CLIMATE TRANSPARENCY REPORT 2020

Lombard Odier

PRI Principles for Responsible Investment

About the Climate-related Disclosure Indicators

Climate has been identified as a top priority for PRI signatories, with over 70% of asset owners reporting this as the most important long-term trend they are acting on.

The FSB Task Force's guidance on climate-related financial disclosure aim to create a single framework for disclosure on assessment and management of climate-related risk. The recommendations, supported by investors representing US$22 trillion, identify four main disclosures, Governance, Strategy, Risk Management, Metrics and Targets, and include specific guidance for asset owners and managers.

As a result, the PRI introduced climate-related disclosure indicators that can be used to align with the TCFD recommendations in the 2020 PRI Reporting Framework.

About this report

This report is an export of only the climate-related indicators from the 2020 Reporting Framework response. The full Public Transparency Report is available here (https://reporting.unpri.org/surveys/PRI-reporting-framework-2020/-3C3D66F8-9A25-4FC4-AD55-E72A7F5BEF3B/79894dbc337a40828d895f9402aa63de/html/2/?lang=en&a=1). It shows the responses to all the completed climate indicators, even those you chose to keep private. It is designed for your internal review or – if you wish - to share with your stakeholders.

The PRI will not publish this report on its website if you have designated your 2020 climate reporting as "private". Otherwise, you will be able to access the Climate Transparency Report of your organisation and that of other signatories on the PRI website and on the Data Portal.

To easily locate information, there is a **Recommendation index** which summarises the indicators that signatories complete and disclose. The report presents information exactly as it was reported as per signatory preference. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory are presented in this report.

TCFD Recommendations Index

Strategy and Governance - CC			TCFD Recommendation			
Indicator	Reported	Disclosure	Governance	Strategy	Risk Management	Metrics & Targets
SG 01.6 CC	✓	Public				
SG 01.7 CC	✓	Public				
SG 01.8 CC	✓	Public				
SG 01.9 CC	✓	Public				
SG 01.10 CC	✓	Public				
SG 07.5 CC	✓	Public				
SG 07.6 CC	✓	Public				
SG 07.7 CC	✓	Public				
SG 07.8 CC	✓	Public				
SG 13.1	✓	Public				
SG 13.2	✓	Public				
SG 13.4 CC	✓	Public				
SG 13.5 CC	✓	Public				
SG 13.6 CC	✓	Public				
SG 13.7 CC	✓	Public				
SG 13.8 CC	✓	Public				
SG 14.1	✓	Public				
SG 14.2	✓	Public				
SG 14.3	✓	Public				
SG 14.6 CC	✓	Public				
SG 14.7 CC	-	Public				
SG 14.8 CC	✓	Public				
SG 14.9 CC	✓	Public				
SG 15.1	✓	Public				
SG 15.2	✓	Public				
SG 15.3	✓	Public				

Symbol	Status
✓	The signatory has completed this sub-indicator
-	The signatory did not complete this sub-indicator.
	This indicator is relevant to the named TCFD recommendation

Within the first column "Indicator", indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.

PRI Principles for Responsible Investment

ORGANISATIONAL OVERVIEW

This section provides an overview of your organisation. These characteristics are used to define your peer groups.

MAIN CHARACTERISTICS	
Name	Lombard Odier
Signatory Category	Other
Signatory Type	Investment Manager
Size	US$ > 50 billion AUM
Main Asset Class	Multi-Asset
Signed PRI Initiative	2007
Region	Europe
Country	Switzerland
Disclosure of Voluntary Indicators	75% from 38 Voluntary indicators

Lombard Odier

Reported Information

Public version

Strategy and Governance

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

Investment policy

SG 01	Mandatory	Public	Core Assessed	General

New selection options have been added to this indicator. Please review your prefilled responses carefully.

SG 01.1	Indicate if you have an investment policy that covers your responsible investment approach.

