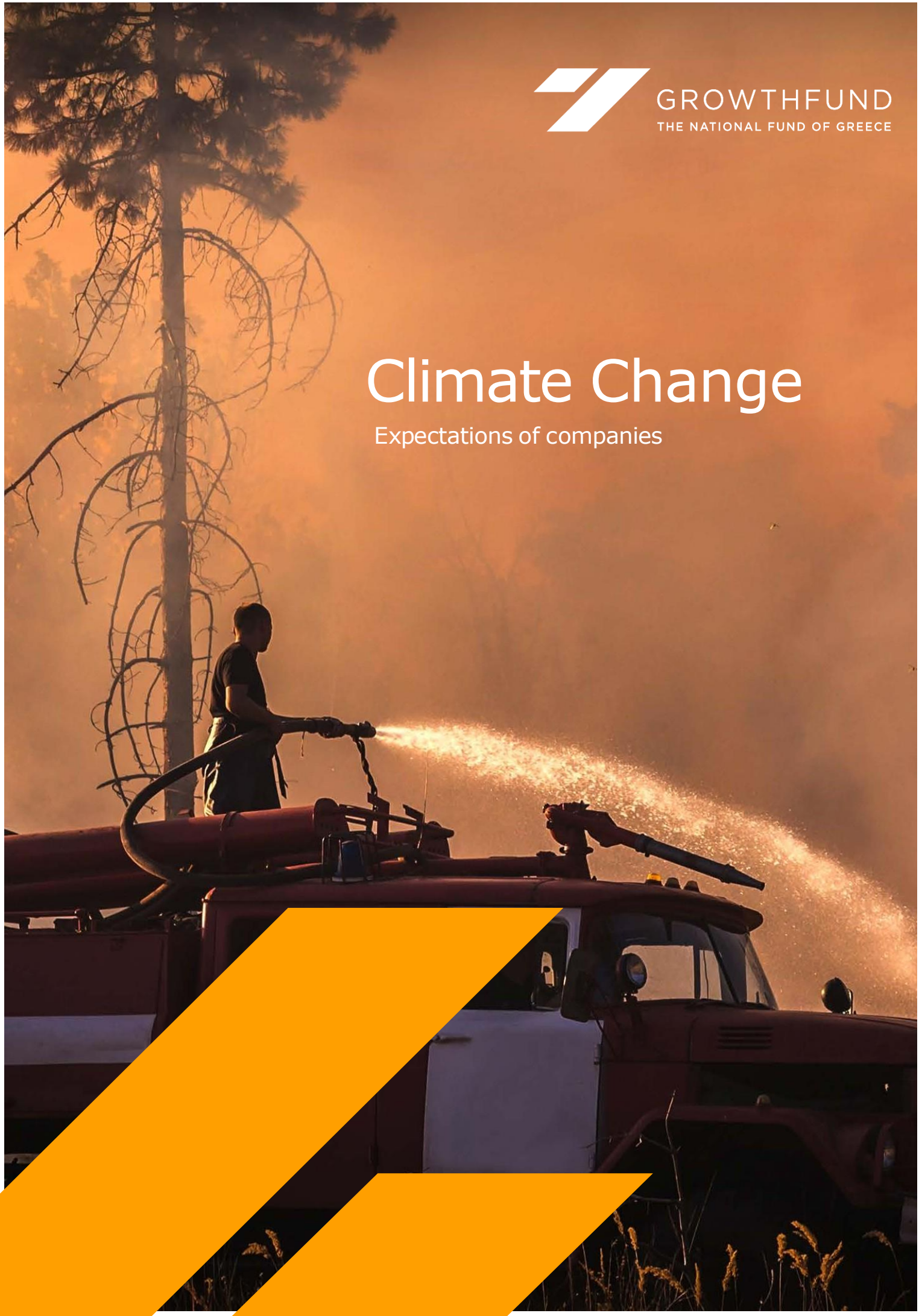


GROWTHFUND
THE NATIONAL FUND OF GREECE

Climate Change

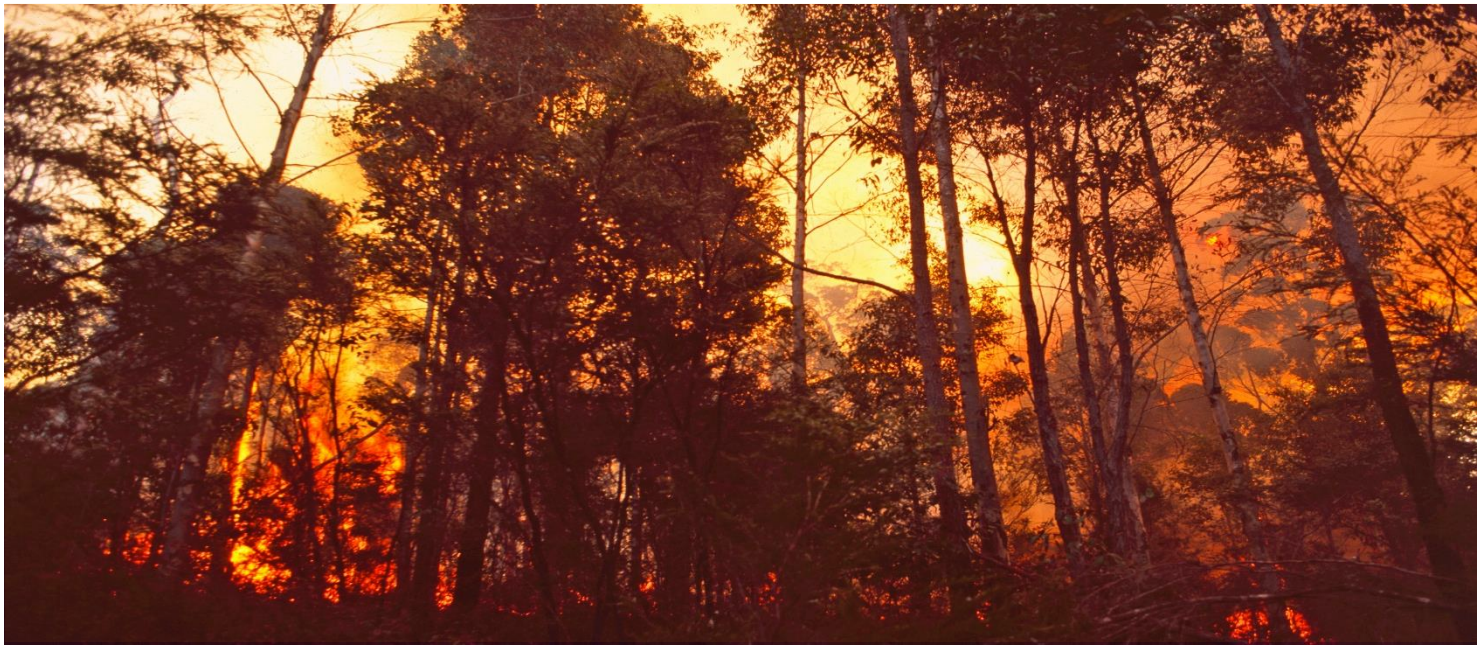
Expectations of companies

Introduction:

The risks associated with climate change are present whether business leaders have identified them or not. Companies are increasingly required to report by their investors on the risks posed to their business by climate change and biodiversity loss. But expectations are growing among other stakeholders, including citizens and customers, that businesses will communicate their plans to reduce
their impact on the planet and contribute to society. The result is a growing need to address **double materiality** analysis in pursuit of a just and green transition, reporting on both the environmental and societal risks posed to and by a business committed to futureproof its operations and behave responsibly.

This document provides the expectations of Growthfund towards its investee companies (current and prospective) that they should embrace an 'as-if-listed' mindset. However, we are mindful some will be more directly impacted by climate change than others.

