

Frá stefnu yfir í framkvæmd – hvernig má útfæra kröfur vegna sjálfbærniáhættu og neikvæðra áhrifa á sjálfbærnipætti?

Kynning fyrir SFDR hádegisfund IcelandSIF

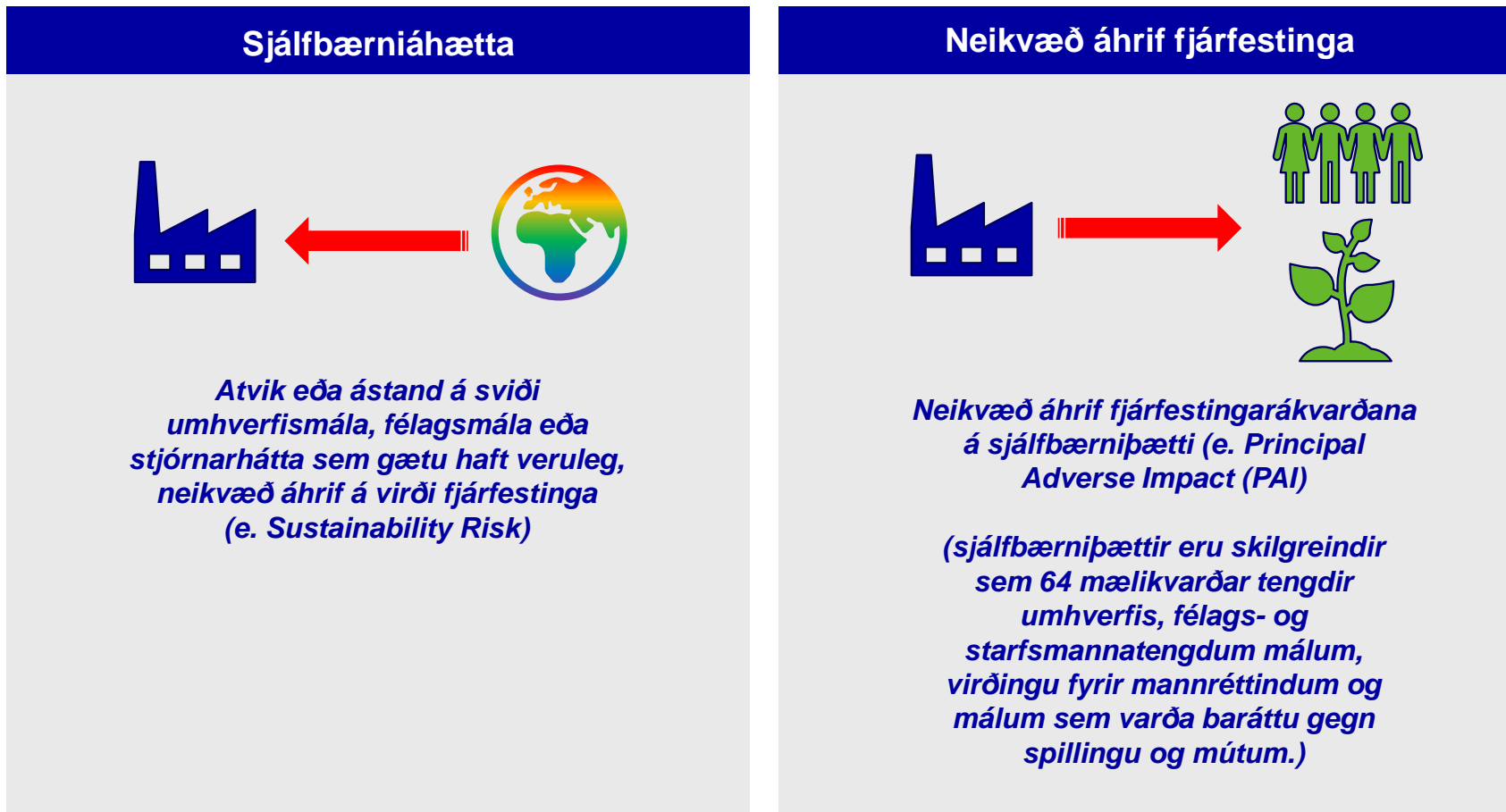
Þráinn Halldórsson, Gagnasérfræðingur

2023-04-19

*according to MiFID definition



SFDR byggir á hugtakinu tvöföld mikilvægisgreining (e. *double materiality*)*



Heimild: Frumvarp til laga um upplýsingagjöf um sjálfbærni á sviði fjármálaþjónustu og flokkunarkerfi fyrir sjálfbærar fjárfestingar nr. 463/153

*The concept of double materiality refers to, on the one hand, those ESG-related risks that are material to the financial performance of an issuer, and on the other, to the environment and social impact of the activities of the same issuer. The two will typically be closely linked but should not be conflated.

Confidential

Hvernig er hægt að útfæra og innleiða kröfur SFDR í starfsemi aðila á fjármálamarkaði?