SG 01 CC	Mandatory to Report Voluntary to Disclose	Public	Descriptive	General

SG 01.6 CC	Indicate whether your organisation has identified transition and physical climate-related risks and opportunities and factored this into the investment strategies and products, within the organisation's investment time horizon.

◉ Yes

	Describe the identified transition and physical climate-related risks and opportunities and how they have been factored into the investment strategies/products.

We recognise and assess the importance of physical, transitional as well as reputational and liability risks of climate change, as part of our broader assessment of the sustainability framework related to climate change mitigation and adaptation, zero emissions, zero waste and resilient society. We assess the exposure to these risks (and opportunities) at an industry level, and our analysts look at susceptibility to these transitions at a company level. We have completed a materiality analysis, assessing the financial materiality of physical, transitional and reputational risks to 160+ individual industries.

With respect to physical risks, using proprietary geospatial analysis, we assess exposure to risks of flooding, droughts, cyclones, extreme weather, wildfires and non-weather related catastrophic events.

With respect to transitional risks, our assessment includes a review of risks related to the mitigation of greenhouse gas emissions, resource efficiency, waste reduction and the need to live within nature's planetary boundaries. Our conclusions have highlighted the exposure of individual industries to these issues. While greenhouse gas emissions are highly material across many industries, we have also identified a number of key industries where other issues, such as mitigation of water scarcity, are equally material (especially in agriculture).

We also believe strongly in the importance of including hard-to-abate transitioning industries when investing in the climate transition as these industries will be vital to future economic growth. We do not shy away from investing in the scale of transition required by these important but carbon-intense sectors.

We believe that there remains insufficient analysis in the market of the differential exposure of individual industries, companies and securities to climate risks and opportunities. Similarly, we believe that there is insufficient analysis of the financial impact, both from a risk as well as from an opportunity perspective, of these transitions. We also believe that the lack of clarity of the policy environment has hampered such analysis. To remedy these gaps in the market, we have invested in our internal analysis of these issues, and are addressing uncertainties through scenario-based, forward-looking judgemental analysis.

In our materiality mapping, we model the exposure of industries to climate change and other megatrends, under 3 different main scenarios:

(1) A business-as-usual scenario, based on current policies

(2) A middle of the road scenario, based on limited improvement in policy ambition (2.6C) with parameters included to adjust this scenario for a "delayed policy response"

(3) A sustainability scenario aligned with the Paris Agreement, based on a temperature increase of 1.8C

The interim conclusions from our materiality analysis highlight that transitional risks increase in the more sustainable, Paris-aligned scenario. Over the longer term, this scenario does, however, feature lower physical risks. In the business-as-usual scenario, transitional costs are lower, but this is offset by the creation of reputational and liability risks, that could pose an existential threat to responsible industries.

○ No

SG 01.7 CC	Indicate whether the organisation has assessed the likelihood and impact of these climate risks?

◉ Yes

	Describe the associated timescales linked to these risks and opportunities.

Short term (1-3 years)

Over the short term, we assess exposure of industries to near-term policy goals, as well as the costs of mitigation and adaptation. Over this timeframe, transitional risks are generally most acute, although reputational risks can materiality affect industries in a sudden and disruptive manner, as has been the case - for instance - in the fast fashion industry. Through our investment strategies, we seek to identify companies that are either offering solutions to the climate crisis, including in renewable energy, but also in industrial and financial sectors, as well as transitioning companies that are embarking on a pathway to lower emissions.

Medium term (3-5 years)

Over the medium term, we believe transitional risks become increasingly contingent on different policy scenarios, for which we employ scenario-based analysis to map out the range of potential exposure. We also, through company-level analysis and engagement, assess company strategies and internal goals, which may exceed policy goals in some best-in-class cases. We believe physical risks will continue to increase even over this timeframe, as the economic costs related to extreme weather has continued to follow an upwards trend.

