

Financed Emissions Report 2024

Latin American Portfolios and Money Market

Introduction

At Credicorp Capital Asset Management, we adopt a responsible and sustainable investment approach to meet our fiduciary duty to our clients to minimize potential losses derived from risks associated with ESG issues or to take advantage of related opportunities in the companies or projects we invest in. In this way, we accompany our clients in the search for superior returns on their investments. Our [Responsible and Sustainable Investment Policy](#) formalizes this commitment and identifies the prioritized strategies: Exclusions, ESG Integration, and Active Ownership.

Our approach also aims to contribute to climate action through our investment management practice to address the climate change challenge and its adverse economic, environmental, and social effects. In 2021, we expressed our support for the Paris Agreement and the Task Force on Climate-Related Financial Disclosure (TCFD) recommendations, committing to improving our management and reporting of the climate-related risks, opportunities, and impacts in our investment portfolios. Within this reporting framework, measuring greenhouse gas (GHG) emissions related to our investments, also called financed emissions, is a fundamental dimension.

Financed Emissions

Financed emissions are indirect GHG emissions associated with investments or financing activities. Financed GHG emissions are the main component of carbon emissions from financial institutions (scope 3, category 15)¹. Therefore, the relevance of its measurement.

Second Measurement of Financed Emissions

In 2024, we conducted the [first measurement](#) of GHG financed emissions for the Latin American Fixed Income and Equity funds, with the objective of understanding the status of our portfolios, their contribution and exposure to potential transition risks associated with climate change. This exercise also allowed us to identify measures to manage these risks through engagement activities with the issuers in which we invest. This year, we conducted the second measurement, expanding our coverage of portfolios included in the evaluation, to continue deepening our understanding of the climate impact of our investments and strengthen our risk management strategies.

This report presents the methodology and results of this second measurement exercise focused on 4 investment portfolios in the Latin American listed assets strategies: 3 fixed income and 1 equity funds; and 8 local money market investment portfolios: 3 of Chile, 3 of Colombia and 2 of Peru. The composition of the portfolios is from the end of December 2024 with GHG emissions and financial data from 2023, mainly, or from 2022 if this is the last GHG emissions information available². The total assets under management (AUMs) of the portfolios are USD 4,518 million, representing 40.7% of Credicorp Capital Asset Management's total AUMs at the end of 2024. The list of funds considered in this measurement is available in the [Appendix](#).

¹ "Technical Guidance for Calculating Scope 2 Emissions", Greenhouse Gas Protocol (2013).

² For each issuer, GHG emissions and financial information should be from the same year, depending on the availability of GHG data.

Methodology

We use the methodology developed by The Partnership for Carbon Accounting Financials (PCAF)³, recognized as the global standard for financial institutions. Its level of adoption is supported and aligned with global frameworks and initiatives such as TCFD, CDP (formerly Carbon Disclosure Project), and the Science Based Targets Initiative.

The data sources were the following:

- **GHG Emission Information (scope 1 and scope 2⁴):** we mainly use information from external providers (MSCI ESG Research, reported and estimated information, and CDP, reported information). In some cases, we use information from Sustainability Reports, Annual Reports, or issuers' websites or through direct queries via email.
- **Financial Information:** we mainly use information from external providers MSCI ESG Research, Bloomberg⁵, Refinitiv, and Factset), and in some cases, direct information from issuers' public financial statements.

Calculated metrics

We calculated the following indicators suggested by PCAF:

1. **Absolute emissions:** it is a metric for understanding the climate impact of loans and investments and setting a baseline for climate action, understood as the total GHG emissions of an asset class or portfolio measured in tons of CO₂ equivalent (tCO₂eq).
2. **Portfolio intensity:** it is a metric to compare the emission intensities of different portfolios (or parts of portfolios) among each other per monetary unit, calculated as absolute emissions divided by the loan or investment volume, expressed as tons of CO₂ equivalent per million dollars invested (tCO₂eq/USD MM).
3. **Weighted average carbon intensity (WACI):** a metric to understand exposure to emission-intensive companies, expressed as tons of CO₂ equivalent per million dollars in company's revenues (tCO₂eq/USD MM).
4. **Average PCAF Score:** measures the quality of GHG emissions data used in the measurement. The data quality score is specific to each asset class and categorized from 1 to 5. A lower PCAF score represents better data quality.

