Green Finance Alliance

I-PEPs: Proposal for a new KPI set to steer the decarbonisation of financial companies

(Draft for public consultation)

Last update: August 2024

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Version

Version	I-PEPs	Last updated
1.0	Initial published version of the I-PEPs consultation draft	8 July 2024
1.1	Updated slide 50 in section “Annex II: I-PEPs *dynamic* - Presentation of an alternative weighting approach” to clarify the calculation of financial volumes for the Constant Asset Portfolio (CAP)	9 August 2024

Background

The Green Finance Alliance (GFA)

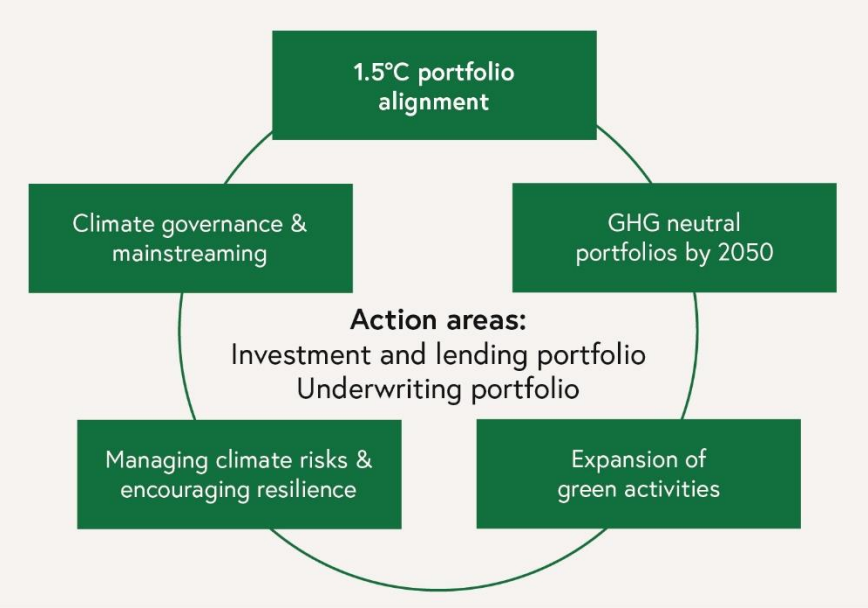
An initiative of the Federal Ministry of Climate Action (BMK) aimed at cultivating a sustainable financial market in Austria. Participation is voluntary and geared towards financial companies headquartered in Austria.

Members of the Green Finance Alliance (GF-Alliance) pledge to align their core business portfolios and operational ecology with defined climate targets.

GF-Alliance members become pioneers in the transformation of the Austrian financial industry into a Paris-compatible business model.

Members of the initiative have to meet predefined criteria. The GF-Alliance accompanies them step-by-step on the path to meeting their climate targets.

Core business: Five target dimensions & two action areas



- Measures and detailed criteria are defined for each target dimension and action area.
- These criteria are based on current international climate protection standards and science-based methods.
- Annual monitoring and reporting by GFA members.
- The “Investment and lending portfolio” and “Underwriting portfolio” action areas are supplemented by the “Operational ecology” action area.

Core business: From high level targets to detailed criteria

5 Target dimensions	Managing climate risks & encouraging resilience	Expansion of green activities	GHG neutrality 2050	1.5 °C alignment	Climate governance & mainstreaming
9 Measures	Climate strategy	Climate report	Engagement strategy	Engagement report	Phase-out (coal, oil, gas)	Target alignment	GHG footprint
65 Criteria	• Seven criteria • Deadline: 2022 • E.g. KPIs, targets, transition plans	• Eight criteria • Deadline: 2023 • Progress e.g. regarding targets, transition plans	• Seven criteria • Deadline: 2022 • E.g. approach, metrics priorities	• Nine criteria • Deadline: 2023 • Progress: activities, best practice	• Sixteen criteria • Deadline: 2022-2035 • E.g. guidelines, targets, exclusion	• Eleven criteria • Deadline: 2022-2040 • Method: SBTi or PACTA (lending/investment) • E.g. metrics, targets, progress	• Seven criteria • Deadline: 2023-2024 • Method: PCAF • E.g. GHG evaluation and disclosure
Foundation (Note: Examples of sources used for criteria development)	Regulation	Initiatives	Good practices financial industry	Science	Methods, standards
	Taxonomy CSRD SFDR	CA100+ NZAOA GFANZ TPI		IPCC NGFS OECM IEA	SBTi PACTA PCAF TCFD

Note on deadlines: apply for founding-year members. See special provisions for new members in the GFA handbook (section 1.10.2 & 1.10.3)

Criteria for metrics & targets

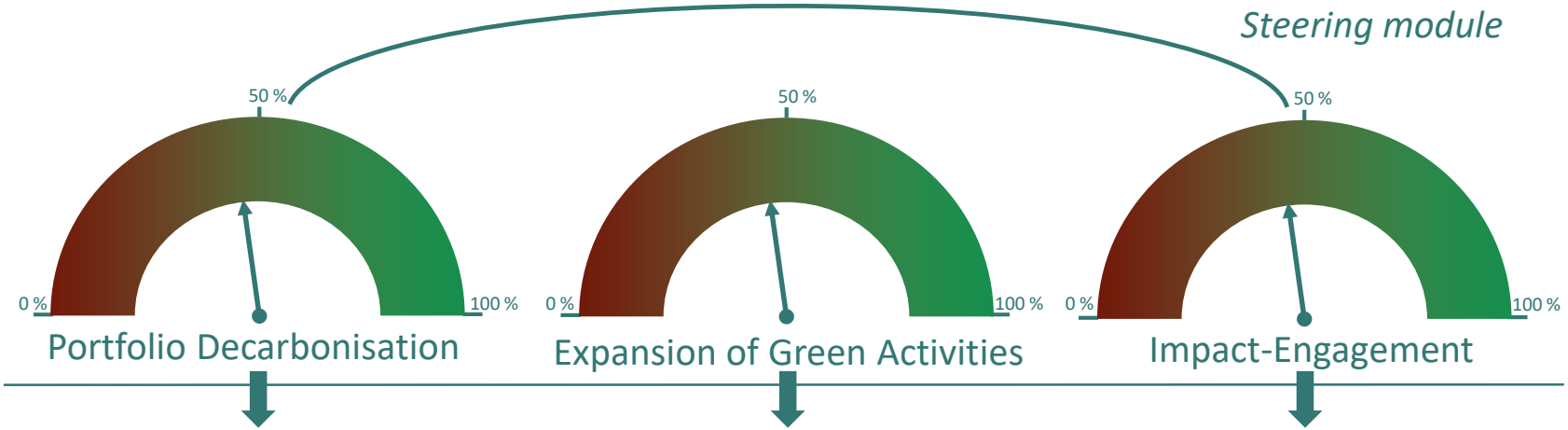
- To promote harmonisation of the methodological approaches used, the GFA has specified methods for using metrics and targets that are designed to systematically align the portfolio with the Paris Agreement.
- Initially, the plan was to allow GFA members to choose between using PACTA and SBTi. However, the use of PACTA was suspended in autumn 2023 for methodological reasons.
- Therefore, an alternative is currently being developed so GFA members can still choose between two approaches.