Long term (5-10 years)

Over this timeframe, we believe a number of industries may experience profound change. Market forces are shifting the competitiveness of different industries, such as the rise of renewable energy at the expense of coal and other fossil fuels. Over this timeframe, innovation also becomes a clear driver of disruption, as seen for instance in the mobility space, with the advent of electric vehicles. Finally, over this timeframe we believe behavioural change among consumers becomes a significant factor, for instance as regards dietary habits and preference for more sustainable lifestyles.

Very long term (10-30 years)

Over this timeframe, we believe a number of the adverse consequences of climate change become increasingly noticeable and directly material. This includes impact on physical risk, crop yields and agricultural productivity, the loss of biodiversity, and loss of labour productivity, among others. The adverse consequences of these risks outweighs, in our view, the cost that would be involved with implementing more ambitious, mitigating policies.

While we identify the variations in risk exposure of each industry under each of these scenarios, in our planning, we continue to maintain the Paris-aligned scenario as our baseline and preferred scenario, and the one that we aim to strive towards as a firm, through our business practices and investment philosophy.

○ No

SG 01.8 CC	Indicate whether the organisation publicly supports the TCFD?

◉ Yes

○ No

SG 01.9 CC	Indicate whether there is an organisation-wide strategy in place to identify and manage material climate-related risks and opportunities.

◉ Yes

Describe

We have specific policies in place with respect to thermal coal, limiting investment in companies deriving a substantial part of their revenue from thermal coal. We do not apply automatic restrictions to other industries, where we believe companies may be positioned to transition, although where we believe companies have not set out a clear climate strategy, this is likely to have a material impact on our assessment of the investability of these companies.

ESG integration allows us to assess companies' business practices and performance across sectors regarding climate change mitigation (renewable energy use, carbon intensity, environmental policies etc…).

We believe traditional ESG data includes regional biases, and disproportionately favours firms with greater reporting capability and transparency. Moreover, most ESG indicators assess relative performance, compared to a wider industry, rather than assessing absolute progress (for instance towards a net-zero economy) or the industry's sustainability as a whole - as a result of which fossil fuel companies can achieve high scores. Finally, ESG data is generally backward-looking, and includes limited assessment of exposure to forward-looking sustainability challenges. This is why, for our active, high conviction strategies, we believe it is vital to carry out enriched assessment of companies' carbon footprints. Focusing on unadjusted carbon footprinting can be misleading and inconsistent with a net-zero economy. At Lombard Odier, we focus on additionality in how we analyse companies' footprint and embrace carbon-intensive companies that avoid or capture carbon in other parts of the supply chain.

We also believe that stewardship plays a vital role in informing the investment process and enhances the value of clients' assets. We use the Oxford Martin Principles as the guiding framework for our stewardship to ensure companies have understood and incorporated the required global path towards a net-zero economy in their strategy and practices. Our dialogue with companies also informs our investment decision making by seeking disclosure of additionality-based footprint metrics and TCFD-aligned reporting.

We welcome the final recommendations of the Financial Stability Board (FSB) and the Task Force on Climate-related Financial Disclosures (TCFD). We believe it will enhance our ability to understand Climate-related risk and opportunities across sectors, by paving the way for enhanced, consistent and comparable disclosures of the material, decision-useful types of information that we believe to be highly investment relevant. The final recommendations create an important framework for creating the transparency necessary for investors to better analyse material risks and to understand how well companies are positioned for the transition to a low-carbon and climate-resilient economy.

We continue to develop our research and analysis capabilities around climate-related risks and opportunities as well as temperature alignment. One of our key priorities over 2020 will be to integrate this new information into our investment process and ensure our reporting frameworks are fully aligned with the recommendations of the TCFD.

○ No

SG 1.10 CC	Indicate the documents and/or communications the organisation uses to publish TCFD disclosures.

☐ Public PRI Climate Transparency Report

☐ Annual financial filings

☐ Regular client reporting

☐ Member communications

☑ Other

specify

We currently report in line with the TCFD guidelines for some individual clients. During 2020, we plan to expand our TCFD-aligned reporting and transparency.