³ Available at <https://carbonaccountingfinancials.com/files/downloads/PCAF-Global-GHG-Standard.pdf>

⁴ Scope 1 are direct GHG emissions that occur from sources owned or controlled by the reporting company. Scope 2 are indirect GHG emissions from the generation of purchased or acquired electricity, steam, heating, or cooling consumed by the reporting company. Scope 2 emissions physically occur at the facility where the electricity, steam, heating, or cooling is generated. PCAF (2022).

⁵ Due to inconsistencies found in the Bloomberg financial information for Assets and Enterprise Value Including Cash (EVIC), the cases are reviewed, and manual calculation is considered. For Assets = Debt + Equity; for EVIC of Fixed Income issuers = Cash + Debt + Equity; and, for EVIC of Equity issuers = MV + Cash + Debt.

Universe of issuers

The prioritized portfolios invest in a total of 241 corporate issuers. Of these, 195 were considered in the measurement due to data availability. This represents 87% of the AUMs of the aggregated 12 portfolios including in the measurement. Table 1 shows the comparison of coverage by GHG emissions data quality category, as measured by the PCAF Score, in relation to the previous year.

Table 1. Portfolio coverage⁶ by average PCAF Score

Data quality		2023		2024	
		N° Issuers	% Portfolio	N° Issuers	% Portfolio
Score 1	Verified reported emissions	5	3%	61	32%
Score 2	Reported and unverified emissions	151	76%	116	53%
Score 3	Estimated emissions based on company's production data	0	0%	1	0,2%
Score 4 ⁷	Estimated emissions base don company's revenue data	16	5%	17	2%
Total Coverage		172	84%	195	87%
Issuers without GHG information		40	16%	46	13%
Total		212	100%	241	100%

Results

GHG absolute financed emissions through the 12 portfolios included in this measurement were 193,154 tCO₂eq in 2024. This translates into 49 tCO₂eq per million dollars invested. Likewise, the exposure of our portfolios to GHG-intensive companies is expressed in 68 tCO₂eq / USD MM of revenues of the issuer's companies. The results differentiated for 2023 y 2024 by type of strategy, corporate fixed income and listed equity, are presented in Table 2 and 3, respectively.

Table 2. Measurement results 2023 by Fixed Income, Listed Equity and Aggregate strategy

Indicators	Fixed Income	Listed Equity	Aggregate
AUMs included in the measurement (USD MM)	470	136	606
Absolute Financed Emissions (tCO ₂ eq)	314,948	24,047	338,996
Emissions Intensity by AUMs (tCO ₂ eq / USD MM)	670	177	559
WACI (tCO ₂ eq / USD MM)	473	234	428
Average PCAF Score	2.14	2.16	2.16
Coverage (% of AUMs of measured portfolios)	80%	99%	84%

⁶ Of the 195 issuers covered in this year's measurement, 23 have the most recent GHG emissions data as of 2022. This implies for these issuers, no register update concerning the information included in our first measurement.

