

Algebris Investments

# Climate Report

2024

## Introduction

It is widely recognised that global warming caused by greenhouse gas emissions poses a serious risk to the global economy and will have an impact across many economic sectors. As a responsible asset manager, Algebris Investment (“**Algebris**” or the “**Firm**”) is aware that our impact on the environment and society manifests itself first and foremost through the choices we make in our investment decisions. We believe that supporting the transition to a more sustainable and fair economy forms an integral part of our fiduciary duty and we are committed to integrate sustainability factors across our investment processes and operations, through research, analysis, and decision-making.

**Sustainability is engrained into our business culture and operations.** Starting in 2019, Algebris’ Research Team has been performing a carbon footprint analysis of the Firm’s activities and in 2024 Algebris committed to formally to set a **Net Zero Science Based Target (SBT)** with the Science Based Targets Initiative (SBTi). Our estimated operational CO2 emissions are annually converted into a number of trees-equivalent – i.e. a number of trees to be planted that would offset our footprint. In 2020 we set up an in-house project of afforestation (**AlgeTREES**), which is carried out with our partner Hakuna Matata – a UK charity to which Algebris has a formal standing commitment to donate 1% of the Firm’s annual earnings and to match third-party donations. As of end 2023, more than 162’000 trees had been planted already, and the Firm has a commitment to plant 1 million by 2030.

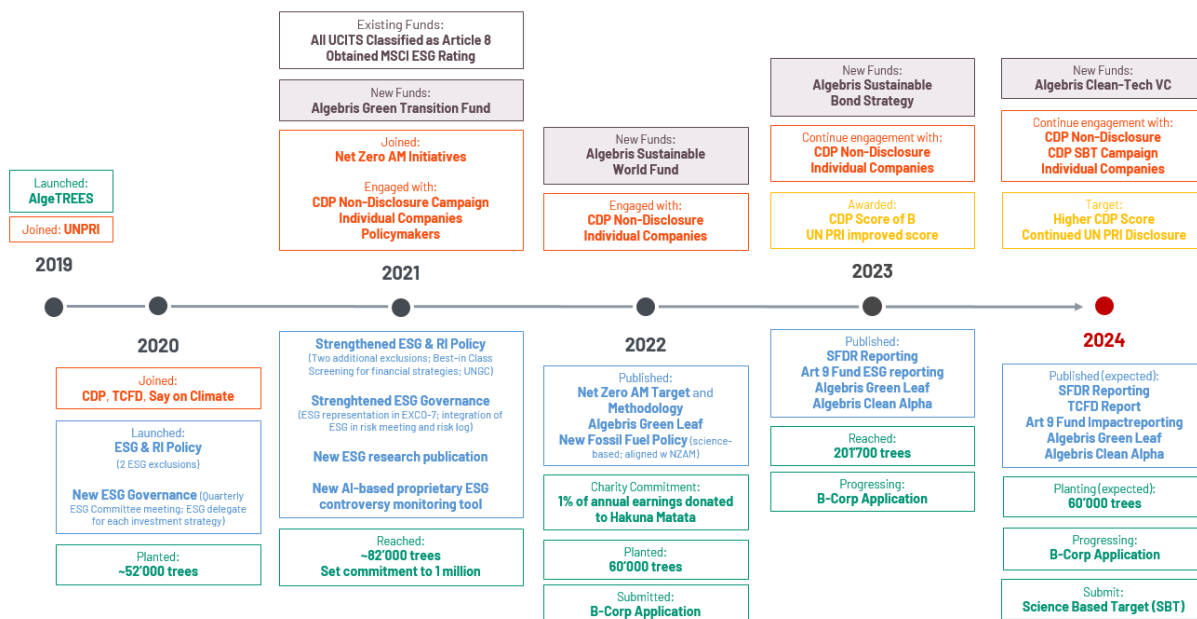
**We incorporate ESG considerations in investment analysis and decision-making processes.** Algebris has developed internal research and analytical capabilities focused on climate and sustainability themes, which works closely with the investment team to integrate sustainability consideration in the investment process across our investment strategies. The Research team has built proprietary frameworks to evaluate the sustainability features of issuers, which integrate a double materiality approach. This means that our sustainability assessments aim not only at establishing whether the financial value of a perspective investee company could be materially impacted by non-financial factors, but also at assessing the impact that companies’ products and operations have on the environment and society at large.

**We are active owners and incorporate ESG issues in our ownership policies and practices.** Algebris takes into account long-term sustainability considerations of issuers when deciding how to exercise our voting rights. Our [voting policy](#) also includes a formal commitment to vote in favour of AGM resolutions asking for companies to submit a Climate Transition Action Plan. We actively participate in Carbon Disclosure Project’s Non-Disclosure campaign and Science Based Targets (SBT) campaigns, and we conduct individual engagement with invested entities on sustainability issues that may emerge from our analysis of their performance. Our Voting and Engagement Report, as well as our full voting record, is published annually on our [website](#).

**We seek appropriate disclosure on ESG issues by the companies in which we invest.** Algebris is a member of collective engagement initiatives that push for disclosures on sustainability and climate-related metrics. In 2020, we became supporters of the Task Force on Climate-related Financial Disclosures (TCFD) and joined the Carbon Disclosure Project (CDP) as investor signatory. We have been actively participating in CDP’s Non-disclosure Campaign, requesting investee companies to respond to climate change, forests and water security questionnaires and participate to CDP’s SBT campaign. In 2020, we joined the Say on Climate Initiative, supported by the Children’s Investment Fund Foundation, CDP and ShareAction. As members of the initiative, we commit to enter into dialogue with investee companies and encourage them to submit climate transition action plans at their AGM for a shareholder vote. Where needed, we also commit to vote for, or file, AGM resolutions requiring such votes. This commitment has been formally embedded into our voting policy.

In 2021 we joined the **Net Zero Asset Mangers Initiative (NZAM)**, a formal partner of the UNFCCC’s Race to Zero Campaign. The Net Zero Asset Managers initiative is a group of international asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5 degrees Celsius; and to supporting investing aligned with net zero emissions by 2050 or sooner.

Figure 1 – Algebris Responsible Investment Journey



On the back of the progress we have made over the past few years, we are pleased to present the first annual Climate Report of Algebris (UK) Limited (“**Algebris**” or the “**Firm**”), consistent with the Recommendations of the Task Force on Climate-related Financial Disclosures (“**TCFD**”) and with the climate disclosure requirements of the FCA Rules. This report sets out the TCFD-aligned entity-level disclosures of the Firm (the “**Report**”), in relation to climate-related matters, for the reporting period 1 January 2023 to 31 December 2023 (the “**Reporting Period**”).

This Report relates to the relevant assets that the Firm manages as investment manager in respect of discretionary investment management and distribution services. In this Report, the Firm’s managed products and services are together referred to as “**Portfolios**”. The Report also covers the Firm’s own operations.

The Firm has prepared this Report by applying the TCFD Recommendations and Recommended Disclosures to its management activities in respect of the Portfolios and to its commercial operations. The **Strategy**, **Risk Management**, and **Metrics** sections therefore discuss the application of these TCFD concepts to both the investments we manage and our own operations.

**Product-level approach:** This Report generally applies in respect of all of the Portfolios. It should be noted that Algebris acts as investment manager and fund manager to our own Portfolios (for example our UCITS funds) (“**Algebris Portfolios**”) but acts only as investment manager to certain sub-advisory mandate Portfolios where the fund manager is an external entity not affiliated with Algebris (“**Non-Algebris Portfolios**”). Where the Firm’s approach to governance, strategy or risk management for a specific Portfolio or type of Portfolios materially varies from the Firm’s standard approach, we have highlighted this in a text box with this format.

We also refer in this Report to the “product documentation” for Portfolios. This means the formal offering documents (such as the prospectus or PPM) for a fund, the investment management agreement and related regulatory disclosures for a portfolio management service or the investment advisory agreement and related regulatory disclosures for a non-discretionary mandate.

This Report is the Firm's first TCFD Report and has been prepared on a best-efforts basis. However, climate reporting in the asset management industry is still in its infancy, and there are significant data challenges and methodological challenges associated with climate reporting. We have included TCFD-aligned disclosures where it is fair, clear and not misleading for us to do so. We have also explained limitations on our ability to disclose, and the steps being taken to address those limitations.

#### Compliance Statement

The disclosures in this Report comply with the climate-related disclosure requirements in Chapter 2 of the FCA's ESG Sourcebook.

**Algebris (UK) Limited**



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**By: Alexander Lasagna**  
**Title: Director**

# Governance

*Algebris' governance around Climate-related risks and opportunities.*

## **Climate Governance: Management oversight of Climate-related risks and opportunities**

The Firm is a private limited company, which is managed day-to-day by a Board of Directors, comprising various executive directors (the “**Board**”). The Board is ultimately responsible for governance and oversight of the activities of the Firm, including its discretionary investment management and distribution services; this includes the establishment of an effective and resilient governance and risk environment, including for climate-related issues.

**Algebris' CEO and Senior Management are the driving force in devising our climate strategy and our ESG investment integration framework.** Senior Management's strategic vision is implemented by the **Algebris ESG Committee** – a key body of the Firm, comprised of the Group CEO and professionals from across our Investment, Business Development, Compliance, Legal and Risk teams. In carrying out these responsibilities, the Committee relies also on the preparatory work of Algebris ESG Research team and – where warranted by the specific issues being discussed – on the contribution of dedicated members in the Algebris Legal, Risk and Compliance teams. This structure ensures that Climate-related risks and opportunities as well as broader sustainability considerations are part of high-level strategic discussions and appropriate resources are allocated to the implementation.

**The ESG Committee is responsible for identifying Climate-related risks and opportunities**, for developing Algebris ESG investment integration framework across all strategies, and for overseeing all projects aimed at embedding sustainability considerations in the wider Firm's activities – including our AlgeTREES carbon offsetting project. Across all our investment strategies, one member of the investment team is also designated to sit on the ESG Committee in representation of their team. These investment professionals act as contact points between the ESG Committee and the broader investment teams and play a key role in the integration of Climate-related considerations in the investment process of the respective strategies. Moreover, the involvement of members from the Firm's Risk Team in the Committee ensures that Climate-related risks are also integrated in the wider risk-management framework and monitored.

**Some examples of key strategic Climate-related decision taken over the past 3 years** by the Committee upon direction by senior management include joining collective investors initiative (such as CDP and the Net Zero Asset Managers initiative), initiating and scaling up the Algebris afforestation project (AlgeTREES), introducing a science-based fossil fuel investment policy with strict limits on investment in coal and other fossil fuels across Algebris funds, and launching new investment strategies focused on sustainable investment with a strong focus on the net zero transition.

**The ESG Committee is scheduled to meet on a quarterly basis.** Ahead of each such scheduled meeting, an agenda is circulated for the meeting – including any relevant materials to be discussed by the Committee. This will, as applicable, include updates on any material climate risks and opportunities. The ESG Committee is responsible for monitoring and overseeing progress against goals and targets for addressing climate-related issues. In practice, the ESG Committee carries out this monitoring by receiving background information from the Research Team, and/or the Risk Team, and/or the Legal Team, and reviewing this MI as part of its scheduled meetings.

The table below summarises whether and how the ESG Committee considers Climate-related issues when undertaking certain governance matters in respect of the Portfolios.

**Table 1**

Governance matter in respect of the Portfolios	Does the ESG Committee consider climate-related issues as part of this matter?	If yes, how does this work in practice?
<b>Reviewing and guiding strategy in respect of the management of the Portfolios</b>	Yes	Algebris ESG Committee is responsible for identifying Climate-related risks and opportunities, for developing the integration framework for Climate-related considerations into the investment process of our strategies, for evaluating Climate-related strategic decisions in relation to portfolios, for overseeing the correct application of the Firm's climate and broader ESG frameworks across strategies, for monitoring the achievement of portfolio-specific targets where these exist, and for managing all projects aimed at embedding sustainability considerations in the wider Firm's activities. The Committee meets quarterly with a variable agenda, or <i>ad hoc</i> if required.
<b>Reviewing major plans of action in respect of the management of the Portfolios</b>	Yes	
<b>Reviewing Risk Management policies in respect of the management of the Portfolios</b>	Yes	
<b>Monitoring implementation and performance of the management of the Portfolios</b>	Yes	

### Management's role in assessing and managing Climate-related risks and opportunities.

Management plays a key role in assessing and managing climate-related risks and opportunities in the management of the portfolios. The Firm has assigned climate-related responsibilities to the following management-level positions and/or committees (together, "**Management**"), as summarised in the following table:

**Table 2**

Management role / Committee	Climate-related responsibilities	Reporting lines to Senior Management	Monitoring Climate-related issues
<b>ESG Committee</b>	Responsible for identifying and managing Climate-related risks and opportunities, for developing Algebris' climate investment integration framework across all strategies, and for overseeing all projects aimed at embedding sustainability considerations in the wider Firm's activities.	The Group CEO, the CEO of Algebris Management Company, the CRO, the Head of Legal, and the Head of Compliance participate to the meetings of the ESG Committee	The ESG Committee meets quarterly and reviews relevant climate-related matters where warranted. In carrying out these responsibilities, the Committee relies on the preparatory work of Algebris ESG Research team and on the contribution of members from other teams.
<b>Silvia Merler, Head of Research Team</b>	Chairs the ESG Committee. Responsible for oversight and management of the Firm's climate-related strategy and climate-related research. Leading the development, implementation and monitoring	Reports to CEO	Maintains and monitors the Firm's sustainable investment framework. Manages the Research Team that monitors Climate-related KPIs across portfolios and produces climate-related assessment of perspective

	of the Firm's sustainable investment framework and the integration of climate-related considerations in the investment process across all investment strategies.		portfolio companies for funds with a sustainable investment commitment. Monitors the correct implementation of climate integration framework across investment strategies. Monitors the insurgence of investment-relevant climate-related risks and opportunities.
<b>Dimitrios Karadimos, Chief Risk Officer (CRO)</b>	The Group CRO is responsible for the Firm's risk management policy and processes, including the integration of climate risk into risk management processes.	Reports to the Deputy CEO	Monitors Climate Risk and Green Transition Risk for all the funds. Estimates the monetary impact the climate risk factors have on the funds.
<b>Investment Team Representatives</b>	The Firm's ESG Committee includes one representative for the investment teams of all Algebris strategies. These representatives act as the contact point between the Committee and the strategies' investment teams and are responsible for stirring the integration of Climate-related risks and opportunities as part of the investment process in line with the Firm's policies.	Report to the Head of their respective investment team and ultimately to the CIO.	Monitor adherence of perspective investment opportunities with Firm's Climate exclusion policies.
<b>ESG Review Group</b>	Examines the legitimacy of exemption requests that can be advanced by the investment team with respect to the application of the Firm's Climate-related and broader ESG policies.	The Algebris Review Group is comprised of a minimum of 5 individuals with appropriate skills and expertise to address regulatory, risk, legal, market, and compliance issues relating to the exemption requests. To avoid any conflicts of interest, the membership of the ESG Review Group will not include members of the Investment Team.	Exemptions granted are monitored periodically to make sure that they remain appropriate.

