TCFD Report

2022

EFG

About this Report

EFG International (hereinafter “EFG Group”, “EFG” or “we”) recognises the urgent need to transition to a more sustainable world. In 2022, we continued to make progress in our efforts to integrate sustainability aspects more deeply across EFG. This includes implementing the disclosure recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) for the first time. We have produced this EFG International TCFD Report to help our stakeholders to understand climate-related risks and opportunities for our bank, building on the disclosures in our Sustainability Report 2022.

EFG has initiated monitoring of climate-related risks and is currently in the process of enhancing its internal control framework, as well as building up capacity in its operations to define suitable metrics to assess its climate-related risks and opportunities.

EFG has committed to five strategic climate-related measures in the areas of sustainable finance and greenhouse gas (GHG) reduction in line with the priorities defined by the Association of Swiss Wealth and Asset Managers (VAV) of which EFG is an active member (see “Strategy” section). One of these strategic climate-related measures is to publish a TCFD report at Group level from the reporting year 2022 onwards. EFG is committed to supporting the Paris Agreement and its goal of limiting the rise in global temperatures to within 2 °C above pre-industrial levels, with the aim of achieving a rise of no more than 1.5 °C. EFG measured its GHG emissions in its operations for the first time in 2022 and aims to achieve a 50% reduction in its current levels by 2030 and to reach net zero in its operations by 2050. In addition, EFG is further developing its climate-related investment offering for clients to invest in the transition to a more regenerative economy and is defining a GHG reduction path for its own assets.

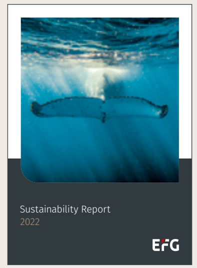
This Report covers each of the four core TCFD pillars – Governance, Strategy, Risk Management, and Metrics & Targets (and the related 11 disclosure recommendations) – setting out how EFG considers climate-related risks and opportunities in these areas, and how it monitors and manages those risks.

It should be noted that this Report covers EFG International and includes its asset management and allocation activities, some of which are performed by its fully-owned subsidiary EFG Asset Management Ltd. (EFGAM) as an asset allocator. EFGAM publicly expressed its support for the TCFD recommendations in 2019. In 2022, EFG expanded its climate strategy measures and officially implemented them at Group level. The 2022 TCFD Report is the first such report to be published by EFG and provides the first summary of EFG’s disclosures, goals and initiatives. Going forward, EFG aims to build up significant capacity in understanding and managing climate-related decision-making across the entire organisation, enhancing climate-related projects and disclosures.

As a global private banking group, EFG is exposed to a variety of climate-related risks in the normal course of business that might also affect market, credit, operational, liquidity, business and compliance risks. The effect that climate issues have across these different risk categories may impact its financial performance, business goals, reputation and other objectives. It therefore regards prudent risk management as an essential part of doing business and as vital to protect its reputation. At the same time, it sees new opportunities arising in the form of new markets and clients it can serve, and new products and services it can offer, as well as increased resource efficiency. Our climate-related commitments and corresponding future employee engagement will also increase our attractiveness as an employer.

The reporting period for this TCFD Report is the 2022 financial year, which ran from 01 January 2022 to 31 December 2022 (in line with our Sustainability Report 2022 and our Annual Report 2022).

Read more in our Annual Report.



Read more in our Sustainability Report.

Governance

How our Board oversees climate-related risks and opportunities.

The Board of Directors is EFG's most senior governing body and, as such, is responsible for the overall direction, supervision and monitoring of the business. The Board of Directors has oversight of the overall risk management approach and monitors its effectiveness through regular internal risk assessments, audits and controls. It also approves the risk appetite statement and risk appetite metrics, and it approves risk policies.

The Board of Directors is supported in this oversight role by the Risk Committee, the Audit Committee and the Credit Committee. The Risk Committee is the primary advisory committee to the Board of Directors for all matters relating to risk and compliance.

In 2021, the Board of Directors approved a specific ESG risk appetite statement as part of the overarching EFG risk appetite framework, underscoring its commitment to positioning EFG as an ESG-focused financial institution.

