Our Climate Transition Plan

How Globalance plans to achieve its own net-zero target

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Introduction

The Paris Climate Agreement has been in place since December 2015 and aims at keeping the global temperature rise well below 2 °C above pre-industrial levels and to continue efforts to further limit the temperature increase to 1.5 °C.

Achieving these goals also requires the mobilisation of the entire global financial system. Globalance has therefore committed to aligning its asset management portfolio with the objectives of the Paris Agreement. Our net-zero target is geared towards 2050. Globalance is committed to achieving the target portfolio temperature of 1.5 °C by 2040 to do justice to the time lag between financing and its implementation in the real economy.

Globalance is also committed to an effective regulation of climate transparency in Switzerland. It supported the establishment of the "Swiss Climate Scores" reporting standard and has been the first bank in Switzerland to publish the corresponding key figures for all assets under management since 2023.

As part of our stewardship programme, we advocate for effective climate strategies companies in our portfolio. We participate, inter alia, in the *Carbon Disclosure Project (CDP)* and collaborative initiatives such as ClimateAction100.

As a founding member of the United Nations Principles for Responsible Banking (UN-PRB) and a certified B Corporation, Globalance publicly renders accounts on its climate targets and the corresponding results.

> Globalance is committed to an effective regulation of climate transparency in Switzerland.

Our Commitment

The transition plan presented here shows how Globalance intends to achieve its own net-zero target.

Net zero refers to the state in which the sum of all greenhouse gases emitted from man-made and natural sources is equal to the sum of the greenhouse gases sequestered or absorbed. This involves two goals for any company: firstly, to achieve emission reductions along the value chain to an extent that limits global warming to 1.5 °C and secondly, to neutralise any residual emissions.

For preparing this plan, we adhere to the guidelines of the *Glasgow Financial Alliance for Net Zero (GFANZ)*[1] and to the guidance for the financial sector of the *Science Based Targets initiative*[2].

Our net-zero target is geared towards 2050. Globalance is committed to achieving the target portfolio temperature of 1.5 °C by 2040 to do justice to the time lag between financing and its implementation in the real economy.

As a private bank, Globalance is exclusively active in sustainable asset management for private clients, families and foundations. This is why over 99 per cent of the emissions for which we are responsible as a bank correspond to the emissions financed by our clients' assets. The 1.5 °C portfolio target for our clients is in line with that of the Bank.

Our operating emissions account for less than one per cent. Nevertheless, we are implementing measures to continuously reduce our operational emissions and disclose them in this report.

This plan was approved by the Globlance management and the board of directors. It emphasises our voluntary commitment to pursue these climate targets as part of our corporate objectives.

