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## EDITORIAL

### ESG AND CLIMATE: TIME TO TAKE ACTION

Among news reports on the devastating floods in Germany with its worrying results and the scorching hot temperatures in the US, it has been another ESG and climate news packed period globally with a spill-over to Greece (with a first attempt for an ESG Index that has been announced by the Athens Stock Exchange).

Starting with the urge by Larry Fink of BlackRock, to completely overhaul the monetary system in order to incorporate climate risks. Following suit, the US Federal Reserve Chair suggested that he will require banks to conduct stress tests to judge their vulnerability as regards the effects of climate change (it will be interesting to see if European banks pick up on this).

Additionally, the EU announced its new ambitious decarbonization plan called 'Fit for 55' that will cut greenhouse gas emissions from cars by 55% from 1990 levels by 2030. "We're putting a price on carbon and a premium on decarbonizing technologies," stated Frans

Timmermans, European Commission Executive Vice President.

In the UK, the chairs of all the big pension plans committed to net zero carbon emissions with support from HRH Prince Charles, an avid supporter of all things climate. The international Science Based Targets initiative (SBTi), which helps companies set carbon emission goals aligned with the science of global warming, tightened up its requirements and thus now every science-based goal will be aligned with warming of no more than 1.5 degree centigrade. (More on SBTi and the Greek Titan Group in the news items). All in all, it seems that the real, devastating challenges set by climate change globally are starting to put pressure on governments, and regulatory bodies to take action. It remains to be seen if this will translate to effective and efficient spill-over to the economy, and the widespread adoption of substantiated ESG assessment methods.



## EU UNVEILS SWEEPING ‘FIT FOR 55’ STRATEGY

The European Commission launched a major package of draft legislation proposing measures for cutting the bloc’s greenhouse gas emissions by 55 per cent (compared to 1990 levels) by 2030, including tax reforms, new clean energy targets, and carbon border tariffs.

Achieving these emission reductions in the next decade is crucial to Europe becoming the world’s first climate-neutral continent by 2050 and making the European Green Deal a reality. With these proposals, the Commission is presenting the legislative tools to deliver on the targets agreed in the European Climate Law and fundamentally transform the EU economy and society for a fair, green and prosperous future.

This accelerated decarbonisation plan called ‘Fit for 55’ is a huge undertaking. It introduces a globally unprecedented carbon border adjustment mechanism (CBAM) for pricing imported carbon. It includes a major overhaul of the Emissions Trading System (ETS) to extend carbon pricing to shipping, aviation, transport, and buildings; accelerate the development of the renewable energy sector; ban sales of new fossil-fuel cars after 2035; provide social support for EU citizens affected by the green transition; and speed up the modernisation of the building stock. Due to its diplomatic and economic ramifications, the CBAM will largely determine the Fit for 55 package’s long-term impact on global climate policies.

### **A comprehensive and interconnected set of proposals**

The EU proposals will enable the necessary acceleration of greenhouse gas emission reductions in the next decade. They combine: application of emissions trading to new sectors and a tightening of the existing EU Emissions Trading



System; increased use of renewable energy; greater energy efficiency; a faster roll-out of low emission transport modes and the infrastructure and fuels to support them; an alignment of taxation policies with the European Green Deal objectives; measures to prevent carbon leakage; and tools to preserve and grow the natural carbon sinks.

The EU Emissions Trading System (ETS) puts a price on carbon and lowers the cap on emissions from certain economic sectors every year. It has successfully brought down emissions from power generation and energy-intensive industries by 42.8% in the

past 16 years. The Commission is proposing to lower the overall emission cap even further and increase its annual rate of reduction. The Commission is also proposing to phase out free emission allowances for aviation and align with the global Carbon Offsetting and Reduction Scheme for International Aviation (CORSA) and to include shipping emissions for the first time in the EU ETS. To address the lack of emissions reductions in road transport and buildings, a separate new emissions trading system is set up for fuel distribution for road transport and buildings. The Commission also proposes to increase the size of the Innovation

and Modernisation Funds.

To complement the substantial spending on climate in the EU budget, Member States should spend the entirety of their emissions trading revenues on climate and energy-related projects. A dedicated part of the revenues from the new system for road transport and buildings should address the possible social impact on vulnerable households, micro-enterprises and transport users.

The Effort Sharing Regulation assigns strengthened emissions reduction targets to each Member State for buildings, road and domestic maritime transport, agriculture, waste and small industries. Recognising the different starting points and capacities of each Member State, these targets are based on their GDP per capita, with adjustments made to take cost efficiency into account.

Member States also share responsibility for removing carbon from the atmosphere, so the Regulation on Land Use, Forestry and Agriculture sets an overall EU target for carbon removals by natural sinks, equivalent to 310 million tonnes of CO<sub>2</sub> emissions by 2030. National targets will require Member States to care for and expand their carbon sinks to meet this target. By 2035, the EU should aim to reach climate neutrality in the land use, forestry and agriculture sectors, including also agricultural non-CO<sub>2</sub> emissions, such as those from fertiliser use and livestock. The EU Forest Strategy aims to improve the quality, quantity and resilience of EU forests. It supports foresters and the forest-based bioeconomy while keeping harvesting and biomass use sustainable, preserving biodiversity, and setting out a plan to plant three billion trees across Europe by 2030.

Energy production and use accounts for 75% of EU emissions, so accelerating the transition to a greener energy system is crucial. The Renewable Energy Direc-

tive will set an increased target to produce 40% of the energy from renewable sources by 2030. All Member States will contribute to this goal, and specific targets are proposed for renewable energy use in transport, heating and cooling, buildings and industry. To meet both the climate and environmental goals, sustainability criteria for the use of bioenergy are strengthened and Member States must design any support schemes for bioenergy in a way that respects the cascading principle of uses for woody biomass.

To reduce overall energy use, cut emissions and tackle energy poverty, the Energy Efficiency Directive will set a more ambitious binding annual target for reducing energy use at EU level. It will guide how national contributions are established and almost double the annual energy saving obligation for Member States. The public sector will be required to renovate 3% of its buildings each year to drive the renovation wave, create jobs and bring down energy use and costs to the taxpayer.

A combination of measures is required to tackle rising emissions in road transport to complement emissions trading. Stronger CO<sub>2</sub> emissions standards for cars and vans will accelerate the transition to zero-emission mobility by requiring average emissions of new cars to come down by 55% from 2030 and 100% from 2035 compared to 2021 levels. As a result, all new cars registered as of 2035 will be zero-emission. To ensure that drivers are able to charge or fuel their vehicles at a reliable network across Europe, the revised Alternative Fuels Infrastructure Regulation will require Member States to expand charging capacity in line with zero-emission car sales, and to install charging and fuelling points at regular intervals on major highways: every 60 kilometres for electric charging and every 150 kilometres for hydrogen refuelling.

Aviation and maritime fuels cause significant pollution and also require dedicated action to complement emissions trading. The Alternative Fuels Infrastructure Regulation requires that aircraft and ships have access to clean electricity supply in major ports and airports. The ReFuelEU Aviation Initiative will oblige fuel suppliers to blend increasing levels of sustainable aviation fuels in jet fuel taken on-board at EU airports, including synthetic low carbon fuels, known as e-fuels. Similarly, the FuelEU Maritime Initiative will stimulate the uptake of sustainable maritime fuels and zero-emission technologies by setting a maximum limit on the greenhouse gas content of energy used by ships calling at European ports.

The tax system for energy products must safeguard and improve the Single Market and support the green transition by setting the right incentives. A revision of the Energy Taxation Directive proposes to align the taxation of energy products with EU energy and climate policies, promoting clean technologies and removing outdated exemptions and reduced rates that currently encourage the use of fossil fuels. The new rules aim at reducing the harmful effects of energy tax competition, helping secure revenues for Member States from green taxes, which are less detrimental to growth than taxes on labour.

Finally, a new Carbon Border Adjustment Mechanism will put a carbon price on imports of a targeted selection of products to ensure that ambitious climate action in Europe does not lead to 'carbon leakage'. This will ensure that European emission reductions contribute to a global emissions decline, instead of pushing carbon-intensive production outside Europe. It also aims to encourage industry outside the EU and the international partners to take steps in the same direction.