**Product-level approach:**

Governance bodies of Non-Algebris Portfolios may perform their own assessment of climate-related risks and opportunities and may impose additional requirements in respect of those specific portfolios which the Firm must adhere to (for example a firm-level commitment they have made with respect to the funds that they manage). Further information on any additional requirements imposed will be available in the product documentation of the specific Non-Algebris Portfolio or on the website of the fund manager.










**Climate Resources: training, people, data**

Algebris has set up a **Research Team** responsible for the data analysis and the research work underpinning Algebris’ climate investment integration framework across investment strategies. The Research Team is also in charge of drafting Algebris’ periodic publication on investment-relevant sustainability themes (*The Green Leaf*) and contributes to Algebris’ periodic responsible investment views (*Clean Alpha*). Most of this research focuses on top-down or bottom-up assessments of Climate-related investment opportunities, that are discussed at the macro, sector and company level.

The Research Team has developed bespoke climate integration frameworks for Algebris’ different investment strategies, as well as proprietary methodologies to evaluate the sustainability credentials of investee companies. In carrying out these tasks, the Research Team relies on a variety of **data** sourced from specialised third-party providers, as well as from NGOs and other stakeholders, complemented by internal research and proprietary analyses (Table 3).

**Algebris believes in the value to educate our staff on the importance of Climate-related considerations in the investment process and business operations.** The Head of the Research Team and Chair of the ESG Committee has completed the CFA Certificate in ESG Investing, as well as two Responsible Investment courses offered by the UN PRI Academy. Members of the Research and Investment team are encouraged to pursue similar training. All investment team members are an integral part to our strategy development and are actively consulted and informed on developments pertaining to the Firm’s climate investment integration framework and broader sustainability policies. They have all received training in the services offered by our external data providers and are encouraged to take additional responsible investment training relevant to their field of work.

**Table 3 – data providers used by Algebris for Sustainability data**

	ESG scores ; Questionnaire-level ESG KPIs ; S&P Global Product Involvement Controversy and Questionnaire; Environmental metrics and priced externalities; Carbon data in line with GHG protocol standards; Environmental Climate Risk Models: 2 Degree Alignment; Carbon Earnings at Risk; Physical Risk. ; SFDR metrics Positive Impact: SDGs
	Product Involvement data and research; Controversies; Global Standard Screening
	Global Norms Screening; Controversies Alerts
	ESG Risk, Exposures, Climate, ESG Impact, UN SDGs, SFDR metrics, EU Taxonomy
	Bloomberg – ESG screener and various other sustainability indicators
	Data on banks’ green financing
	Data from the Carbon Disclosure Project (CDP) annual questionnaire on companies’ targets and actions.
	Annual RAN Report on banks’ financing and exposure to fossil fuel companies
	Global Coal Exit List and, Global Oil and Gas Exit List

Note: as of June 2024. The list of providers is re-evaluated annually.



## Strategy

*This Part of the Report discloses the actual and potential impacts of Climate-related risks and opportunities on the Firm's businesses, strategy, and financial planning in respect of the Portfolios where such information is material and in respect to Algebris' own operations.*

### **The Firm acting as sub-investment manager:**

The Firm acts in part as sub-investment manager to third party firms. For those Portfolios where the Firm acts as sub-investment manager, the Firm typically has no authority to directly determine the investment strategy for the sub-managed Portfolios, including the impact of climate risks and opportunities on the management of those Portfolios. The Firm is instead required to follow the investment mandate for the Portfolio (including the approach to climate risks and opportunities), as separately established by the primary investment manager.

### **Delegation by the Firm:**

The Firm delegates certain investment management responsibilities for certain of the Portfolios to an affiliate, which acts as sub-investment manager for the Portfolios. In the relevant sub-investment management agreements, the Firm contractually requires the delegate to comply with the investment mandate for the Portfolio, including (where relevant) any climate-related element of the mandate. Further, in deciding to delegate investment management responsibilities to an affiliate the Firm takes into account many considerations, including climate-related matters as appropriate.

### **Climate-related risks and opportunities in the Firm's own operations**

Starting in 2019, Algebris' Research Team has been calculating the carbon footprint of the Firm's activities (see Section 4 of this report for more details on the metrics used and the resulting estimated footprint). The estimated CO<sub>2</sub> emissions are then converted into a number of trees-equivalent – i.e. a number of trees to be planted in order to absorb the corresponding CO<sub>2</sub>. Forestation is today perhaps the most effective way to rapidly address land degradation and at the same time create new carbon sinks. This has been recognised for example in the 2021 July G20 communiqué, in which global leaders expressed their aspiration to collectively plant 1 trillion trees by 2030, with the involvement of the private sector and civil society<sup>1</sup>. Trees are natural carbon sinks, and a conservative estimate suggests that on average, a tree can absorb around 30 kg of CO<sub>2</sub> per year over a 10-year horizon<sup>2</sup>.

Based on these numbers, we devised an in-house project of forestation ('**AlgeTREES**'). The tree-planting for our AlgeTREES project is carried out by our partner Hakuna Matata<sup>3</sup> – a UK charity founded by Algebris' CEO, to which Algebris has a formal standing commitment to donate 1% of the Firm's annual earnings and to match all third-party donations. The AlgeTREES project has been devised with the objective to not only offset the environmental impact of our business operations, but also generate significant economic and social value for the local communities involved – in line with the principles of the UN Sustainable Development Goals (UN SDGs).

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<sup>1</sup> See full text at: <https://www.g20.org/wp-content/uploads/2021/10/G20-ROME-LEADERS-DECLARATION.pdf>

<sup>2</sup> The conversion was based on estimates of the potential CO<sub>2</sub> absorption during the life cycle of different types of trees which we retrieved from the website of Treedom – accompany specialised in offering tree-planting services with a positive environmental footprint. We averaged the estimates absorption capacity for the types of trees that we planted in our project – which range between 10 and 50 kg per year.

<sup>3</sup> More information about Hakuna Matata is available at: <https://www.hakunamatata-charity.org/>

As of December 2023, 162,796 trees had been already planted under the AlgeTREES project, and Algebris has committed to plan 1 million trees over the next ten years. To ensure our objective of carbon offsetting is achieved, we closely monitor the trees' survival and annually review both our carbon footprint estimates and the planted trees' absorption capacity.

The planting and caring of trees in the AlgeTREES project contribute to **SDG 1 – No Poverty** by creating an economic opportunity for local communities, through the possibility to sell the fruits or the extraction of resins. Through the planting of fruit trees (avocado, orange, cedar, papaya, mango), the project also contributes to create a cycle of sustainable local agriculture with positive impact on food security of the community (**SDG 2 – Zero Hunger**). Farmers receive training to tend to the different species of trees planted in the context of the project, in cooperation with the Mamre Agricultural College that Hakuna Matata supports and in line with **SDG 4 – Quality Education**. Lastly, The AlgeTREES project naturally contributes to the fight against climate change and contributes to reduce the risks of desertification and biodiversity loss in an area at risk of experiencing these phenomena (**SDG 13 – Climate Action** and **SDG 15 – Life on Land**).

### Climate-related risks and opportunities in the Firm's investment strategies

This sub-section of the Report sets out the Firm's assessment of the climate-related risks and opportunities to which the Portfolios are exposed, over the short, medium and long-term.

#### **Definition of time horizons:**

For these purposes, the Firm defines the relevant time horizons as follows:

- short term: 0-5 years
- medium term: 5-10 years
- long term: 10+ years

The Firm confirms that these time horizons take into consideration the useful life of the Portfolio's assets and infrastructure, and the fact that climate-related issues often manifest themselves over the medium and longer terms.

#### **Definition of climate risks:**

Climate risks examined in this report are of two types:

- **Physical risks:** risks associated with long-term changes in the climate, resulting in more extreme weather events that could impact the future business activities and the value both of our Firm and of the companies we invest in.
- **Transition risks:** risks stemming from the transition of the economy towards a model compatible with limiting long-term temperature rises. This will encompass changes in demand for goods and services, as well as changes in the cost structure of companies and sectors, which could be driven by enhanced climate laws and regulations, as well as shifts in consumer preferences.

***Climate risks and opportunities, and their potential financial impacts***

The decarbonisation of the global economy poses a number of risks and opportunities. This section summarises how we identify and manage the climate risks and opportunities in our clients' investment portfolios and in our own operations, as well as our actions and the progress we are making. Tables 4 and 5 below outline our assessment of potential risks and opportunities, categorised in line with the TCFD recommendations. The evolution of risks and opportunities is reviewed annually, and relevant developments are monitored.

Regarding our own operations, we carry out an annual inventory of all relevant GHG emissions. This has been fine-tuned over the past few years, and it helps us understand where the risks and opportunities are in our direct and indirect operational activities. Regarding the investment we manage, we implement strict policies and procedures to limit exposure to Climate-related risks and for our funds that have been classified as Article 9 under the EU Sustainable Finance Disclosure Regulation (SFDR) we evaluate climate opportunities as part of the proprietary sustainability assessment of perspective investee companies.

**Table 4 – Summary Table – Climate-related risks considered by Algebris in relation to our own operations**

Risk	Description	Timeframe	Severity / Impact	Mitigating Actions
<b>Transition: Reputation</b>	Asset Mangers face a risk of being perceived as not having engaged enough to actively respond to climate change.	<b>S term</b>	<b>Severity: High</b> <b>Impact channels:</b> <ul style="list-style-type: none"> <li>• Lower revenues</li> <li>• Lower AUM</li> </ul>	We conduct an annual inventory of all our GHG emissions. Since 2019, we have been running a forestation project in Tanzania ( <b>AlgeTREES</b> ). In 2024, we have committed to setting a <b>Science Based Target (SBT)</b> for emission reduction with the Science Based Target Initiative (SBTi). In the context of target setting, we will implement a Climate Transition Action Plan
<b>Transition: Policy and Legal</b>	Regulatory requirements on sustainability and climate-related disclosures for financial products are in constant evolution and increasingly a focus of regulation. Failure to meet requirements could result in increased costs, fines, penalties or revenues loss.	<b>S term</b>	<b>Severity: Medium</b> <b>Impact channels:</b> <ul style="list-style-type: none"> <li>• Increased costs</li> <li>• Lower revenues</li> </ul>	The Algebris Compliance and Legal Departments drive the implementation of applicable laws and regulations – including by resorting to specialised external counselling – and monitor continued adherence to them at Firm level
<b>Transition: Technology</b>	The growing complexity of regulatory requirements require investment in data, technology, practices, and processes to manage climate risks and opportunities.	<b>M term</b>	<b>Severity: Low</b> <b>Impact channels:</b> <ul style="list-style-type: none"> <li>• Increased costs</li> </ul>	We invest in data, technology, practices, and processes to manage existing or emerging climate risks and opportunities. We continue to review our data and technology suite to make sure it is always appropriate for our needs.
<b>Physical: Acute and Chronic</b>	<p><b>Acute physical risks</b> to our operations – such as risk of losing the continued access to the network connectivity required for the smooth running of investment management function – might result from increased frequency and severity of extreme weather events.</p> <p><b>Chronic physical risk</b> may emerge in connection with rise in temperatures. For example, summer blackouts driven by grid surcharge due to increased use of air conditioning are becoming more common in global cities around the world.</p>	<b>M term</b>	<b>Severity: Medium</b> <b>Impact channels:</b> <ul style="list-style-type: none"> <li>• Disruption</li> <li>• Increased costs</li> </ul>	We host our services on a secure cloud and do not have physical dependency on our sites. The cloud service we use employs safeguards to protect against environmental threats. Data center sites are strategically selected to minimize risk from floods, earthquakes, hurricanes, and other natural disasters; they use climate control to maintain optimized conditioned spaces for staff, equipment, and hardware; they have fire detection and suppression systems and water sensors. Our infrastructure is systematically designed across six Cloud Regions, each featuring a replicated Region for enhanced resiliency. We maintain regular business continuity and disaster recovery plans that are run once a year to test the resilience and swift recovery of our infrastructure.