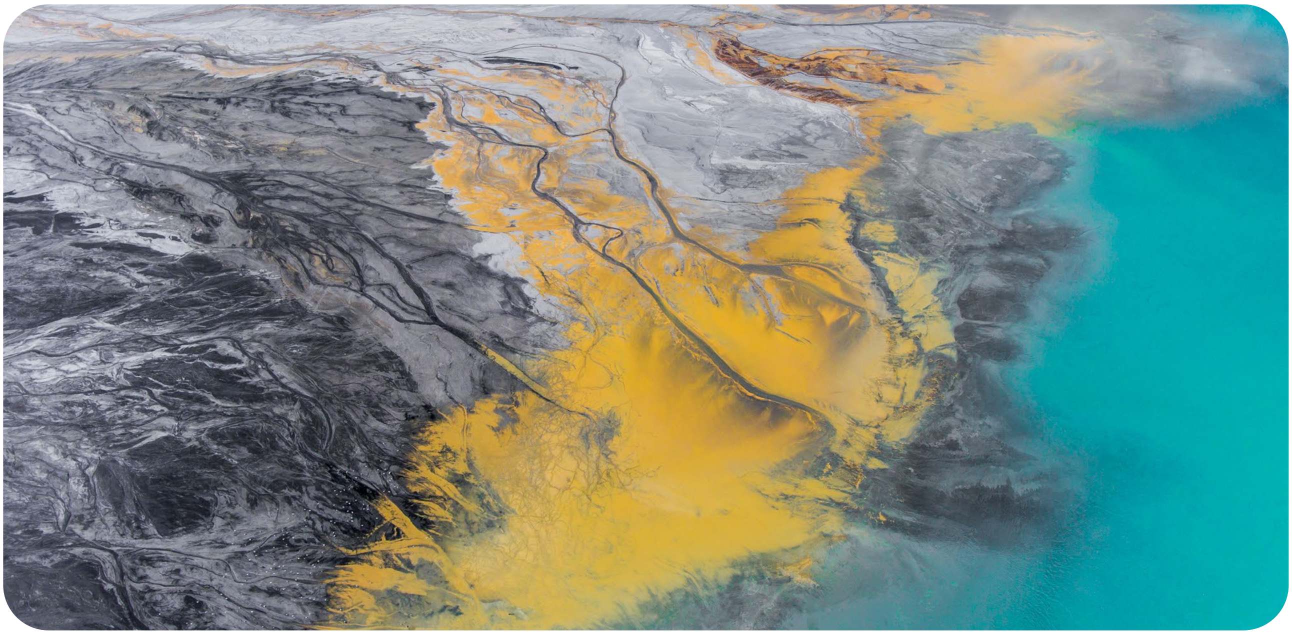

Photo: Mariusz Prusaczyk/iStock

1 Glasgow Financial Alliance for Net Zero. (November, 2022). Financial Institution Net-zero Transition Plans. ***https://assets.bbhub.io/company/sites/63/2022/09/Recommendations-and-Guidance-on-Financial-Institution-Net-zero-Transition-Plans-November-2022.pdf***

2 Science Based Targets initiative. (August, 2022). Financial Sector Science-Based Targets Guidance, Version 1.1. ***https://sciencebasedtargets.org/resources/files/Financial-Sector-Science-Based-Targets-Guidance.pdf***

Our Climate Transition Plan

To achieve our own net-zero target, we focus on so-called financed emissions, which account for 99.9 per cent of the greenhouse gas emissions in Globalance's value chain. This refers to indirect emissions of companies in which Globalance invests client assets.

> Globalance invests with the futuremover philosophy, which focuses on megatrend revenue and a positive footprint.

The *Glasgow Financial Alliance for Net Zero (GFANZ)*[3] defines four levels of action:

1 FINANCING CLIMATE SOLUTIONS

Globalance invests with its futuremover philosophy, which focuses on megatrend revenue and a positive footprint. Companies are selected whose products and services contribute to overcoming global challenges. For example, the financing of climate solutions has been an important aspect of Globalance's activities since the company was founded. We will calculate and publish the share of revenue of portfolio companies generated from climate solutions on an annual basis.

2 FINANCING OF 1.5 °C ALIGNED COMPANIES

Globalance invests mostly in companies leading in the areas of sustainability and climate. The management and ongoing review of the climate path are mainly based on the temperature metric ("Implied Temperature Rise"), which Globalance obtains ***from specialists at MSCI***. The emission intensity of the portfolio serves as a control variable (t CO_2 equivalent / CHF million of invested capital).

3 FINANCING AND PROMOTING THE TRANSITION OF COMPANIES TO A 1.5 °C PATHWAY

Globalance does not pursue an explicit strategy of supporting transformation companies. Nevertheless, many companies we have selected are not yet on a 1.5 °C path. This makes our stewardship and engagement activities all the more important. Globalance publishes a ***separate report*** on these.

4 PHASING OUT FOSSIL FUEL INVESTMENTS

Since Globalance was founded, investments in coal, oil and gas have been excluded. We publish the remaining revenue in these areas (tolerance) annually.

In addition to the GFANZ guidelines, the wording of our net-zero target and the coverage of asset classes are based on the Science-Based Targets Guidance for the financial sector.[4] Globalance Bank AG and our subsidiary Globalance Invest in Munich are part of the greenhouse inventory and the net-zero target. Our Go4Balance subsidiary currently generates hardly any emissions and is not part of the analysis.