## BLACKROCK URGES WORLD BANK, IMF OVERHAUL TO INCLUDE CLIMATE RISKS

BlackRock Inc. Chief Executive Officer Larry Fink told global leaders the World Bank and International Monetary Fund are outdated and require a total overhaul in order to bring sustainability to the developing world.

Notably, he urged for a “rethink” of their role as financiers - instead of lending money themselves to promote development and economic stability, the World Bank and IMF would be more useful in the transition to clean energy as insurers that reduce risk for private investors, at the Venice International Conference on Climate in Italy.

“There is private capital that can be mobilized for the emerging markets, but we need to rethink the way the international financial institutions can support low-carbon investments at scale,” he said of the two organizations and added that “we need a financing system that isn’t built around bank balance sheets.”

Fink, arguably the world’s most powerful investor with about \$9 trillion under management at New York-based BlackRock, highlighted what he considers flaws or risks in the approaches many countries are taking to reach net-zero emissions. He flagged the unintended consequences of climate-related regulation on public companies and the potential for “politically untenable” \$100-a-barrel oil if fossil fuel demand doesn’t slow fast enough.

BlackRock the first to have made a big bet on sustainable investing in the past two years and stands to benefit as more capital flows to environment-friendly solutions.

## BACKGROUND GUIDANCE

The **European Green Deal**, presented by the Commission on 11 December 2019, sets the goal of making Europe the first climate-neutral continent by 2050. The **European Climate Law**, which enters into force this month, enshrines in binding legislation the EU’s commitment to climate neutrality and the intermediate target of reducing net greenhouse gas emissions by at least 55% by 2030, compared to 1990 levels. The EU’s commitment to reduce its net greenhouse gas emissions by at least 55% by 2030 was **communicated to the UNFCCC** in December 2020 as the EU’s contribution to meeting the goals of the Paris Agreement.

As a result of the EU’s existing climate and energy legislation, the EU’s greenhouse gas emissions have already fallen **by 24%** compared to 1990, while the EU economy has grown by around 60% in the same period, decoupling growth from emissions. This tested and proven legislative framework forms the basis of this package of legislation.

The Commission has conducted extensive impact assessments before presenting these proposals to measure the opportunities and costs of the green transition. In September 2020 a **comprehensive impact assessment** underpinned the Commission’s proposal to increase the EU’s 2030 net emissions reduction target to at least 55%, compared to 1990 levels. It showed that this target is both achievable and beneficial. Today’s legislative proposals are supported by detailed impact assessments, taking into account the interconnection with other parts of the package.

The EU’s long-term budget for the next seven years will provide support to the green transition. 30% of programmes under the €2 trillion 2021-2027 **Multiannual Financial Framework** and **NextGenerationEU** are dedicated to supporting climate action; 37% of the €723.8 billion (in current prices) **Recovery and Resilience Facility**, which will finance Member States’ national recovery programmes under NextGenerationEU, is allocated to climate action.

## THE ELLINIKON COASTAL FRONT AND MARINA GALLERIA BY LAMDA DEVELOPMENT

Lamda Development, a leading holding company specializing in real estate development, investment and management planning that has undertaken the integrated metropolitan redevelopment of the area of the former ‘Hellinikon’ airport, the largest private investment in Greece and the largest urban redevelopment project in Europe, presented its plans for the redevelopment of The Ellinikon coastal front and the new landmark at the Marina of Agios Kosmas, Marina Galleria, that are set to transform the Athens Riviera into a top international destination.

“[The] connection to the sea is a key element in our planning for The Ellinikon. Therefore, the redevelopment of the coastal front is in itself a stand-alone project that



we have prioritised. Our vision is for The Ellinikon coastal zone, which is 3.5 kilometres long, to become the most beautiful part of the Athens Riviera and a popular destination for recreation, sports, relaxation,

and entertainment for all, as well as a new commercial and tourist attraction that will give Greece a growth boost,” stated Lamda Development CEO, Mr. Odisseas Athanasiou.