☐ We currently do not publish TCFD disclosures

Governance and human resources

SG 07 CC	Mandatory to Report Voluntary to Disclose	Public	Descriptive	General

SG 07.5 CC	Indicate the roles in the organisation that have oversight, accountability and/or management responsibilities for climate-related issues.

Board members or trustees

☑ Oversight/accountability for climate-related issues

☐ Assessment and management of climate-related issues

☐ No responsibility for climate-related issues

Chief Executive Officer (CEO), Chief Investment Officer (CIO), Chief Risk Officer (CRO), Investment Committee

☑ Oversight/accountability for climate-related issues

☐ Assessment and management of climate-related issues

☐ No responsibility for climate-related issues

Other Chief-level staff or heads of departments

☑ Oversight/accountability for climate-related issues

☑ Assessment and management of climate-related issues

☐ No responsibility for climate-related issues

Portfolio managers

☐ Oversight/accountability for climate-related issues

☑ Assessment and management of climate-related issues

☐ No responsibility for climate-related issues

Investment analysts

☐ Oversight/accountability for climate-related issues

☑ Assessment and management of climate-related issues

☐ No responsibility for climate-related issues

Dedicated responsible investment staff

☑ Oversight/accountability for climate-related issues

☑ Assessment and management of climate-related issues

☐ No responsibility for climate-related issues

External managers or service providers

☐ Oversight/accountability for climate-related issues

☐ Assessment and management of climate-related issues

☑ No responsibility for climate-related issues

SG 07.6 CC	For board-level roles that have climate-related issue oversight/accountability or implementation responsibilities, indicate how these responsibilities are executed.

At the Lombard Odier Group level, our sustainability philosophy, investment approach, and related policies are overseen by a Sustainability Steering Forum, which meets every two months. This Forum is also responsible for agreeing and reviewing the firm's overall objectives for its responsible investment activities. This Forum is made of senior management representatives from across our business, including members of the Board of Managing Partners.

Our policies relating to sustainability are reviewed at least once a year and may also be updated on an ad-hoc basis as and when required (e.g. by law following a new regulation to transpose or following an internal policy update). All new, amended and retired policies require Board approval.

SG 07.7 CC	For management-level roles that assess and manage climate-related issues, provide further information on the structure and processes involved.

The assessment and management of climate-related issues is included in the same governance, oversight and implementation processes described in SG 07.02.

SG 07.8 CC	Indicate how your organisation engages external investment managers and/or service providers on the TCFD recommendations and their implementation.

☐ Request that external managers and/or service providers incorporate TCFD into mainstream financial filings (annual financial reports, other regulatory reporting or similar)

☐ Request incorporation of TCFD into regular client reporting

☐ Request that external managers complete PRI climate indicator reporting

☐ Request responses to TCFD Fund Manager questions in the PRI Asset Owner Guide

☐ Other

☑ We do not engage with external managers and/or service providers on the TCFD recommendations and their implementation

ESG issues in asset allocation

SG 13	Mandatory	Public	Descriptive	PRI 1

SG 13.1	Indicate whether the organisation carries out scenario analysis and/or modelling, and if it does, provide a description of the scenario analysis (by asset class, sector, strategic asset allocation, etc.).

☑ Yes, in order to assess future ESG factors

	Describe

Our dedicated sustainability teams map the exposure of different sectors and industries to a number of sustainability challenges using a series of scenarios. This is used to provide actionable intelligence on forward-looking risks and opportunities for some investment teams. Expanding this capability is a key priority for 2020.

☑ Yes, in order to assess future climate-related risks and opportunities

	Describe

Our dedicated sustainability teams map the exposure of different sectors and industries to physical and transition climate-related risks &opportunities using a series of scenarios. This is used to provide actionable intelligence for some investment teams. Expanding this capability is a key priority for 2020.

☐ No, our organisation does not currently carry out scenario analysis and/or modelling

SG 13.2	Indicate if your organisation considers ESG issues in strategic asset allocation and/or allocation of assets between sectors or geographic markets.