Growthfund, the National Fund of Greece, is a proud member of One Planet Sovereign Wealth Funds network which supports the alignment of large, long-term and diversified asset pools with the goals of the Paris Agreement, based around three guiding principles: 1. Alignment; 2. Ownership; 3. Integration.



Nature of risks

The climate challenges faced by every company can be direct physical risks, such as those caused by extreme weather, or transition risks, such as reputational damage or loss of business from failure to keep pace with customer expectations. By integrating these realities into corporate strategies and risk management – supported by transparent reporting structures – leaders can mitigate the risks and identify strategic opportunities of being a leader in environmental, social and governance (ESG) practices in their sector.

"GROWTHFUND's investees are in sectors that account for **25%** of Greece's total CO2 emissions. In response, we have pledged to reduce CO2 emissions by **15%** by 2024."

Climate change has the potential to change financial markets. Indeed, the European Central Bank (ECB) warned in 2021 that it poses a risk to financial stability and could affect monetary policy. We therefore acknowledge its impacts on businesses can be varied and complex to absorb. We are also mindful that some businesses are at different stages on their journey towards sustainability, circularity and regenerative practices and therefore seek to support the companies in our portfolio as they transition to a low carbon economy. Ultimately, we support the EU's move to clarify which investments are environmentally sustainable as we believe transparent disclosures lead to more sustainable business outcomes.

The GROWTHFUND itself is a member of the One Planet Sovereign Wealth Fund whose framework is aligned with the Paris Agreement goals and the Intergovernmental Panel on Climate Change (IPCC) conclusions, and we support the Just Transition Plan of Greece, to develop the country's roadmap. GROWTHFUND's subsidiaries are in sectors that account for 25% of Greece's total CO2 emissions. In response, we have pledged to reduce CO2 emissions by 15% by 2024.

Integrating climate change into corporate strategies

Regulatory compliance, consumer behaviour, innovation and opportunity creation

The scale of global challenges around climate change has become stark and inherent risks exist for those that are slow to respond. Investee companies must consider how their strategies can support, rather than compromise, their ability to operate in tomorrow's climate change-affected world. Transitioning to a sustainable economy will require transformative change in almost every industry and for most organisations, these will need to be implemented across core business models.

"They should **strive for collaboration.** Employees, Citizens, NGOs and other stakeholders should be asked to participate in ESG initiatives and engaged with to pursue ESG-related opportunities and stimulate a triple bottom line for **people, profit, and planet.**"

We expect the following from our investee companies:

- A company strategy on climate change should be developed, which is aligned with regulatory compliance and international frameworks such as the UNSDGs[1], the Paris Agreement[2] and the Taskforce on Climate-Related Financial Disclosure (TCFD)[3]. A detailed plan describing the transition to low carbon emissions and setting sustainability objectives should be developed and will help to facilitate change.
- Scenario analysis which encompasses the disruptive nature of a transition to a low carbon economy should be undertaken. As part of this exercise, investee companies should identify incoming climate regulations, technological developments and market conditions.
- An assessment of organisational structure and culture should be launched to discover whether an investee company is promoting sustainable business operations. They should strive for collaboration. Employees, Citizens, NGOs and other stakeholders should be asked to participate in ESG initiatives and engaged with to pursue ESG-related opportunities and stimulate a triple bottom line for people, profit, and planet.
- Time should be taken to consider how to improve resource productivity (eg. by increasing energy efficiency) which in turn reduces costs.

[1] UN Sustainable Development Goals: The Sustainable Development Goals are a call for action by all
[2] The Paris Agreement
[3] TCFD Framework: TCFD is a market-driven initiative that developed a voluntary disclosure framework and recommendations, enabling stakeholders to better understand the financial system's exposures to climate-related risks. There are around 900 participating organisations ("supporters"), with over US$100 trillion of assets under management.