Regarding climate risks in particular, EFG is focusing on the creation and integration of a dedicated climate risk management process within the overall risk management framework.

EFG is embedding climate-related risks affecting the existing risk categories (credit, market, liquidity, business and operational risk) in the framework.

The EFG Sustainability Advisory Board (ESAB), which is co-chaired by the Chair of EFG and the CEO, was established in July 2021 to drive the relevant disclosures and define priorities and new projects in this area. The composition of the ESAB leverages the existing corporate structure and governance processes. Its members include members of the Board and senior executives from relevant business areas and functions.

The 2022 TCFD Report was reviewed and approved by the Executive Committee of EFG, endorsed by the Audit Committee and acknowledged by the Board of Directors.

For further details:

▸ Sustainability Report 2022
See section "Our governance" on pages 13–15
▸ Annual Report 2022
See section "5.1 Risk governance" on page 102

How our management assesses and manages climate-related risks and opportunities.

The Executive Committee has several dedicated risk management sub-committees to ensure cross-functional alignment on risk topics. This includes recent efforts to start integrating climate-related risks into our risk management framework. Further, the Executive Committee includes a Chief Risk Officer and a Group Head of Legal & Compliance. The Chief Risk Officer leads the risk control function. These two independent functions have clearly defined responsibilities and objectives.

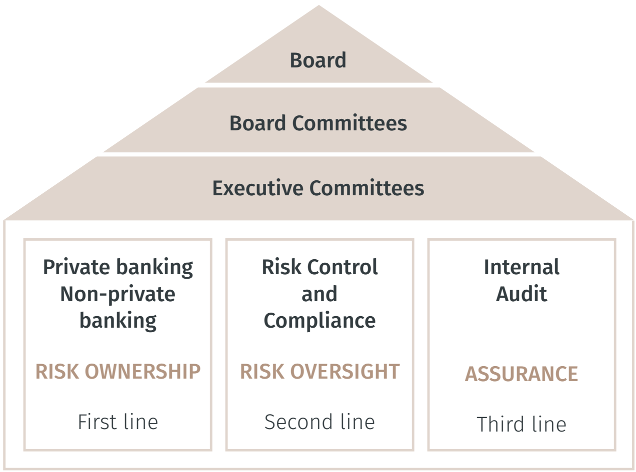
The Executive Committee and its delegated committees perform a first and second line of defence role in managing risks, in alignment with the risk strategy and risk appetite, including climate risks.

For example, climate-related financial risks in key portfolios are regularly monitored by the Financial Risk Committee through key risk indicators and the assessment of exposures under a set of stress scenarios. In addition, for selected New Capital funds and equity discretionary models, the monitoring of GHG emissions and other ESG data is performed by EFGAM on a regular basis.

To steer and monitor the operational implementation of sustainability projects and initiatives, including the five defined strategic climate-related measures (see below) across EFG, the Sustainability Steering Committee (SSTC) was established in 2022. The SSTC is chaired by the CEO of EFG.

EFG's approach to risk management is based on the three lines of defence model with:
– First line: Risk ownership across all regions, divisions and support functions
– Second line: Risk oversight by the Risk Control and Compliance functions
– Third line: Risk assurance by Internal Audit

We are working on integrating climate-related risks across the three lines of defence where appropriate.



For further details:

▸ Sustainability Report 2022
See sections "Our governance" on page 13 and "Risk management" on page 24

Strategy

Climate-related risks and opportunities that we have identified over the short, medium and long term.

In 2022, EFG started developing strategic climate-related measures and targets at Group level:

Strategic climate-related measures

Measure and disclose GHG emissions in our operations	Net zero in our operations	TCFD disclosures
Measure and disclose carbon emissions resulting from all aspects of own operational processes (Scope 1, 2, 3)	Define and pursue a GHG reduction path to achieve a net zero target based on the 1.5 °C scenario, as outlined by the Science Based Targets initiative	Endorse the recommendations of the TCFD by becoming a signatory and by providing disclosure in line with its recommendations

Responsibility as a firm

Transition offering	GHG reduction path for our own assets
Guide our clients through transition Further enhance offering and services dedicated to transition and climate-related investments and support	Pursue a GHG reduction path for treasury, aiming for a reduction of CO_2 emissions in line with the Net Zero Asset Managers Initiative

Responsibility as an asset allocator

In 2022, those measures were at different stages of development. This applies in particular to the transition offering and GHG reduction paths for own operations. In future TCFD reports, we will address future climate-related measurements more specifically.

