

# TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES REPORT

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## GLOSSARY

### THE FOLLOWING ABBREVIATIONS WERE USED IN THIS DOCUMENT:

<b>CO<sub>2</sub></b>	Carbon dioxide
<b>GHG</b>	Greenhouse gas
<b>HKMA</b>	Hong Kong Monetary Authority
<b>NGFS</b>	Network for Greening the Financial System
<b>RPC</b>	Risk Permanent Control
<b>TCFD</b>	Task Force on Climate-related Financial Disclosures

## ABOUT THE REPORT

### PERIOD OF REPORT

The report covers performance in economic, social and environmental aspects in 2022 (from January 1 to December 31, 2022). In order to present a more comprehensive picture of various projects undertaken by CA Indosuez (Switzerland) SA Hong Kong branch, the report also discloses activities that occurred prior to January 1, 2022.

### SCOPE OF REPORT

The scope of disclosure focuses on operating activities and services of CA Indosuez (Switzerland) SA Hong Kong branch.

### CONFIRMATION AND APPROVAL

This report was deliberated and approved by the Chief Executive of CA Indosuez (Switzerland) SA Hong Kong branch on 30<sup>th</sup> May 2023.

## 1. GOVERNANCE

The Credit Agricole Group, through its societal project has placed the climate change and its consequences at the heart of its business strategy.

Credit Agricole Indosuez, the Wealth Management arm of the Credit Agricole Group adheres to the Group societal project and the Hong Kong Branch actions in terms of Climate change and the risks associated with it (Global warming, the rise of sea levels...) are made in accordance with the group ESG Policy.

An Indosuez Group ESG Committee meets quarterly in order to monitor the investment strategies of Indosuez, to harmonise approaches, define methodologies, decide on exceptions and assess ESG risks.

The Hong Kong Branch Executive Committee is the body in charge of implementing the ESG policy of the Group on matters related to sustainable development and climate risk management. The Executive Committee gathers on a monthly basis.

In particular, the Branch Executive Committee enforces the group ESG policy related to the Investment management decision and the financing activity.

The Branch Executive Committee review at least twice a year the KPI measuring the Branch exposure to climate change risks.

## 2. STRATEGY

In line with the Credit Agricole Group objectives of achieving carbon neutrality by 2050, Indosuez Group and its Hong Kong Branch have established sustainability objectives in order to reduce its operations' carbon footprint. Indosuez Group promotes investment strategies that takes into considerations of climate risk and opportunities in order to reduce our clients' portfolio carbon footprint.

As a portfolio manager and / or advisor, and in application of the TCFD recommendations, the Indosuez Hong Kong Branch monitors at client portfolio level and at aggregated portfolio level the ESG quality scoring. The Hong Kong Branch also monitors the Weighted Average Carbon Intensity (WACI) at aggregated level.

In terms of credit activity, the Hong Kong Branch monitors the exposure of its credit portfolio to the climate change risks considering both:

- Physical risk scenarios that includes the consequences of the global average temperature increase, of the average sea level elevation and of the increased frequency and severity of extreme weather events. The Hong Kong Branch relies on the risk assessment scenario developed by the Hong Kong Observatory based on the High emission scenario SSP5-RCP8.5.
- Transition risk scenarios: these scenarios include policy changes, technological advancement, changes in market sentiment, and the impact of a combination of these factors to make assumptions to assess the impact of transition risk. Three scenarios are considered. The Orderly Scenario (the objective 2050 Net zero greenhouse gas emission is reached), the Disorderly Scenario (the objective is reached but with delay), The Hot House World Scenario (severe physical risk due to insufficient climate policies to halt the global warming).

## 3. RISK MANAGEMENT

For the Hong Kong Branch, the risks related to climate changes are monitored and mitigated through:

### 1. THE EXCLUSION POLICIES:

#### ▪ Issuer based exclusions

The exclusion policy, applied in all wealth management strategies, consists of excluding companies that do not comply with the Indosuez Wealth Management Group's ESG policy or the international conventions and internationally recognized frameworks or national regulatory frameworks.