Integrating climate change risks across risk management

Operational efficiency, capital access, talent engagement and retention

Climate change is a significant factor in overall risk management strategy but forward-looking organisations place ESG at their core to anticipate and navigate the challenges of tomorrow.

The two categories of risk to consider:

1. Physical Risks:

These relate to the risk from physical events, such as storms, floods, droughts and rising sea levels.

2. Transition Risks:

The risks that emerge from moving to a low-carbon economy, including legal, market and reputational risks, as well as risks associated with policy and technology.

Our expectation for navigating these risk categories is below.

- Investee companies need to take environmental considerations into account when looking at capital allocation, development of products or services, and supply chain management.
- Leaders should also be aware that a business' reputation for Environment and Social practices can also reflect on its ability to attract and retain talent.
- They need to determine the resiliency of their ESG strategy towards climate risks across short, medium and long term and prioritise areas to enhance mitigation strategies such as energy improvement programmes, low-carbon raw materials and zero-emission technologies.
- Our investees should conduct an up-to-date assessment of current investor demands to understand access to capital because banks and investors increasingly recognise and aim to address climate change issues.
- Our investees should aim to enhance the resilience of their supply chains through risk management, for example by reducing their reliance on price-volatile fossil fuels by shifting towards renewable energies. Therefore, a far-reaching assessment of supply chains should be conducted.
- Industry standards and best practices for the sustainable management of land and forests should be identified and adhered to. In addition, companies should monitor whether their suppliers delivering forest-linked commodities, products and materials are adopting best practices to avoid deforestation.

Building transparent disclosure practices and avoiding greenwashing

Direct/Indirect impact reporting, regulatory compliance and year-on-year improvements

As the transition to more sustainable economies grows, the demand has increased for more specialised and high-quality data to help investors and other stakeholders make informed decisions. Our investees must urgently implement transparent reporting systems which are essential to help level the playing field across all industries and markets.

"Businesses should disclose their strategy to address **climate change risks** as well as stating their **reduction targets for emissions** over the short, medium and long term, along with transparent reporting of climate scenario analysis."

Importantly, transparency is key to avoiding greenwashing and we therefore expect the following:

- Businesses should disclose their strategy (through their business and investment plans and budgeting) to address climate change risks as well as stating their reduction targets for emissions over the short, medium and long term, along with transparent reporting of climate scenario analysis. National and international emissions reduction commitments, such as the National Climate Law and the Paris Agreement, should be taken into account.
- If there is a role for carbon credits in achieving climate targets, this should be defined and explained. If voluntary carbon offsetting and/or removals are more applicable to offset emissions that cannot immediately be reduced, attention should be paid to the pricing and budgeting for the purchase of carbon offsets. It is worth noting that various methodologies are available from nature based solutions to supporting the scale-up of carbon capture and usage companies.
- All metrics and targets relating to climate change should be anticipated and reported, eg. voluntary carbon offset prices as well as year-on-year improvements.
- Emissions associated with business operations and value chains should be disclosed. Plans should be put in place to measure, reduce and compensate for scope 1, 2 and 3 emissions.
- Direct or indirect impacts of companies on forest conversion and other land use changes should be reported.

