

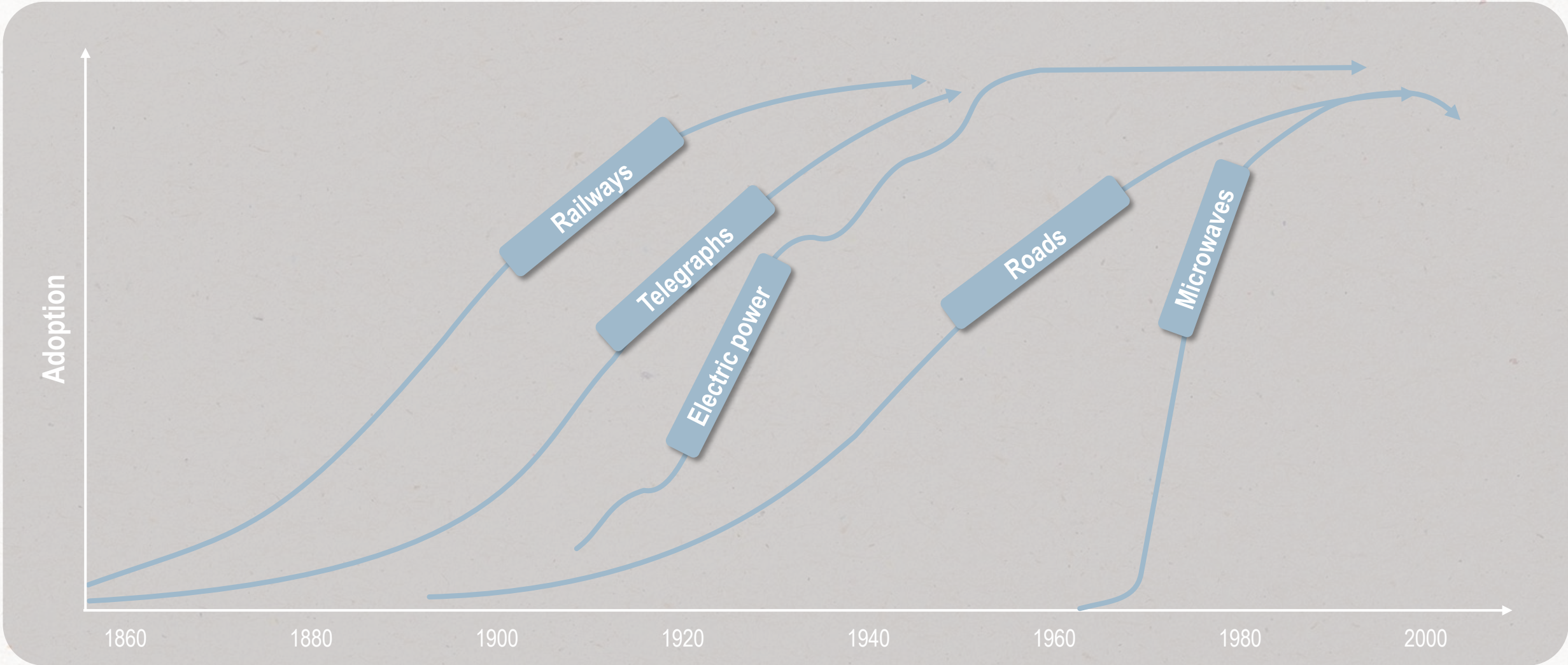


LOMBARD ODIER
INVESTMENT MANAGERS

Sustainability as an Investment Conviction

27 September 2023

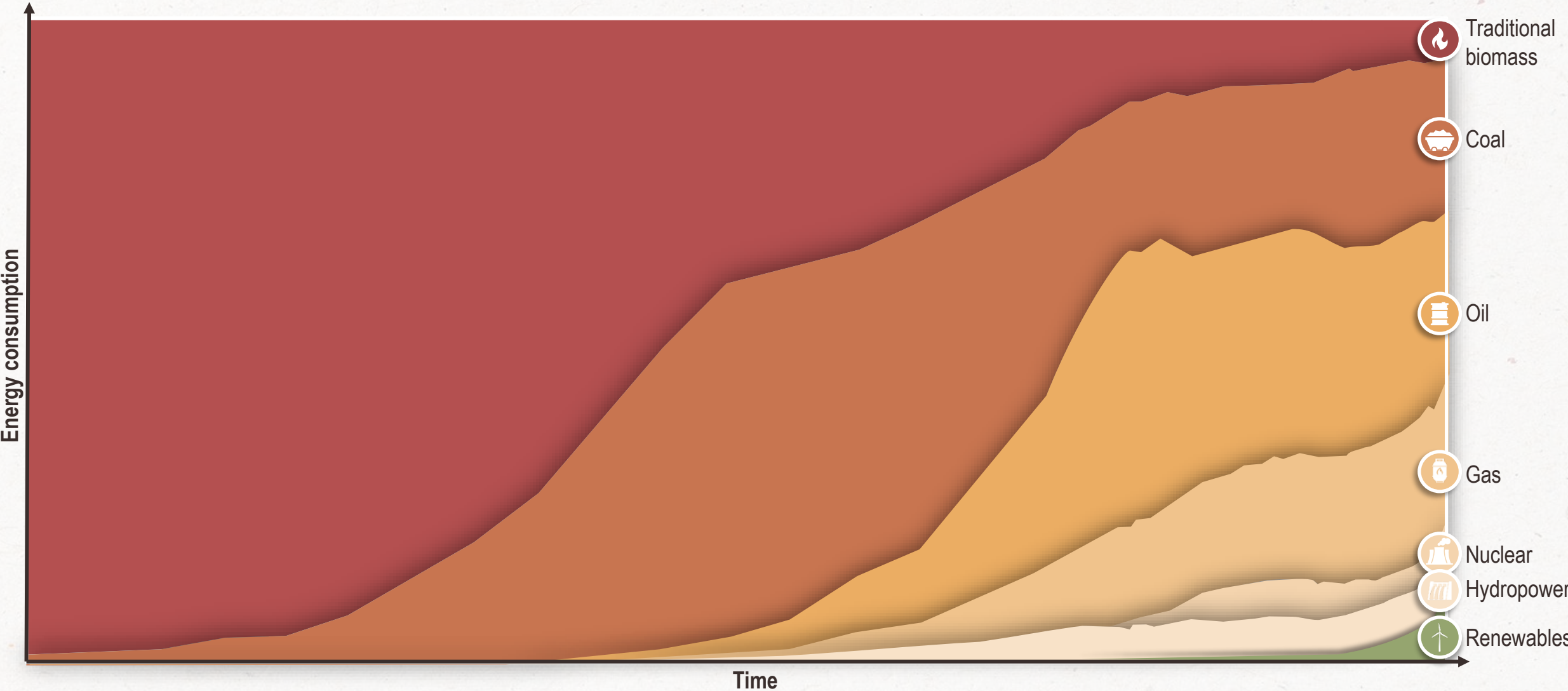
The shape of past transitions



Sources: SYSTEMIQ

1 · Lombard Odier Investment Managers · Please read important information at the end of the document.