Table 5 – Summary Table – Climate-related Investment Portfolio risks considered by Algebris

Risk	Description	Timeframe	Severity / Impact	Mitigating Actions
<b>Transition: Reputation</b>	<p>Companies in the financial sector risk being exposed to allegation of greenwashing or being perceived as not having met their fiduciary duties if not considering appropriately the climate implications of their investments.</p>	<b>S term</b>	<p><b>Severity: Medium</b>  <b>Impact channels:</b></p> <ul style="list-style-type: none"> <li>• Lower revenues</li> <li>• Lower AUM</li> </ul>	<p>We apply a strict and <b>science-based policy limiting investment in companies exposed to fossil fuels</b>, across all our funds classified as Article 8 and Article 9 under SFDR. We also apply a rigorous set of exclusion policies aimed at reducing the risk of being exposed to activities that are harmful to the environment. In 2021, we joined the <b>Net Zero Asset Managers Initiative</b>, setting a net zero AUM target. In 2024, Algebris has submitted its commitment to validate this target and set a broader Net Zero targets with the <b>Science Based Target Initiative</b>. For our investee companies, we similarly monitor existence and adherence to emission reduction targets, we have a formal commitment in our <b>voting policy</b> to support shareholders resolution asking companies to introduce climate transition plans, and we <b>engage</b> with investees on these topics.</p>
<b>Transition: Market</b>	<p><b>Our investee companies</b> may face changing customer behaviour due to preferences for more sustainable products/services. The speed at which this transition risk will manifest depends both on demographics and on government policy.</p> <p><b>Algebris</b> may similarly face changes in preferences from our customers. There is <a href="#">evidence</a> of generational differences in sustainability preferences, with young generations placing a higher priority on sustainability when investing. These might lead to market shifts and increased or decreased demand for some of our products.</p>	<b>S term</b>	<p><b>Severity: High</b>  <b>Impact channels:</b></p> <ul style="list-style-type: none"> <li>• Lower revenues</li> <li>• Lower AUM</li> </ul>	<p>Algebris has set up a solid framework for integrating Climate-related consideration in investment processes across our existing strategies, while expanding our internal sustainability research capabilities with the addition of dedicated analysts and a diversified package of data services. At the same time, we started pursuing a strategy of diversification in our product offering with the creation of an investment line having sustainable investment as its objective.</p>

<p><b>Transition: Policy and Legal</b></p> <p>Changes to Climate-related regulation that impact our investee companies or Algebris, by affecting existing or new products and/or operations. Examples are:</p> <ul style="list-style-type: none"> <li>• Increased pricing of GHG emissions</li> <li>• Enhanced emissions-reporting obligations</li> <li>• Regulation of existing products and services</li> <li>• Exposure to litigation and reputational risk</li> </ul>	<p><b>M term</b></p>	<p><b>Severity: Medium</b></p> <p><b>Impact channels:</b></p> <ul style="list-style-type: none"> <li>• Increased costs</li> <li>• Lower revenues</li> </ul> <p>We invest in data, technology, practices, and processes to manage existing or emerging climate risks and opportunities. We continue to review our data and technology suite to make sure it is always appropriate for our needs. We have implemented proprietary sustainability screening for the investee companies in our portfolios that includes an assessment of the compatibility of our investees' business models with key planetary limits (planetary boundaries) as well as their exposure to key transition risks.</p>
<p><b>Physical: Acute and Chronic</b></p> <p>Acute and Chronic risks to our investee companies (and hence to the portfolio we manage) as a result of extreme weather events and long-run changes in climate.</p>	<p><b>M/L term</b></p>	<p><b>Severity: Medium</b></p> <p><b>Impact channels:</b></p> <ul style="list-style-type: none"> <li>• Disruption</li> <li>• Higher costs</li> <li>• Lower revenues</li> </ul> <p>We look at composite physical risk indicators for our investee companies from third party providers. These composite scores are calculated as a sensitivity weighted average of the risk scores for six physical risk indicators (heatwaves, cold waves, droughts, hurricane, wildfires, and river and coastal flooding).</p> <p>Starting in June 2024, for all our UCITS funds we calculate and report quarterly the portfolio composite risk score over two horizons (2030 and 2050) and under three scenarios. These are:</p> <ul style="list-style-type: none"> <li>• <b>Hothouse:</b> GHG emissions triple by 2075 and global average temperatures rise by 3.3-5.7°C by 2100</li> <li>• <b>Orderly transition scenario:</b> GHG emissions reduce to net zero by 2050, resulting in global average temperatures rising by 1.3-2.4°C by 2100, consistent with the goals of the Paris Agreement</li> <li>• <b>Disorderly transition scenario:</b> adjustment is delayed, GHG emissions stabilize at current levels until 2050 and then decline until 2100, consistent with global average temperatures rising by 1.3-2.4°C by 2100.</li> </ul>

**Table 6 – Summary Table – Climate-related opportunities considered by Algebris in relation to our own operations and portfolio investments**

Risk	Description	Timeframe	Impact	Actions to Take advantage
<b>Investment: Technology</b>	Revenue opportunities for investee companies from the development of technologies tackling climate change	S / M Term	<b>Impact channels:</b> <ul style="list-style-type: none"> <li>Higher revenues</li> <li>Efficiencies</li> </ul>	As part of our proprietary Sustainability Investment Case tool, we look at investee companies' exposure to sectors and trends that could benefit or suffer from the net zero transition.
<b>Investment: Products</b>	Increased demand for climate-focused strategies due to increased regulation impacting our clients and shift in investment preferences	M Term	<b>Impact channels:</b> <ul style="list-style-type: none"> <li>Higher revenues</li> <li>Higher AUM</li> </ul>	Over the past 3 years, we have strengthened the integration of Climate-related consideration across the investment process for our existing strategies, and we have launched 4 investment funds having sustainable investment as its objective and with a strong focus on the net zero transition.
<b>Investment: Market</b>	Access to new market segments or investors demographics due to shifting preferences in investment	M Term	<b>Impact channels:</b> <ul style="list-style-type: none"> <li>Higher revenues</li> <li>Higher AUM</li> </ul>	Over the past 3 years, we have strengthened the integration of Climate-related consideration across the investment process for our existing strategies, and we have launched 4 investment funds having sustainable investment as its objective and with a strong focus on the net zero transition.
<b>Operations: Energy</b>	Lower emission sources and higher energy efficiency across all our offices	S Term	<b>Impact channels:</b> <ul style="list-style-type: none"> <li>Lower Scope 2 emissions</li> </ul>	We will be looking at options to switch energy provides and/or enhance energy efficiency of our offices as part of our commitment to set a Science Based emission target (SBT).

### Processes used to determine materiality of impact:

The Firm's process to determine which risks and opportunities could have a material financial impact on the Portfolios is part of the wider investment process. All risks that the Firm faces are identified and recorded in the risk register. Each risk is then assigned a probability score (ranging from very likely to rare) and an impact score (ranging from insignificant to severe). Using these two variables and taking into consideration mitigating controls that are in place, a measure of the severity of each risk is identified. A significant risk is one that would result into a potential or realized loss at the business level with the probability and size combinations that are listed in the risk matrix below.

		Insignificant	Minor	Moderate	Major	Severe
Probability	Frequency	€10,000	€40,000	€140,000	€500,000	€2,000,000
<b>Rare</b>	5 Years	2,000	8,000	28,000	100,000	400,000
<b>Unlikely</b>	Yearly	10,000	40,000	140,000	500,000	2,000,000
<b>Possible</b>	Quarterly	40,000	160,000	560,000	2,000,000	8,000,000
<b>Likely</b>	Monthly	120,000	480,000	1,680,000	6,000,000	24,000,000
<b>Very Likely</b>	Weekly	520,000	2,080,000	7,280,000	26,000,000	104,000,000

### Impact of Climate-related risks and opportunities on the Firm's investment strategies

This sub-section of the Report sets out a summary of the impact of Climate-related risks and opportunities on the Firm's investment strategies in respect of the Portfolios.

Algebris' investment integration strategy aims to ensure the Firm is aware of key sustainability risks and opportunities by incorporating additional layers of scrutiny and due diligence in investment analysis and decision-making, as well as in risk monitoring. Climate risks and opportunities are factored into the Firm's investment management processes for the Portfolios through the integration of climate risks into the investment risk management process for all of the Algebris Portfolios and certain of the Non-Algebris Portfolios where applicable (*financial materiality*). In addition, the Firm manages certain Portfolios which have an investment strategy which expressly refers to climate risks and opportunities as a part of the investment mandate for that Portfolio (*climate strategies*).

As of December 2023, the majority of the Firm's AUM was in UCITS funds or managed accounts that are classified as Article 8 or Article 9 products under the EU Sustainable Finance Disclosure Regulation (SFDR). A key element to our integration framework for these funds is **double materiality**. When carrying out the sustainability analysis of potential investment opportunities, we evaluate not just how ESG factors can impact the financial values and prospects of companies, but also how investee companies' products and operations can impact the environment and society.

#### (i) Climate risk integration (financial materiality)

The first impact of climate risk on the Firm's investment strategies for the Portfolios is the integration of climate risk into the investment risk management processes for the Portfolios, in relation to the specific risks identified in the previous sections of this Report.

The Firm has implemented a Sustainability Risks Policy, which sets out the Firm's policies in respect of the identification and integration of sustainability risks in its investment decision-making process, as required by SFDR. Under SFDR, "sustainability risk" means an environmental, social or governance ("ESG") event or condition that, if it occurs, could cause



an actual or a potential material negative impact on the value of an investment. The Policy therefore approaches sustainability risk from the perspective of the risk that ESG events might cause a material negative impact on the value of its clients' investments.

As part of its broader risk management processes when investing, the Firm has implemented procedures to (i) identify, (ii) measure, (iii) manage and (iv) monitor sustainability risks, including Climate-related risks. Algebris has a low appetite for sustainability risk and has implemented a number of procedures to ensure the current level of risk remains within this appetite. The Firm measures risk by monitoring the outcome of these procedures on an ongoing basis. The Algebris ESG Committee and Investment teams conduct periodic monitoring of the existing client portfolios to check that positions remain within sustainability risk limits and takes corrective action if those limits are breached. The Risk team monitors exclusion lists on an ongoing basis.

The Firm maintains other policies relating to ESG and sustainability, including a Responsible Investment Policy, a Fossil Fuels Investment Policy, and various ESG Exclusion Policy (including but not limited to climate), which are available on our website.

#### **Time period:**

The **time period** used for climate risk integration is measured by reference to the life-span of the relevant Portfolio. For an open-ended or indefinite investment product or mandate, risk management is an ongoing process, which is reviewed on an ongoing basis. For a closed-ended or finite investment product or mandate, the risk management process is tied to the anticipated lifespan of the relevant product or mandate.

#### **Prioritisation:**

The Firm does not generally **prioritise** the management of any particular sub-category of climate risk over another; instead, any climate risk which is identified as potentially causing a material risk of harm to the value of a Portfolio's investments will be managed in the same way under the Firm's investment risk management framework.

The Firm has concluded that all of the Algebris Portfolios are materially exposed to potential climate risks. In other words, climate risks could – if the relevant risk occurs – cause an actual or potential material negative impact on the **value** of an investment held within a Portfolio. This could in turn cause a negative impact on the value or returns of a Portfolio.

Assessment of climate risks is complex and requires subjective judgements, which may be based on data, which is difficult to obtain and incomplete, estimated, out of date or otherwise materially inaccurate. Even when identified, there can be no guarantee that the Firm will correctly assess the impact of climate risks on the Portfolio's investments.

#### **Impact of climate risks on financial performance and financial position:**

To the extent that a climate risk occurs (or occurs in a manner that is not anticipated by the Firm) there may be a sudden, material negative impact on the value of an investment held within a Portfolio. Such negative impact may result in an entire loss of value of the relevant investment(s), may have an equivalent negative impact on the value or returns of a Portfolio and may expose the Portfolio to further liabilities.

**Product-level approach:** The climate risks which are relevant, and likely impact of those climate risks on returns, may be different for Non-Algebris Portfolios. Further information on the relevant climate risks and impact will be available in the product documentation of the specific Non-Algebris Portfolio or on the website of the fund manager.

**Impact of transition to a lower-carbon economy:**

As noted above in Table 5, the Firm has identified that the Algebris Portfolios are potentially exposed to transition risks as a category of climate risks.

**Product-level approach:** The transition risks which are relevant, and likely impact of those climate risks on returns, may be different for Non-Algebris Portfolios. Further information on the relevant transition risks and impact will be available in the product documentation of the specific Non-Algebris Portfolio or on the website of the fund manager.

Climate risk management is then integrated into the Firm's investment risk management processes, in respect of the Algebris Portfolios. Please refer to sub-section 3(b) of this Report below, for further details on our climate risk management processes.

**(ii) Managing portfolios with climate strategies**

The Firm manages certain Portfolios which either: (a) promote certain climate-related characteristics through the investment strategy applied to the management of the Portfolio, or (b) have one or more investment objectives which relate to climate matters (together, "**Climate Strategies**"). These Climate Strategies seek to take advantage of certain of the climate-related opportunities which are identified above in Table 3. For the purposes of the EU SFDR regime, such Portfolios fall under the Article 8 and Article 9 disclosure regimes, as applicable. The Firm separately prepares pre-contractual disclosures in accordance with SFDR, and which are available on request from the Firm.