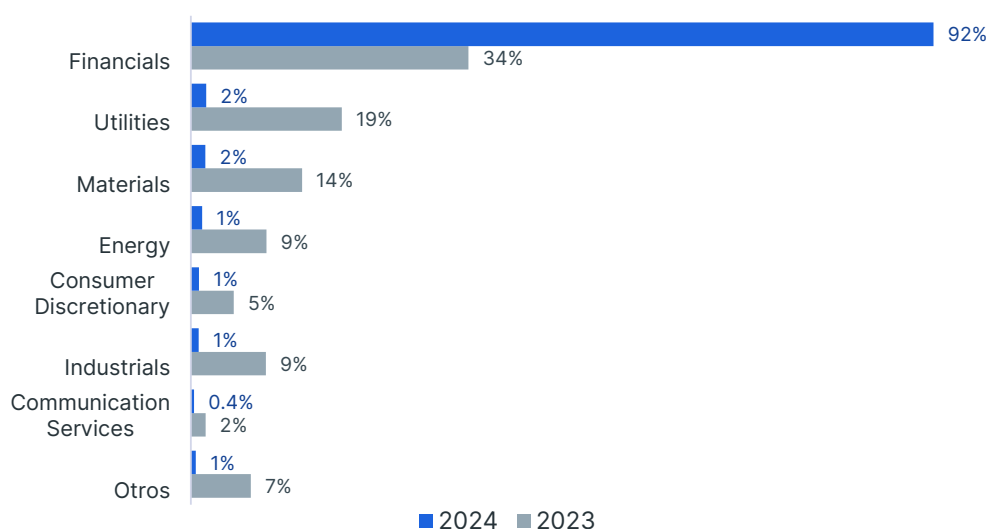
⁷ All estimated GHG emissions were considered from an external provider.

Table 3. Measurement results 2024 by Fixed Income, Listed Equity and Aggregate strategy

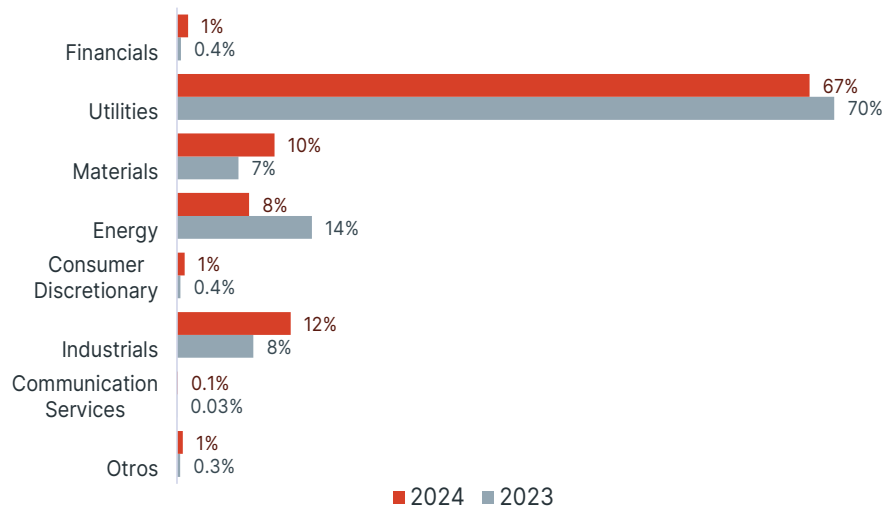
Indicators	Fixed Income	Listed Equity	Aggregate
AUMs included in the measurement (USD MM)	3,817	106	3,923
Absolute Financed Emissions (tCO2eq)	181,286	11,868	193,154
Emissions Intensity by AUMs (tCO2eq / USD MM)	47	112	49
WACI (tCO2eq / USD MM)	62	316	68
Average PCAF Score	1.93	1.61	1.87
Coverage (% of AUMs of measured portfolios)	87%	100%	87%

To identify material sectors contributing to our portfolios financed emissions, we show the distribution of AUMs and financed emissions for the Fixed Income (Graphs 1 and 2) and Listed Equity (Graphs 3 and 4) strategies by sector.