1. Upplýsingar um UFS áhættur gerðar aðgengilegar fyrir sérfræðinga, áhættustjóra, sjóðsstjóra.

- Þetta á við um bæði fyrirfram skilgreindar áhættur og undirliggjandi gögn tengd sjálfbærniþáttum

2. Innleiða mat á UFS þáttum sem hafa undirliggjandi áhrif á aðrar áhættur.

- Grænþvottur eykur orðsporsáhættu
- Umhverfisslys eða ytri umhverfisatburðir (flóð, slæmt veður o.fl.) eykur tryggingáhættu
- Skattlagning á losun gróðurhúsalofttegunda getur haft áhrif á greiðslugetu fyrirtækis og aukið útlánaáhættu

3. Taka ákvarðanir varðandi fjárfestingar sem eru sérstaklega útsettar fyrir sjálfbærniáhættum og neikvæðum áhrifum

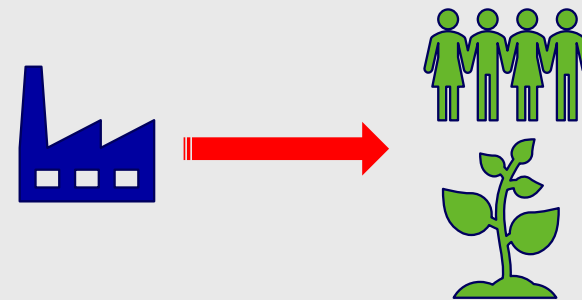
- Ekki fjárfesta
- Selja
- Kaupa og hafa áhrif á fyrirtækið (e. engagement)
- Bannlista

Sjálfbærniáhætta



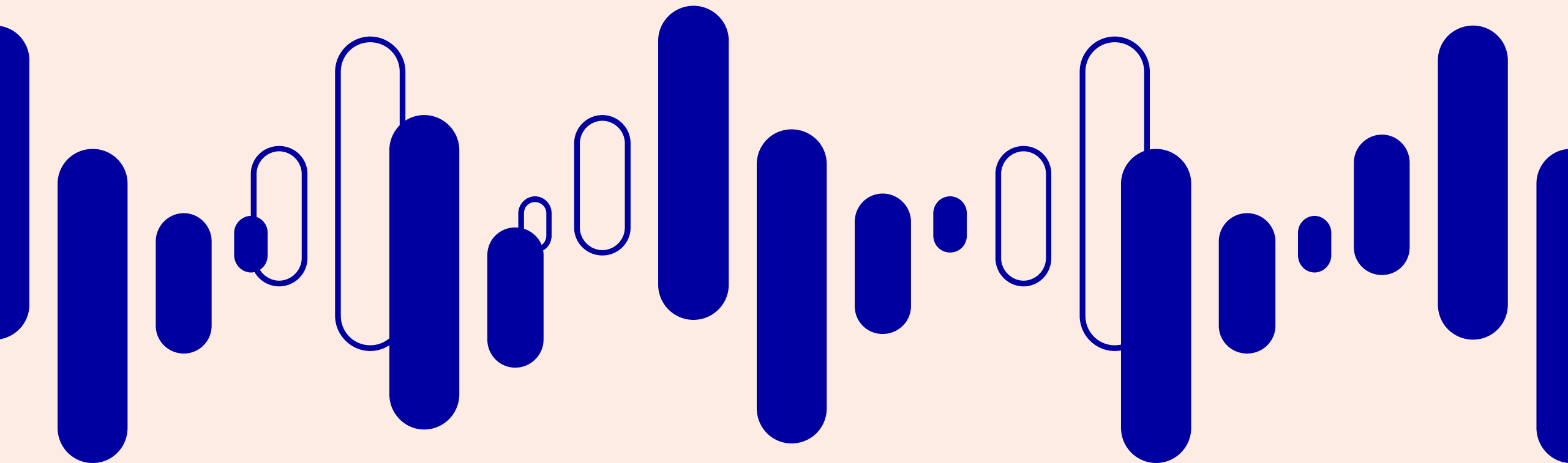
- Eru fjárfestingar/útlánasafn/afurðir með of hátt vægi í vissum sjálfbærniáhættum?
- Eru sjálfbærniáhættar metnar á sama grundvelli og aðrar áhættur, t.d. lausafjáraáhætta, markaðsáhætta?
- Eru fjárfestingar í fyrirtækjum sem stjórna sjálfbærniáhættunum vel eða illa?

Neikvæð áhrif fjárfestinga



- Hvaða PAI sjálfbærniþættir skipta máli fyrir okkar afurð?
- Erum við með næg gögn? Getum við safnað þeim?
- Hver er ásættanleg PAI frammistaða? Hvað gerum við ef PAI frammistaðan er ekki í samræmi við væntingar?
- Eru PAI gildin í samræmi við skilgreind viðmið (afurðir, samkeppni, markaði)?

**Dæmi um mat á sjálfbærniáhættu og
neikvæðum áhrifum á sjálfbærnipætti**



Mikilvægisgreining (e. materiality assessment) er hægt að nota til að ákvarða vægi sjálfbærniáhættu í hverri atvinnugrein fyrir sig

| | | 6 of SASB's 77 industries | | | | | |
|-----------------------------|--|---------------------------|--------------------------|---------------------------------------|-------------------------|------------|-----------------|
| Dimension | General Issue Category | Health Care Delivery | Non- Alcoholic Beverages | Electric Utilities & Power Generators | Advertising & Marketing | Auto Parts | Metals & Mining |
| Environment | GHG Emissions | | | | | | |
| | