



Enabling Portfolio Paris Alignment

Climate & ESG Solutions

# Navigate a Changing Climate

## With Ortec Finance's Climate & ESG Solutions

### Climate ALIGN monitors portfolio alignment with net-zero emissions by 2050

Climate ALIGN helps financial institutions assess the temperature alignment of current emissions reduction targets, commitments, investment portfolios, and lending portfolios.

We offer the Science Based Target initiative's (SBTi) open source Temperature Scoring and Portfolio Coverage Tool 'as a service'. We currently cover listed equity, corporate debt, sovereign debt, real estate & private holdings.



*"SBTi's financial sector framework and tooling is at the most sophisticated end of the spectrum" - Mark Carney*

### Financial institutions can use Climate ALIGN V1.0 to:

- Develop GHG emissions reduction targets (potentially for official validation by the SBTi)
- Consistently monitor progress against set targets
- Develop engagement strategies
- Help with strategic security selection and allocation decisions
- Showcase net-zero alignment leadership
- Prepare for expected climate-related disclosure regulation

# Navigate a Changing Climate

## With Ortec Finance's Climate & ESG Solutions

SBTi Finance Tool Development Team



The approach is based on the Science Based Target initiative (SBTi) open source Temperature Scoring and Portfolio Coverage Tool. Ortec Finance, together with Open Source Climate (OS-C) are the original developers of the open source code base.



# Key Strengths

Hands-on expert engagement coupled with robust data analytics



## Science-Based, Objective Methodology:

Based on the Science Based Targets Initiative (SBTi) Temperature Scoring and Portfolio Coverage Tool for Financial Institutions.



## Data Agnostic:

Based on your current in-house GHG emission data set. No need to incur additional climate data costs.



## Accurate:

Individual holdings in your equity & fixed income portfolios assessed.



## Convenient:

Delivered 'as a service' by the development team of the original code base. Our experienced Climate & ESG specialists will help interpret results, and identify avenues for follow-up action.



# What can you use the tool for?

Understand how your portfolio contributes to climate change



**Climate ALIGN enables analyses of companies, sectors, countries, investment strategies, and portfolios to understand how they contribute to climate change.**

## **Here are some example use cases:**

- Measure your portfolio's current temperature score
- Identify the biggest contributors on an individual company, country, and sector basis
- Use the tool as an aid for strategic allocation and securities selection decisions
- Analyze what effect changes in your portfolio might have on the portfolio temperature score
- Model impact of engagement on your temperature score, that is, how your score can improve if you are able to convince an investee company to set or improve GHG emissions reduction targets
- Identify which company engagements would have the biggest impact on your portfolio's temperature score
- Plan engagement strategies based on your modelling
- Fulfil regulatory reporting criteria, e.g. Article 173 in France and the EU Disclosure regulation
- Use the tool to help you to create an action plan for reaching your emissions reduction target

# Who could benefit from using this tool?

## Applications of Climate ALIGN



Given these possible insights, the tool is relevant for a wide range of stakeholders.

Some of whom include:

Use cases:

<b>Portfolio Managers</b>	To support strategic allocation decisions and input into ESG discussions with corporate management
<b>Financial Analysts</b>	To use the temperature score as an input into the cost of capital for valuation modelling
<b>ESG Analysts</b>	To plan and execute corporate engagement strategies
<b>Risk Managers</b>	For input into climate related risk models
<b>Compliance Officers</b>	For EU Disclosure regulation and Article 173 reporting
<b>Data and Service Providers</b>	To provide company temperature scores and portfolio analytics for their users
<b>CIOs</b>	To help to understand the portfolios' ESG position
<b>NGOs</b>	For further research to enhance climate related methodologies

# What are the outputs?

## Illustrative outputs for our three temperature scores

The temperature score can be calculated for all timeframes (short, medium, long term) and scope (Scope 1, 2, 3) combinations covered by the SBTi methodology.

**Table 1. Six Categories for Each Company Based on GHG Emission Scope Coverage and Target Time**

	Short-Term 2021-2024	Mid-Term 2025-2035	Long-Term 2035-2050
<b>Scope 1+2</b>	Temp score	Temp score	Temp score
<b>Scope 3</b>	Temp score	Temp score	Temp score

**The temperature score calculation is available for the following levels:**

### Portfolio Temperature Score

The aggregated score over all companies in the portfolio

### Grouped Temperature Score

Using the “group by” option, the user can get the aggregated temperature score per category in a chosen field (e.g. per region or per sector)

### Company Temperature Score

The temperature score of an individual company

**Figure 1. Illustrative Output of the Temperature Score on Portfolio Level, Grouped by Region and Sector**

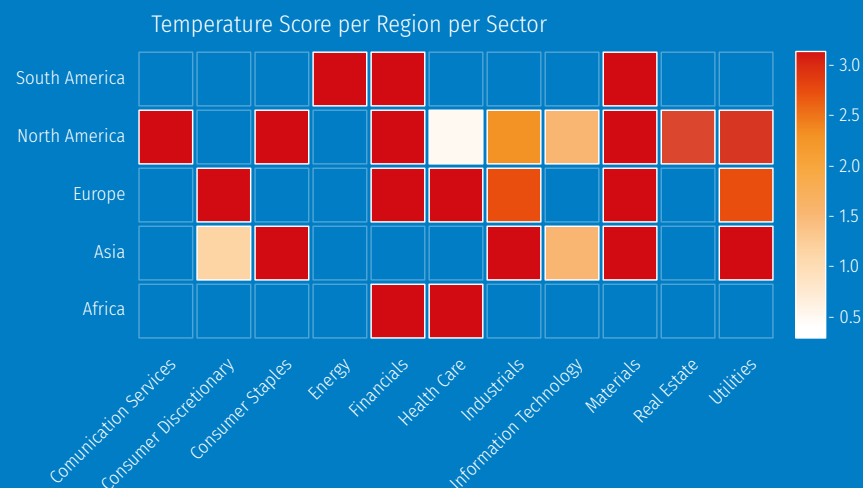


Figure 1 provides illustrative outputs for grouped temperature scores by region and sector. These insights help inform use cases such as more targeted engagement strategies, aiding securities selection decisions, etc.



# What are the outputs?

## Illustrative outputs for our three temperature scores

**For the Portfolio and Grouped Temperature Scores, additional information is reported:**

### Contributions:

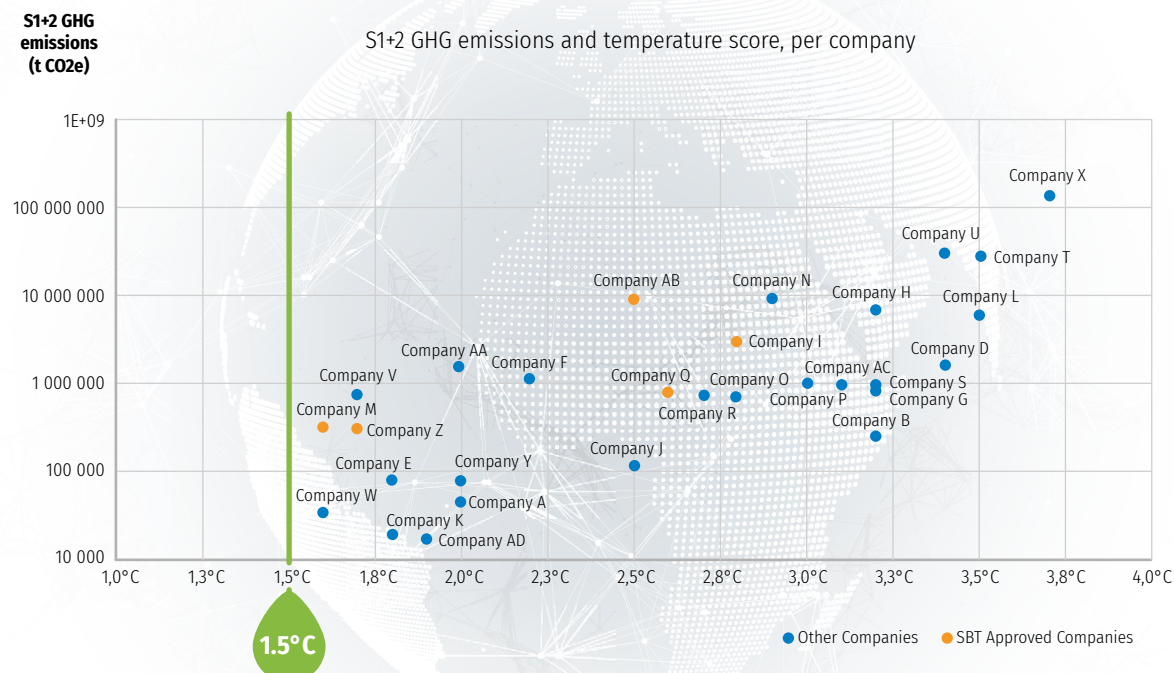
The level to which each company contributes to the total temperature score based on the chosen aggregation method. This value is split up into company temperature score and relative contribution (for example the weight of the investment in the company relative to the total portfolio when using the WATS aggregation method).