The Indosuez Wealth Management Group applies the Crédit Agricole SA Group's exclusion policy.

#### ▪ Sector based exclusions

In accordance with the commitments made by the Crédit Agricole Group, the Indosuez Wealth Management Group implements targeted sector exclusions specific to the coal and tobacco industries.

### Coal Policy

In accordance with the climate strategy of the Crédit Agricole SA Group, and in accordance with the United Nations Sustainable Development Goals and the 2015 Paris Accords, exclusion thresholds have been defined based on the exposure of income to thermal coal. Thus, the following exclusion thresholds apply to all companies that do not commit to a transition path that is consistent with the Group's climate commitments:

- ☒ Companies developing or planning to develop new thermal coal capacity throughout the value chain (producers, extractors, power plants, transport infrastructure),
- ☒ Companies earning more than 25% of their income from the extraction of thermal coal,
- ☒ Companies carrying out thermal coal extraction of 100 million tonnes or more without the intent to reduce
- ☒ All companies whose income from the extraction of thermal coal and production of electricity from thermal coal exceeds 50% of the total income without analysis, or
- ☒ All coal power and coal extraction companies with a threshold of between 25% and 50% of their income and a poor energy transition score.

### Tobacco Policy

In accordance with the commitments of the Crédit Agricole SA Group as a signatory of the Tobacco-Free Finance Pledge, the exclusion policy is extended to tobacco. For example, companies that manufacture tobacco products (income greater than 5%) are excluded.

The Indosuez Wealth Management ESG Committee is responsible for excluding issuers presenting extreme sustainability risks from funds, mandates and advisory management.

## 2. PORTFOLIO ESG RATING

Indosuez Wealth Management relies on the expertise and ESG ratings of data providers and external analysts recognised by the market for securities and funds. They examine the behaviour of companies along these three dimensions: Environment, Social and Governance (ESG) and assess their exposure to risks and opportunities in each of these 3 areas as well as their management of these issues.

#### ■ Environmental dimension

This analysis focuses on how an issuer deals with environmental issues in both their negative and positive aspects: it is a question of analysing the ability of companies to control their direct and indirect impacts on the environment by limiting their energy consumption, reducing their greenhouse gas emissions, combating the depletion of resources and protecting biodiversity, but also assessing the contribution of an issuer to the construction of a positive ecology in the territories where it operates.

#### ■ Social dimension

This is a matter of measuring how a company designs its strategy to develop its human capital with reference to the fundamental principles of universal value. The "S" in ESG refers to two subjects. It encompasses two distinct concepts: the social aspect in terms of the human capital of the company and the social aspect in terms of human rights in general.

#### ■ Governance dimension

This dimension aims to verify that the management of the company is able to organise a collaborative process amongst the various stakeholders in order to guarantee the achievement of long-term objectives (and therefore the value of the company over time). It makes it possible to analyse how a company includes all stakeholders in its development model: its shareholders as well as its employees, customers, suppliers, local communities and the environment.

Awarded ESG ratings are updated regularly and may be reviewed between two calculations in the event of serious controversy. The rating system is subject to the governance of the ESG Committee.

## 3. CARBON EMISSION FOLLOW-UP

The Hong Kong Branch measures its clients aggregated portfolio carbon footprint by their Weighted Average Carbon Intensity. The WACI is defined as the market-weighted average of total carbon emissions in tons of CO<sub>2</sub> divided by total revenues and is a recognized international standard.

## 4. METRICS AND TARGETS

As at 30<sup>th</sup> December 2022, there was 94% of Hong Kong Branch client's investment portfolio associated with Non-high carbon industry. For the credit activity, there was 86% of Hong Kong Branch loan portfolio pledged with Non-high carbon industry. 90% of mortgage financing property were classified as Very Low physical risk.