Graph 1. Distribution of AUMs of Fixed Income by Sector

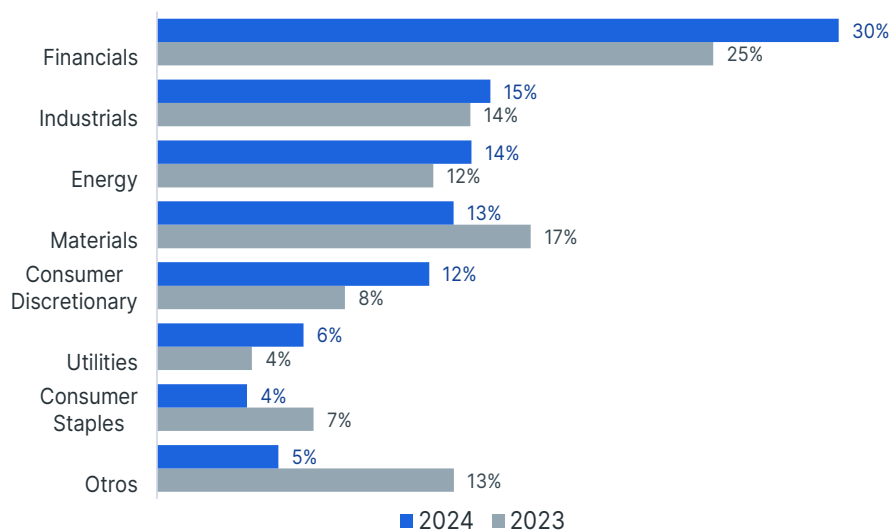


Graph 2. Distribution of Financed Emissions of Fixed Income by Sector

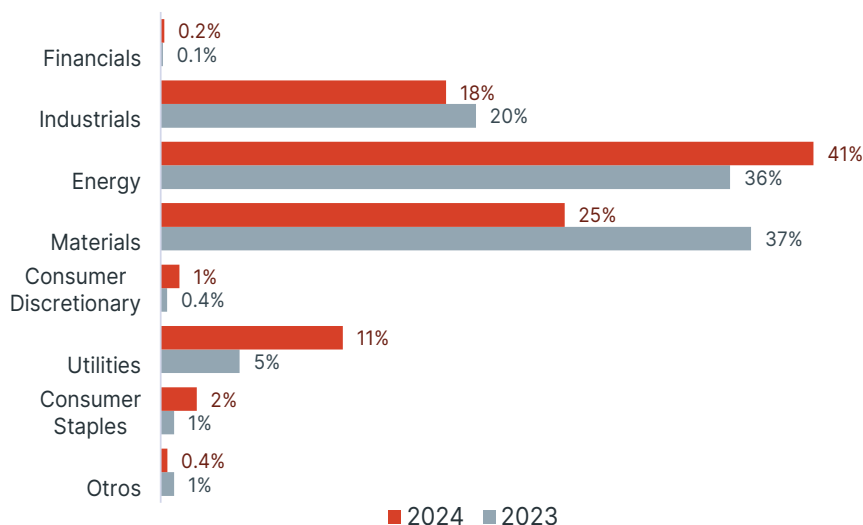


In fixed income strategy, more than 90% of AUMs are concentrated in issuers of the Financials sector. This is mainly due to the inclusion of local Money Market portfolios. However, this sector contributes the least to financed emissions. The sectors contributing the most to GHG-financed emissions are Utilities (67%), Industrials (12%), Materials (10%), and Energy (8%) which represent 80% of the strategy's financed emissions. In 2023, the same sectors identified also are the main contributors to GHG-financed emissions.

Graph 3. Distribution of AUMs of Listed Equity by Sector



Graph 4. Distribution of Financed Emissions of Listed Equity by Sector



In equity strategy, more than 40% of the AUM is distributed in GHG-intensive sectors, such as Industrials (18%), Energy (41%) and Materials (25%). Financed emissions come mainly from these sectors, led by the Materials and Energy industries. This last finding was consistent with the 2023 results.

Although our fixed income and equity strategies have a relevant percentage of their AUMs in financial institutions (92% and 30%, respectively), this sector is not a major contributor to financed emissions, as the methodology considers Scope 1 and Scope 2 GHG emissions (which are less significant for the Financials sector).

Reflexions

Challenges of measurement

This measurement was carried out with information mainly collected from external providers to automate the calculation considering the number of companies that are part of the portfolios. The providers mostly use information reported by the companies (85% of the AUMs of the selected portfolios) and only a smaller part has been estimated by the providers (2%). Therefore, the validity of these results depends on the quality of this information, which can have different levels of sophistication, as only 32% of the AUMs of the portfolios have verified emissions.