For these purposes, relevant climate-related characteristics or objectives may include climate change mitigation, climate change adaptation, reducing greenhouse gas emissions, or promoting the use of renewable energy.

**Product-level approach:** Not all Portfolios promote climate-related characteristics or have climate-related investment objectives. The product documentation for the relevant Portfolio will specify whether and to what extent the Portfolio has implemented Climate Strategies and confirm the SFDR Article 8 or Article 9 status of the Product. If the product documentation for a particular Portfolio does not expressly identify any Climate Strategies, then the Firm does not pursue Climate Strategies in respect of that Portfolio.

Where a given Portfolio pursues Climate Strategies, the Firm may give effect to this through certain of the following investment techniques (full details of which are provided in the product documentation for the Portfolio):

- **Exclusion strategies:** The Firm may exclude from certain Portfolios individual investments or sectors which the Firm deems harmful to the relevant climate objective.
- **Negative screens:** The Firm may apply Climate-related scoring or assessment to individual investments and screen out the lowest-rated specified portion or percentage of assessed investments, based on the harm done by those investments to the relevant climate objective.
- **Positive screens / best in class:** The Firm may apply Climate-related scoring or assessment to individual investments and limit its investable universe to the highest-rated specified portion or percentage of assessed investments, based on the contribution of those investments to the relevant climate objective.

- **Impact or thematic investing:** The Firm may assess the direct or indirect contribution of individual investments to the attainment of particular Climate-related objectives and invest predominantly in only such investments.
- **Active ownership:** Active ownership through proxy voting and Active engagement with investee companies in relation to ESG matters

#### **Time period:**

The **time period** used for the implementation of Climate Strategies is measured by reference to the life-span of the relevant Portfolio. For an open-ended or indefinite investment product or mandate, investment management is an ongoing process, which is reviewed on an ongoing basis. For a closed-ended or finite investment product or mandate, the investment management process is tied to the anticipated lifespan of the relevant product or mandate.

#### **Prioritisation:**

The Firm will prioritise the climate-related opportunities which are expressly specified in the identified Climate Strategy for a given Portfolio, in accordance with the mandate for the relevant Portfolio.

The Firm is a member to the **Net Zero Asset Managers initiative (NZAM)**. NZAM is an international group of asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5°C. The initiative was launched in December 2020 with an initial group of 30 signatories and is convened by six investor networks: AIGCC (Asia), Ceres (North America), IGCC (Australasia), IIGCC (Europe), UN PRI (global), CDP (global). The commitment is consistent with the UNFCCC Race to Zero criteria, and NZAM is accredited by Race to Zero.

In line with the best available science on the impacts of climate change, NZAM signatories acknowledge that there is an urgent need to accelerate the transition towards global net zero emissions and for asset managers to play our part to help deliver the goals of the Paris Agreement and ensure a just transition. NZAM Signatories must comply with a ten-points commitment, encompassing accountability and due diligence requirements for both the assets they commit to manage in line with the attainment of net zero emissions by 2050 or sooner, and any other assets not initially included in the perimeter of such commitment.

Algebris became a signatory to the Net Zero Asset Managers Initiative (NZAM) in 2021. As part of this commitment, we set an initial target of 57% of total AUM (79% of AUM excluding discretionary mandates) to be managed in line with attaining net zero emissions by 2050 or sooner. This target will be reviewed at least every 5 years with a view to reach 100%.

For setting our NZAM target, Algebris is using the **SBT Portfolio Coverage approach**. In line with this approach, Algebris commits to drive adoption of Science-Based Targets (SBT) by all investee companies in the portfolios that fall within the boundaries of our NZAM commitment. For investees to have enough time to implement their target and ultimately achieve an economy-wide transition to net zero by 2050, investees will need to have had their SBTs approved by 2040. For Algebris, this implies a target to reach 100% SBT coverage of the portfolios within our Net Zero-aligned AUM by 2040. More details are available in our NZAM Target Methodology available on our [website](#).

## Resilience of the Firm's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario

This sub-section of the Report summarises the resilience of the investment strategies for the Portfolios to climate-related risks and opportunities, taking into account different climate-related scenarios.

### **What is scenario analysis?**

The Firm has determined that scenario analysis is a process for identifying and assessing the potential implications of a range of plausible future states under conditions of uncertainty. Scenarios are hypothetical constructs, and not designed to deliver precise outcomes or forecasts. Instead, scenarios provide a way for organizations to consider how the future might look if certain trends continue, or certain conditions are met.

In the case of climate change, for example, scenarios allow an organization to explore and develop an understanding of how various combinations of climate-related risks, both transition and physical risks, may affect its businesses, strategies, and financial performance over time.

### **What scenario analysis is carried out by the Firm?**

We use third party data on Carbon Earnings at Risk from S&P Global / Trucost to evaluate the resilience of portfolios to different climate scenarios over two different horizons (2030 and 2050). We use mainly three metrics for the purpose of this assessment:

- **EBITDA at Risk:** a binary indicator of whether a company's earnings before interest, tax, depreciation and amortization (EBITDA) are at risk. The metric indicates companies facing more significant carbon price risk.
- **Reduction of EBITDA Margin (%):** estimated reduction in earnings before interest, tax, depreciation and amortization (EBITDA) margin after incorporation of unpriced carbon cost as a percent of original earnings before interest, tax, depreciation and amortization (EBITDA).
- **Unpriced Carbon Cost / EBITDA (%):** Unpriced carbon cost as a percent of earnings before interest, tax, depreciation and amortization (EBITDA). Gives a sense of the intensity of carbon costs across companies.

These metrics are then aggregated at Portfolio level using investment weights. The resulting aggregation across all liquid investments is reported in the Table below, suggesting that the impact on Portfolios from these transition scenarios would be limited. The data used for this exercise however only covers the direct impact on company through changing in the carbon cost of their Scope 1 and Scope 2 emissions.

For the banking sector – where the majority of Algebris investments across Portfolios is concentrated – the largest impact is likely to come via Scope 3 Category 15 emission, i.e. finance emissions associated to bank lending. As a result, an analysis based on Scope 1 and Scope 2 emissions alone could under-estimate the risks to the resilience of portfolios that are more heavily invested in bank equity and debt. To mitigate this problem, Algebris is working with S&P Global on a bespoke transition risk model that will incorporate also an assessment of banks' Scope 3 financed emissions, thus leading to a complete and realistic picture when applying scenario analysis to our portfolios that focus on the banking sector. We expect this exercise to be completed in 2024 and be adopted to our policies during Q1 2025 and thus results to be included in our next TCFD report. The results of the portfolio level assessment is reported in Table 6 below, which aggregates the result for all funds and mandates – with the exception of our private equity and non-performing loans funds.

**Table 6 – Resilience of portfolio to transition risk**

Scenario	Details of scenario	Results of assessment: resilience of portfolios	Time horizon
Orderly transition	<ul style="list-style-type: none"> <li>Mitigation scenario that assumes greenhouse gas emissions reduce to net zero by 2050, resulting in global average temperatures rising by 1.3-2.4°C by 2100, consistent with the goals of the Paris Agreement</li> </ul>	<ul style="list-style-type: none"> <li><b>Corporate Credit: Very Resilient</b> Across all investments in liquid equity, only 0.35% is invested in companies that would face EBITDA at risk from unpriced carbon costs on a 2030 orderly transition scenario and 0.67% is invested in companies that would face the same risk on a 2050 horizon.  The reduction in EBITDA Margin across our listed equity investments would be on average 0.02% on a 2030 orderly transition scenario and 0.05% on a 2050 horizon.  On average, across our corporate credit liquid investments, the unpriced carbon cost accounts for 0.08% of EBITDA under an orderly transition 2030 scenario, and for 0.15% under a 2050 scenario.</li> <li><b>Listed Equity: Very Resilient.</b> Across all investments in liquid equity, 1.08% is invested in companies that would face EBITDA at risk from unpriced carbon costs on a 2030 scenario and 3.05% is invested in companies that would face the same risk on a 2050 horizon.  The reduction in EBITDA Margin across our listed equity investments would be on average 0.07% on a 2030 horizon and 0.14% on a 2050 horizon.  On average, across our corporate credit liquid investments, the unpriced carbon cost accounts for 0.39% of EBITDA under an orderly transition 2030 scenario, and for 0.78% under a 2050 scenario.</li> </ul>	2030 and 2050  Portfolio as of end-December 2023
Disorderly transition	<ul style="list-style-type: none"> <li>Mitigation scenario that assumes a delayed adjustment, in which greenhouse gas emissions stabilize at current levels until 2050 and then decline until 2100. This scenario is expected to result in global</li> </ul>	<ul style="list-style-type: none"> <li><b>Corporate Credit: Very Resilient</b> Across all investments in liquid equity, only 0.74% is invested in companies that would face EBITDA at risk from unpriced carbon costs on a 2030 disorderly transition scenario and 0.76% is invested in</li> </ul>	2030 and 2050  Portfolio as of end-December 2023

Scenario	Details of scenario	Results of assessment: resilience of portfolios	Time horizon
	average temperatures rising by 1.3-2.4°C by 2100.	<p>companies that would face the same risk on a 2050 horizon.</p> <p>The reduction in EBITDA Margin across our listed equity investments would be on average 0.2% on a 2030 disorderly transition scenario and 0.2% on a 2050 horizon.</p> <p>On average, across our corporate credit liquid investments. the unpriced carbon cost accounts for 0.26% of EBITDA under an disorderly transition 2030 scenario, and for 0.61% under a 2050 scenario.</p> <ul style="list-style-type: none"> <li> <p><b>Listed Equity: Resilient.</b></p> <p>Across all investments in liquid equity, 8.38% is invested in companies that would face EBITDA at risk from unpriced carbon costs on a 2030 disorderly scenario and 12.66% is invested in companies that would face the same risk on a 2050 horizon.</p> <p>The reduction in EBITDA Margin across our listed equity investments would be on average 0.9% on a 2030 horizon and 0.9% on a 2050 horizon.</p> <p>On average, across our corporate credit liquid investments. the unpriced carbon cost accounts for 2.13% of EBITDA under an orderly transition 2030 scenario, and for 5.27% under a 2050 scenario.</p> </li> </ul>	
Hothouse world	<ul style="list-style-type: none"> <li>Low mitigation scenario in which greenhouse gas emissions triple by 2075 and global average temperatures rise by 3.3-5.7°C by 2100.</li> <li></li> </ul>	<ul style="list-style-type: none"> <li> <p><b>Corporate Credit: Resilient</b></p> <p>Across all investments in liquid equity, only 0.75% is invested in companies that would face EBITDA at risk from unpriced carbon costs on a 2030 hothouse scenario and 0.76% is invested in companies that would face the same risk on a 2050 horizon.</p> <p>The reduction in EBITDA Margin across our listed equity investments would be on average 0.11% on a 2030 hothouse scenario and 0.2% on a 2050 horizon.</p> <p>On average, across our corporate credit liquid investments. the unpriced carbon cost accounts for 0.35% of EBITDA under a</p> </li> </ul>	2030 and 2050  Portfolio as of end-December 2023

Scenario	Details of scenario	Results of assessment: resilience of portfolios	Time horizon
		<p>hothouse 2030 scenario, and for 0.61% under a 2050 scenario.</p> <ul style="list-style-type: none"> <li> <b>Listed Equity: Resilient.</b>                      Across all investments in liquid equity, 10.57% is invested in companies that would face EBITDA at risk from unpriced carbon costs on a 2030 hothouse scenario and 12.66% is invested in companies that would face the same risk on a 2050 horizon.                       The reduction in EBITDA Margin across our listed equity investments would be on average 0.45% on a 2030 horizon and 0.9% on a 2050 horizon.                       On average, across our corporate credit liquid investments, the unpriced carbon cost accounts for 2.57% of EBITDA under a hothouse 2030 scenario, and for 5.27% under a 2050 scenario.                 </li> </ul>	

**Physical risks:** the Firm believes that a wide range of organizations are exposed to climate-related physical risks. Physical climate-related scenarios are particularly relevant for organizations exposed to acute or chronic climate change, such as those with: (i) long-lived, fixed assets; (ii) locations or operations in climate-sensitive regions (e.g., coastal and flood zones); (iii) reliance on availability of water; and (iv) value chains exposed to these factors. The Firm carries out physical climate risk analysis based on third party composite physical risk scores under different scenarios. Scores range from 0 (best) to 100 (worst) and are sourced from S&P Trucost. They represent the combined exposure to nine climate change hazards at a weighted average of multiple locations (company) under a given scenario and time period. The hazards aggregated into the composite scores are coastal floods, drought, extreme cold, extreme heat, fluvial flood, pluvial flood, tropical cyclone, water stress and wildfire.

The results of the portfolio level assessment is reported in Table 7 below, which aggregates the result for all funds and mandates – with the exception of our private equity and non-performing loans funds. Overall, this exercise suggests that portfolios are resilient to combined physical risk hazard, as the aggregate physical risk scores remains in the middle of the range across all scenarios.