The percentage of the score that is based on targets vs. the percentage based on the default score

### For the grouped temperature scores:

The percentage each group contributes to the portfolio temperature score. For example: how much each region or sector contributes to the total score.

Figure 2: Illustrative Visualization of the Temperature Score Outputs Per Company





# What are the outputs?

## Illustrative outputs for our three temperature scores

**Table 2: Illustrative Output Table of the Temperature Score and Contribution Analysis on Company Level**

company name	sector	contribution	temperature score	ownership percentage	portfolio percentage
Company N	Health Care	9.541310	3.20	0.189087	7.818182
Advanced Devices Inc	Industrials	4.926672	2.03	0.334454	6.363636
Company Q	Communication Services	2.662691	3.20	4.811121	2.181818
Dell Technologies	Financials	2.218909	3.20	0.290669	1.818182
Company AE	Industrials	2.218909	3.20	0.213551	1.818182
Company I	Consumer Staples	2.218909	3.20	0.328780	1.818182
Company AF	Consumer Staples	2.218909	3.20	0.974571	1.818182
Company F	Industrials	2.218909	3.20	0.109647	1.818182
Capgemini Group	Consumer Discretionary	2.218909	3.20	0.323925	1.818182
L'Oréal	Utilities	2.218909	3.20	0.400563	1.818182

Table 2 highlights the companies with the biggest contribution to the portfolio temperature score. It also shows ownership and portfolio weights to give the user an indication of where engagement may be more successful, purely from a quantitative perspective.