Climate Navigation Cockpit

Climate Navigation Cockpit

- Purpose: Portfolio-steering based on a navigation cockpit that consists of climate-relevant steering modules.
- Target: To guide GFA members' core business towards long-term target dimensions.
- Steering modules: Provision of a modular set of KPIs, which can be applied according to the size and portfolio structure of the GFA member concerned.

Climate Navigation Cockpit: Steering modules



Long-term target dimensions

- ✓ Climate governance
- ✓ 1,5 °C – portfolio alignment
- ✓ **GHG neutrality by 2050**
- ✓ Climate risk management
- ✓ Expansion of green activities

Steering module: Portfolio Decarbonisation

I-PEPs: Proposal for a new KPI set

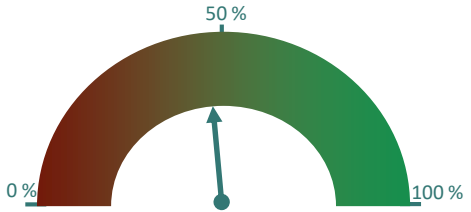
New KPI set for the Portfolio Decarbonisation steering module

Scope

Investments
- ✓ Equity
- ✓ Corporate bonds
- ✓ Sovereign bonds

Lending
- ✓ Corporate lending

Project finance
- ✓ Mortgages
- ✓ Commercial real estate
- ✓ Electricity production



Indicators for Portfolio-weighted Emission Performances (I-PEPs)

Input parameters
- Absolute GHG emissions (companies/countries)
- Physical emission intensity (projects)

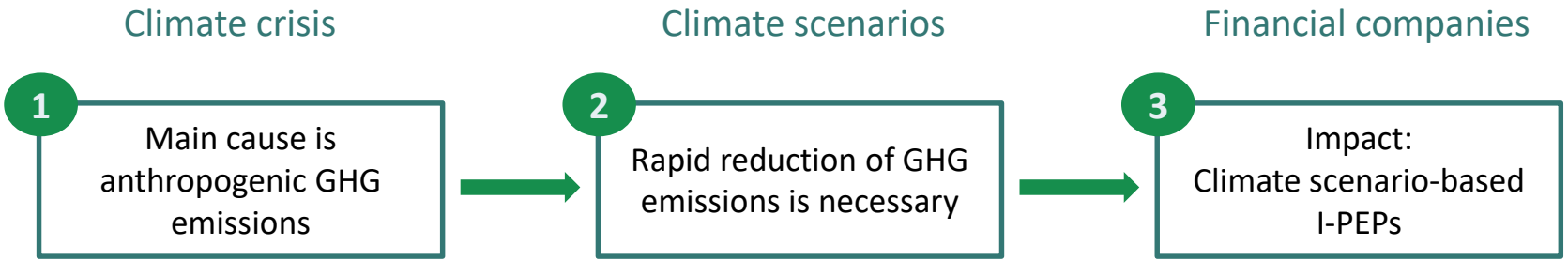
Method
- Weighting of individual emission performances according to their portfolio share

Purpose

To steer portfolio decarbonisation and manage GHG-related transition risks from the perspective of financial companies.

Foundation: I-PEPs

Foundation: Utilisation of real-economy GHG data, which also provides the basis for calculating financed emissions.



Question: How is it possible to mirror the GHG emission performances of real-economy firms for financial companies while replicating the portfolio composition as accurately as possible?

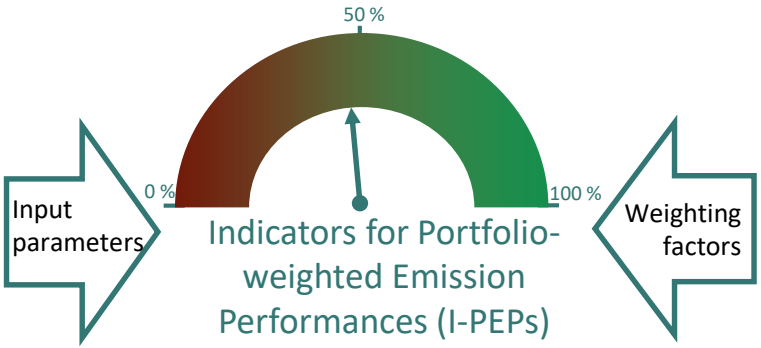
Data basis: I-PEPs

Time series of GHG data
Previous year (t), reporting year (t+1)

Companies
Absolute GHG emissions
(Scope: GHG Protocol/PCAF)

Projects
Physical emission intensity
(e.g. CO_2e/m^2)

Countries
Absolute GHG emissions
(Scope: PCAF)

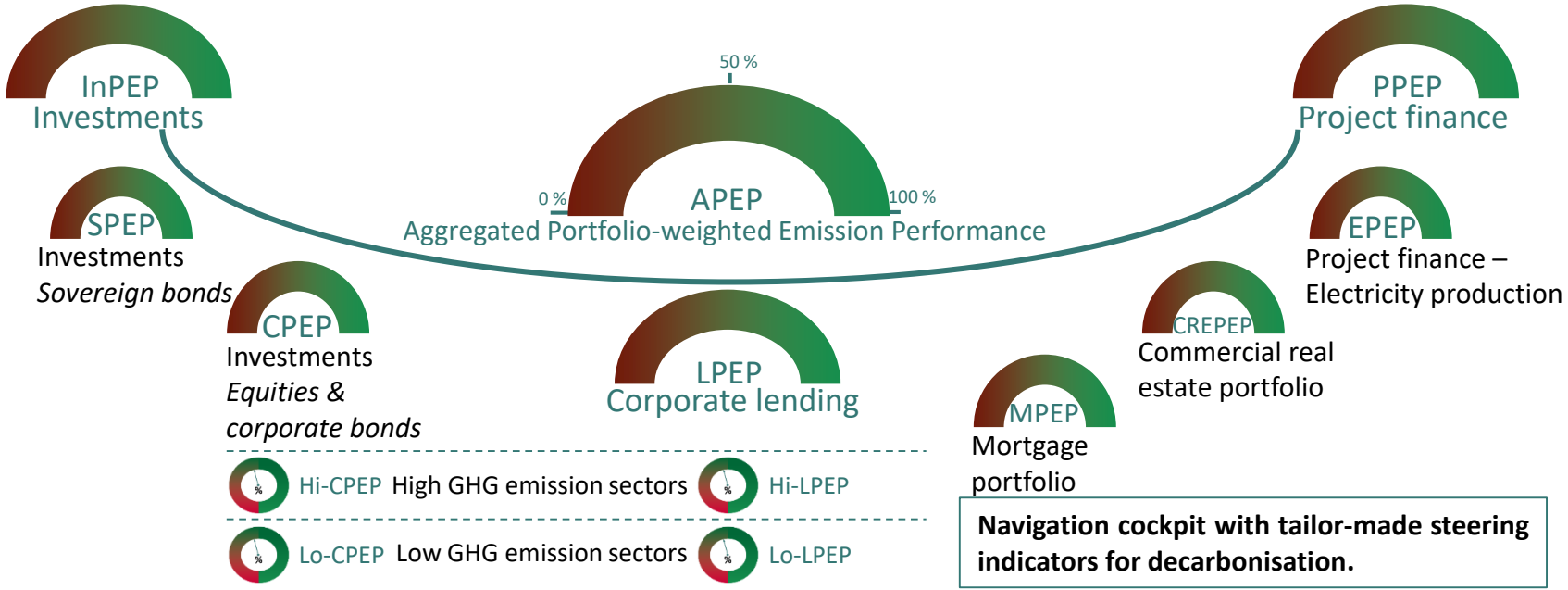


I-PEPs *basic*
Portfolio composition at the reference date in the reporting year

I-PEPs *dynamic*
Also including portfolio composition at the reference date in the previous year

Not needed: EVIC Property value Enterprise value PPP-adjusted GDP Corporate-related physical activity data

I-PEPs: Overview by (sub-)asset class

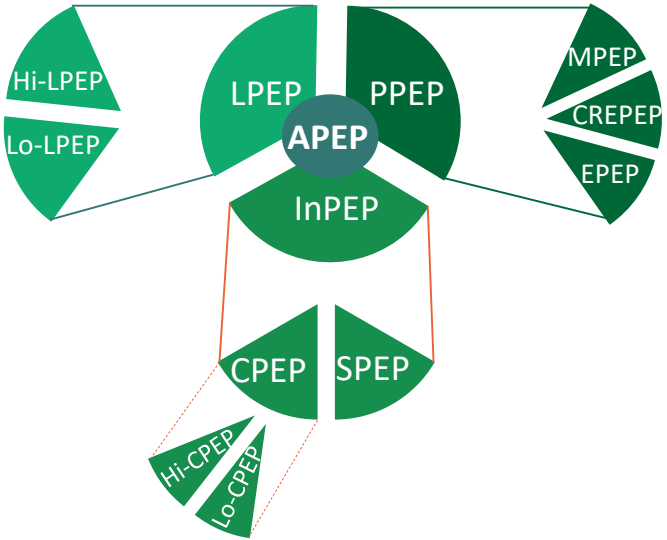


Navigation cockpit with tailor-made steering indicators for decarbonisation.

I-PEPs: Modular scope

Corporate lending
Basis: Absolute GHG emissions
Indicators:
- LPEP: Corporate lending aggregated
- Lo-LPEP: Low GHG emission sectors
- Hi-LPEP: High GHG emission sectors

Total analysed portfolio
Indicator: APEP



Project finance
Basis: Physical emission intensity
Indicators:
- PPEP: Project finance aggregated
- CREPEP: Commercial real estate
- MPEP: Mortgages
- EPEP: Electricity production

Investments
Basis: Absolute GHG emissions
Indicators: InPEP
Equities & corporate bonds
- CPEP: All sectors
- Lo-CPEP: Low GHG emission sectors
- Hi-CPEP: High GHG emission sectors

Sovereign bonds
- SPEP

I-PEPs

Asset classes: Corporate lending & Investments

I-PEPs: Corporate lending & Investments

- Steering indicators for corporate lending and investments in equities and corporate bonds are applied on an aggregated level, as well as disaggregated for sub-portfolios.
- Investments in sovereign bonds have their own indicator.
- Even though I-PEPs are applied on a granular level, they all share the **same calculation method**.

Calculation method: Corporate lending & corporate investments

1st step: Calculating company-specific emission performances and their portfolio weighting (reporting year (t+1) vs. previous year (t)).

Relative change of company A's GHG emissions

$$\rho_A = \frac{E_{A,t+1}}{E_{A,t}} - 1$$

E_A ... Absolute GHG emissions from company A

ρ_A... Emission performance of company A

Weighting of company A in the analysed portfolio volume

$$\omega_A = \frac{V_A}{V_P}$$

V_A... Outstanding portfolio volume of company A

V_P... Total analysed portfolio volume

ω_A... Weighting of company A in the analysed portfolio volume

2nd step: To calculate the aggregated steering indicator, the company-specific emission performances are aggregated according to their portfolio weighting.

Aggregated Portfolio-weight Emission Performance

$$\rho_P = \sum_i (\omega_i * \rho_i)$$

- Limitations due to the point-in-time view of the portfolio (I-PEPs *basic*) → Solution (optional): Apply an adjusted weighting method (I-PEPs *dynamic)* (see annex)

Corporate lending & corporate investments: Sub-portfolios

The weighting of portfolio positions for LPEP (corporate lending) and CPEP (equities and corporate bonds) is based solely on the component's portfolio share.

Challenge: The "size" of company-specific GHG emissions – and therefore their climate impact – is not directly taken into consideration.

Solution: Divide the portfolio into two sub-portfolios based on a sector split:

- Hi-LPEP & Hi-CPEP: Companies from high GHG emission sectors (a list of these sectors will be provided to GFA members by the Coordinating Office).
- Lo-LPEP & Lo-CPEP: Companies from all other sectors, primarily low GHG emission sectors.

Steering indicator: Sovereign bonds

- Sovereign bonds are steered separatly from equities and corporate bonds with their own indicator → reasons:
  - Different types of counterparties
  - Different GHG accounting methods
  - To improve visibility
- The calculation method is the same as the one used for Corporate lending and Investments.
- Sovereign emissions are calculated based on the PCAF Standard.

I-PEPs for Corporate lending & Investments

Abbr.	I-PEPs	(Sub-)asset class
Hi-LPEP	High GHG Emission Sectors Lending Portfolio-weighted Emission Performance	Corporate lending (high GHG emission sectors)
Lo-LPEP	Low GHG Emission Sectors Lending Portfolio-weighted Emission Performance	Corporate lending (low GHG emission sectors)
CPEP	Corporate-related Investment Portfolio-weighted Emission Performance	Investments (equities and corporate bonds)
Hi-CPEP	High GHG Emission Sectors Corporate-related Investment Portfolio-weighted Emission Performance	Equities & corporate bonds (high GHG emission sectors)
Lo-CPEP	Low GHG Emission Sectors Corporate-related Investment Portfolio-weighted Emission Performance	Equities & corporate bonds (low GHG emission sectors)
SPEP	Sovereign Bond-related Portfolio-weighted Emission Performance	Investments (sovereign bonds)

Investments: CPEP/Lo-CPEP/Hi-CPEP Lending: LPEP/Lo-LPEP/Hi-LPEP

Input parameter:

- Absolute GHG emissions of companies
- Companies attributed to sectors

Sovereign bonds (SPEP)

Input parameter:

- Absolute GHG emissions of countries
- Identification of emissions based on PCAF Standard (Part A)

I-PEPs

Asset class: Project finance

I-PEPs: Project finance

The emission performance of project portfolios is determined not so much by the (often very static) individual project emission performance, and more by the changing portfolio composition.

Another difference is that it makes sense to use an alternative data point for calculating emission performance rather than the absolute GHG emissions used for Corporate lending and Investments.

Project finance portfolios are treated as an asset class of their own, split into sub-asset classes (focus: electricity production and real estate*). Specific steering indicators based on sector-specific physical emission intensities are used.

* The method can be scaled by applying it to other project finance activities in other sectors (e.g. steel or cement).

Calculation method: Real estate financing

The real estate portfolio is divided into mortgages and commercial real estate (the calculation example is for a mortgage portfolio):

1st step: For calculating the steering indicator, the mortgage portfolio is considered in its entirety (similar to an enterprise) and the portfolio-weighted emission intensity for the portfolio is calculated at a particular reference date. The weighting of the properties is based on the outstanding lending volume for the property in relation to the analysed mortgage portfolio.

Property weighting in the analysed mortgage portfolio

$$\omega_A = \frac{V_A}{V_{P_M}}$$

V_A... Outstanding mortgage volume in real estate A

V_{P_M}... Total analysed mortgage lending volume

ω_A... Weighting of real estate A in the analysed mortgage portfolio

Portfolio-weighted emission intensity at time t

$$EI_{P_M}(t) = \sum_i (\omega_i(t) * EI_i(t))$$

$EI_{P_M}(t)$... Weighted emission intensity of real estate portfolio

$EI_i(t)$... Emission intensity of real estate i

2nd step: The emission intensity performance of the mortgage portfolio is calculated by comparing the aggregated, weighted emission intensity in the reporting year and the previous year.

Mortgage Portfolio-weighted Emission Intensity Performance (MPEP)

$$\rho\,(EI_{P_M}) = \frac{EI_{P_M}(t+1)}{EI_{P_M}(t)} - 1$$

Calculation method: Project finance – Electricity production

- Due to the significance of electricity production for global decarbonisation, a specific steering indicator is applied for these project finance activities.
- Requirement: Use of proceeds for establishing and maintaining electricity production.

Aside from applying a different input parameter, the steering indicator for electricity production-related project finance uses the same calculation method as for real estate financing.

1st step:

Weighting of project A in the analysed project portfolio

$$\omega_A = \frac{V_A}{V_{P_E}}$$

V_A... Outstanding project finance volume in electricity production project A

V_{P_E}... Total analysed project finance volume (electricity production)

ω_A... Weighting of project A in the analysed project portfolio

Portfolio-weighted emission intensity at time t

$$EI_{P_E}(t) = \sum_i (\omega_i(t) * EI_i(t))$$

$EI_{P_E}(t)$... Weighted emission intensity of project finance portfolio (electricity production)

$EI_i(t)$... Emission intensity of electricity production project i

2nd step:

Electricity Production-related Portfolio-weighted Emission Intensity Performance (EPEP)

$$\rho\,(EI_{P_E}) = \frac{EI_{P_E}(t+1)}{EI_{P_E}(t)} - 1$$

I-PEPs for Project finance

Abbr.	I-PEPs	(Sub-)asset class
CREPEP	Commercial Real Estate-related Portfolio-weighted Emission Intensity Performance	Commercial real estate
MPEP	Mortgage-related Portfolio-weighted Emission Intensity Performance	Mortgages
EPEP	Electricity Production-related Portfolio-weighted Emission Intensity Performance	Project finance - Electricity production