In addition to those measures, EFG identifies climate-related physical and transition risks that may impact on its reputation, market, operations, regulatory exposure or financial outcomes and opportunities:

- **Physical risks** resulting from climate change can be event driven (acute) or driven by longer-term (chronic) shifts in climate patterns. Damage caused by storms, higher global temperatures, floods, droughts and rising sea levels has become increasingly apparent in recent years.
- **Transition risks** are associated with the uncertain financial impacts that could result from a rapid low-carbon transition, including policy changes, reputational impacts, technological breakthroughs, or limitations, and shifts in market preferences and social norms.

For further details:

▸ Sustainability Report 2022
See sections "Our sustainability strategy" on page 17 and "Our commitment to the environment" on pages 50 – 52

Both physical and transition risks may directly affect EFG and indirectly affect counterparties, clients or collateral. EFG is monitoring climate-related financial risks affecting key portfolios, i.e. own investments (including the trading portfolio), Lombard loans and assets under management.

EFG considers physical risks to have a longer-term horizon. The probability of a disorderly transition may increase if regulators and markets fail to implement relevant policies to mitigate the effects of climate change. In this scenario, the severity of the impact of physical risks on our operations would be much greater than in an orderly transition scenario.

The lack of clarity about the timeframe as to when climate risks may become evident presents a considerable challenge for risk quantification.

EFG believes that transition risks may have a more short- to medium-term horizon, as new regulations may be defined and enter into force over the next few years. Climate change may have not only negative impacts (risks) but also generate opportunities. In the case of EFG, such opportunities may relate to resource efficiency, energy sources, products/services, clients, markets and resilience (see section b) below).

The following table shows the main climate-related risks and opportunities over a short- (5 years), medium- (5–10 years) and long-term (+10 years) horizon.

Potential impacts of climate-related risks and opportunities on our organisation's businesses, strategy and financial planning.

Climate risk	Risk categories affected	Potential risks	Potential opportunities to explore
Physical risks			
Acute and chronic climate change (medium to long term)	– Credit risk – Market risk – Liquidity risk – Operational risk	– Climate-related events causing damage to financed properties, reducing value – Clients unable to repay mortgages – Damages to own facilities – Potential direct or indirect impact on clients' assets	– Reduce climate-related risk exposures through integration of acute and chronic climate change into credit analysis and asset allocation strategies
Transition risks			
Policy and legal risk (short to medium term)	– Credit risk – Market risk – Reputational risk – Compliance risk – Legal risk	– Government actions to promote the transition to a low-carbon economy that impact exposed sectors and related client investments – Increased reporting obligations and related costs (e.g. enhanced emissions-reporting obligations, Green Taxonomy-related reporting)	– Integrate ESG criteria along the investment process to improve risk-return profiles in client investment portfolios and make portfolios more resilient to shocks resulting from climate risks – Structure climate-related products to fund projects or assets that mitigate climate change
Technology risk (short to medium term)	– Business and strategic risk – Operational risk	– Costs related to new technologies with lower emissions products and services for own operations	– Increase supply of renewable energy to offices – Transition to zero carbon heating: Replace fossil fuel-based heating with efficient electrical systems using water, air or ground source heat pumps powered by renewable electricity
Market risk (short to medium term)	– Market risk – Liquidity risk – Credit risk	– Reduction in income related to clients or issuers in carbon-intensive sectors – Negative impact on the value of financial instruments of issuers in exposed sectors, affecting the value of client and bank portfolios which in turn affects the bank's revenues, credit and liquidity profile	– Expand product offering and own investments to include strategies aligned with the objectives of the Paris Agreement and transition objectives – Provide investment advice and solutions to enable clients to better understand and manage their exposure to climate risks and enhance their resilience to both physical and transition risks
Client risk (short to medium term)	– Business and strategic risk – Credit risk – Liquidity risk	– Decrease in income resulting from the demand for controversial goods and services – Shifting client demand – Loss of funding if the bank is perceived as not being aligned with clients' preferences	– Integrate client ESG interests and preferences into the advisory process – Provide ESG reporting at portfolio level to identify climate-related risks and opportunities that can lead to investment proposals