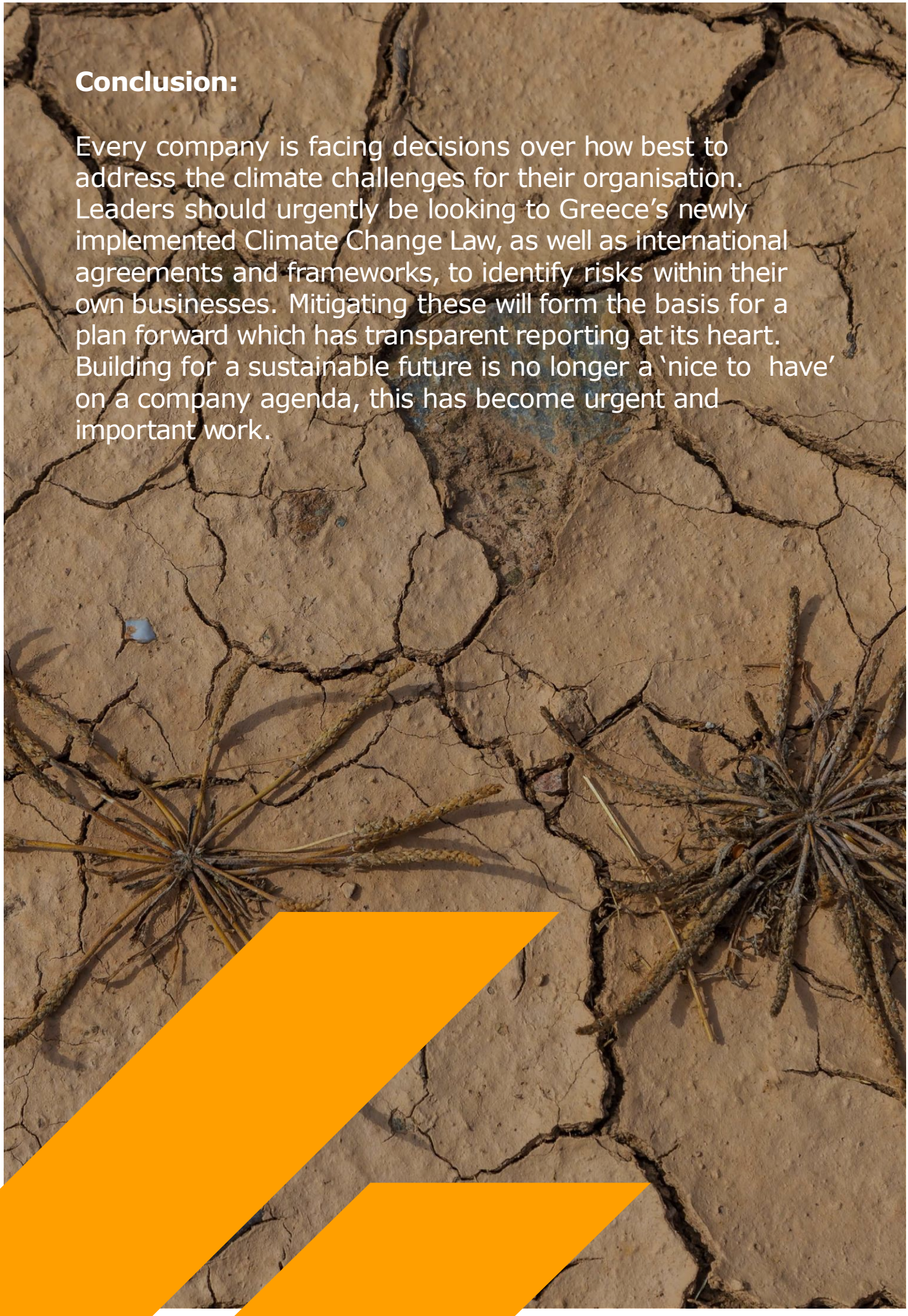
Engagement, collaboration and leadership

Businesses which have evolved into climate change champions innovate, share their experiences with stakeholders and actively advocate for climate actions. They are keen to engage and produce guidelines for liaising with policy makers and regulators on climate change.

"Collaboration is necessary because **without a full understanding of how climate change will impact a business**, leaders are unlikely to invest in initiatives to support climate goals, or even to understand the impact of these actions."

To help build this collaboration, we expect the following:

- Our investees should work towards cross-sector collaboration because it is likely to provide pragmatic and transparent information about the most impactful climate related initiatives in place.
- Collaboration is necessary because without a full understanding of how climate change will impact a business, leaders are unlikely to invest in initiatives to support climate goals, or even to understand the impact of these actions.
- Our investees should have policies or guidelines for engaging with policy makers and regulators on climate change.
- Leaders should review their company's memberships of industry associations and interest groups and determine if their climate change position is aligned with their own.
- They also need to establish how they consider existing and emerging regulatory requirements and should formulate opinions as well as being transparent around their support for industry groups.