In some cases, the GHG emissions data for some issuers differs between that reported to the data providers and the companies' reports, despite being from the same year. In other cases, there is no information reported for 2023, so information is estimated for 2023 or reported for 2022. Some issuers have consolidated reports at the parent company level that do not distinguish between subsidiaries, which makes it difficult to identify the share of financed emissions corresponding to our investment positions. Some companies do not report the coverage of their operations considered in the measurement of their GHG emissions and they could be underestimating their emissions.

In some cases, GHG emissions information reported by companies is generally published with a lag compared to financial information and information on the composition of our portfolios. There is a lag between the time GHG emissions information is disclosed by companies, the time it is included in the providers' databases, and the most updated composition of the investment portfolios. This makes it difficult to automate the process of measuring portfolio financed emissions and the relevance of the information for management purposes in real time.

Finally, in some cases, the financial information downloaded from external providers of some issuers presents inconsistencies in key indicators such as total assets and EVIC, which mainly affect the size of the companies included in the measurement. In the cases found, these inconsistencies tend to underestimate these indicators, and therefore affect the total calculation of financed emissions. In this line, the calculation of these indicators is done manually, as detailed in [methodology section](#). This need for manual intervention represents an additional challenge, as it limits the possibilities of automating the measurement process.

Next steps

This second measurement has allowed us to identify the exposure of our portfolios to GHG-intensive companies for the internal evaluation of risks and opportunities in our investments. Compared to the previous year, in this measurement we expanded the coverage to include Money Market portfolios, which has generated a relevant change in the sectorial composition of AUMs, especially in fixed income strategy. This exercise allowed us to improve our tool and systematized process for measuring these indicators, which we plan to replicate each year and progressively expand the coverage to our local portfolios. Our management efforts will continue to focus on engagement activities, mainly collaborative, with high GHG emission intensity issuers with two objectives:

1. Promote greater and better reporting of GHG emissions metrics.
2. Promote the most intensive companies' management and reduction of their emissions or intensity by setting science-based targets or other measures to be defined on a case-by-case basis.

With this, we will continue to advance in our commitment to identify, measure, and manage the climate-related risks and opportunities in our investments.

Appendix

PCAF GHG Metrics

1. Absolute financed emissions

$$\text{Absolute financed emissions (tCO}_2\text{eq)} = \sum_i \text{Attribution factor}_i \times \text{Emissions}_i$$

For listed companies:

$$\text{Attribution factor}_i = \frac{\text{Outstanding amount}_i}{\text{Enterprise Value Including Cash (EVIC)}_i}$$

For bonds to private companies:

$$\text{Attribution factor}_i = \frac{\text{Outstanding amount}_i}{(\text{Total equity} + \text{Debt})_i}$$

Where:

- Emissions are the total Scope 1 + Scope 2 GHG emissions of company i in tCO₂eq.
- The attribution factor will depend on whether company i is listed or not.
- The outstanding amount i is the total value of the investment in company i either stocks or bonds.
- The EVIC is the value of company i including cash.

2. Emissions intensity:

$$\text{Emissions intensity} \left(\frac{\text{tCO}_2 \text{ eq}}{\text{USD MM}} \right) = \frac{\sum_i \text{Financed Emissions}_i}{\sum_i \text{Outstanding amount}_i}$$

3. Weighted Average Carbon Intensity (WACI):

$$\text{WACI} \left(\frac{\text{tCO}_2 \text{ eq}}{\text{USD MM}} \right) = \sum_n^i \left(\frac{\text{Outstanding amount}_i}{\text{Outstanding amount portfolio}} \times \frac{\text{GHG Scope 1} + \text{Scope 2}_i}{\text{Revenues}_i} \right)$$

Portfolios included in the measurement

Fixed Income	Listed Equity
Credicorp Capital Latam Corporate Debt Fund	Credicorp Capital Latam Equity Fund
Credicorp Capital Latam Investment Grade Fund	
Credicorp Capital Latam Short Duration Fund	
Money Market Chile	
Deuda 360	
Liquidez Chile	
Alta Liquidez Colombia	
Fiduvista Colombia	

Vista Colombia

Liquidez Soles Perú

Liquidez Dólares Perú

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