Many past energy revolutions



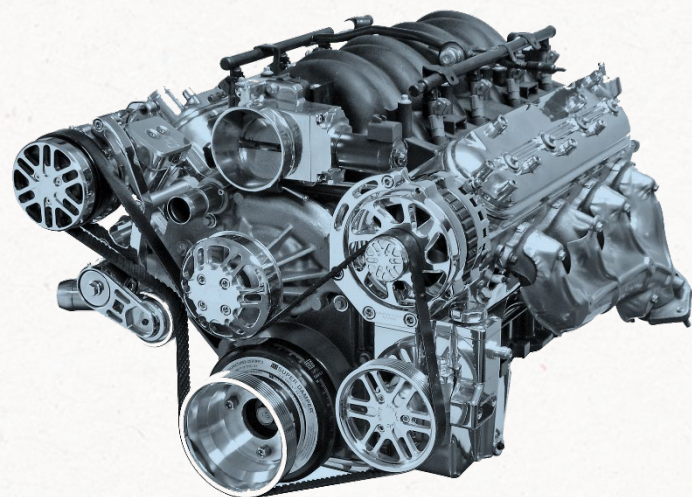
Source: LOIM Research based on Our World in Data (2021), Vaclav Smil (2017) and BP Statistical Review of World Energy. . For illustrative purposes only.

Superior functionality

FUNCTIONALITY AFFORDABILITY ACCESSIBILITY

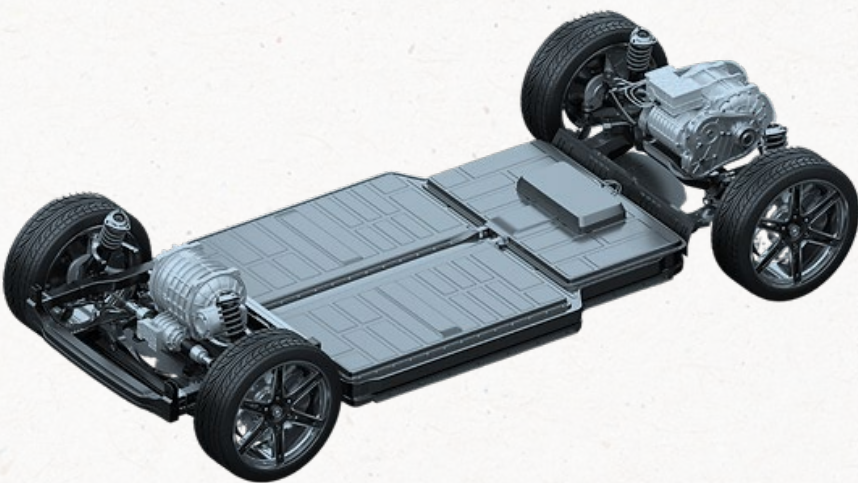
TRADITIONAL VEHICLE

ENERGY EFFICIENCY



ELECTRIC VEHICLE

ENERGY EFFICIENCY

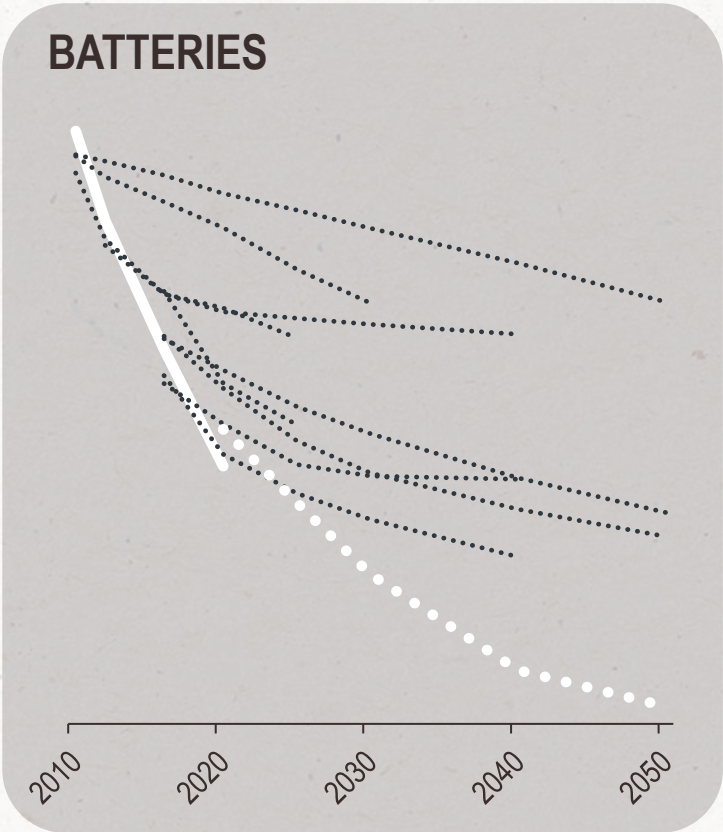
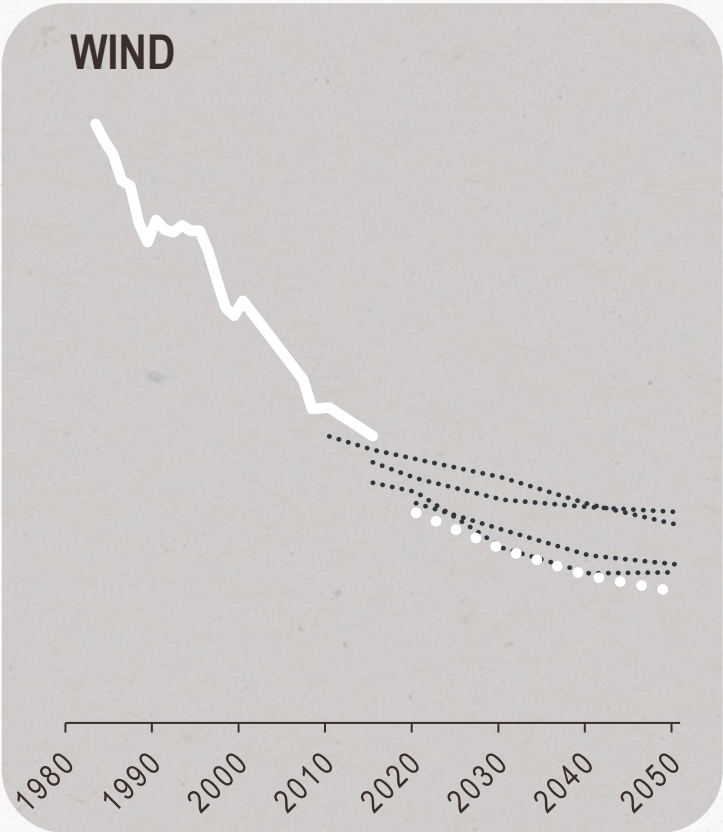
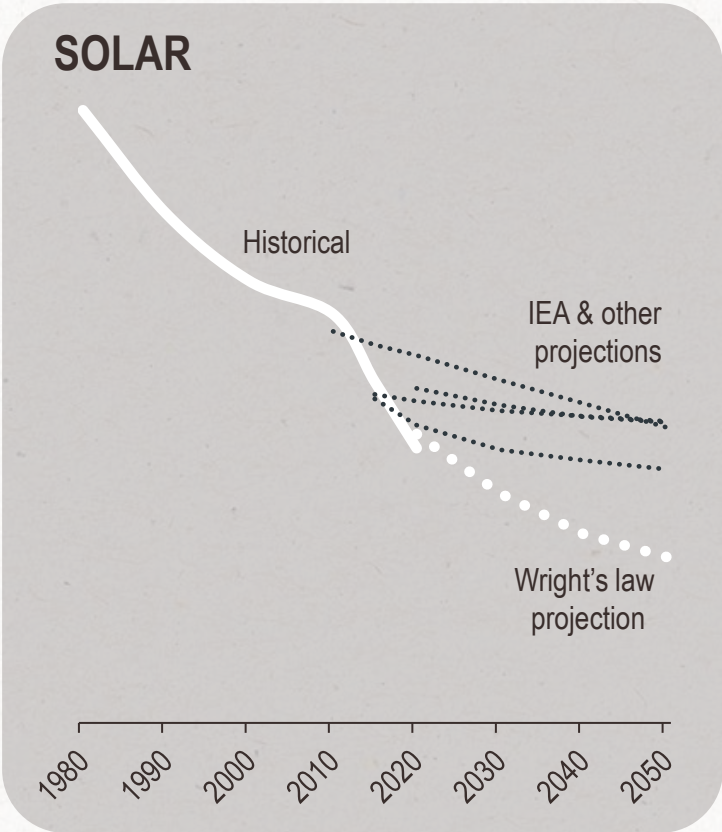


Source: «Rewarding renewable efficiency: The energy efficiency of charging Electric Vehicles with renewable electricity must be rewarded in the RED», Transport&Environment

Plummeting costs

FUNCTIONALITY AFFORDABILITY ACCESSIBILITY

COST TRENDS OF ENERGY SOURCES

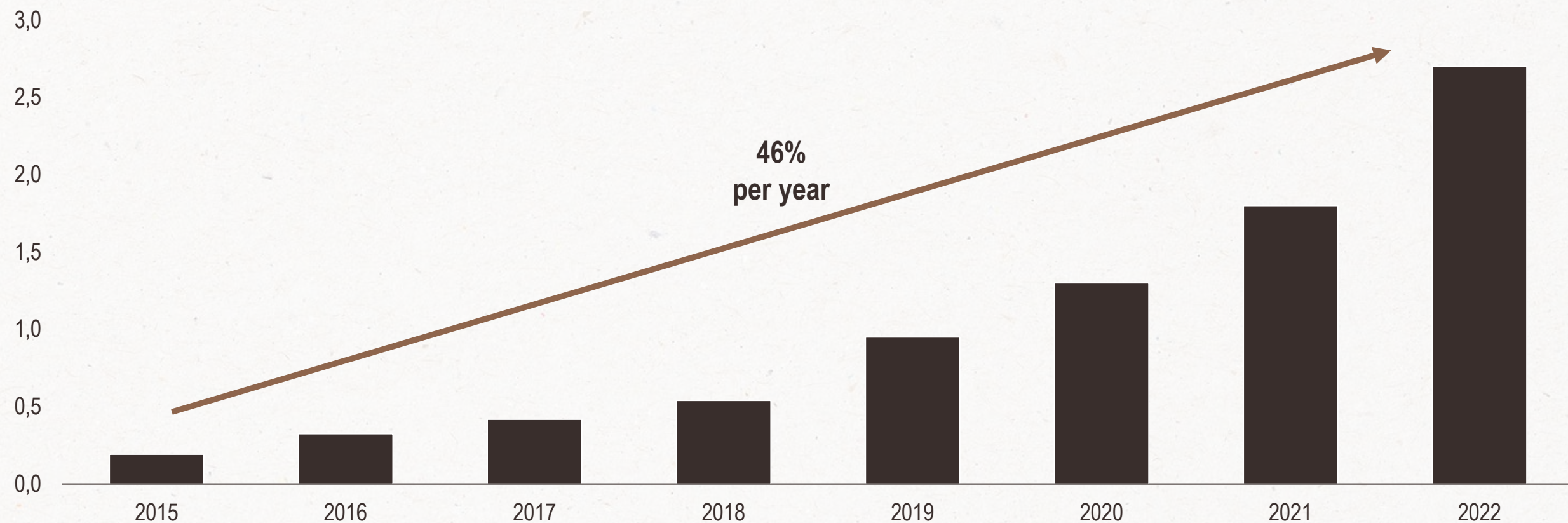


Source: Research; INET Oxford / Way, et al (2021) for solar and batteries. For illustrative purposes only.