**Table 7 – resilience of portfolio to physical risk**

Scenario	Details of scenario	Results of assessment: resilience of portfolios	Time horizon
Orderly Transition	<ul style="list-style-type: none"> <li>Mitigation scenario that assumes greenhouse gas emissions reduce to net zero by 2050, resulting in</li> </ul>	<ul style="list-style-type: none"> <li> <b>All Liquid Investments:</b> 54/100 over a 2030 horizon; 57/100 over a 2050 horizon (with coverage of 97%)                 </li> </ul>	2030 and 2050

Scenario	Details of scenario	Results of assessment: resilience of portfolios	Time horizon
	global average temperatures rising by 1.3-2.4°C by 2100, consistent with the goals of the Paris Agreement	<ul style="list-style-type: none"> <li>• <b>Listed Equity:</b> 56/100 over a 2030 horizon; 59/100 over a 2050 horizon (with coverage of 83%)</li> <li>• <b>Corporate Credit:</b> 54/100 over a 2030 horizon; 57/100 over a 2050 horizon (with coverage of 99%)</li> </ul>	
Disorderly Transition	<ul style="list-style-type: none"> <li>• Mitigation scenario that assumes a delayed adjustment, in which greenhouse gas emissions stabilize at current levels until 2050 and then decline until 2100. This scenario is expected to result in global average temperatures rising by 1.3-2.4°C by 2100.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>All liquid investments:</b> 54/100 over a 2030 horizon; 60/100 over a 2050 horizon (with coverage of 97%)</li> <li>• <b>Listed Equity:</b> 55/100 over a 2030 horizon; 61/100 over a 2050 horizon (with coverage of 83%)</li> <li>• <b>Corporate Credit:</b> 53/100 over a 2030 horizon; 60/100 over a 2050 horizon (with coverage of 99%)</li> </ul>	2030 and 2050
Hothouse	<ul style="list-style-type: none"> <li>• Low mitigation scenario in which greenhouse gas emissions triple by 2075 and global average temperatures rise by 3.3-5.7°C by 2100.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>All liquid investments:</b> 55/100 over a 2030 horizon; 65/100 over a 2050 horizon (with coverage of 97%)</li> <li>• <b>Listed Equity:</b> 57 /100 over a 2030 horizon; 66/100 over a 2050 horizon (with coverage of 83%)</li> <li>• <b>Corporate Credit:</b> 55/100 over a 2030 horizon; 65/100 over a 2050 horizon (with coverage of 99%)</li> </ul>	2030 and 2050

#### **Use of these scenarios in the Firm's investment and risk processes:**

The Firm uses the output of its scenario analysis in its investment management and risk management processes, as described below. The Firm approaches this primarily from the perspective of risk management, rather than seeking to make use of climate scenarios as an investment opportunity.

While the Firm's investment professionals and risk management professionals are provided with information on scenario analysis and are encouraged to take scenario analysis into account when making an investment decision, scenario analysis would not by itself prevent the Firm from making any investment. Instead, scenario analysis forms part of the overall risk management processes, and is one of many inputs which may, depending on the specific investment opportunity, be relevant to a determination of risk. However, the Firm does not apply any absolute risk limits or risk appetite thresholds which relate exclusively to scenario analysis as a separate category of input into the risk management process.

#### **Transition plans:**

The Firm is incorporated in the UK and operates in the UK. The Firm notes that the UK Government committed in June 2019 to a 100% reduction of greenhouse gas emissions by 2050 compared with 1990 levels. This is referred to as the net



zero target. The Government stated that net zero means “any emissions would be balanced by schemes to offset an equivalent amount of greenhouse gases from the atmosphere, such as planting trees or using technology like carbon capture and storage”.

For further details on the UK government’s net zero target, please refer to:  
<https://commonslibrary.parliament.uk/research-briefings/cdp-2023-0124/>

The Firm manages certain Algebris Portfolios which are expressly managed in a manner intended to support the UK Government’s net zero target. In particular, such Portfolios include in the investment guidelines for the relevant product or service an express commitment to ensure net zero greenhouse gas emissions in the Portfolio’s holdings by 2050. Such Portfolios are actively managed with a view to achieving net zero in respect of the Portfolio holdings by 2050.

The Firm is a member to the **Net Zero Asset Managers initiative (NZAM)**. NZAM is an international group of asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5°C. In line with the best available science on the impacts of climate change, NZAM signatories acknowledge that there is an urgent need to accelerate the transition towards global net zero emissions and for asset managers to play our part to help deliver the goals of the Paris Agreement and ensure a just transition. NZAM Signatories must comply with a ten-points commitment, encompassing accountability and due diligence requirements for both the assets they commit to manage in line with the attainment of net zero emissions by 2050 or sooner, and any other assets not initially included in the perimeter of such commitment.

Algebris became a signatory to the Net Zero Asset Managers Initiative (NZAM) in 2021. As part of this commitment, we set an initial target of 57% of total AUM (79% of AUM excluding discretionary mandates) to be managed in line with attaining net zero emissions by 2050 or sooner. This target will be reviewed at least every 5 years with a view to reach 100%. For setting our NZAM target, Algebris is using the **SBT Portfolio Coverage approach**. In line with this approach, Algebris commits to drive adoption of Science-Based Targets (SBT) by all investee companies in the portfolios that fall within the boundaries of our NZAM commitment. For investee companies to have enough time to implement their target and ultimately achieve an economy-wide transition to net zero by 2050, investees will need to have had their SBTs approved by 2040. For Algebris, this implies a target to reach 100% SBT coverage of the portfolios within our Net Zero-aligned AUM by 2040. More details are available in our NZAM Target Methodology available on our [website](#).

For those Portfolios for which the Firm has *not* integrated an express net zero commitment, this is because the Firm would require the express agreement of its clients to integrate a net zero target into the management of Portfolios. At the date of this Report, there is no instruction in respect of the net zero target for those out-of-scope Portfolios.

## Risk Management

*This Part of the Report discloses how the Firm identifies, assesses, and manages climate-related risks.*

### (a) The Firm's processes for identifying and assessing climate-related risks

This sub-section of the Report summarises the Firm's processes for **identifying** and **assessing** climate-related risks. The Firm has implemented bespoke processes to identify and assess climate-related risks as a specific and distinct category of risk.

#### **Identification of climate-related risks**

The Firm's process to **identify** climate risks is guided by our commitment to the Net Zero Asset Managers Initiative as well as from the framework of the EU Principal Adverse Impact (PAI) regime.

As set out in the 2018 IPCC 1.5 degrees scenarios and the 2021 IEA Net Zero scenario, achieving net zero by 2050 will require a rapid reduction in emissions from fossil fuel combustion and phase out of investment in fossil fuels. The pathway laid out in the IEA report requires that no new unabated coal plants, no new oil and gas fields, and no new coal mines or mine extensions be approved from 2021 on. In its guidance for the financial sector, the Science Based Target Initiative (**SBTi**) also recommends that financial institutions seeking to align with the Paris Agreement transparently address the role of fossil fuels in their investment portfolio. The SBTi recommended phaseout of thermal coal investments and thorough disclosure on financial institutions' fossil fuel investments and related activities. Algebris subscribes to these recommendations.

The IEA 2050 Net Zero report also recommended that no new oil and gas levels fields be approved for development starting from 2021, and the war in Ukraine made it clear that excessive and undifferentiated reliance on fossil fuels in countries' energy mix can become a source of systemic risk. While conventional oil and gas are likely to remain a bridge fuel in the transition towards full decarbonization (as evidenced by their eventual inclusion in the EU Taxonomy of sustainable economic activities), we are convinced that new investment in this area carries a risk of becoming stranded in the medium term and needs to be limited.

As part of our NZAM commitment, we have introduced a fossil fuel science-based investment policy, which establishes strict limits to exposure of companies involved in fossil fuels for all Algebris Portfolios that are classified as Article 8 and Article 9 under the EU Sustainable Finance Disclosure Regulation (SFDR)

The Firm's resources and tools for identification of climate risks includes our own internal analysis and assessment and third-party data sources including Bloomberg, Sustainalytics, , S&P Global, company reports, and research from academic and non-governmental organizations.

The Firm at present does not generally consider (but may do so on a case-by-case basis) existing and emerging regulatory requirements related to climate change (e.g., limits on emissions) applicable to the investments held in the Portfolios as a source of climate risk. The Research team is however working on incorporating carbon pricing dynamics more broadly into the proprietary investment case templates.

## Engagement

The Firm expressly engages with investee companies in respect of disclosure by those companies of data relating to climate risks.

The Firm engages in **Active Ownership**, with a view to reducing the risk of particular positions falling outside of risk appetite/limits (including on sustainability risks). We also aim to use our role as investors to achieve positive change, and hence place a high importance on actively engaging with investee companies on sustainability.

Our stewardship policy is grounded on 3 pillars: **individual engagement**, **collective engagement**, and **voting**. We maintain our commitment to effective stewardship of investee companies throughout the lifecycle of the investment, through ongoing monitoring of sustainability credentials and progress. This is primarily achieved via regular contact with the investee companies and on-going review of the sustainability investment case.

Where Algebris has invested in the equity of a company, we will engage with the company on their sustainability practices on a regular basis via broker conferences, company road shows or separately arranged meetings. All such meetings where relevant will take place in accordance with our Wall Crossing procedures and adherence to market abuse and insider dealing controls. The level and frequency of engagement may vary and will be determined by a number of factors, including but not limited to, the type of asset class held and the size of the position that we hold. The engagement will take place on a regular basis with additional engagement if there are any concerns about the company and/or the market in which it operates, including on climate-related matters.

We incorporate the following **principles in our voting process**:

- Voting decisions are to be made on a case-by-case basis following an assessment of the matter at hand and after taking into consideration its likely effect on the performance of the investments and the relevant separate account mandate or Algebris fund. Algebris also takes into account long-term sustainability considerations of each issuer when deciding to vote.
- Any votes cast must be in the best interests of the relevant client, being:
  - The separate account holder in the case of votes attaching to an investment made under the relevant investment management agreement; or
  - The Algebris fund and the investors therein in the case of votes attaching to an investment made by Algebris
- Algebris is a supporter of the **Say on Climate Initiative**. As part of our commitment to the initiative, Algebris will encourage all listed companies to submit a Climate Transition Action Plan at their AGM for a shareholder vote. Where companies do not do so voluntarily, Algebris will vote for and file AGM resolutions (whenever we have sufficient votes) requiring such votes. Our Voting Policy and Shareholder Engagement Policy can be found on our website.

Engagement activity is led by the Research Team, in collaboration with the Investment Team. Our engagement activity seeks to drive a better integration of sustainability in the governance, operations and business models of the companies in which we invest and to trigger positive change in how investees manage their impacts on specific sustainability topics. We perform both **individual** and **collaborative** engagement.

To track issuer specific engagement objectives, and subsequent improvement, Algebris has created a proprietary engagement reporting tool. The goal of our individual engagement is to positively influence the behaviour of investee companies to improve the long-term sustainability of their business models. Sustainability topics form part of the regular discussion between Algebris investment professionals and investee companies, complementing the ongoing assessment of investees' sustainability fundamentals. The Algebris Research team is often involved in those conversations.

Engagement with issuers on climate-related issues is key to our Net Zero commitment, and revolves in particular around driving investees' adoption of a Science Based Target.

Algebris is also an investor signatory to the **Carbon Disclosure Project (CDP)**, a global non-profit organisation working to make environmental disclosure mainstream, CDP is the largest solicitor of direct, reported, primary environmental information worldwide and it holds the largest collection of primary carbon, water and deforestation information. Algebris became an investor signatory in late 2020, and actively participates in CDP's annual Non-disclosure Campaign requesting that investee companies respond to climate change, forests and water security questionnaires developed and managed by CDP. From 2022, we will also participate to CDP's Science Based Target campaign.

### **Assessment of climate-related risks**

To assess climate risks the Firm uses metrics that apply to all its asset classes and strategies, hence avoiding thematic risk, like fossil fuel etc. The two pillars considered are physical climate risk and green transition risk.

On physical risk, the core of the assessment relies on third-party physical hazard risk scores of the investee companies, aggregated at the portfolio level, while the risk tail of the more exposed investee companies is assessed separately. An auxiliary metric, also provided by a third-party monetises the physical risk and allows the Firm to assess value at risk for long term horizons.

On transition risk indicators, the assessment is based on value at risk, sourced by a third-party provider and provided at the investee company level.

The models used for both physical and transition risk provide a current picture of risk as well as a scenario-based forecast that stress these metrics in medium to long term horizons.

The Firm considers climate-related risk as a separate risk factor. It sits alongside the standard traditional risk factors like counterparty risk or liquidity risks.

### (b) Describe the Firm's processes for managing climate-related risks

The Firm monitors climate-related risk using the metrics discussed earlier. Climate-related risks are monitored on a periodic or ad-hoc basis, depending on the Portfolio. Particular attention is paid to near term horizons of the severe stress scenarios and trends in those are monitored closely.

The Firm's risk appetite when it comes to climate-related risks is low. While the current risk management framework does not impose tolerances on climate-related risks in its current form, the Firm's existing ESG policies, mainly the ESG exclusion policies, keep the relevant exposures contained for the investment horizon for the Firm's Portfolios. Ongoing work aims at identifying portfolio aggregate targets on exposure to climate-related risks and concentration tolerances for the tail risks of the most exposed individual investee companies. Exceedances of these tolerances are escalated to the Firm's Investment Risk Committee.

While the Firm's investment teams are provided with information on climate-related risks and are encouraged to take climate-related risks into account when making an investment decision, climate-related risk would not by itself prevent the Firm from making any investment. Instead, climate-related risk forms part of the overall risk management processes, and is one of many risk factors which may, depending on the specific investment opportunity, be relevant to a determination of risk. The Firm does not apply any absolute risk limits or risk appetite thresholds which relate exclusively to climate-related risk as a separate category of risk.