While certain physical and transition risks are already evident, the impacts of climate change and new issues could emerge over differing time horizons and are likely to intensify over time.

Conventional capital and strategic planning horizons are generally aligned to three-year forecasts. Conversely, many physical climate risks are expected to increase in materiality over a much longer horizon.

Climate-related risks can have wide-ranging impacts in terms of affected sectors and geographies. EFG considers the unique characteristics of such risks, including the impact on its financial, capital and liquidity targets and potential interactions between physical and transition risks. We are further assessing the impact of all these risks and opportunities on an ongoing basis.

Resilience of our organisation's strategy, taking into consideration different climate-related scenarios, including a 2 °C or lower scenario.

The assessment of long-term resilience to climate-related scenarios is a challenging exercise for any company. EFG is currently building the necessary capacity to test various scenarios and to conduct stress tests aimed at assessing its climate-related resilience. We are confident that we will be able to provide more specific input in future TCFD reports.

Going forward, climate-related scenario analysis and stress tests will allow EFG to analyse how various combinations of climate-related risks, both transition and physical risks, may affect its business, strategies and financial performance over time.

EFG offers private banking and asset management services. EFG serves clients in approximately 40 locations across Europe, Asia Pacific, the Americas and the Middle East. Its business model and geographic footprint lead to a low exposure to clients and sectors with higher climate-related risks. EFG's continuous efforts to incorporate climate-related risk assessments and mitigation into risk management processes and strategy, as well as initiatives to reduce its exposure and emissions, will further strengthen its natural resilience to climate change impacts.

EFG integrates the most significant risks into its business and capital planning process to ensure it is sufficiently resilient to stress and shocks.

On the investment side, EFGAM, with its proprietary ESG-rating methodology known as the "Global Responsibility Investment Platform" (GRIP), is building up capacity to check data and develop scenarios to complement existing stress tests, such as those of the Bank of England and the Paris Agreement Capital Transition Assessment (PACTA) tool.

With the support of EFGAM, EFG has started to assess the exposure of countries and companies to ESG and CO_2 risks using proprietary data and other sources such as the Global Footprint Network or the Notre Dame-Global Adaptation Index (ND-GAIN), which summarises the vulnerability of countries to climate change and their readiness to implement adaptation solutions. A proprietary model has been built to forecast companies' future emissions and to assess to what extent they are aligned with the objectives of the Paris Agreement.

Based on existing investment analysis models, EFGAM aims to develop new tools to improve its capacity and to model climate scenarios based on different assumptions.

EFGAM engages with investee companies to encourage them to make improvements with respect to several ESG issues, including climate change, for which EFGAM deploys a climate voting policy.

For further details:

- Sustainability Report 2022 See pages 35 – 36
- EFGAM Engagement Report See page 8

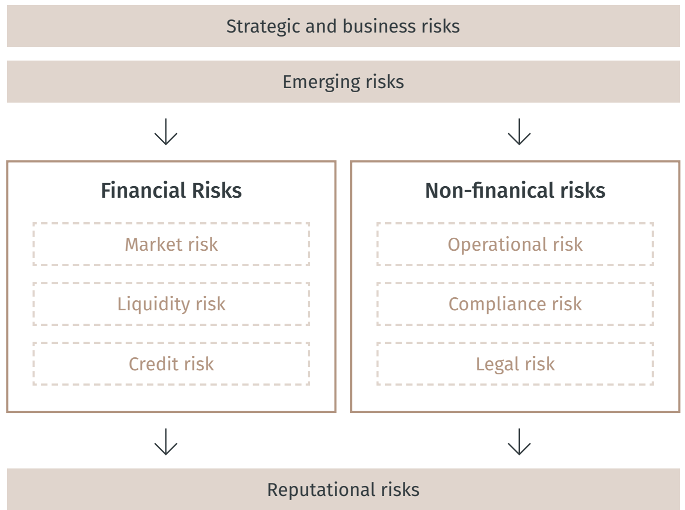
Risk management

Our organisation's processes for identifying and assessing climate-related risks.