Plummeting costs

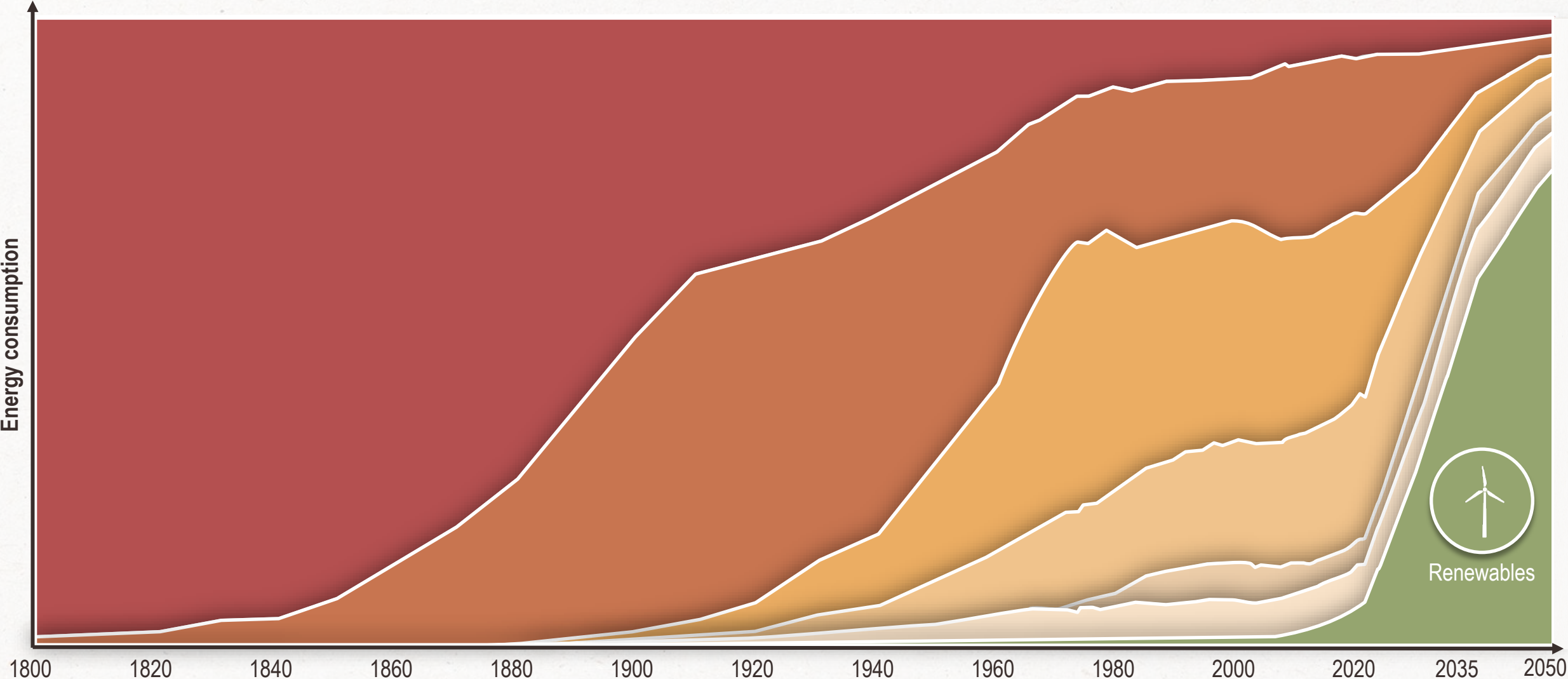
FUNCTIONALITY AFFORDABILITY **ACCESSIBILITY**

NUMBER OF EV CHARGING POINTS (MILLION)



Source: Research; INET Oxford / Way, et al (2021) for solar and batteries. For illustrative purposes only.

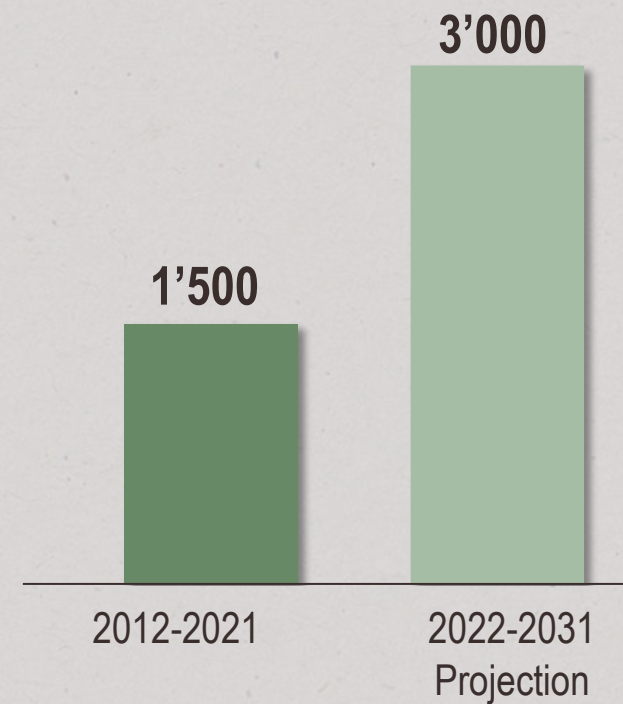
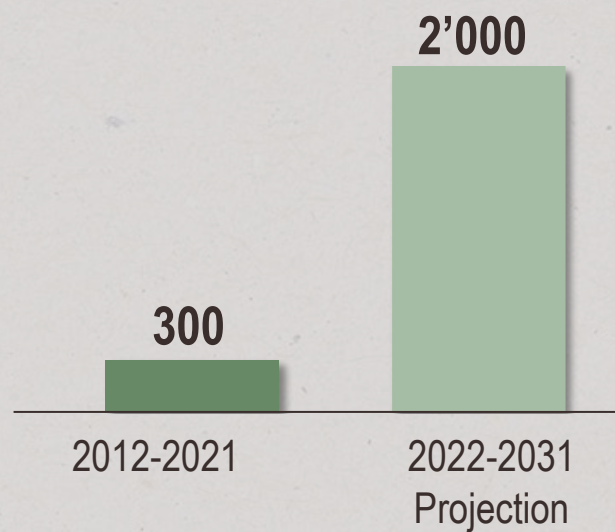
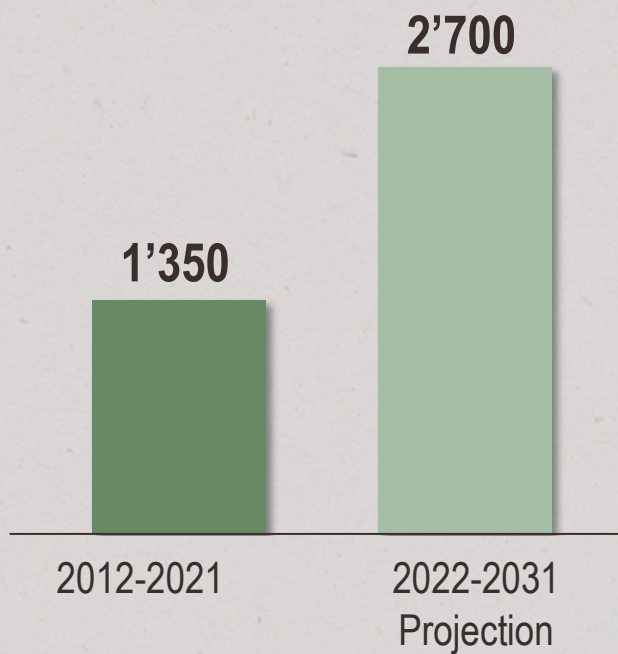
A new energy revolution



Source: LOIM Research based on Our World in Data (2021), Vaclav Smil (2017) and BP Statistical Review of World Energy. . For illustrative purposes only.

Policy action

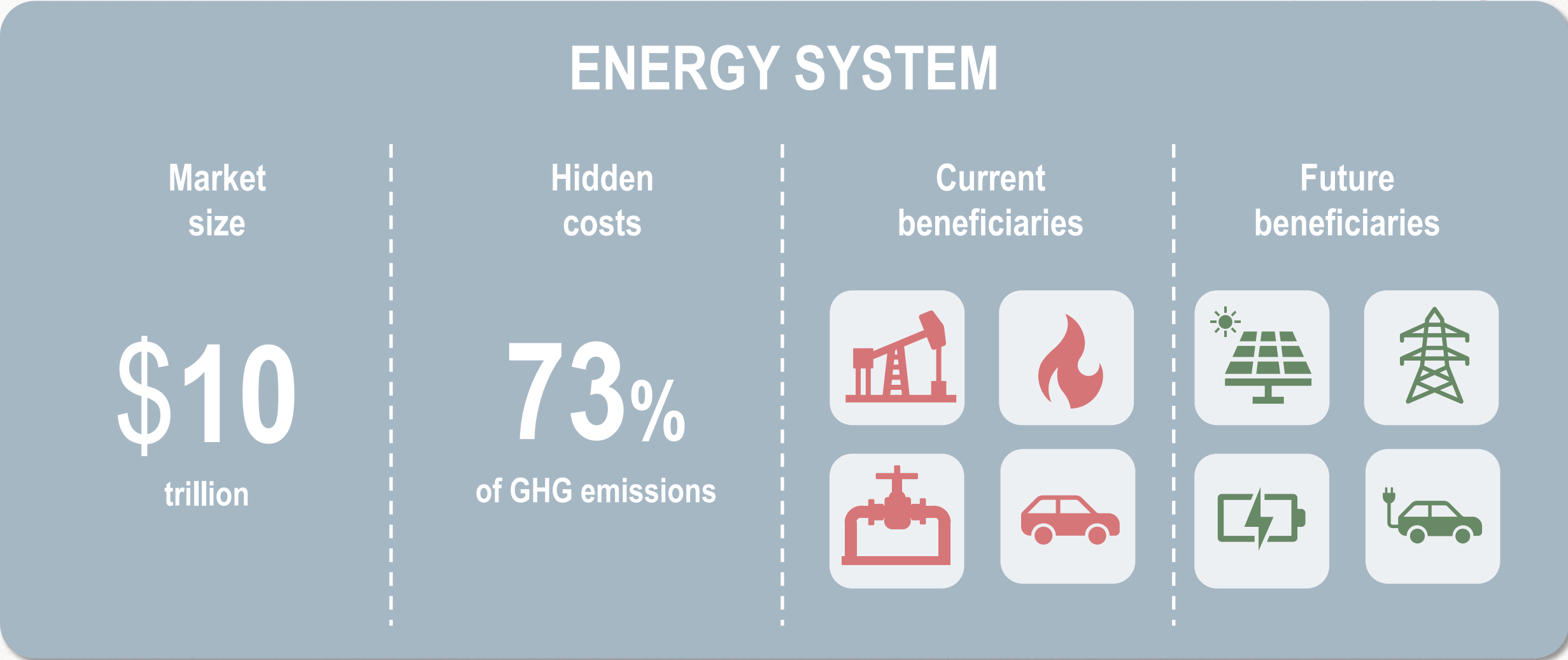
Public spending, USD bn



Note: 2022-2031 figures assume that China will keep pace with EU; average annual figures in EU by 2027 extrapolated by 2031, extrapolating approach also used for gaps in historical figures.

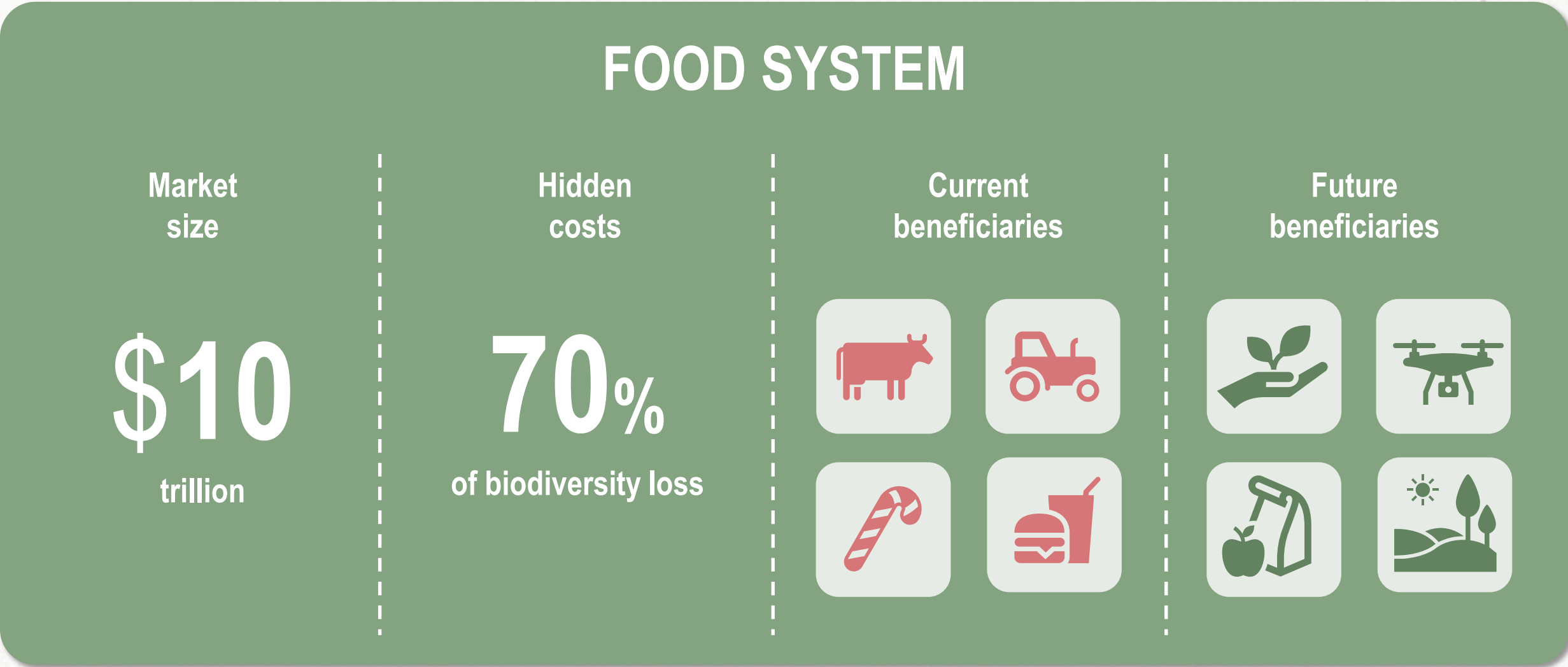
Source: Bruegel, IEA, European Commission, Climate Policy Initiative, White House, RMI, Bloomberg; LOIM Research. For illustrative purposes only.

The transition will shift massive profit pools



Sources: LOIM research; IEA; Climate Watch and World Resources Institute. For illustrative purposes only.

The transition will shift massive profit pools



Sources: LOIM research; World Bank; World Wildlife Fund. For illustrative purposes only.