	We do the following

☐ Allocation between asset classes

☐ Determining fixed income duration

☐ Allocation of assets between geographic markets

☑ Sector weightings

☐ Other, specify

☐ We do not consider ESG issues in strategic asset allocation

SG 13 CC	Mandatory to Report Voluntary to Disclose	Public	Descriptive	General

SG 13.4 CC	Describe how your organisation is using scenario analysis to manage climate-related risks and opportunities, including how the analysis has been interpreted, its results, and any future plans.

☑ Initial assessment

	Describe

In 2019 we started our assessment of scenarios related to climate-related risks. We will expand this analysis dramatically in 2020 and have identified specific scenarios based on a number of scientific studies. Over time we aim to quantify for each individual company its exposure to risk and opportunities at each temperature scenario and will employ stewardship based on the Oxford Martin Principles to analyse company understanding of the pathway to Net-Zero. However, in 2019 we employed detailed ESG and financial analysis to understand company by company exposure to near-term climate-related risks and also judgmental analysis of business models to understand longer-term exposure.

In 2020, we are developing pathways built on our internal proprietary pathways by industry towards net-zero. Our models look across sectors and combine to build detailed scenarios for different pathways of how industries interact with one another on the route towards net-zero. We will use a third-party (SystemIQ) to verify the calculations in our models and scenarios and use these models to reach company-by-company specific exposure to risks and opportunities at a granular level.

☐ Incorporation into investment analysis

☑ Inform active ownership

	Describe

We use scenarios related to climate-related risks to inform active ownership, drawing directly on our scenario analysis to identify best-in-class companies related to both climate adaptation in a climate-damaged world and climate mitigation in a carbon-constrained world. We use our analysis to help with active portfolio construction and we do not shy away from hard-to-abate, carbon intense industries but try to select the companies in these industries that are doing the most to ensure an appropriate transition to a lower carbon world, based on our proprietary climate scenarios.

☐ Other

SG 13.5 CC	Indicate who uses this analysis.

☑ Board members, trustees, C-level roles, Investment Committee

☑ Portfolio managers

☑ Dedicated responsible investment staff

☐ External managers

☐ Investment consultants/actuaries

☐ Other

SG 13.6 CC	Indicate whether your organisation has evaluated the potential impact of climate-related risks, beyond the investment time horizon, on its investment strategy.

◉ Yes

	Describe

In 2019 we started building models and scenarios for climate-related pathways out to 2050. We had previously relied on judgemental analysis of company exposure to climate within investable time-horizons but we are now focused also on longer-term scenarios and how each company is addressing the need to reach net-zero by 2050. Again we will include information gathered from our active engagement and dialogue with companies within our analysis to ensure that we can identify not just those companies making the most 'noise' around net-zero, but also those companies quietly delivering results and with action plans to show how they will progress towards net-zero in the medium and longer-term. We will analyse each company's ability to remain profitable in a net-zero world. Our analysis looks at companies' exposure over the short, medium and long term and we are building fully granular, proprietary models which can be skewed to various temperature scenarios to assess industry and company exposure.
We combine top-down, judgemental analysis of macro challenges relating to climate with bottom-up company analysis of the susceptibility of each business to those challenges and their consciousness of the need to react. We are looking to invest in companies that are already aligned with a net-zero world but also those in carbon-intensive sectors that will remain vital to future economic growth, which need to successfully transition to a lower-carbon world. We believe the necessary climate transition cannot be achieved without these carbon-intense but transitioning industries.

This information is reflective of our asset management activities.

○ No

SG 13.7 CC	Indicate whether a range of climate scenarios is used.

☑ Analysis based on a 2°C or lower scenario

☑ Analysis based on an abrupt transition, consistent with the Inevitable Policy Response

☑ Analysis based on a 4°C or higher scenario

☐ No, a range is not used

SG 13.8 CC	Indicate the climate scenarios your organisation uses.