At the Firm level, climate-related risks are expressed as operational risks, for example through reputational damage, AuM loss, compensation demands and greenwashing accusations. This is done by assessing the likelihood of the occurrence and the severity of impact of each risk and the effect to the Firm. Each identified category of risk is assigned a score, which contributes to the Firm's overall operational risk profile.

**Product-level approach:** Climate risk assessments generally applies to all the Portfolios. For the Algebris Portfolios the assessment is conducted on a monthly basis and when material changes warrant. For Non-Algebris Portfolios the assessment is performed on an ad-hoc based and reactively to the fund manager's demand.

### (c) How processes for identifying, assessing, and managing climate-related risks are integrated into the Firm's overall risk management

This sub-section of the Report summarises how the Firm's processes for identifying, assessing and managing climate-related risks (as summarised in sub-sections 3(a) and 3(b) of this Report, above) are integrated into the Firm's overall risk management processes.

As a FCA-regulated [investment / fund] manager, the Firm is subject to the FCA Rules in respect of investment risk management processes. Consistent with these requirements, the Firm has:

- Established and implemented risk management policies and procedures. These identify the risks which relate to the Firm's activities, processes and systems, and set the level of risk tolerated by the Firm;
- Adopted arrangements, processes and mechanisms to manage the risks to which the Firm is exposed, in light of that risk tolerance;
- Implemented monitoring processes, in respect of risk exposure and risk tolerance; and

- Established a permanent Risk Management function, which is responsible for the implementation of the policies and procedures noted above, and for reporting to senior management on risk matters.

The Firm's climate risk management processes, as summarised in sub-sections 3(a) and 3(b) above, are being integrated into the general investment risk management processes summarised above. This integration has started with certain aspects to be implemented at a later date.

## Metrics and Targets

**This Part of the Report discloses the metrics and targets used to assess and manage relevant Climate-related risks and opportunities where such information is material.**

### Our investment

#### Financed Emissions

**We have established a number of metrics to report on our financed Scope 3 category 15 GHG emissions, which allow us to assess and track our exposure over time.** In line with the recommendations of the Task Force on Climate Related Disclosures (TCFD) we monitor total carbon emissions at the portfolio level, the portfolio carbon footprint and the portfolio weighted average carbon intensity (WACI). In line with the Financial Conduct Authority's product-level reporting requirements, these indicators are also reported at the product level according to the methodology outlined in Table 8. These metrics are monitored and reported for all our liquid funds– accounting in total for 94.8% of our AUM. Our Non-Performing Loans (NPL) funds and our Private Equity fund – accounting for 4% and 1.2% of AUM respectively at the end of 2023 – are excluded for the time being, but we are working to include them in the next report.

Table 8: Scope 3 category 15 – Portfolio financed emission metrics

Metric	Methodology	Notes
<p><b>Portfolio Carbon Emission (TCFD)</b> Total GHG emissions financed by a portfolio (equivalent to PAI 1 under the EU SFDR PAI Regime)</p>	$MtCO_2e = \sum \left( \frac{\text{Current value of investment}}{\text{Investee company's EVIC}} \times \text{Investee company's Scope X GHG emissions} \right)$ <p>EVIC = Enterprise value including cash</p>	<ul style="list-style-type: none"> <li>Calculated for Scope 1, Scope 2, Scope 3 and total scopes</li> <li>Limited comparability across portfolios because the indicator is not rescaled by size of the portfolio</li> </ul>
<p><b>Portfolio Carbon Footprint (TCFD)</b> Total GHG emissions financed by a portfolio normalised by portfolio size (equivalent to PAI 2 under the EU SFDR PAI Regime)</p>	$\frac{tCO_2e}{\text{€ mn inv}} = \frac{\sum \left( \frac{\text{Current value of investment}}{\text{Investee company's EVIC}} \times \text{Investee company's Scope X GHG emissions} \right)}{\text{current portfolio value}}$	<ul style="list-style-type: none"> <li>Intensity metrics, enables comparison across portfolios irrespective of AUM</li> </ul>
<p><b>Weighted Average Carbon Intensity (WACI - TCFD)</b> Measures the average carbon intensity of companies in the portfolio (equivalent to PAI 3 under the EU SFDR PAI Regime)</p>	$\frac{tCO_2e}{\text{€ mn rev}} = \sum \left( \frac{\text{Current value of investment}}{\text{Current portfolio value}} \times \frac{\text{Investee company's GHG emissions}}{\text{Investee company's revenues}} \right)$	<ul style="list-style-type: none"> <li>Intensity metrics, enables comparison with benchmarks</li> <li>Only usable with corporate equity and debt (no sovereign)</li> </ul>

Table 9 below reports the total financed emissions, as well as the carbon footprint and the weighted average carbon intensity (WACI) across all Algebris Portfolios and Non-Algebris Portfolios, with the exception of our Non-Performing Loans funds and Private Equity funds. Overall, the data show that carbon footprint is higher across our listed equity portfolio than our corporate credit portfolio, while the WACI is broadly comparable. The carbon footprint of our credit portfolio reflects for the most part investment in banks and other financial institutions, whereas equity investments are more diversified across economic sectors. Another point worth noticing is that the emission data coverage of our equity portfolios is slightly lower than the coverage of our corporate credit portfolio (84% versus 99%, respectively). This is explained by the fact that a significant portion of our listed equity portfolio is invested in Small and Medium Enterprises (SMEs), which are typically not covered or poorly covered by third party data providers.

Table 9 – finance emission metrics

All Liquid Investments	Value	Measure
GHG Emissions - <b>Scope 1 - Financed</b>	86478.02	t CO2e
GHG Emissions - <b>Scope 2 - Financed</b>	25161.82	t CO2e
GHG Emissions - <b>Scope 3 - Financed</b>	3450423.91	t CO2e
GHG Emissions - <b>Scope 1 + 2 + 3 - Financed</b>	3562063.74	t CO2e
<b>Carbon Footprint</b>	194.62	t CO2e / EUR mln invested
<b>Weighted Average Carbon Intensity (WACI)</b>	1057.54	t CO2e / EUR mln revenues

Note : coverage is 97%, calculated using investment weights. The figure reported is the aggregate for all Algebris Portfolios and Non-Algebris Portfolios, with the exception of our Non-Performing Loans (NPL) funds and our Private Equity investments. Source: Algebris based on data from S&P Trucost; portfolios as of end-2023

Listed Equity Investments	Value	Measure
GHG Emissions - <b>Scope 1 - Financed</b>	32611.86	t CO2e
GHG Emissions - <b>Scope 2 - Financed</b>	11936.10	t CO2e
GHG Emissions - <b>Scope 3 - Financed</b>	1053720.23	t CO2e
GHG Emissions - <b>Scope 1 + 2 + 3 - Financed</b>	1098268.19	t CO2e
<b>Carbon Footprint</b>	777.26	t CO2e / EUR mln invested
<b>Weighted Average Carbon Intensity (WACI)</b>	1247.18	t CO2e / EUR mln revenues

Note : coverage is 84%, calculated using investment weights. The figure reported is the aggregate for all Algebris Portfolios and Non-Algebris Portfolios, with the exception of our Non-Performing Loans (NPL) funds and our Private Equity investments. Source: Algebris based on data from S&P Trucost; portfolios as of end-2023

Corporate Credit	Value	Measure
GHG Emissions - <b>Scope 1 - Financed</b>	53766.14	t CO2e
GHG Emissions - <b>Scope 2 - Financed</b>	13051.83	t CO2e
GHG Emissions - <b>Scope 3 - Financed</b>	1724278.43	t CO2e
GHG Emissions - <b>Scope 1 + 2 + 3 - Financed</b>	1791096.40	t CO2e
<b>Carbon Footprint</b>	107.18	t CO2e / EUR mln invested
<b>Weighted Average Carbon Intensity (WACI)</b>	1053.02	t CO2e / EUR mln revenues

Note : coverage is 99%, calculated using investment weights. The figure reported is the aggregate for all Algebris Portfolios and Non-Algebris Portfolios, with the exception of our Non-Performing Loans (NPL) funds and our Private Equity investments. Source: Algebris based on data from S&P Trucost; portfolios as of end-2023

### Climate Risk Metrics: Transition Risk



To monitor the transition risks highlighted on Section 2.a, we use three metrics that allow us to assess our investee companies’ exposure to sectors exposed to transition risks, their preparedness and proactivity in setting transition targets, and the ambition of those targets (Table 10) below. The combination of these three indicators offers in our view a good picture of companies’ sensitivity to transition risk. We are also working on a bespoke transition risk model for the banking sector, in view of Algebris’ historic focus on this sector.

To understand exposure to transition risk we look at the **portfolio exposure to companies active in the fossil fuel sector**, and further isolate exposure to coal, Arctic oil and gas, and Oil Sands. The IEA 2050 Net Zero report recommends that no new oil and gas levels fields be approved for development starting from 2021. Whilst conventional oil and gas are likely to remain a bridge fuel in the transition towards full decarbonization, we are convinced that investment in this area needs to be limited. We see a risk that oil and gas assets may become **stranded** in the medium term, similarly to what is already happening to coal assets. We apply a very strict and science-based policy to investment in the fossil fuel sector and we both monitor and report this indicator regularly.

Table 10: Scope 3 category 15 – Additional portfolio metrics – Transition Risks

<p><b>Fossil Fuel Exposure</b></p>	<p>Sum of portfolio investment weights for all investments in companies deriving revenues from the fossil fuel sector. Allows comparing fossil fuel exposure across different portfolios.</p>	<ul style="list-style-type: none"> <li>Measures exposure of portfolios to areas of higher climate risk</li> </ul>
<p><b>SBT Portfolio Coverage</b></p>	<p>Four indicators considered: 1) share invested in companies with SET Near Term SBT; 2) share invested in companies with SET Net Zero SBT; 3) share invested in companies with a formal commitment to set SBT in the next 2 years; 4) share invested in companies with a formal commitment to set a Net Zero SBT in the next 2 years</p>	<ul style="list-style-type: none"> <li>Aligned with the methodology used in our NZAM target</li> <li>Allows monitoring transition at the investee level</li> </ul>
<p><b>Portfolio Temperature Raise</b></p>	<p>Temperature metrics are gathered at the level of individual investee company and aggregated in a portfolio-level figure using investment weights. The portfolio-level indicator is calculated for Scope 1+2 emissions and for Scope 1 + 2+ 3 emissions, over 3 horizons.</p>	<ul style="list-style-type: none"> <li>Forward looking indicator</li> <li>Allows assessment of investee companies’ ambitions</li> </ul>

To understand whether our investee companies are prepared and proactive in addressing transition risks, we monitor the adoption of both **Near Term and Net Zero Science Based Targets (SBT)** for emission reduction. This is aligned with the SBT Portfolio Coverage approach we chose for setting our Net Zero AUM target as part of our membership in the Net Zero Asset Managers Initiative (NZAM). At the portfolio level, we monitor and report the share invested in companies with set Near Terms and/or Net Zero SBTs.

The SBT Portfolio Coverage approach gives us reassurance that our portfolio companies will be focusing on real economy emissions reductions, and setting targets consistent with delivering a fair share of the 50% global reduction in CO2 emissions by 2030 as identified by the IPCC special report on global warming of 1.5°C. In setting their SBTs, investees will need to follow SBTi criteria for covering scope 1 and 2 emissions, as well as scope 3 emissions when these account for more than 40% of total scope 1, 2, and 3 emissions. For banks, this will imply at a minimum setting decarbonization targets

for 100% of their corporate lending and project finance to companies in the electricity generation sector, 95% of their long-term corporate lending to fossil fuel companies, 67% of corporate lending to commercial real estate companies, and 67% of all other long-term corporate lending. Targets adopted by companies are considered science-based if they are in line with what the latest climate science says is necessary to meet the goals of the Paris Agreement – to limit global warming to well-below 2°C above preindustrial levels and pursue efforts to limit warming to 1.5°C.

Table 11 below reports the selected Transition risk metrics. across all Algebris Portfolios and Non-Algebris Portfolios, with the exception of our Non-Performing Loans funds and our Private Equity funds. Overall, the data show very limited exposure to companies active in the fossil fuel sector (1.1% overall). This is higher for our listed equity portfolio (5.6%) compared to our corporate credit portfolio (0.7%), reflecting once again the bias towards banks and financials that characterises our corporate credit portfolios. Across our listed equity portfolio, the average share of revenue that companies derive from fossil fuel remains very small – suggesting low exposure to the risk of fossil fuel assets with the potential of becoming stranded.

Overall, the share invested in companies with Near Term Science Based Targets (SBTs) for emission reduction is 11.5% across all liquid portfolios, and the share invested in companies with validated Net Zero SBTs is 0.75% with an additional 17.1% invested in companies with formal commitments to set a SBT in the next two years. Across our listed equity portfolios, these figures are higher: 18.7% is invested in companies with validated near Term SBTs, 9.6% is invested in companies with validated Net Zero SBTs, and an additional 4.83% is invested in companies with a formal commitment to set a Net zero SBT within 2 years. Once again, this reflects the financial sector bias of our credit portfolio – as we have seen a few banks withdrawing their commitments to set SBT in the past year. We engage with investee banks around the importance to set science-based emission reduction targets, and we evaluate the ambition of banks policies around climate integration in lending, as well as their climate targets.