### MARINA GALLERIA: A NEW GENERATION DESTINATION BY THE SEA

Marina Galleria will offer visitors a multifaceted, high-end shopping, gastronomy, and entertainment experience reflecting current international trends.

At 22,000 sq.m., it will be hosting leading fashion brands, some of which will have their own retail space in Greece for the first time, as well as well-established Greek designers. It will also offer many high-level gastronomy options by well-known Greek and international chefs, as well as a wide range of cultural and recreational events.

Designed by the internationally acclaimed architectural firm Kengo Kuma and Associates, with an impressive portfolio of projects around the world, Marina Galleria will be one of The Ellinikon landmarks, an architectural reference point at the new marina of Agios Kosmas, and

an attraction for visitors from Greece and abroad.

“Thanks to its premium location, its high-end architecture, and its connection with the water element, as well as the multifaceted experience it will offer visitors, Marina Galleria will be a new-generation destination, unique by Greek standards,” stressed Lamda Development Chief Development Officer for Marina Galleria, Ms Melina Paizi. “For the design of Marina Galleria, we had the unique opportunity to combine different elements and materials from the Greek landscape through a modern design approach. Thus, a new typology was created: a state-of-the-art commercial destination, open to the sea, the sun, and the Greek landscape”, noted Mr. Aris Kafantaris, Architectural Design Director at the Kengo Kuma & Associates architectural firm.



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## CLIMATE LITIGATION AS A TOOL TO TACKLE GLOBAL WARMING IN THE ASEAN

The adoption of the Paris Agreement (“PA”) in December 2015 created the opportunity to use legal instruments for climate action. To reach the strategic objective of limiting global warming to 1.5°C, the PA created obligations for States, with subsidiary obligations for different actors. Citizens and organizations are progressively ascertaining the empowerment and prerogatives it enables.

Among others, the PA identifies loss and damages (Art.8); climate education, public awareness, public participation and public access to information (Art.12); an enhanced transparency framework (Art.13), and an implementation and compliance mechanism (Art.15). Against this backdrop, a typology of lawsuits has started to emerge, including actions against governments and corporations, to hold them accountable for actions or inactions which aggravate climate change.

This process is currently incipient in the Asia-Pacific region with some level of success. Despite embryonic climate change laws in the ASEAN region, litigation is burgeoning, with an estimated 80 cases, of which 20 are still active. Petitioners have successfully applied peripheral rights to life and to a clean environment to establish their claims for climate change-related harms, as highlighted in the following cases.

### Legal standing

A significant obstacle in climate lawsuits is the ability of



the plaintiffs to meet standing requirements under domestic laws. A progressive jurisprudence started to emerge from the 1993 Oposa case, in which the Supreme Court of the Philippines held that “the right to a climate system capable of sustaining human life is fundamental to a free and ordered society”. The decision stands alongside a growing number of court rulings from Indonesia, Malaysia and Thailand which unlock the potential for new categories of claimants.

### State liability

Cases asserting governmental failure for their action (or inaction) on climate change have achieved some success. In the ‘bus case’ (Foundation for Anti Air Pollution and Environmental Protection et al. v. Bangkok Mass Transit Authority and Pollution Control Department), the Thai Supreme Court ruled that the government acted negligently for failing to control the buses’ emissions. Similarly, in the Kalimantan case (Residents of Central Kalimantan v. the President, the Environment and Forestry Minister, the Agriculture Minister, the Health Minister, the Government of Kalimantan and the Central Kalimantan legislative), the Indonesian Supreme Court convicted the defendants for

failing to take measures to stop forest fires and negligently violating people’s rights to healthy environment. Fueled by the success of these actions, a complaint has recently been filed before the International Criminal Court against Cambodian officials for their contribution to climate change.

### Corporate liability

The judicial enforcement of corporate accountability for climate change has also proved quite successful. A clutch of lawsuits targeting palm oil plantations that contribute to transboundary haze and global warming has reached several ASEAN courts resulting in fines and prison sentences. The recent ruling against Shell (Milieudefensie et al. v. Royal Dutch Shell Plc.) is an example of direct enforcement of the Paris Agreement in a corporate matter.