The transition will shift massive profit pools

MATERIAL SYSTEM

Market
size

\$5
trillion

One of many
hidden costs

2.1 bn
Tonnes of waste

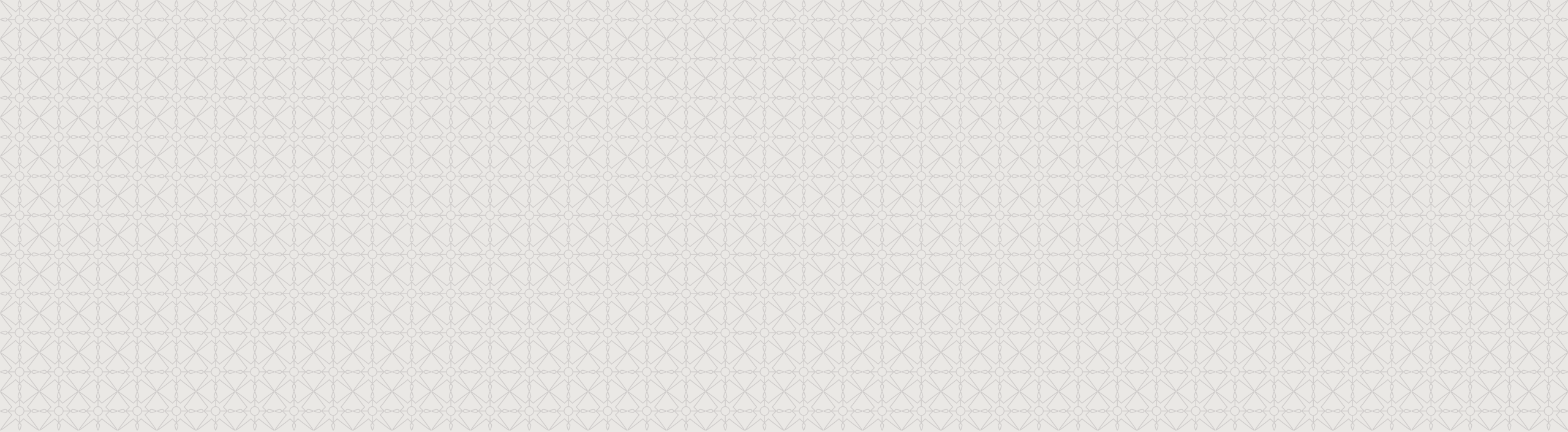
Current
beneficiaries



Transition
beneficiaries

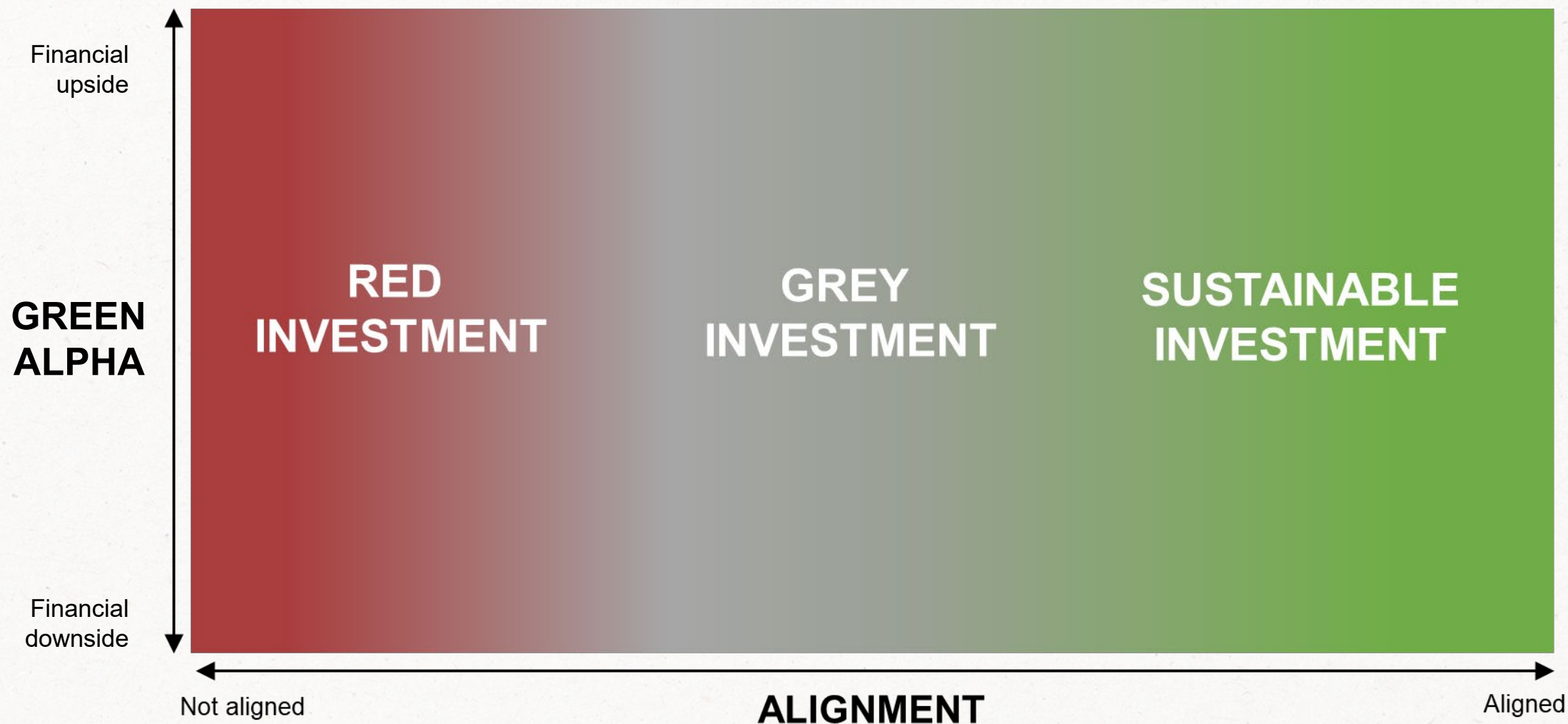


Sources: LOIM research; World Bank (What a Waste 2.0); Verisk Maplecroft. For illustrative purposes only.