EFG's risk categories are defined in the risk taxonomy included in the risk management framework and are described in the related risk policies and general directives. EFG's risk categories establish a common denominator for risks across EFG and thereby enable alignment across business units, geographies and functions.

Our organisation's processes for managing climate-related risks.

EFG considers climate-related risks to be factors that cut across existing risk categories, as outlined by FINMA. They may affect the existing risk categories already covered in EFG's risk management framework (i.e. credit risk, operational risk, reputation risk, market risk, business risk and liquidity risk).



How we integrate processes for identifying, assessing and managing climate-related risks into the organisation's overall risk management.

For further details:

Annual Report 2022
See section "5.1 Risk governance" from page 103 onwards

The below table shows **the financial risk** categories that are affected by and linked to climate-related factors.

Risk family	Risk category	Definition	Portfolios/activities
Financial risk	Market risk	Climate-related drivers may have a significant impact on the value of financial assets. Specifically, physical and transition risks can alter or reveal new information about future economic conditions or the value of real or financial assets, resulting in downward price shocks and an increase in market volatility in traded assets. The market risk could be direct (i.e. own nostro positions) or indirect through client positions (see business risk) or in client collateral (see credit risk).	– Financial investments book – Trading book
	Liquidity risk	Climate-related drivers may impact banks' liquidity risk directly, through their ability to raise funds or liquidate assets, or indirectly through client demands for liquidity. Climate-related factors can lead to asset liquidity risk (e.g. loss in value of liquidity reserve financial instruments), together with funding liquidity risk (e.g. deposits withdrawals), generated by a change in clients' preferences or reputational damages.	– Client funding – Financial investments book – Trading book
	Credit risk	Climate risk drivers can impact clients, corporate or sovereign income and/or wealth. Physical and transition risk drivers increase the bank's credit risk as soon as they have a negative effect on a borrower's ability to repay and to service debt (the income effect) or on the bank's ability to fully recover the value of a loan in the event of default because the value of any pledged collateral or recoverable value has been reduced (the wealth effect). The bank is exposed to credit risk in two principal portfolios: loans and mortgages.	– Lombard loans – Commercial loans – Mortgages
	Business risk	In addition of the risk on the bank's own investments, climate-related factors could also impact client investments (e.g. transition risk) and therefore the bank's revenues (e.g. decrease in value of Assets under Management impacting fee and commission revenues).	Assets under Management: – Execution only – Advisory – Discretionary

The below table describes the **non-financial risk** categories that are affected by and linked to climate-related factors.

Risk family	Risk category	Definition	Portfolios/activities
Non-financial risk	Operational risk	For climate risk, physical hazards can disrupt business continuity by negatively impacting the bank's infrastructure, systems, processes and employees.	– Own buildings – Leased buildings – Operations
	Compliance risk	EFG may be exposed to increasing compliance risk (financial crime and conduct risk), as well as legal, litigation and liability costs associated with climate-related aspects. Greenwashing is the practice of marketing a company or financial product, for example, so it appears more environmentally friendly or more ecological (more natural, recyclable, or less wasteful of natural resources) when in practice its activities pollute the environment.	Overall bank activities
	Legal risk	Climate-related lawsuits could target the bank due to its past environmental conduct, resulting in increased reputational risk. Indirect reputational risks may also arise when providing financing for companies or activities that are held responsible for negative climate impacts.	Overall bank activities

For further details:

▸ EFGAM's approach to ESG integration on Responsible investing

For example, climate-related financial risks in key EFG portfolios are monitored by Group Risk Control through specific dashboards that allow it to assess the main exposures and to monitor key risk indicators in terms of business risk (Assets under Management), credit risk (Lombard loans), market risk and liquidity risk (own investments).