### Causation effect

The difficulty of proving causation is one of the obstacles to successful climate litigation. In a landmark investigation, the Commission on Human Rights of the Philippines concluded that 47 fossil fuel companies should be accountable for the human rights harms caused to Filipinos due to their past greenhouse gas

emissions that caused climate change.

**The benefits of climate litigation**

Collectively, the practice and exercise of climate litigation promotes the ambitions set out in the PA, including nationally determined contributions on greenhouse emissions. Furthermore, the following aspects are influenced by climate litigation:

**Economic and financial impacts**

The acknowledgement of loss and damages associated with extreme weather events and the role of risk-reduction may open new avenues for compensation, restitution and redress. The PA endorses the Warsaw International Mechanism for Loss and Damage. Additional international instru-

ments address this as well, for example, the Nagoya – Kuala Lumpur Supplementary Protocol on Liability and Redress (Cartagena Protocol on Biosafety).

**Case law and policymaking**

As the number of cases and verdicts increase, parliamentarians will observe the need for enhanced policymaking on environmental matters. The close relationship between legislative and judiciary bodies must address environmental concerns in line with the implementation of international instruments, as these need to be transposed into national legislations.

**Environmental benefits**

Last, but not least, beyond right and wrong, plaintiff and defendant, a net gain of climate litigation should be a bet-

ter and cleaner environment.

**Climate litigation as a driver of regional ambitions**

The global economy relies on cross-border, international transactions beyond national jurisdictions. The gradual integration of countries in the region requires harmonization of standards and norms, including environmental regulations and their consistent implementation and enforcement. The dynamism of climate litigation may underscore discrepancies among environmental provisions in the region, and it may provide an opportunity to evolve towards the development of more homogeneous, pan-Asian legislations on environmental matters.

**By Stefanos Fotiou, Manuel Castillo, Fabrice Mattei, Chananda Homklinchan**

**ATHENS STOCK EXCHANGE ANNOUNCES ESG INDEX**

Athens Stock Exchange announced yesterday a new index (ATHEX ESG Index) that will monitor the stock exchange performance of ATHEX listed companies that adopt and promote environmental, social and corporate governance (ESG) issues. The Index aspires to support the efforts of companies and thus of the Greek Stock Market to highlight the ESG initiatives as the regulatory environment of non-financial reporting will evolve.

The new index named “ATHEX ESG Index (ATHEX ESG Index)” was designed to involve a

maximum of 60 companies of the Athens Stock Exchange and will be launched on August 2, with an opening price of 1,000 units, with 35 companies participating in the initial the index, chosen on the basis of their ESG score from the published 2019 data. The index will be reviewed every year and the first revision will take place in November 2021 at the same time with revisions of the other indices by the Athens Stock Exchange based on the

data published by the listed companies in the context of their 2020 financial reporting.



## EBRD INVESTS IN PPC'S FOLLOW-UP SUSTAINABILITY-LINKED BOND ISSUE IN GREECE

The European Bank for Reconstruction and Development (EBRD) has supported the ambitious sustainability and decarbonisation targets of Public Power Corporation S.A. (PPC), Greece's largest power producer and electricity supplier, by investing €25.5 million in the company's follow-up €500 million sustainability-linked bond issue.

With a total issuance volume of €500 million, the issue will help improve PPC's access to finance by diversifying its financing sources to a new environmental, social and governance (ESG)-focused investor base.

In March 2021, the EBRD participated to the tune of €50 million in PPC's €650 million sustainability-linked bond issue, the first sustainability-linked bond in the regions where the EBRD invests.

The follow-up bond will include a more ambitious sustainability performance target than the March issue, with PPC committing to reduce CO<sub>2</sub> emissions by 57 per cent by the end of 2023. The reduction in annual CO<sub>2</sub> emissions from 23.15 million tonnes in 2019 to 10 million tonnes in 2023 is the most ambitious corporate decarbonisation target the EBRD has ever supported in the regions where it invests.