Mortgages (MPEP) Commercial real estate (CREPEP)

Input parameter:

- Emission intensity: $kgCO_2e/m^2$

Project finance - Electricity production (EPEP)

Input parameter:

- Emission intensity (e.g. gCO_2e/kWh)

I-PEPs

Aggregated at asset class & total portfolio level

Calculation method: Asset classes (aggregated)

- Purpose of KPIs for aggregated asset classes: To improve visibility and simplify performance communication.
- The calculation method is consistent with other I-PEPs and is based on a bottom-up approach.*

Calculation method (example for the Project finance asset class):

1st step: The relative weightings of the three sub-asset classes (Mortgages, Commercial real estate, and Project finance – Electricity production) are calculated based on the outstanding lending volumes in relation to the total analysed project finance volume.

$$\omega_A = \frac{V_A}{V_{P_P}}$$

V_A... Outstanding project finance volume in sub-asset class A
V_{P_P}... Total analysed project finance volume
ω_A... Weighting of sub-asset class A in the project finance portfolio

2nd step: Aggregation of the calculated steering indicators MPEP, CREPEP & EPEP according to their weightings.

Project finance-related Portfolio-weighted Emission Intensity Performance (PPEP)

$$\rho\,(EI_{P_p}) = \sum_i (\omega_i * \rho\,(EI_{P_i}))$$

$\rho\,(EI_{P_i})$... Emission intensity performance of sub-asset class i

*For Corporate lending no bottom-up calculation is needed since this asset class does not consist of sub-asset classes.

Steering indicator: Total portfolio (aggregated)

- Purpose: To improve visibility and simplify communication of the emission performance for the total aggregated portfolio.
- The calculation method is consistent with other I-PEPs and is based on a bottom-up approach.

Calculation method:

1st step: The weightings of the three asset classes must first be determined according to their outstanding volume in relation to the total analysed, aggregated portfolio volume.

Weightings of the asset classes (Investments, Corporate lending, Project finance)

$$\omega_A = \frac{V_A}{V_P}$$

V_A → Outstanding volume in asset class A

V_P → Total analysed portfolio volume

2nd step: Aggregation of the calculated steering indicators InPEP, LPEP and PPEP according to their weightings.

Aggregated Portfolio-weighted Emission Performance (APEP)

$$\rho_P = \sum_i (\omega_i * \rho_i)$$

ρ_i ... Emission performance of asset class i

I-PEPs for asset classes (aggregated) & total portfolio

Abbr.	I-PEPs	Asset classes
APEP	Aggregated Portfolio-weighted Emission Performance	Total analysed portfolio
LPEP	Lending Portfolio-weighted Emission Performance	Corporate lending
InPEP	Investment Portfolio-weighted Emission Performance	Investments
PPEP	Project finance-related Portfolio-weighted Emission Intensity Performance	Project finance

Aggregated total portfolio (APEP)

Investments (InPEP)
Project finance (PPEP)
Corporate lending (LPEP)

I-PEPs

Definition of target pathways

I-PEPs: Definition of target pathways

1. **Analysis of the current and forecasted portfolio structure from different, scenario-relevant perspectives:**
   - What is the current and expected regional mix of my portfolio?
   - What is the current and expected sectoral mix of my portfolio?
   - Are there any other important topics that should be considered for the target pathway?

2. **Selection of the climate scenario: Determination of a 1.5 °C scenario that makes sense for the underlying portfolio, for example:**
   - When using APEP: Climate scenario with region-specific pathways (e.g. OECD countries) in accordance with the portfolio priorities
   - When using CREPEP/MPEP: Customised climate scenarios for the real estate sector.
   - When using Hi-LPEP/Hi-CPEP: Climate scenario with sufficiently granular sector pathways.

I-PEPs: Definition of target pathways

3. **Determination of a scenario-based metric: Definition of the climate scenario-based metric that underlying the portfolio target pathway:**

- For I-PEPs based on absolute GHG emissions: Relative rate of change in GHG emissions according to climate scenario.
- For I-PEPs based on physical emission intensities: Relative rate of change in scenario-based, sector-related, physical emission intensity.

4. **Modelling of the climate target pathway: Deriving a portfolio-specific decarbonisation pathway.**

- Consideration of current & expected portfolio structure with regard to regional/sectoral portfolio composition.
- Replication of portfolio structure in target pathway by using/weighting the corresponding decarbonisation curves of the climate scenario.

I-PEPs

Challenges und limitations

Challenges and limitations related to GHG-data

Data availability

Partially solved

- Limited emission data availability and data quality relating to emission volatility, including for I-PEPs, is a challenge. In Europe, significant data quality improvements are expected due to the CSRD.
- For PPEP, additional physical input parameters are needed.

I-PEPs

Corporate actions

Solved

- Emission performance bias due to corporate actions possible
- Option 1: Company retrospectively adjusts the emission effect in the previous year.
- Option 2: Adjustment is done by the financial company.
- Option 3: The company is not considered in the I-PEPs' calculation for one time in the transaction year.

Incentive for divestments and avoidance of GHG-intensive companies/sectors

Solved

- The use of emission-based indicators harbours the risk of achieving GHG reduction targets through divestments and targeted investments in low GHG companies/sectors.
- However, this is counterproductive for decarbonising GHG-intensive companies/sectors, which is dealt with through the use of I-PEPs.

Other challenges and limitations

Reporting date-based assessment of the portfolio

Solvable

- I-PEPs *basic* looks at the portfolio composition at the reporting date.
- Changes during the reporting year (composition and market price fluctuations) are not taken into account.
- All reporting date-related financial metrics face those challenges.

→ Solution: Apply an alternative weighting approach (see details in Annex II-: "I-PEPs *dynamic"*).