Table 11: Transition Risk Metrics at Portfolio Level

All Liquid Investments	Value	Measure	Coverage
<b>Exposure to companies active in fossil fuel sectors</b>	1.1%	% invested	98%
<b>Share of revenues from Thermal Coal</b>	0.1%	weighted ptf average	95%
<b>Share of revenues from Arctic Oil</b>	0.0%	weighted ptf average	95%
<b>Share of revenues from Oil Sands</b>	0.0%	weighted ptf average	95%
<b>% Invested in Companies with Set Near Term SBTs</b>	11.6%	% invested	100%
<b>% Invested in Companies with Validated Net Zero SBTs</b>	0.75%	% invested	100%
<b>% Invested in Companies with Committed Net Zero SBTs</b>	17.12%	% invested	100%

Source: Algebris based on data from S&P Trucost, SBTi, Bloomberg; portfolios as of end-2023

Listed Equity	Value	Measure	Coverage
<b>Exposure to companies active in fossil fuel sectors</b>	5.6%	% invested	87%
<b>Share of revenues from Thermal Coal</b>	0.2%	weighted ptf average	85%
<b>Share of revenues from Arctic Oil</b>	0.0%	weighted ptf average	85%
<b>Share of revenues from Oil Sands</b>	0.0%	weighted ptf average	85%
<b>% Invested in Companies with Set Near Term SBTs</b>	19.7%	% invested	100%
<b>% Invested in Companies with Validated Net Zero SBTs</b>	9.64%	% invested	100%
<b>% Invested in Companies with Committed Net Zero SBTs</b>	4.83%	% invested	100%

Source: Algebris based on data from S&P Trucost, SBTi, Bloomberg; portfolios as of end-2023

Corporate Credit	Value	Measure	Coverage
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<b>Exposure to companies active in fossil fuel sectors</b>	0.7%	% invested	99%
<b>Share of revenues from Thermal Coal</b>	0.1%	weighted ptf average	96%
<b>Share of revenues from Arctic Oil</b>	0.0%	weighted ptf average	96%
<b>Share of revenues from Oil Sands</b>	0.0%	weighted ptf average	96%
<b>% Invested in Companies with Set Near Term SBTs</b>	11.1%	% invested	100%
<b>% Invested in Companies with Validated Net Zero SBTs</b>	0.00%	% invested	100%
<b>% Invested in Companies with Committed Net Zero SBTs</b>	18.35%	% invested	100%

Source: Algebris based on data from S&P Trucost, SBTi, Bloomberg; portfolios as of end-2023

Lastly, to understand what the ambition of investee companies’ emission reduction targets is, we also calculate and monitor **portfolio-level temperature pathways**. This exercise allows assessing in a forward-looking way the climate ambitions of our investment portfolios, calculating the portfolio implied temperature pathway based on the ambition by corporate GHG emissions reduction targets set by our investee companies. Temperature metrics are calculated following the widely used CDP-WWF temperature rating methodology, which is regarded as the gold standard for this analysis.

Table 12 below reports the selected temperature metrics. across all Algebris Portfolios and Non-Algebris Portfolios, with the exception of our Non-Performing Loans funds and of our Private Equity investments. Our portfolios are not yet aligned with a global increase in temperature below 2°C – especially when including Scope 3 emissions. We aim at improving this metrics by engaging with our investees around the importance of setting ambitious climate targets.

Table 12 – Temperature metrics

	All Liquid Investments			Listed Equity			Corporate Credit		
	Short Term	Medium Term	Long Term	Short Term	Medium Term	Long Term	Short Term	Medium Term	Long Term
<b>Scope 1 + 2</b>	2.1	1.9	2.8	2.4	1.9	2.7	2.1	1.9	2.9
<b>Scope 1 + 2 + 3</b>	2.5	2.3	2.9	2.8	2.4	2.6	2.5	2.3	2.9
<b>Coverage</b>	87%	87%	87%	55%	55%	55%	91%	91%	91%

Source: Algebris based on data from Bloomberg; portfolios as of end-2023

*Climate Risk Metrics: Physical Risk*

We look at composite physical risk indicators for our investee from third party providers. These composite scores are calculated as a sensitivity weighted average of the risk scores for 6 physical risk indicators (heatwaves, cold waves, droughts, hurricane, wildfires, and river and coastal flooding). For all our UCITS funds we calculate and report quarterly the portfolio composite risk score over two horizons (2030 and 2050) and under two scenarios. These are:

- **Hothouse:** Low mitigation scenario in which greenhouse gas emissions triple by 2075 and global average temperatures rise by 3.3-5.7°C by 2100
- **Orderly Transition:** GHG emissions reduce to net zero by 2050, resulting in global average temperatures rising by 1.3-2.4°C by 2100, consistent with the goals of the Paris Agreement.
- **Disorderly Transition:** Strong mitigation scenario in which greenhouse gas emissions stabilize at current levels until 2050 and then decline until 2100. This scenario is expected to result in global average temperatures rising by 1.3-2.4°C by 2100.

Table 13 below reports the composite physical risk score. across all Algebris Portfolios and Non-Algebris Portfolios, with the exception of our Non-Performing Loans funds and of our Private Equity investments. Overall, this exercise yields a medium level of physical risk over both the 2030 and 2050 horizon. It is worth noticing that coverage for the third-party composite physical risk score is lower for our listed equity portfolio compared to our credit portfolio, reflecting the bias of our listed equity holdings towards Small and Medium Enterprises (SMEs) that tend to be covered less extensively by third-party data providers.

Table 13 – Physical Risk Portfolio Composite Score

	All Liquid investments		Listed Equity		Corporate credit	
	2030 Horizon	2050 Horizon	2030 Horizon	2050 Horizon	2030 Horizon	2050 Horizon
<b>Paris Agreement Scenario</b>	54	57	56	59	54	57
<b>Delayed Mitigation Scenario</b>	54	60	55	61	53	60
<b>Hothouse Scenario</b>	55	65	57	66	55	65

Source: Algebris based on data from S&P Trucost; portfolios as of end-2023; Score ranges from 0 to 100, with 100 being worst. Coverage is 97% for the full portfolio, 83% for listed equity and 99% for corporate credit. Portfolio figures are weighted averages of individual companies' physical risk scores, aggregated using investment weights.

### *Other Metrics: Adverse Impact*

The EU Corporate Sustainability Reporting Directive (CSRD) introduces the concept of 'double materiality' for corporate reporting. This means that companies have to report not only on how sustainability issues might create financial risks for the company (financial materiality), but also on the company's own impacts on people and the environment (impact materiality). As investors, we apply a similar approach to our investments.

All our UCITS funds are subject to the EU Sustainable Finance Disclosure Regulation (SFDR). As such, the investment process of all these funds considers all mandatory plus two optional indicators from the EU's **Principal Adverse Impact (PAI) Regime**. The PAI environmental indicators considered are: (i) GHG Emissions; (ii) Carbon Footprint; (iii) GHG Intensity; (iv) Exposure to Fossil Fuels; (v) Non-Renewable Energy Consumption and Production; (vi) Energy Consumption Intensity per high-impact climate sectors; (vii) Adverse Biodiversity Activities; (viii) Emissions to Water; (ix) Hazardous Waste Ratio; (x) Absence of Carbon Emission Reduction Initiatives.

These factors are integrated into pre-investment due diligence. To evaluate whether an investment poses significant harm to the PAIs listed above, we use a combination of (1) quantitative thresholds and peer analysis; (2) qualitative assessment; and (3) actions taken/engagement. PAIs are monitored post-investment and may form part of engagement topics with the investee companies, where warranted. These indicators are reported annually for all UCITS in the Funds' periodic reports, and some of them are reported quarterly in the sustainability reports for the funds. For the purpose of this TCFD report, we have selected a sub-set of environmental indicators that we deem especially relevant and that are reported additionally to the TCFD-suggested metrics.

**Climate opportunities and applicable metrics:**

The table below summarises the climate opportunities which could have a material financial impact on the Portfolios, and the metrics used to assess those opportunities.

Table 14 – Climate opportunities metrics

Type	Climate-related opportunities	Metric	Historical trends
Resource efficiency	<ul style="list-style-type: none"> <li>• Use of more efficient modes of transport</li> <li>• Use of more efficient production and distribution processes</li> <li>• Use of recycling</li> <li>• Move to more efficient buildings</li> <li>• Reduced water usage and consumption</li> </ul>	<p>Certain quantitative climate opportunity metrics are used by the Firm to measure proportion of assets, revenues, or other business activities aligned with opportunities associated with the transition to a low-carbon economy.</p> <p>The Firm uses the following metrics:</p> <ul style="list-style-type: none"> <li>• percentage of a specific Portfolio invested in companies with revenue that have a potential impact on United Nations (UN) Sustainable Development Goal <b>SDG 7: Affordable and Clean Energy</b> and to <b>SDG 13: Climate Action</b>.</li> </ul>	This Report is the Firm's first TCFD Report. Historical trends will be reported in future reports.
Energy source	<ul style="list-style-type: none"> <li>• Use of lower-emission sources of energy</li> <li>• Use of supportive policy incentives</li> <li>• Use of new technologies</li> <li>• Participation in carbon market</li> <li>• Shift toward decentralized energy generation</li> </ul>	<ul style="list-style-type: none"> <li>• <u>Data as at 29<sup>th</sup> December 2023; this covers our liquid corporate credit and listed equity portfolios</u></li> <li>• Share invested in companies with revenues potentially aligned to SDG 7: 1.4%</li> </ul>	
Products and services	<ul style="list-style-type: none"> <li>• Development and/or expansion of low emission goods and services</li> <li>• Development of climate adaptation and insurance risk solutions</li> <li>• Development of new products or services through R&amp;D and innovation</li> <li>• Ability to diversify business activities</li> <li>• Shift in consumer preferences</li> </ul>	<ul style="list-style-type: none"> <li>• Share invested in companies with revenues potentially aligned to SDG 7: 0.2%</li> </ul>	
Markets	<ul style="list-style-type: none"> <li>• Access to new markets</li> <li>• Use of public-sector incentives</li> <li>• Access to new assets and locations needing insurance coverage</li> </ul>		

Type	Climate-related opportunities	Metric	Historical trends
Resilience	<ul style="list-style-type: none"> <li>• Participation in renewable energy programs and adoption of energy-efficiency measures</li> <li>• Resource substitutes/diversification</li> </ul>		

**Remuneration policies:**

**Sustainability considerations form part of the annual employee performance reviews.** In the context of this exercise, employees are asked to evaluate their contribution to the sustainability goals of the Firm. This element can be taken into account in the overall assessment in relation to changes in compensation or annual bonus, although there is no direct formalized link to compensation or rewards. This contributes to ensure a continued and smooth integration of sustainability policies and guidelines in the investment process and Firm's operations, creating an incentive for employees to pro-actively contribute to sustainability goals.

**Internal carbon pricing:**

The Firm is currently working to develop an investment case tool that will integrate carbon pricing into the valuation of companies for stock-picking. We expect this to be ready next year.

*Alignment with a "well below 2 degrees" scenario:*

At present, investment teams are not systematically measuring the extent to which Portfolios are aligned with a "well below 2 degrees" scenario. The result of a Portfolio-level temperature assessment is reported in the temperature section above.

## Our operational footprint

### Our operations

We consider several different metrics to measure the environmental impact of our own operations. Understanding this baseline is key to setting effective science-based emissions reduction targets and ultimately achieving carbon neutrality. By measuring our impact, we are able to track our progress over time, while also enabling us to test the efficacy of certain decarbonization measures we deploy. Finally, having a clear picture of our operations, the negative externalities thereof, and having publicly stated targets ensure accountability for the Firm, and transparency for our investors.

### Our methodology

**Our emissions accounting methodology is based on the GHG protocol, following their Scope 1, 2, and 3 breakdown and well as their accounting and consolidation approaches.** For accounting approaches, when considering our scope 1 and 2 emissions, we opted for a *location-based approach*, considering the assets of which Algebris has direct ownership across continents. Noticeably, Algebris not owning any assets directly, made scope 1 emissions negligible (see the detailed methodology and accounting below). However, for scope 2, the location of the offices became key to enabling an accurate accounting of our energy consumption emissions. As for a consolidation approach, we opted for one considering Algebris’ *operational control of assets* given we are a Financial Institution. This meant that, in addition to all upstream and downstream assets in Algebris’ value chain being accounted for in the scope 3 category, so would the emissions from our underlying investments (falling under Scope 3, Category 15, emissions according to the GHG Protocol’s nomenclature). Because of this, at an aggregate level, Algebris’ direct impact is minimal while the bulk of its externalities are in scope 3, which encompasses nearly all the company’s activity.