**Figure 3: Illustrative Visualization of the Temperature Score Outputs and Contribution Results Grouped per Sector**

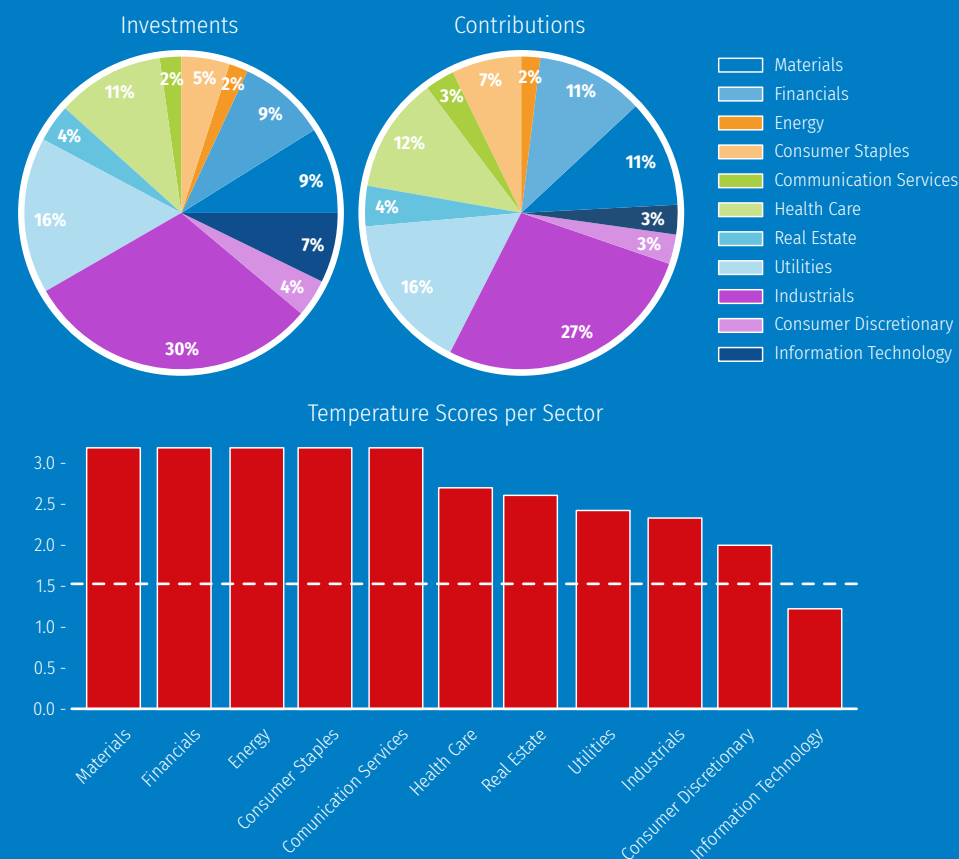


Figure 3 depicts similar analysis in a more visual format, showing the relative contributions of each sector to the total Sector Temperature Scores.

# How does it work in practice?

## Overview of the Climate ALIGN offering



### Step 1: Install SBTi Tool - with Ortec Finance Technical Expert Support

- Install the SBTi tool in your own computing environment (we will support you in choosing which installation option is most suitable)
- Upload your portfolio holdings, financial data
- Upload your current corporate GHG emissions data (the tool is data agnostic) and target data

**Option 1: Data Agnostic**  
(relates to steps 1 - 4)

**Option 2: Full Service:** Alternatively Ortec Finance can run the full analysis for you. We will deliver the report & interpretations without requiring you to install & run the SBTi-Tool yourself.



### Step 2: Run the analysis & transfer data outputs

- Run the analysis
- Send us your raw tool outputs via a secure data link



### Step 3: Ortec Finance creates and delivers your Alignment Report, with visuals & written narrative



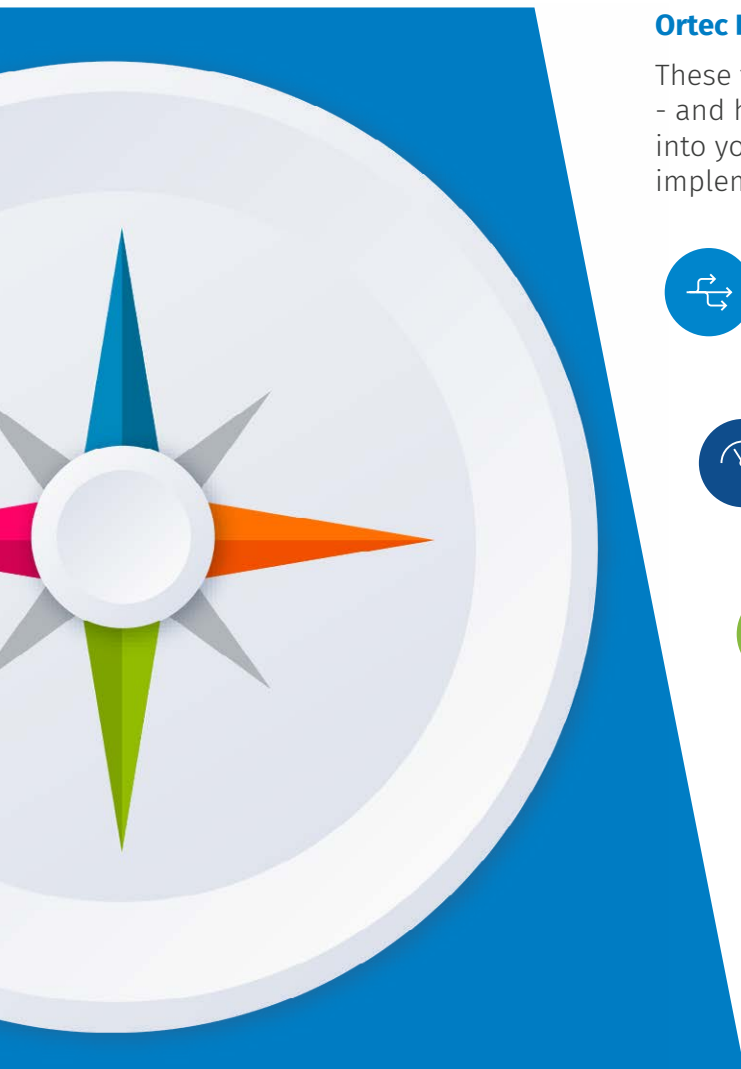
### Step 4: Interpretation & follow-ups with support from Ortec Finance Climate & ESG Experts