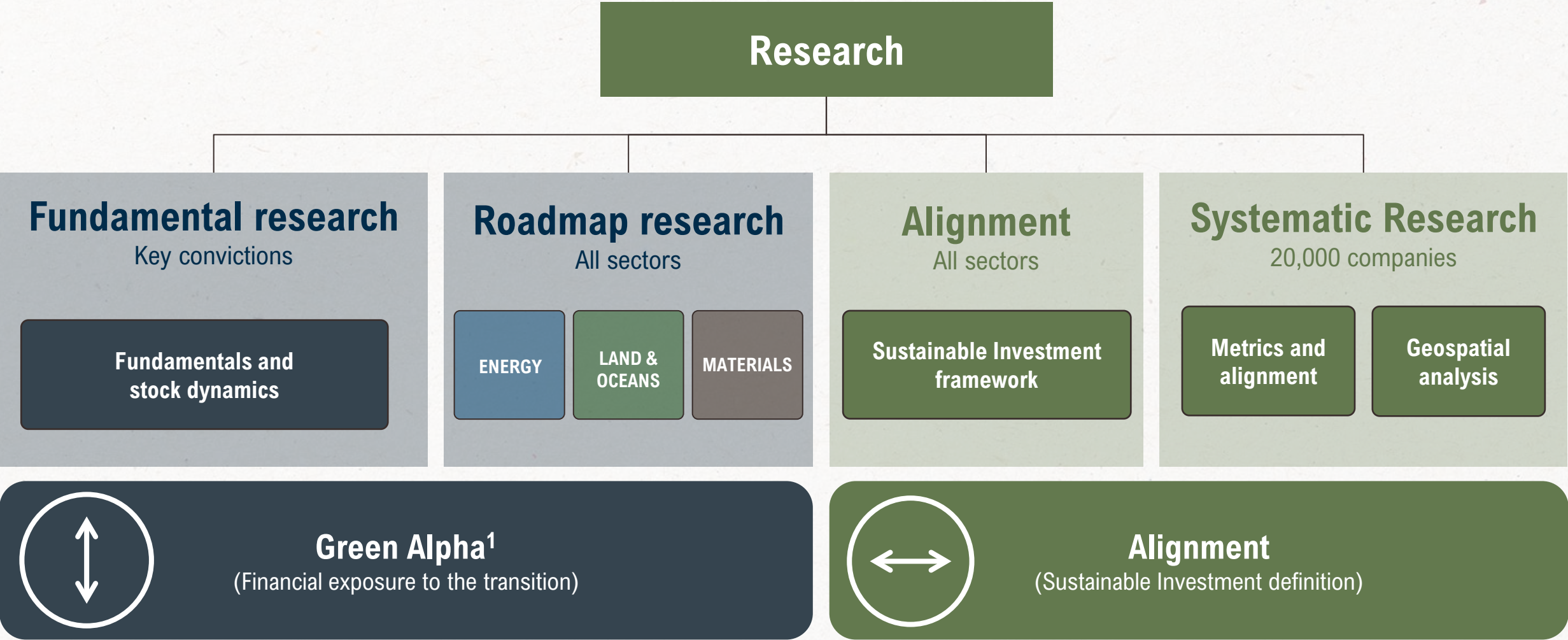
Two key questions

A two-dimensional framework: Alignment and green alpha



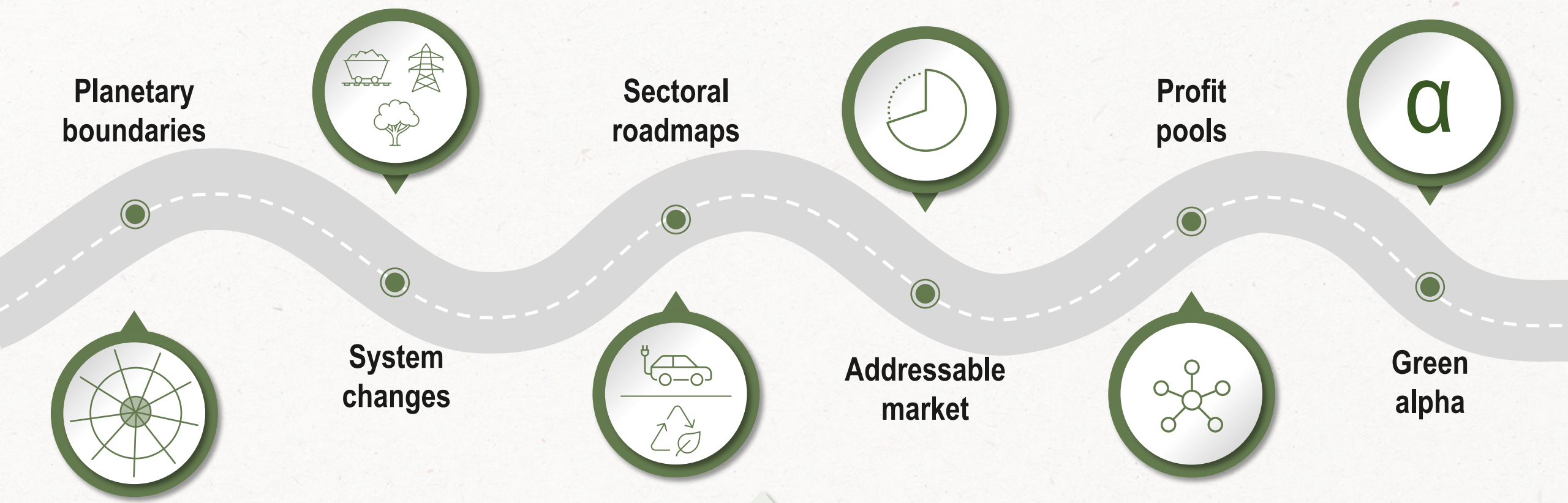
Sources: LOIM. For illustrative purposes only. We refer to "Green Alpha" where companies are likely to perform better financially in an environmentally-aligned scenario, compared to consensus. To assess green alpha, we assess market tipping points linked to emerging regulation, cost-down curves, and the pricing in of environmental externalities. Based on this analysis, we aim to describe, quantitatively or qualitatively, total addressable market (TAM) potential. Where companies are exposed to TAMs that are likely materially in excess of market consensus, we consider such companies to be exposed to green alpha. Although we believe there are investable opportunities related to these transitions, there can therefore be no guarantee of excess performance.

Contribution of research team to the two dimensions



Source: LOIM. For illustrative purposes only. ¹ We refer to “Green Alpha” where companies are likely to perform better financially in an environmentally-aligned scenario, compared to consensus. To assess green alpha, we assess market tipping points linked to emerging regulation, cost-down curves, and the pricing in of environmental externalities. Based on this analysis, we aim to describe, quantitatively or qualitatively, total addressable market (TAM) potential. Where companies are exposed to TAMs that are likely materially in excess of market consensus, we consider such companies to be exposed to green alpha. Although we believe there are investable opportunities related to these transitions, there can therefore be no guarantee of excess performance.