At EFG, stress tests are an integral part of the capital planning process, allowing it to identify potential impacts on revenues, capital and liquidity affecting profit and loss as well as balance sheet positions. Material risks to be considered in specific stress-scenarios are estimated through the top risk assessment process. Climate risks are integrated in the top risk assessment process, alongside other risks.

The scope of the top risk assessment is to identify the principal risks that EFG is potentially exposed to when pursuing its strategic objectives and to avoid risk coverage gaps in the annual capital planning process.

In addition, EFGAM uses a proprietary process to assess the impact of ESG risks in general, and climate risks in particular. Specifically, EFGAM is committed to managing its Assets under Management with a dedicated ESG focus through a controlled and structured investment process, using ESG criteria to produce ratings that also include the GHG profiles of individual companies.

For its dedicated approach to climate risk management, EFGAM regularly reviews selected New Capital funds and model portfolios to monitor their carbon footprint and check for coal-related investments.

Metrics and targets

Metrics used by our organisation to assess climate-related risks and opportunities in line with our strategy and risk management process.

EFG is currently in the process of building up capacity in its operations to define suitable metrics to assess our climate-related risks and opportunities.

In addition, in line with regulatory requirements, EFG is monitoring a set of climate-related risk metrics at single portfolio and Group entity level.

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

In 2022, EFG systematically requested environmental data from 42 locations around the globe to transparently report on its energy consumption for the first time.

EFG measured Scope 1, 2 and 3 emissions in its operations according to guidelines issued by the GHG Protocol:

- Scope 1 emissions are generated using combustibles in the company's own heating systems.
- Scope 2 emissions are generated by the production of electricity and district heat that EFG obtains from third parties.
- Scope 3 emissions are all other indirect emissions that occur in EFG's value chain. In this Report, EFG only discloses emissions occurring from business travel activities. We have received data from 29 of our 42 locations, corresponding to 90% of overall floor area.

Energy consumption in MWh[1]	**17,186**
Electricity	**13,069**
Electricity	13,069
Heating	**4,117**
Heating oil	841
Natural gas	2,372
District heat[6]	904

Energy consumption in kWh per FTE[2]	**5,945**
GHG emissions in tons of CO_2e	**9,569**
Scope 1[3]	**698**
Fossil fuels	698
Scope 2[4]	**2,556**
Electricity	2,402
District heat[6]	154
Scope 3[5]	**6,314**
Business travel[7]	6,314

[1] The energy consumption data covers 36 out of 42 locations, corresponding to a total of 104,195 m² (95% of the overall floor area).
[2] Excludes headcount and energy consumption of Shaw & Partners (Australia).
[3] Scope 1 emissions are generated using combustibles in the company's own heating systems.
[4] Scope 2 emissions are generated by the production of electricity and district heat that EFG obtains from third parties.
[5] Scope 3 emissions are all other indirect emissions that occur in EFG's value chain. In this Report, EFG only discloses emissions occurring from business travel activities. We have received data from 29 of our 42 locations, corresponding to 90% of the overall floor area.
[6] Data covers our Geneva offices in Switzerland.
[7] Emissions from business travel activities are calculated on a spend-based method (Quantis Scope 3 evaluator).
Note: The emission conversion factors used are based on DEFRA (2022) and IEA (2022). Scope 2 data is calculated using a location-based method.

For further details:

▸ Sustainability Report 2022
See key environmental indicators on page 52

Targets used by our organisation to manage climate-related risks and opportunities and performance against targets.

EFG is committed to supporting the Paris Agreement and its goal of limiting the rise in global temperatures to within 2 °C above pre-industrial levels, with the aim of achieving a rise of no more than 1.5 °C. To meet this target, EFG aims to achieve a 50% reduction in its GHG emissions by 2030 and to reach net zero by 2050 in its operations and in treasury, in line with to the Net Zero Asset Managers Initiative.

In the coming years, we plan to further enhance the assessment of our environmental footprint and to identify opportunities that EFG can capture as a firm and as an asset allocator, as described in the Strategy section under point b) above.