- Call to discuss the findings, interpretations, and potential follow up items e.g. Support with target setting, target monitoring, engagement and exclusion options to help you shape board advice and report to stakeholders
- Possibility to set up quarterly portfolio alignment progress monitoring



# The Compass

## Climate & ESG Solutions



Ortec Finance has developed five tools to support you as an investor to navigate climate change.

These tools offer economic and financial insights into your investments' vulnerabilities and opportunities - and how to act on them. Insights are **quantified** and expressed in **financial metrics** for easy integration into your investment decision-making & reporting frameworks. Our tools can be integrated into **software**, implemented separately, or utilized in various combinations depending on your **specific needs**.



CLIMATE  
MAPS

*Maps out your portfolio's exposure to systemic, economic and financial climate risks.*

*In partnership with Cambridge Econometrics*



CLIMATE  
SIGNS

*Signposts the world's actual climate trajectory.*



CLIMATE  
ALIGN

*Monitors portfolio alignment with net-zero GHG emissions by 2050.*



CLIMATE  
PREDICT

*Assesses your real assets' exposure to future extreme weather events.*







ESG  
RADAR

*Alerts you to material ESG breaking news.*

# Do you have other challenges?

Other solutions provided by Ortec Finance

	Insurance Companies	Pension Funds	Sovereign Wealth Funds	Wealth Management / Banks	Asset Manager
 <b>GLASS for Pensions and Insurance</b> Asset and liability scenario solution that improves financial decision making and risk management by simulating the short and long-term solvency position.	✓	✓	✓		✓
 <b>PEARL</b> The acclaimed performance measurement & attribution solution.	✓	✓	✓		✓
 <b>OPAL</b> Goal-based financial planning and monitoring solution.	✓	✓		✓	✓
 <b>Real world economic scenarios</b> Ortec Finance Scenarioset (OFS) generated by the Dynamic Scenario Generator (DSG). Ortec Finance also offers Risk Neutral scenarios	✓	✓	✓	✓	✓

# Contact Us

Speak to one of our experts



**Ortec Finance is a leading provider of technology and solutions for risk and return management.**

It is our purpose to enable people to manage the complexity of investment decisions. We do this through delivering leading technologies and solutions for investment decision making to financial institutions around the world. Our strength lies in an effective combination of advanced models, innovative technology and in-depth market knowledge. This combination of skills and expertise supports investment professionals in achieving a better risk-return tradeoff and thus better results.

**Headquartered in Rotterdam, Ortec Finance has offices in:**  
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**20+** countries represented



**500+** customers



**96%** retention rate



**3 trillion euro** total assets  
managed by our clients

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