Table 15: Methodology Breakdown by scope

Metric	Methodology	Data used
<p><b>Scope 1</b></p> <p>Direct GHG emissions from sources that are owned or controlled by the Group.</p>	$tCO_2e = \sum \left( \frac{\text{Total energy consumed (kg)} \times \frac{\text{Relevant fuel energy} \times \text{type emissions factor}}{\text{per unit (kgCO}_2\text{e)}}}{1,000} \right)$	<ul style="list-style-type: none"> <li>Activity data (i.e., fuel consumption)</li> <li>Emissions factors per fuel/energy type</li> </ul>
<p><b>Scope 2</b></p> <p>Indirect GHG emissions from the generation of purchased or acquired electricity, heat or cooling consumed by the Group.</p>	$tCO_2e = \sum \left( \frac{\text{Total energy consumed (kWh)} \times \frac{\text{Relevant location based emissions factor}}{\text{per unit (kgCO}_2\text{e)}}}{1,000} \right)$	<ul style="list-style-type: none"> <li>Activity data (i.e., electricity consumption)</li> <li>City-level (and when not available national/state-level) emissions factors</li> </ul>

(or when data not available)

Step 1:

$$\text{Total expenditure on electricity (in local currency)} \\ \times (\text{Current exchange rate to EUR}) = \theta$$

Step 2:

$$tCO_2e \\ = \sum \left( \frac{(\theta \times \text{Average cost per kWh for a services business}) \times \text{Relevant grid average emissions factor per unit (kgCO}_2e)}{1,000} \right)$$

**Scope 3 (business travel)**

Indirect GHG emissions from the transportation of employees for business-related activities in vehicles owned or operated by third parties, such as aircraft, trains, buses, passenger cars.

$$tCO_2e \\ = \sum \left( \frac{(\text{Total expense on transit GBP} \times \text{Exchange rate/EUR}) \times \text{Relevant vehicle category emissions factor (kgCO}_2e)}{1,000} \right)$$

- Activity data (i.e., expenditure, vehicle type)
- EPA emissions factors

**Scope 3 (value chain)**

GHG emissions from purchased goods and services (category 1), fuel and energy related activities (category 3), waste generated in operations (category 5) and investments (category 15).

**Purchased Goods and Services**

$$tCO_2e \\ = \sum \left( \frac{(\text{Total spend GBP by product} \times \text{Exchange rate/EUR}) \times \text{Relevant product category EPA emissions factor per unit (kgCO}_2e)}{1,000} \right)$$

- Activity data (i.e., expenditure, activity type)
- EPA emissions factors per activity
- UK Department of Environment, Food, and Rural Affairs value chain emissions factors

**WTT and T&D**

$$tCO_2e = \sum \left( \frac{\text{Total energy consumed (kWh)} \times \text{Relevant location based emissions factor per unit (kgCO}_2e)}{1,000} \right)$$

**Waste**

$$tCO_2e \\ = \sum \left( \frac{\text{Total waste produced per office (kg)} \times \text{UK Dept. Environment emissions factor per unit (kgCO}_2e)}{1,000} \right)$$



**Scope 3 (commuting)**

GHG emissions from employee commuting (category 7).

**Step 1:**

$$\begin{aligned} & \text{Total commuting distance (km)} \times (\text{Number of days per year in the office}) \\ & = \text{Total yearly distance} = \theta \end{aligned}$$

- Commuting distance
- Vehicle type
- Number of days in the office

**Step 2:**

$$tCO_2e = \sum \left( \frac{\text{Relevant vehicle category} \times \theta \times \text{UK Dept. Environment emissions factor per km (kgCO}_2\text{e)}}{1,000} \right)$$

Reporting period	Total emissions - 2023	Number of employees
January 1 <sup>st</sup> to December 31 <sup>st</sup> 2023 (inclusive)	1702.38 tCO <sub>2</sub> e (excluding Scope 3 – Cat 15)	180

Internal data sources	Baseline year	Reporting methodology
Firm-wide data gathered through our internal finance team, our suppliers/service providers, as well as the building management companies of our rented offices	2023	We have employed various greenhouse gas conversion factors to calculate our emissions, selecting the most accurate factors based on the emissions source and location. The sources of these factors include EPA, Grid Emission Factors, and UK Department of Environment, Food, and Rural Affairs

**Emission Factors**

Our global emissions inventory is reported in accordance with the GHG Protocol Corporate Standard, the GHG Protocol Scope 3 Calculation Guidance, the GHG Protocol Corporate Value Chain (Scope 3) Standard, and the Global GHG Accounting and Reporting Standard for the Financial Services Industry.

**Environmental accounting tool**

In 2024, we launched an environmental accounting tool to better monitor and measure our impact on energy use, transportation, waste, and office operations. This tool facilitates collection and assessment of site-level performance data yearly. This tool also allows us to set targets and track our progress, ensuring that we use the latest and most relevant emission factors in accordance with the GHG Protocol.

2023 Emissions

Our operational GHG emissions (location-based)

**2023**

**Greenhouse gas emissions (tCO<sub>2</sub>e)**

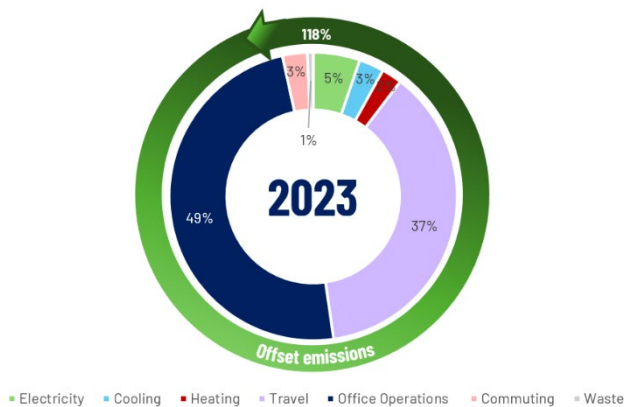
(base year)

**Breakdown of CO<sub>2</sub> Emissions**

<b>Scope 2</b>		<b>Electricity (location-based)</b>	<b>83.70</b>
		Cooling	51.20
		Heating	41.46
<b>Scope 2 emissions</b>			<b>176.37</b>
<b>Total Scope 1 &amp; Scope 2 emissions</b>		UK operations	59.71
		Outside UK operations	116.66
		<b>Total</b>	<b>176.37</b>
<b>Scope 3 operational emissions</b>		Category 1: Purchased goods and services	920.37
		Category 3: Fuel and energy related activities	9.10
		Category 4: Upstream transportation & distribution	3.23
		Category 5: Waste generated in operations	12.31
		Category 6: Business travel	704.80
		Category 7: Employee commuting	52.57
<b>Total Scope 3 operational emissions</b>			<b>1,702.38</b>

Reporting boundary

For our GHG accounting, we have employed the financial control method, and used a cost consolidation approach to map our impacts across our value chain. All the costs we bear are included in our inventory when we have financial control over them. We have omitted no categories of emissions from our accounting. Category 8 (Upstream leased assets), Category 9 (Downstream transportation and distribution), Category 10 (Processing of sold products), Category 11 (Use of sold products), Category 12 (End-of-life treatment of sold products), Category 13 (Downstream leased assets), Category 14 (Franchises), have not been included as they are not relevant to us a Financial Institution.



(b) Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks

In this sub-section of the Report, we disclose certain climate-related data.

This data is provided on an aggregated basis, across all of the Portfolios managed by the Firm. The data points below relate to the emissions of the investments held by the Portfolios (and not, for the avoidance of doubt, to the Firm itself).

Data point	Definition / methodology	Data point (reference date: 29/12/2023)	Data coverage	Historical data	Further notes
Scope 1 GHG emissions	<p><b>Direct GHG emissions</b></p> <p>Direct GHG emissions occur from sources that are owned or controlled by the investee company, for example, emissions from combustion in owned or controlled boilers, furnaces, vehicles, etc.; emissions from chemical production in owned or controlled process equipment.</p> <p>The Firm calculates this in accordance with the GHG Protocol methodology</p>	86478.02 tCO2e	98%	This Report is the Firm's first TCFD Report. Historical trends will be reported in future reports.	<p>The following notes apply to all of the disclosures.</p> <p><b>Related risks:</b> Emissions are a prime driver of rising global temperatures and, as such, are a key focal point of policy, regulatory, market, and technology responses to limit climate change. As a result, organizations with significant emissions are likely to be impacted more significantly by transition risk than other organizations. In addition, current or future constraints on emissions, either directly by emission restrictions or indirectly through carbon budgets, may impact organizations financially.</p>
Scope 2 GHG emissions	<p><b>Electricity indirect GHG emissions</b></p> <p>Scope 2 accounts for GHG emissions from the generation of purchased electricity consumed by the investee company. Purchased electricity is defined as electricity that is purchased or otherwise brought into the organizational boundary of the company. Scope 2 emissions physically occur at the facility where electricity is generated.</p>	25161.82 tCo2e	98%	This Report is the Firm's first TCFD Report. Historical trends will be reported in future reports.	

Data point	Definition / methodology	Data point (reference date: 29/12/2023)	Data coverage	Historical data	Further notes
	The Firm calculates this in accordance with the GHG Protocol methodology				<b>Disclaimer:</b>
Scope 3 GHG emissions	<p><b>Other indirect GHG emissions</b></p> <p>Scope 3 is a reporting category that allows for the treatment of all other indirect emissions. Scope 3 emissions are a consequence of the activities of the investee company, but occur from sources not owned or controlled by the company. Some examples of scope 3 activities are extraction and production of purchased materials; transportation of purchased fuels; and use of sold products and services.</p> <p>The Firm calculates this in accordance with the GHG Protocol methodology</p>	3450423.91 tCo2e	97 %	This Report is the Firm's first TCFD Report. Historical trends will be reported in future reports.	<p>This data covers our liquid corporate credit and listed equity portfolio across both Algebris Funds and mandates. Our Non-performing Loans business and Private Equity business is exclude (they account together for 7% of our AUM as of the end of 2023).</p> <p>[add appropriate disclaimer, if required, to cover any issues with data quality, availability, or coverage]</p>
Weighted average carbon intensity	<p>Portfolio's exposure to carbon-intensive companies, expressed in tons CO2e / \$M revenue. The formula can be expressed as: <b>[DRAFTING NOTE: CONFIRM THIS INDICATIVE FORMULA MATCHES THE FIRM'S APPROACH]</b></p> $\sum_n \left( \frac{\text{current value of investment}_i * \text{Issuer's Scope 1 and Scope 2 GHG emissions}_i}{\text{current portfolio value}} \right) / \text{issuer's \$M revenue}_i$	1057.6 tCO2e / EUR million revenues	97 %	This Report is the Firm's first TCFD Report. Historical trends will be reported in future reports.	



### (c) Targets used by the Firm to manage climate-related risks and opportunities and performance against targets

This sub-section of the Report summarises targets used by the Firm to manage climate-related risks and opportunities.

A climate-related target is a commitment which may be imposed by an investment manager on a managed portfolio, relating to particular climate metrics, in order to manage risks and opportunities. In the UK, there is not a regulatory requirement for investment firms to impose climate-related targets.

The Firm manages certain Portfolios which expressly include climate-related targets. In particular, such Portfolios include in the investment guidelines for the relevant product or service an express commitment to meet the relevant target. However, the Firm does not impose climate-related targets on a blanket basis across all of its managed Portfolios.

For those Portfolios for which the Firm has *not* integrated an express climate-related target, this is because the Firm would require the express agreement of its clients to integrate a climate-related target into the management of Portfolios. At the date of this Report, there is no instruction in respect of the climate-related target for those out-of-scope Portfolios.]

#### **Examples of Climate-related targets**

To understand whether our investee companies are prepared and proactive in addressing transition risks, we monitor the adoption of both **Near Term and Net Zero Science Based Targets (SBT)** for emission reduction. This is aligned with the SBT Portfolio Coverage approach we chose for setting our Net Zero AUM target as part of our membership in the Net Zero Asset Managers Initiative (NZAM). At the portfolio level, we monitor and report the share invested in companies with set Near Terms and/or Net Zero SBTs.

The SBT Portfolio Coverage approach gives us reassurance that our portfolio companies will be focusing on real economy emissions reductions, and setting targets consistent with delivering a fair share of the 50% global reduction in CO2 emissions by 2030 as identified by the IPCC special report on global warming of 1.5°C. In setting their SBTs, investees will need to follow SBTi criteria for covering scope 1 and 2 emissions, as well as scope 3 emissions when these account for more than 40% of total scope 1, 2, and 3 emissions. For banks, this will imply at a minimum setting decarbonization targets for 100% of their corporate lending and project finance to companies in the electricity generation sector, 95% of their long-term corporate lending to fossil fuel companies, 67% of corporate lending to commercial real estate companies, and 67% of all other long-term corporate lending. Targets adopted by companies are considered science-based if they are in line with what the latest climate science says is necessary to meet the goals of the Paris Agreement – to limit global warming to well-below 2°C above preindustrial levels and pursue efforts to limit warming to 1.5°C.

The following table summarises certain of the key climate-related targets, which are relevant to certain Portfolios (as disclosed in the product documentation for those Portfolios). These are illustrative examples only, and investors should refer to the product documentation for specific Portfolios to check Portfolio-specific commitments.

Target	[Strategy / Portfolio types]	Definition / methodology	Time frame	Base year for measuring progress	KPI
100% SBT portfolio coverage	GFU	See our NZAM <a href="#">commitment</a>	2040	2020	Share of portfolio invested in companies with set Science Based Targets

Target	[Strategy / Portfolio types]	Definition / methodology	Time frame	Base year for measuring progress	KPI
100% SBT portfolio coverage	IG	See our NZAM <a href="#">commitment</a>	2040	2020	Share of portfolio invested in companies with set Science Based Targetets
100% SBT portfolio coverage	FEF	See our NZAM <a href="#">commitment</a>	2040	2020	Share of portfolio invested in companies with set Science Based Targetets
100% SBT portfolio coverage	FIF	See our NZAM <a href="#">commitment</a>	2040	2020	Share of portfolio invested in companies with set Science Based Targetets
100% SBT portfolio coverage	SWF	See our NZAM <a href="#">commitment</a>	2040	2020	Share of portfolio invested in companies with set Science Based Targetets
100% SBT portfolio coverage	SBF	See our NZAM <a href="#">commitment</a>	2040	2020	Share of portfolio invested in companies with set Science Based Targetets

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