Roadmap research: Understanding the shape of the economy to 2030













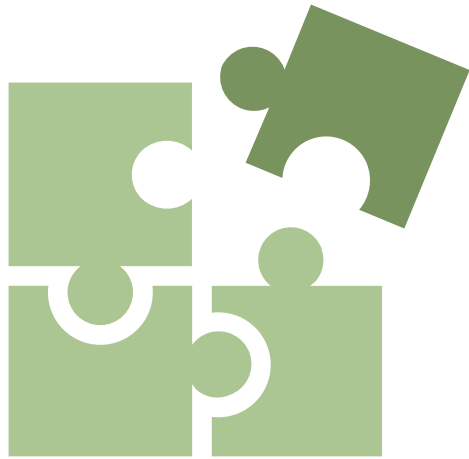






Source: LOIM. For illustrative purposes only. We refer to “Green Alpha” where companies are likely to perform better financially in an environmentally-aligned scenario, compared to consensus. To assess green alpha, we assess market tipping points linked to emerging regulation, cost-down curves, and the pricing in of environmental externalities. Based on this analysis, we aim to describe, quantitatively or qualitatively, total addressable market (TAM) potential. Where companies are exposed to TAMs that are likely materially in excess of market consensus, we consider such companies to be exposed to green alpha. Although we believe there are investable opportunities related to these transitions, there can therefore be no guarantee of excess performance.

Alignment: Three tests to a sustainable investment



**The contribution
test**



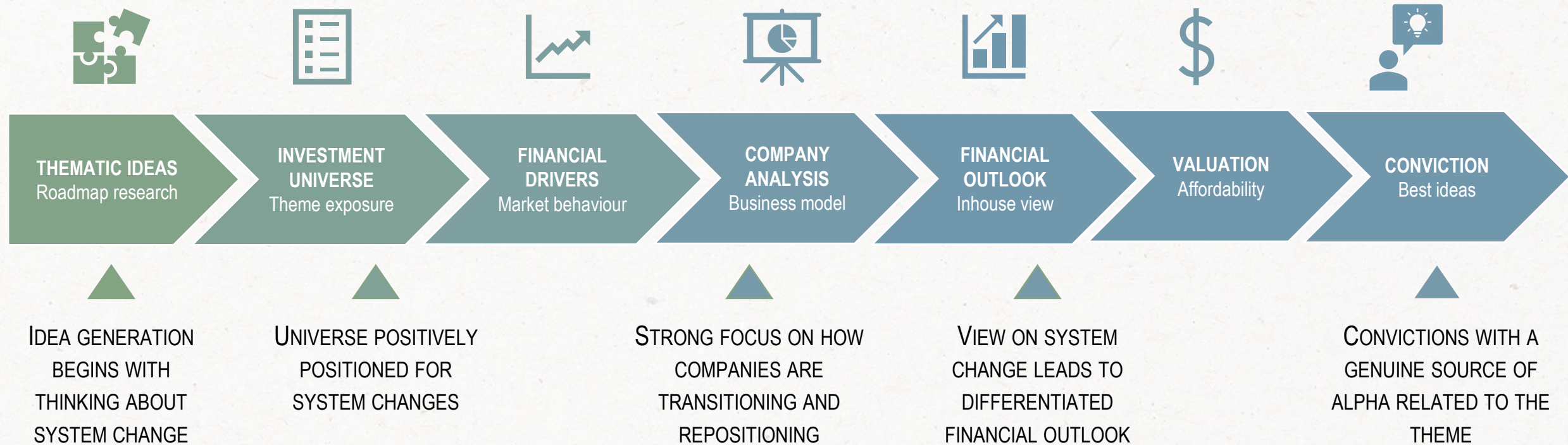
**The do no
significant harm test**



**The robust
governance test**

Source: LOIM. For illustrative purposes only.

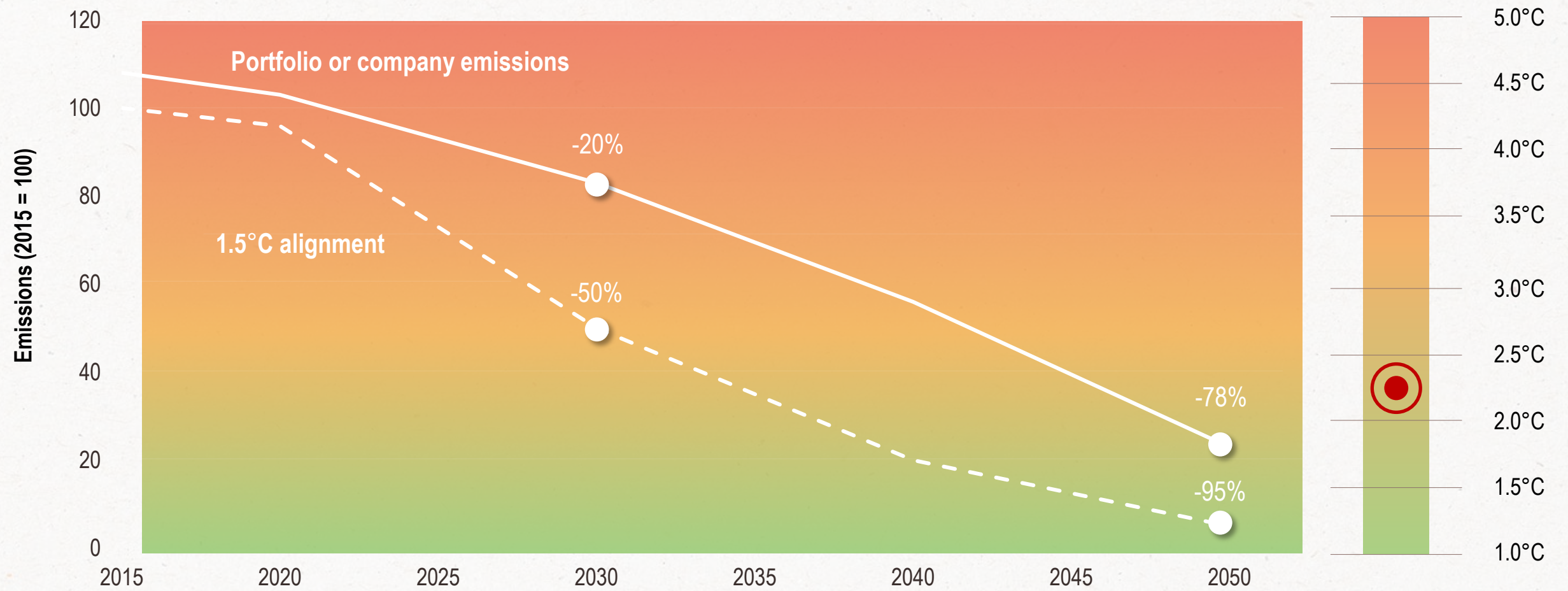
High-conviction, fundamental approaches to understanding system change



Sources: Lombard Odier roadmap research. For illustrative purposes only.

Systematic, low tracking error approaches to decarbonisation

Implied Temperature Rise



Source: LOIM. For illustrative purposes only.

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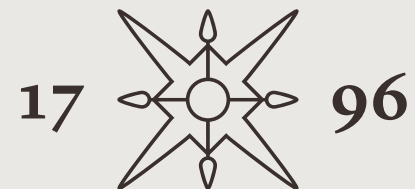
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