This target is expected to be met primarily by decommissioning all lignite plants by 2023 and replacing them with renewable energy capacity in a significantly accelerated programme that will add 1.3 GW of mainly solar and wind power to PPC's portfolio, for a total of 1.5 GW (including an existing 0.2 GW).

As the largest electricity generator and supplier in Greece, PPC plays a critical role in sup-



porting Greece's energy needs and its transition to a lower-carbon economy. Moreover, PPC is central to the country's efforts cut its greenhouse gas emissions by at least 56 per cent from 2005 levels by 2030. It is also the owner of Greece's electricity distribution network and sole provider of electricity to those Greek islands not connected to the national grid.

The company has been listed on the Athens Stock Exchange since 2001 and its main share-

holder is the Greek state (51.1 per cent), through the participation of the Hellenic Republic Asset Development Fund and the Hellenic Corporation of Assets and Participations.

The bond will be aligned with the International Capital Market Association's (ICMA) Sustainability-Linked Bond Principles (SLBP), published in June 2020, which promote transparency, disclosure and integrity in the development of green and sustainability-linked



bond markets.

In 2020, the EBRD provided a €160 million senior unsecured loan to PPC to help address the impact of the Covid-19 pandemic. The facility has been supporting PPC's working-capital needs at a time of customer payment volatility and has strengthened the resilience of the electricity sector.

The EBRD started to invest in Greece on a temporary basis in 2015 to support the country's economic recovery. To date, the Bank has invested more than €4.7 billion in close to 80 projects in Greece's corporate, financial, energy and infrastructure sectors.

**Science Based Targets initiative (SBTi) validates TITAN Cement Group's CO2 reduction targets**

TITAN Cement Group, one of the first cement companies worldwide, had its CO2 emissions reduction targets validated by the Science Based Targets initiative (SBTi) as consistent with levels required to meet the goals of the Paris Agreement, following a thorough procedure. The targets, covering greenhouse gas emissions from TITAN's operations (scopes 1 and 2), are consistent with reductions required to keep warming to well-below 2°C.

The SBTi is a partnership between the Carbon Disclosure Project (CDP), the United Nations Global Compact, the World Resources Institute (WRI) and the World Wide Fund for Nature (WWF). It independently assesses and validates corporate emissions reduction targets against the latest climate science. This validation underscores the Group's commitment to sustainability and action to prevent the most damaging effects of climate change.

The SBTi has validated TITAN's commitment to:

Reduce scope 1 GHG (gross) emissions by -20.7% per ton of cementitious product by 2030 from a 2020 base year. This target is in alignment with the -35% CO2 reduction target on net emissions by 2030 from a 1990 base year, announced by TITAN earlier in the year.

Reduce scope 2 GHG emissions by -42.4% per ton of cementitious product within the same timeframe. This target is in alignment with the -45% reduction target by 2030 from a 2020 base year, announced by TITAN earlier in the year.

In addition, TITAN has committed to drive down the CO<sub>2</sub>

footprint of its operations and products aspiring to deliver society with carbon-neutral concrete by 2050, while it will monitor and independently verify its supply chain (Scope 3) emissions.

The Group aspires to reduce its carbon emissions by increasing the use of alternative fuels, accelerating its efforts in energy efficiency, developing low-carbon products, and adopting innovative technologies and solutions. Through the participation in European and international consortia, as well as through collaborations in R&D projects, TITAN will continue to develop low-carbon cementitious products and pilot carbon capture technologies in its plants, actively contributing to the industry's ambition for a carbon-neutral future.

TITAN Cement Group's CO2 reduction targets are part of the Group's Environmental, Social and Governance (ESG) targets for 2025 and beyond that focus on four pillars, defined as material by its stakeholders: De-carbonization and digitalization; Growth-enabling work environment; Positive local impact; and Responsible sourcing, all underpinned by good governance, transparency and business ethics.

## BACKGROUND GUIDANCE

Scope 1 emissions refer to all direct emissions from the activities of an organization.

Scope 2 emissions refer to all indirect emissions from electricity purchased.

Scope 3 emissions refer to the result of activities from assets not owned or controlled by the reporting organization, but that the organization indirectly impacts in its value chain.