[3] Glasgow Financial Alliance for Net Zero. (November, 2022). Financial Institution Net-zero Transition Plans. ***https://assets.bbhub.io/company/sites/63/2022/09/Recommendations-and-Guidance-on-Financial-Institution-Net-zero-Transition-Plans-November-2022.pdf***

[4] Science Based Targets initiative. (August, 2022). Financial Sector Science-Based Targets Guidance, Version 1.1. ***https://sciencebasedtargets.org/resources/files/Financial-Sector-Science-Based-Targets-Guidance.pdf***

Globalance Emissions Profile

GREENHOUSE GAS EMISSIONS IN METRIC TONNES OF CO_2-EQUIVALENTS

Scope	Category	CO_2-Equivalents
1		0
2	location-based	37
	market-based	29
3	purchased goods and services (category 1)	n/a
	waste generated during operation (category 5)	1
	business travel (category 6)	5
	employee commuting (category 7)	13
	financed emissions (category 15)	330,000
Total Scopes 1 – 3	location-based	**330,056**
Total Scopes 1 – 3	market-based	**330,048**

Source: Globalance Based on figures from 2023

EXPLANATIONS

Scope 1: Our direct operations do not lead to emissions, because Globalance owns neither machines nor vehicles.

Scope 2: Almost 80 per cent of our energy-related greenhouse gas emissions are caused by heating and air conditioning our premises.

Scope 3: The emissions financed by our clients' assets account for 99.9 per cent of the greenhouse gas emissions in Globalance's value chain. This is the area with the greatest potential to reduce emissions.

Other Scope 3 emissions are less material. The values that can be controlled through the direct conduct of our employees are reported.

Scope 3 | Purchased goods and services includes the server performance that third parties maintain for Globalance. It was calculated, but not included in the disclosure since it is less than 1 t CO_2e. Given the lack of data, the cloud could not be considered either.

Scope 3 | Financed emissions:

Greenhouse gas emissions data is available for 62 per cent of our assets under management. The emissions per Swiss Franc invested were calculated on the basis of these assets and then total emissions were calculated based on all assets under management. The following assets are taken into account: directly held assets, externally held assets of Globalance Bank AG and Globalance Invest (Germany). Not included: consultancy services.

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Financed Emissions

THE ASSET CLASSES OF GLOBALANCE
AREA OF APPLICATION AND COVERAGE

The international organisation *Science Based Targets initiative (SBTi)* has issued a guideline specifying which asset classes are to be included in the determination of a net-zero target. We adhere to their guidelines in this report.

- Data is available for the asset classes marked in red to set quantitative climate targets (based on the implied temperature rise [ITR] method). These asset classes account for 72 % of assets under management.
- No ITR data is available for the asset classes marked in yellow, but other quantitative approaches can be used. For real estate funds, for example, this is based on greenhouse gas emissions per square metre of floor space.
- For the asset classes marked in green, the net-zero approach of the most relevant funds is described qualitatively.
- The asset classes marked in blue are excluded from the net-zero target (in accordance with the SBTi guideline): government bonds, insurance-linked securities, premium strategies, precious metals.

Globalance Climate Target: Net Zero by 2050

To do justice to the time lag between financing and the implementation in the real economy, financial players must reach their theoretical climate targets ahead of the real economy: Globalance is therefore committed to achieving the target portfolio temperature of 1.5 °C by 2040 at the latest.

GLOBALANCE CLIMATE TARGETS BY METRIC

Metrics	Annual reduction	Base year 2023	Target 2030	Target 2040
ITR	0.024 °C	1.9 °C	1.7 °C	1.5 °C
Emissions intensity metric tonnes of carbon equivalent / CHF million invested; based on Scopes 1 – 3	9 % (minimum required: 7 % [5])	202	104	41

Source: Globalance

EXPLANATIONS

Globalance chooses the **ITR temperature as the main metric** to determine whether assets under management (AuM) are aligned with the Paris climate target. This method assigns a temperature to each company by stating: if all companies had the climate ambition of this company, the temperature would rise by so many degrees. The climate targets of the companies play an important role.

Based on the **logic of the *Science Based Tagets initiative (SBTi),*** the portfolio temperature of 1.5 °C must be reached ten years before the desired net-zero target is reached so that the 1.5 °C-aligned companies have enough time to implement the planned measures to achieve their climate targets.[6]

The ITR method is innovative, forward-looking and intuitively understandable. However, because it will need to be further developed in the coming years and because the future activities of the companies are given a lot of weight, a second control metric is selected: **the emission intensity of assets under management** (financed emissions; t CO_2e-equivalents / CHF million invested).