Provider	Scenario used	
IEA	☑ Beyond 2 Degrees Scenario (B2DS)	
IEA	☑ Energy Technology Perspectives (ETP) 2 Degrees scenario	
IEA	☑ Sustainable Development Scenario (SDS)	
IEA	☑ New Policy Scenario (NPS)	
IEA	☑ Current Policy Scenario (CPS)	
IRENA	☑ RE Map	
Greenpeace	☐ Advanced Energy [R]evolution	
Institute for Sustainable Development	☐ Deep Decarbonisation Pathway Project (DDPP)	
Bloomberg	☑ BNEF reference scenario	
IPCC	☑ Representative Concentration Pathway (RCP) 8.5	
IPCC	☑ RPC 6	
IPCC	☑ RPC 4.5	
IPCC	☑ RPC 2.6	
Other	☑ Other (1)	Other (1) please specify: Stockholm Resilience Center
Other	☑ Other (2)	Other (2) please specify: Bank of England policy scenarios
Other	☑ Other (3)	Other (3) please specify: Lombard Odier internal scenarios

SG 14	Mandatory to Report Voluntary to Disclose	Public	Additional Assessed	PRI 1

SG 14.1	Some investment risks and opportunities arise as a result of long term trends. Indicate which of the following are considered.

☑ Changing demographics

☑ Climate change

☑ Resource scarcity

☑ Technological developments

☑ Other, specify(1)

	other description (1)

Resilient and fair society

☑ Other, specify(2)

	other description (2)

Responsible consumption and production

☐ None of the above

SG 14.2	Indicate which of the following activities you have undertaken to respond to climate change risk and opportunity

☐ Established a climate change sensitive or climate change integrated asset allocation strategy

☑ Targeted low carbon or climate resilient investments

	Specify the AUM invested in low carbon and climate resilient portfolios, funds, strategies or asset classes.

	trillions	billions	millions	thousands	hundreds
Total AUM			410	850	000
Currency	CHF				
Assets in USD			411	735	090

	Specify the framework or taxonomy used.

Specific to Lombard Odier Global Climate Bond strategy.

☐ Phase out your investments in your fossil fuel holdings

☐ Reduced portfolio exposure to emissions intensive or fossil fuel holdings

☑ Used emissions data or analysis to inform investment decision making

☑ Sought climate change integration by companies

☑ Sought climate supportive policy from governments

☐ Other, specify

☐ None of the above

SG 14.3	Indicate which of the following tools the organisation uses to manage climate-related risks and opportunities.

☑ Scenario analysis

☐ Disclosures on emissions risks to clients/trustees/management/beneficiaries

☐ Climate-related targets

☑ Encouraging internal and/or external portfolio managers to monitor emissions risks

☐ Emissions-risk monitoring and reporting are formalised into contracts when appointing managers

☐ Weighted average carbon intensity

☑ Carbon footprint (scope 1 and 2)

☐ Portfolio carbon footprint

☐ Total carbon emissions

☑ Carbon intensity

☐ Exposure to carbon-related assets

☐ Other emissions metrics

☐ Other, specify

☐ None of the above

SG 14.5	Additional information [Optional]

In mapping the investment landscape, we have identified ten sustainability dynamics that we believe will shape risk and return, and corporate success for the next decade:

1. Human development: Keeping up with a growing, changing world
2. Digitalisation: Enabling smarter solutions
3. Zero waste: Embracing re-use, repair and recycling
4. Regenerative nature: Living within nature's boundaries
5. Dematerialisation: Moving to a service-based economy
6. Resource efficiency: Achieving more with less
7. Fair society: Ensuring a just transition
8. Secure society: Navigating social and political turmoil
9. Zero emissions: Achieving the Paris Agreement
10. Adaptive and resilient: Adjusting to environmental change

This information is reflective of our asset management activities.

SG 14 CC	Voluntary	Public		General

SG 14.6 CC	Provide further details on the key metric(s) used to assess climate-related risks and opportunities.

