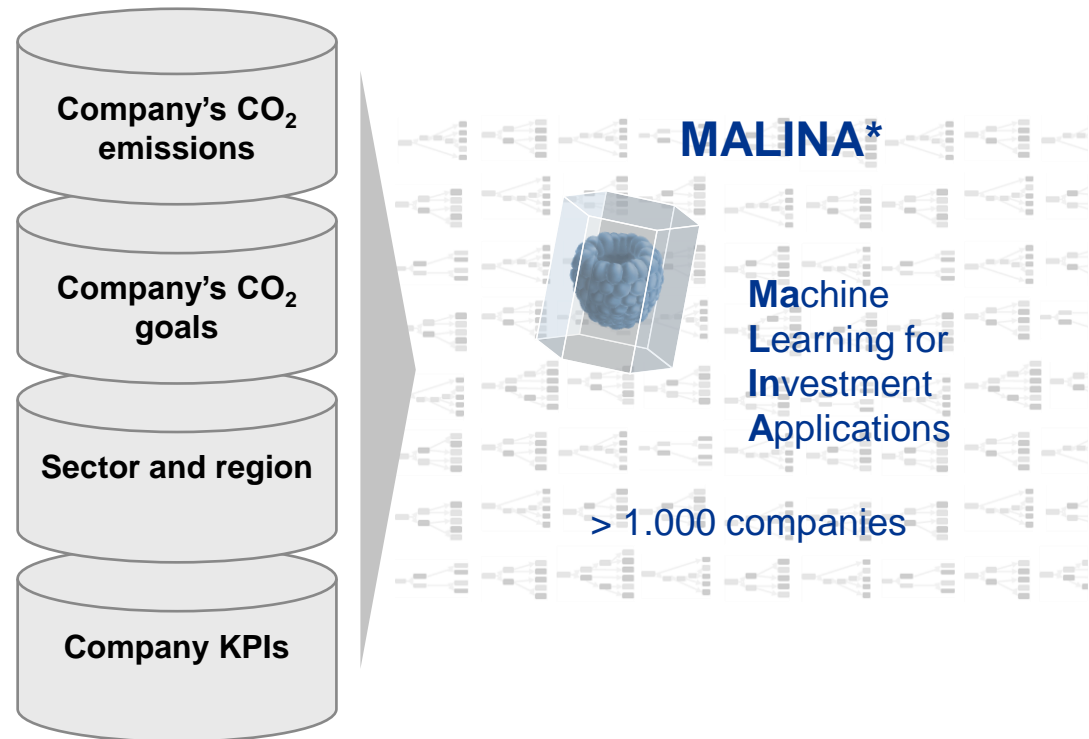


What could the company's **long-term CO<sub>2</sub> reduction trend** look like through 2030?

Source: Union Investment, Institutional Shareholder Services Inc. (ISS) ESG  
 \* MALINA = Machine Learning for Investment Applications

# Climate Transition – Our Proprietary GHG Forecasting Method

MALINA – our quant-based forecasting tool using AI to identify future CO<sub>2</sub> success stories



Probability for a reduction of CO<sub>2</sub> emissions

Reduces CO2 Emissions	Emissions Reduction by >7%	On-track with own target
82.4%	63.3%	68.3%
77.6%	40.0%	63.9%
69.5%	36.1%	53.3%
74.7%	58.7%	55.1%
38.9%	28.0%	34.0%

Company's **likelihood of reaching reduction targets?**

Source: Union Investment, Institutional Shareholder Services Inc. (ISS) ESG  
 \* MALINA = Machine Learning for Investment Applications



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All asset allocation overviews and the fund structure are based on the fund's economic assets, including liquidation of target funds. Derivative hedging positions are netted against the fund assets. All asset allocation overviews are presented excluding cash, third-party funds and real estate funds. The fund structure is assigned in accordance with the Union Investment Group's own asset allocation. Allocations may vary from those shown in annual and half-year reports. For sector allocation purposes, MSCI sectors are used for equities and Merrill Lynch sectors are used for fixed-income assets. The distribution yield (expressed as a percentage) represents the coupon in the relevant financial year. This is based on the net asset value at the start of the financial year, adjusted for the distribution relating to the previous financial year. The Sustainable Finance Disclosure Regulation (SFDR) stipulates the disclosure requirements that apply to financial products. 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English language versions of these documents can be obtained free of charge at [www.union-investment.com](http://www.union-investment.com). If the documentation relates to a sustainable investment fund, further information on the sustainability-related aspects of the fund can be accessed at <https://union-investment.com/home/Reporting.html>.

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Contact: Union Investment Institutional GmbH, Weissfrauenstrasse 7, 60311 Frankfurt/Main, Germany, tel. +49 69 2567-7652

Unless otherwise stated, all information, descriptions and explanations are dated 16 April, 2024.