This control metric is based on the **minimum guidelines for Paris-aligned benchmarks.** They prescribe that the GHG emissions intensity in the base year must be at least 50 per cent lower than that of the investable universe (our reference: MSCI World, emissions intensity FY23: 407 t CO_2e / CHF million invested). Furthermore, the GHG emission intensity must decrease by at least 7 per cent annually. The target of 50 per cent lower emissions intensity has been met at Globalance. In terms of the annual reduction, we exceed the requirements with an annual reduction of 9 per cent.

5 European Union. (2020). Sustainable finance - minimum standards for climate protection reference *https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12020-Nachhaltiges-Finanzwesen-Mindeststandards-fur-Klimaschutz-Referenzwerte_en*

6 Science Based Targets initiative. (August, 2022). Financial Sector Science-Based Targets Guidance, Version 1.1. *https://sciencebasedtargets.org/resources/files/Financial-Sector-Science-Based-Targets-Guidance.pdf*

ADDITIONAL PUBLISHED METRICS

Metrics	Base year 2023
Share of fossil fuels (sales)	1 %
Share of renewable energies (sales)	3 %
Climate engagement with invested companies	24 %

Source: Globalance

EXPLANATIONS

In addition, Globalance considers the metrics mentioned above as important for the climate transition. The status / progress of the metrics is reported annually together with the climate targets.

Fossil fuel revenue includes all portfolio companies that generate more than 0 % of their revenue from fossil fuels (according to Swiss Climate Score requirements). This value can thus not be directly compared with the share of renewable energies.

The share of renewable energies relates to asset classes with data coverage in this regard (equities and bonds). In addition – and that is not covered by this analysis – Globalance invested 3 % of assets under management in renewable energy projects.

The share of companies engaged on climate is based on portfolio companies in which Globalance invests directly.

OTHER MANDATORY ASSET CLASSES

Of the asset classes that are not fully covered by our temperature metric, the following must still be included in our net zero target according to SBTi:

Real estate

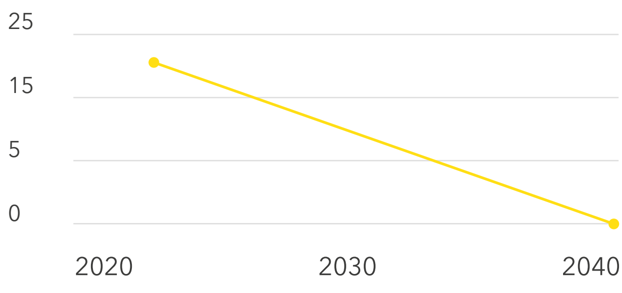
Globalance invests in various real estate funds, which in turn buy and manage properties and are involved in new construction projects.

Globalance's real estate portfolio has an emissions intensity of 21 kg CO_2e / m² (during the use phase (based on data from 91 % of the real estate investments). The data of a fund of funds that invests according to the Swiss Property Index (SWIIT Index) could not be included.

Globalance is aiming for net-zero emissions from its property portfolio by 2040. By 2030 we want to achieve an emissions intensity of 13 kg CO_2-equ. / m² of energy reference area.

GLOBALANCE REDUCTION PATH

of the real estate portfolio, in kg CO_2e/m² energy reference area



Source: Globalance

Project financing in the energy sector
Project financing for energy production is not applicable to Globalance, as we only invest in renewable energy projects.

Other optional asset classes
According to SBTi guidelines, private investments can but do not have to be included in the net-zero plan. Private investments cannot be analysed using our main metric (ITR). As we nevertheless consider this category to be relevant on the path to net zero, we are publishing a qualitative description of the net-zero targets of our most important private investments.

OUR MOST IMPORTANT PRIVATE INVESTMENTS

Partners Fund SICAV: Partners Group measures the greenhouse gas emissions of the private equity fund's direct investments and sets the following emission-reduction targets for invested companies: 20 per cent reduction during the holding period, 50 per cent reduction until 2035 and net zero by 2050. Partners Group is preparing the companies for the reduction targets of 2035 and 2050 according to the holding period.