Metric Type	Coverage	Purpose	Metric Unit	Metric Methodology
Carbon footprint (scope 1 and 2)	☐ All assets ☐ Majority of assets ☐ Minority of assets			
Carbon intensity	☑ All assets ☐ Majority of assets ☐ Minority of assets	Identify intensive emitters and evolution on the pathway regarding targets	Tons equivalent CO2 per revenues per year or (per Production Units for the most intensive activities)	SDA, GevA and other in line with GHG protocol

SG 14.8 CC	Indicate whether climate-related risks are integrated into overall risk management and explain the risk management processes used for identifying, assessing and managing climate-related risks.

◉ Processes for climate-related risks are integrated into overall risk management

	Please describe

Risk management (internally managed funds): Our Operational & Counterparty Risk teams consist of experienced professionals covering counterparty risks and operational risks and are completely independent from the portfolio managers. We have a three layered-process for risk-management oversight related to sustainability:

SRI Restrictions on tobacco, thermal coal, and unconventional oil & gas and the most severe controversies - We have introduced restrictions related to investments in companies whose revenues derive from tobacco, thermal coal, or unconventional oil & gas above certain thresholds for their actively managed public funds. The same approach is applied to companies impacted by a severe controversy. The list of companies affected by these restrictions is updated daily, and the risk management team discusses and reviews these holdings with portfolio managers on a weekly basis. These holdings are also subject to review by the Stewardship Committee, which includes a senior representative from the risk management team.

Monitoring exposure to stocks ranked in the bottom two ESG quartiles on a GICS sector level 2 basis - Additional scrutiny is given to holdings with ESG ratings in the third or fourth quartiles relative to their GICS sector level 2 peers. The risk management team discusses holdings with below-average ratings with portfolio management teams to ensure the appropriate mitigation of ESG-related risks are being taken within the fund.

Monitoring overall portfolios compliance with the investment process using internal benchmarks to compare holdings. The internal benchmarks screen out names that are considered Low ESG as well as the most severe controversies. The risk management team uses this to encourage managers either to improve their ESG rating or to engage with companies for change or improved sustainability disclosure.

This information is reflective of our asset management activities.

○ Processes for climate-related risks are not integrated into overall risk management

SG 14.9 CC	Indicate whether your organisation, and/or external investment manager or service providers acting on your behalf, undertake active ownership activities to encourage TCFD adoption.

◉ Yes

	Please describe

Climate change is a key area of our collaborative efforts because we believe it presents a clear and present systemic risk to investment portfolios and is being widely underestimated and mispriced in the market today. Climate change will affect all agents in the economy (businesses, governments and households), across all sectors, asset classes and jurisdictions, in our view. The risks will likely be correlated with, and potentially aggravated by, tipping points, in a non-linear fashion. This means the impact of these risks could be much larger, and more widespread and diverse than those of other structural challenges and developments.
We have to tackle this risk head on across the entire investment value chain from the overarching macroeconomic analysis, to security selection, through to our stewardship of client assets.
In 2019, Lombard Odier was a signatory to the Global Investor Statement to Governments on Climate Change, which calls on global leaders to strengthen their efforts to ensure they meet the Paris Agreement goals, accelerate private sector investment into the low-carbon transition and commit to improve climate-related financial reporting in line with the final recommendations of the Financial Stability Board's (FSB) Task Force on Climate-related Financial Disclosure (TCFD). We continue to promote the objectives raised in this letter through our ongoing stewardship efforts.
Lombard Odier also supports the final recommendations of the TCFD. As asset managers with fiduciary responsibility, it is vital that we have as full an understanding as possible of companies' ability and willingness to transition to a more sustainable economy. The TCFD recommendations will improve our ability to analyse material risks companies face and how well they are positioned for the transition to a decarbonised economy. The TCFD recommendations will be a key focus point for our own stewardship, but we believe it is critical that governments also commit to improving climate-related financial reporting by publically supporting the TCFD recommendations.
We also believe that stewardship plays a vital role in informing the investment process and enhances the value of clients' assets. We use the Oxford Martin Principles as the guiding framework for our stewardship to ensure companies have understood and incorporated the required global path towards a net-zero economy in their strategy and practices. Our dialogue with companies also informs our investment decision making by seeking disclosure of additionality-based footprint metrics and TCFD-aligned reporting.
We continue to develop our research and analysis capabilities around climate-related risks and opportunities as well as temperature alignment.