I-PEPs

Attribution factor

Solved

- PCAF uses attribution factors for allocating emissions, e.g. based on EVIC.
- A number of drivers influence the attribution factors and the allocated emissions (e.g. share prices).
- I-PEPs only use portfolio weighting for attribution.

Dealing with company growth

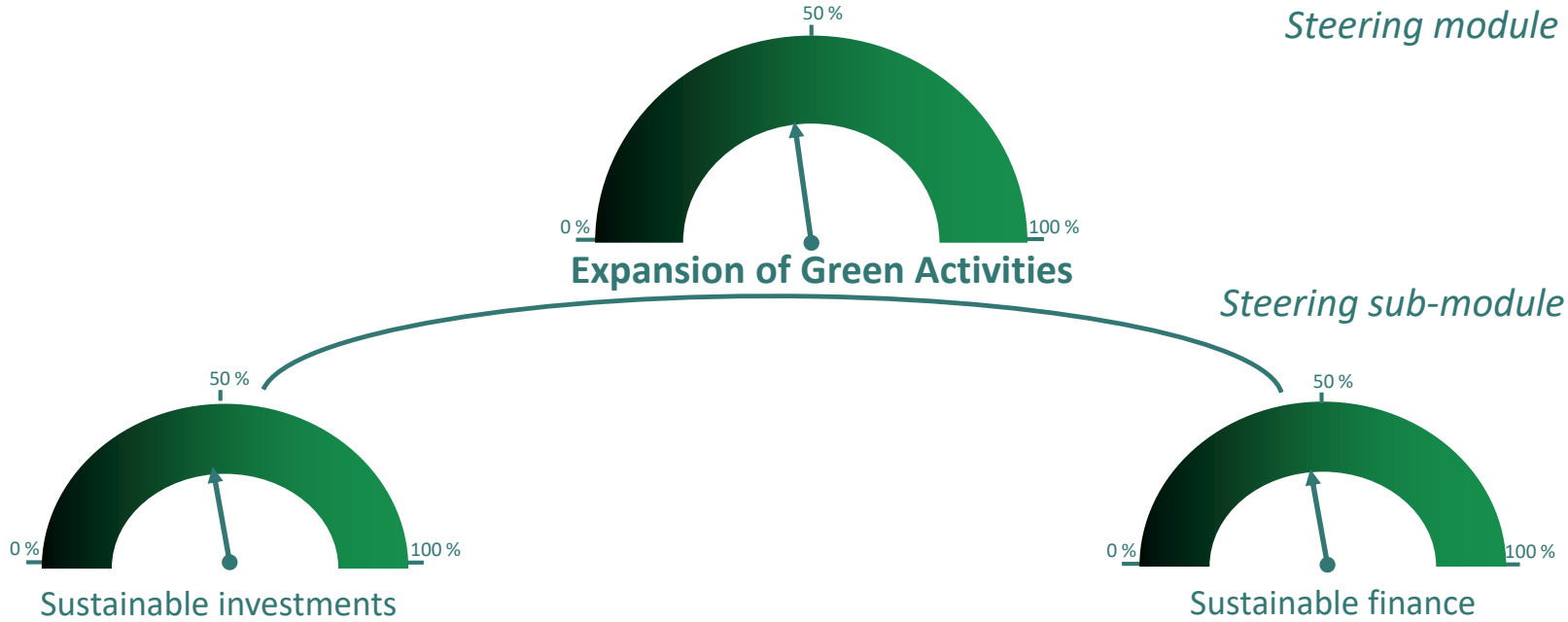
Solvable

- Growth due to market share gains can be incorporated by adjusting the target pathway accordingly.
- General market growth (above the sectoral growth assumed in the climate scenario) is not taken into consideration.

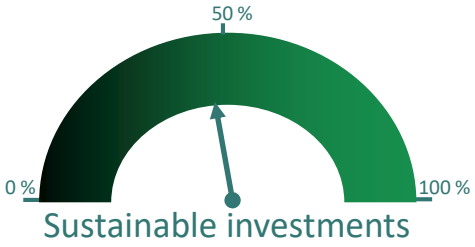
Please refer to the consultation document for an in-depth discussion of the I-PEPs and a comparison with PCAF-based performance metrics.

Annex I: Climate Navigation Cockpit (other steering modules)

Climate Navigation Cockpit: Expansion of Green Activities



Expansion of Green Activities (investments): Metrics



Investment funds

Expanding the sustainable funds portfolio

- ✓ SFDR (Article 8/9) funds
- ✓ Labels (certifications) → e.g. UZ49
- ✓ EU benchmarks (PAB/CTB)

Bonds

Expanding green bond investments

- ✓ Disclosure of applied frameworks
- ✓ Preference: EU Green Bond Standard

Equity & bonds

Expanding direct investments based on ESG ratings

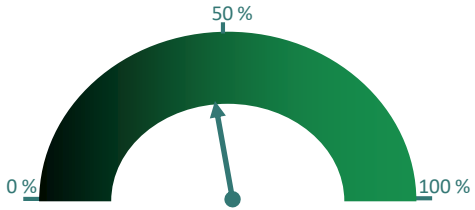
- ✓ Selection criteria based on climate ratings

EU Taxonomy-based

Expanding investments aligned with the EU-Taxonomy

- ✓ Utilising EU Taxonomy-related disclosures
- ✓ Metrics: TBD by members → e.g. Green Investment Ratio

Expansion of Green Activities (financing): Metrics



Expanding the lending portfolio based on green bond frameworks

- ✓ Ring-fencing environment-related sustainable finance activities and assets
- ✓ Integrating indicated/planned use of proceeds into lending activities
- ✓ Defining growth targets

Expansion based on reliable labels (certifications)