3i Infrastructure Fund: 3i Infrastructure measures greenhouse gas emissions of its assets (Scopes 1 and 2) and aims to extend this endeavour to the entire value chain. The fund's greenhouse gas intensity in 2022 is 407 tonnes of CO_2e per million invested capital. 3i Infrastructure plans to have a climate target certified by SBTi in 2024.

Ancile Fund: INOKS Capital is committed to net zero 2050. They are also working with selected companies in their portfolio on the calculation of their greenhouse gas emissions and the development of emissions targets. In 2021, 50 per cent of the agricultural companies in the fund have contributed to mitigating climate change.

BlueOrchard Microfinance Fund: BlueOrchard is working on the development of a net-zero target for the fund. Scope 1 – 3 emissions of the fund are reported, however the availability of greenhouse gas emissions data for the investments is limited, which is why the fund uses modelled data from third-party organisations.

EMF Microfinance Fund: the EMF fund focuses on educating borrowers about climate risks. A net-zero target that includes borrowers has not yet been developed.

AP Music Royalties Fund: this fund invests in music licences and does not generate any material greenhouse gas emissions.

> Globalance aims for net-zero emissions of its real estate portfolio by 2040.

Our Strategy for Achieving the Target

OUR STRATEGY FOR ACHIEVING THE TARGET

1. In the case of liquid asset classes, shareholder engagement is an important lever for achieving targets.
2. We can also exert influence by selecting companies with low emissions or credible targets.
3. If the portfolio companies fail to achieve their climate targets, divestment is an option.
4. Our commitment also includes externally managed funds: Globalance invests in funds that actively engage in climate action. If climate targets cannot be achieved in this way, selling the fund is considered.

ENGAGEMENT STRATEGY

We may exert influence on the companies we invest in through engagement. This active dialogue is based on detailed analyses and aims at continuously reviewing and motivating the players in the real economy to increase their ambitions. For detailed reporting on our climate commitment, please refer to our annual ***Stewardship Report***.

We summarise our approach as follows:

1. The relevant companies are identified based on their emissions intensity (CO_2 equivalent / CHF million invested). The entire value chain (Scopes 1 – 3) is taken into account.
2. Selected companies are analysed based on the following factors:
   - Greenhouse gas reporting;
   - Greenhouse gas reduction in the past;
   - Greenhouse gas reduction targets;
   - Greenhouse gas reduction measures;
   - Climate governance.
3. On this basis, an engagement is started if we see relevant potential for improvement.
4. The selected companies receive our analysis together with specific, relevant suggestions or demands, which are discussed during meetings.
5. We define the status of our engagements ***on our website***.
6. If a significant percentage of a company's products is categorised as climate solutions ("avoided emissions"), we might refrain from engaging the company. Our reasoning: any operational improvement is less material than the positive climate impact based on anticipated growth.

OPERATIONAL EMISSIONS

Globalance has no direct operational emissions related to processes that burn fossil fuels. Indirect emissions include our general energy consumption, business travel and our employees› commuting to and from work. In addition, Globalance events cause emissions which we have not quantified.

To reduce emissions related to our operations we apply the following rules:

1. No air travel for distances that can be travelled in under six hours by train or bus;
2. Vegetarian food at Globalance events;
3. In the event of a change of office premises, the criterion of climate-friendly becomes a relevant part of the catalogue of requirements. In the short term, we pursue pragmatic engagement with the owners of our rented properties.

GOVERNANCE AND REPORTING

The net-zero target and this transition plan were formally approved by the management and the board of directors of Globalance.

The targets are revised at least every five years to ensure that they are in line with the latest scientific findings. The targets are also revised during each change of the data provider.

The progress of target achievement is published annually using the following metrics (analogous to the Swiss Climate Scores):

– Portfolio ITR;
– Portfolio emission intensity;
– Share of the portfolio companies’ revenue from climate solutions;
– Share of portfolio companies’ revenue from coal, oil and gas;
– Proportion of portfolio companies that are actively engaged by Globalance.

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