One of our key priorities over 2020 will be to integrate this new information into our investment process and ensure our reporting frameworks are fully aligned with the recommendations of the TCFD.

○ No, we do not undertake active ownership activities.

○ No, we do not undertake active ownership activities to encourage TCFD adoption.

SG 15	Mandatory to Report Voluntary to Disclose	Public	Descriptive	PRI 1

SG 15.1	Indicate if your organisation allocates assets to, or manages, funds based on specific environmental and social themed areas.

◉ Yes

SG 15.2	Indicate the percentage of your total AUM invested in environmental and social themed areas.

	%

0.41

SG 15.3	Specify which thematic area(s) you invest in, indicate the percentage of your AUM in the particular asset class and provide a brief description.

	Area

☑ Energy efficiency / Clean technology

Asset class invested

☐ Listed equity

☐ Fixed income - SSA

☐ Fixed income - Corporate (financial)

☑ Fixed income - Corporate (non-financial)

Percentage of AUM (+/-5%) per asset class invested in the area

0.23

☐ Fixed income - Securitised

☐ Private equity

☐ Property

☐ Infrastructure

☐ Commodities

☐ Hedge funds

☐ Fund of hedge funds

☐ Inclusive finance

☐ Cash

☐ Other (1)

☐ Other (2)

Brief description and measures of investment

Our Climate Bond strategy aims to provide a diversified portfolio that seeks to create a positive environmental and social impact, while aiming to provide a higher yield and lower turnover than a typical investment-grade portfolio.*

*There can be no assurance that the investment objective will be achieved, that there will be a return on capital or that a substantial loss will not be incurred.

☐ Renewable energy

☐ Green buildings

☐ Sustainable forestry

☐ Sustainable agriculture

☑ Microfinance

	Asset class invested

☐ Listed equity

☐ Fixed income - SSA

☐ Fixed income - Corporate (financial)

☐ Fixed income - Corporate (non-financial)

☐ Fixed income - Securitised

☐ Private equity

☐ Property

☐ Infrastructure

☐ Commodities

☐ Hedge funds

☐ Fund of hedge funds

☑ Inclusive finance

	Percentage of AUM (+/-5%) per asset class invested in the area

0.12

☐ Cash

☐ Other (1)

☐ Other (2)

	Brief description and measures of investment

Our LO Gateway Development Finance strategy invests through private debt in companies that provide essential goods to low-income communities in developing countries (in particular: access to finance)

☐ SME financing

☐ Social enterprise / community investing

☐ Affordable housing

☐ Education

☐ Global health

☐ Water

☑ Other area, specify

Responsible Consumption

	Asset class invested

☑ Listed equity

	Percentage of AUM (+/-5%) per asset class invested in the area

0.2

☐ Fixed income - SSA

☐ Fixed income - Corporate (financial)

☐ Fixed income - Corporate (non-financial)

☐ Fixed income - Securitised

☐ Private equity

☐ Property

☐ Infrastructure

☐ Commodities

☐ Hedge funds

☐ Fund of hedge funds

☐ Inclusive finance

☐ Cash

☐ Other (1)

☐ Other (2)

	Brief description and measures of investment

This strategy seeks to support the visible shift in consumer and producer behavior by investing in business models that contribute and enable the generation of sustainable products and services. It is designed to invest in listed companies across Sustainable Food, Urban Systems, Supply Chains and Sustainable Lifestyles, and addresses the topic across the whole value chain by targeting companies throughout the product lifecycle, ultimately providing investors with diversified sector risk.

There can be no assurance that the strategy's investment objective will be achieved, that there will be a return on capital or that a substantial loss will not be incurred.

○ No