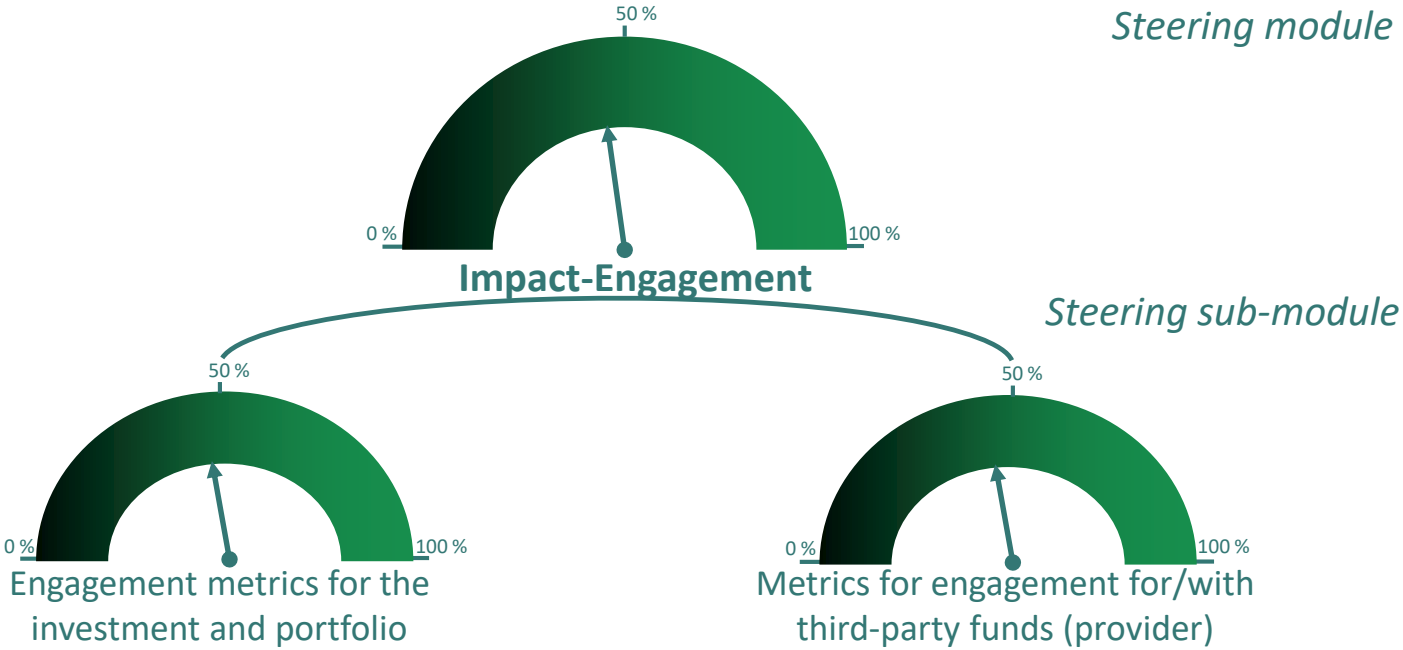
- ✓ In-depth analysis of the label's ambition level
  → real impact potential
- ✓ Application for sector targets (e.g. real estate)

Expanding EU Taxonomy-aligned financing

- ✓ Utilising EU Taxonomy-related disclosures
- ✓ Metrics: TBD by members
  → e.g. Green Asset Ratio

Climate Navigation Cockpit: Impact-Engagement

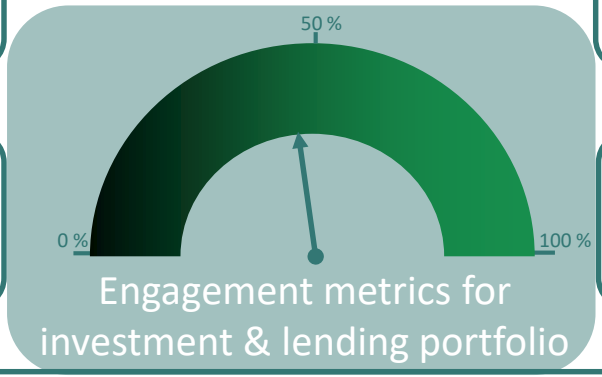
Steering module



Impact-Engagement (investment & lending portfolio): Metrics

Sector-related engagement based on PACTA metrics
Use of PACTA Tool: Identifying hotspots and assessing progress

% of companies with validated climate targets*
External validation required, e.g. SBTi



% of companies with LT climate targets & ST CapEx plans*
Alternative specifically for SMEs, for which external validation is not viable

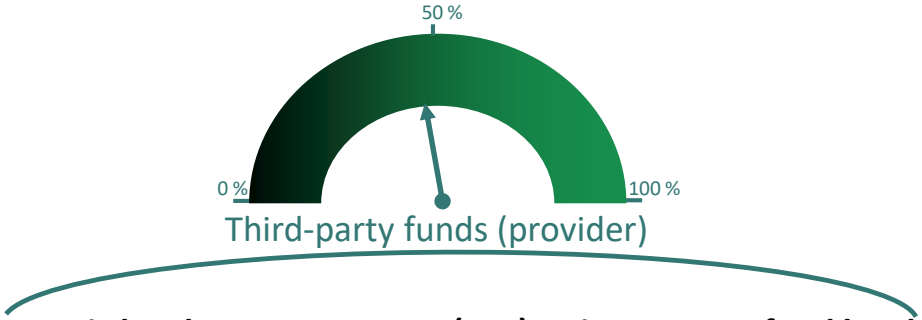
% of companies with GHG-emission disclosures*
Basis: Companies excluded from regulatory disclosure requirements

Number of climate-related exchanges with companies (basis: "Three Goals")
Quantitative targets for frequency amd scope

Purely as a supplementary disclosure

*Percentage share relates to the size of the GFA members' investment portfolio (entire volume or third-party funds portfolio)

Impact-Engagement (third-party funds (provider)): Metrics



Metric level: Asset Manager (AM) or investment fund level

- ✓ % of AMs* with validated, science-based climate targets (SBTi)
- ✓ % of AMs* with an engagement strategy (basis: Climate Action 100+ requirements)
- ✓ % of AMs* with public voting policies & yearly climate-related reporting
- ✓ % of AMs* or funds with exclusion policies for fossil fuels (coal, oil, and gas)
- ✓ Number of climate-related exchanges with AMs or fund managers (basis: “Three Goals”)**