Conclusion:

Every company is facing decisions over how best to address the climate challenges for their organisation. Leaders should urgently be looking to Greece's newly implemented Climate Change Law, as well as international agreements and frameworks, to identify risks within their own businesses. Mitigating these will form the basis for a plan forward which has transparent reporting at its heart. Building for a sustainable future is no longer a 'nice to have' on a company agenda, this has become urgent and important work.

Appendix:

The Paris Agreement aims to strengthen the global response to the threat of climate change, by: Holding the increase in the global average temperature to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5°C above pre-industrial levels."

The Intergovernmental Panel on Climate Change (IPCC) concluded global net C02 emissions should reach net zero by 2050 to limit global warming to 1.5 degrees Celsius

EU Taxonomy Regulation will impose mandatory ESG reporting requirements on a large group of companies. It is aiming to achieve transparency when it comes to the ESG impact of a business. The EU Commission says it aims to provide companies, investors and policymakers with appropriate definitions for which economic activities can be considered environmentally sustainable. It should also create security for investors, protect private investors from greenwashing, help companies to become more climate-friendly, mitigate market fragmentation and help shift investments where they are most needed.

National Climate Law, passed May 2022: Sets out specific targets for Greece to fight climate change. The legislation sets interim targets for Greece to cut greenhouse emissions by at least 55% by 2030 and by 80% by 2040 before achieving zero-net emissions by 2050. It also engages the country to cut dependence on fossil fuels, including weaning off indigenous lignite or brown coal - once the main source of energy - in electricity production from 2028 onwards. This target might be brought forward to 2025, taking into account security of supplies.

UN Sustainable Development Goals: The Sustainable Development Goals (SDGs), also known as the Global Goals, were adopted by the United Nations in 2015 as a universal call to action to end poverty, protect the planet, and ensure that by 2030 all people enjoy peace and prosperity. The 17 SDGs are integrated—they recognize that action in one area will affect outcomes in others, and that development must balance social, economic and environmental sustainability. **https://www.undp.org/sustainable- development-goals**

The Paris Agreement is a legally binding international treaty on climate change. It was adopted by 196 Parties at COP 21 in Paris, on 12 December 2015 and entered into force on 4 November 2016. Its goal is to limit global warming to well below 2, preferably to 1.5 degrees Celsius, compared to pre-industrial levels.

TCFD Framework: TCFD is a market- driven initiative that developed a voluntary disclosure framework and recommendations, enabling stakeholders to better understand the financial system's exposures to clima te-related risks. There are around 900 participating organisations ("supporters"), with over US$100 trillion of assets under management.

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GROWTHFUND
THE NATIONAL FUND OF GREECE

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SOVEREIGN WEALTH FUNDS

Growthfund is a holding company founded in 2016 with the Greek State as the sole shareholder, represented by the Minister of Finance. Its mission, as the Public Investment Fund of Greece, is: to take an active role in the modernization of State-Owned Enterprises, to maximize the value of public property, to provide upgraded services for citizens / consumers and to contribute to the national economy. Growthfund's portfolio includes its subsidiaries and participations in public enterprises, which are active in key sectors of the Greek economy, such as **Real Estate**: Hellenic Republic Asset Development Fund (HRADF), Public Properties Company (ETAD), GAIAOSE, TIF HELEXPO, **Utility Services**: PPC, EYDAP, EYATH, **Transport and Infrastructure**: El. Venizelos, OASA, AEDIK, 23 Regional Airports, **Food Supply**: KATH, OKAA, Hellenic Salts, **Technology**: 5G (FAISTOS) and the **Postal Services**: ELTA. The value of the portfolio managed by Growthfund currently amounts to € 6 billion.

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