*Percentage share relates to the size of GFA-members´ investment portfolio (entire volume or third-party funds portfolio)
**Purely as a supplementary disclosure

Climate Navigation Cockpit: Overview

Portfolio Decarbonisation

Indicators for Portfolio-weighted Emission Performances (I-PEPs)

- ✓ APEP
  - ✓ LPEP
    - ✓ Hi-LPEP
    - ✓ Lo-LPEP
  - ✓ InPEP
    - ✓ CPEP
      - ✓ Hi-CPEP
      - ✓ Lo-CPEP
    - ✓ SPEP
  - ✓ PPEP
    - ✓ MPEP
    - ✓ CREPEP
    - ✓ EPEP

Required
Alternatives
Optional

Expansion of Green Activities

Sustainable finance

- ✓ Expanding lending based on a green bond framework
- ✓ Expanding lending based on labels (certifications)
- ✓ EU Taxonomy-aligned financing

Sustainable investments

- ✓ Expansion of sustainable funds portfolio
- ✓ Expansion of green bond investments
- ✓ Expansion of ESG rating-based investments
- ✓ EU Taxonomy-aligned investments

Impact-Engagement

Investment & lending portfolio

- ✓ PACTA metrics
- ✓ % of companies with validated targets
- ✓ % of companies with climate targets/CapEx-plans
- ✓ % of companies with GHG disclosures
- ✓ Number of exchanges with companies

Third-party funds portfolio

- ✓ % of AMs with validated SBTs (SBTi)
- ✓ % of AMs with an engagement strategy (CA100+)
- ✓ % of AMs with a voting policy/disclosures
- ✓ % of AMs/funds with an fossil fuel exclusion policy
- ✓ Number of exchanges with AMs/fund managers

Annex II: I-PEPs *dynamic*

Presentation of an alternative weighting approach

Alternative weighting approach: I-PEPs *dynamic*

Input parameters

No additional input factors are needed compared to I-PEPs *basic*.

Background

The I-PEPs *basic* weighting approach does not take portfolio dynamics like market price fluctuations or changes in portfolio composition between reporting dates into account.

Possible solutions

Point-in-time-based KPIs, such as I-PEPs, are common in the financial market → Approaches for segregating and visualising the drivers behind portfolio dynamics already exist in the financial market. "I-PEPs *dynamic*" is an alternative approach for incorporating portfolio dynamics into the calculation of the KPIs.

GFA suggestion: I-PEPs *dynamic*

Segregation of the portfolio into two parts, reflecting the constant part of the portfolio (Constant Asset Portfolio) and the dynamic changes (Flow Asset Portfolio).

Calculation method: I-PEPs *dynamic*

Step 1: Calculation of company weightings in the analysed portfolio at time t and t+1.

Weighting of company A in the analysed portfolio volume:

$$\omega_{A,t} = \frac{V_{A,t}}{V_{P,t}} \qquad \omega_{A,t+1} = \frac{V_{A,t+1}}{V_{P,t+1}}$$

ω_A … Weighting of company A in the analysed portfolio volume at time t and t+1

Step 2: Definition of a segregated portfolio based on the position-related minimum exposures.

Constant Asset Portfolio – Weighting of company A:

$$\omega_{A,CAP} = \frac{\min(\omega_{A,t}, \omega_{A,t+1})}{\sum_i \min(\omega_{i,t}, \omega_{i,t+1})}$$

Step 3: Definition of a segregated portfolio based on the changes in portfolio exposure.

Flow Asset Portfolio – Weighting of company A:

$$\omega_{A,FAP} = \frac{abs(\omega_{A,t+1} - \omega_{A,t})}{\sum_i abs(\omega_{i,t+1} - \omega_{i,t})}$$

Calculation method: I-PEPs *dynamic*

Step 4: Calculation of the aggregated emission performance (ρ_P) for CAP and FAP.

$$\rho_{P,CAP} = \sum_i (\omega_{i,CAP} * \rho_i) \qquad \rho_{P,FAP} = \sum_i (\omega_{i,FAP} * \rho_i)$$

Step 5: Calculation of the absolute volumes (V_P) affected by CAP and FAP.

$$V_{P,CAP} = \sum_i (\omega_{i,CAP_{unadjusted}} * V_{P,t+1}) \qquad V_{P,FAP} = \sum_i abs(V_{i,t+1} - V_{i,t})$$

$$\text{with: } \omega_{i,CAP_{unadjusted}} = \min(\omega_{i,t}, \omega_{i,t+1})$$

Step 6: Calculation of the emission performance based on I-PEPs *dynamic* (ρ_P).

$$\rho_P = \frac{(V_{P,CAP} * \rho_{P,CAP} + V_{P,FAP} * \rho_{P,FAP})}{(V_{P,CAP} + V_{P,FAP})}$$

Annex III: I-PEPs - Overview of abbreviations

I-PEPs: Overview of abbreviations

Abbr.	I-PEPs
APEP	Aggregated Portfolio-weighted Emission Performance
CPEP	Corporate-related Investment Portfolio-weighted Emission Performance
CREPEP	Commercial Real Estate-related Portfolio-weighted Emission Intensity Performance
EPEP	Electricity Production-related Portfolio-weighted Emission Intensity Performance
Hi-CPEP	High GHG Emission Sectors Corporate-related Investment Portfolio-weighted Emission Performance
Hi-LPEP	High GHG Emission Sectors Lending Portfolio-weighted Emission Performance
InPEP	Investment Portfolio-weighted Emission Performance
Lo-CPEP	Low GHG Emission Sectors Corporate-related Investment Portfolio-weighted Emission Performance

I-PEPs: Overview of abbreviations

Abbr.	I-PEPs
Lo-LPEP	Low GHG Emission Sectors Lending Portfolio-weighted Emission Performance
LPEP	Lending Portfolio-weighted Emission Performance
MPEP	Mortgage-related Portfolio-weighted Emission Intensity Performance
I-PEPs	Indicators for Portfolio-weighted Emission Performances
PPEP	Project Finance-related Portfolio-weighted Emission Intensity Performance
SPEP	Sovereign Bond-related Portfolio-weighted Emission Performance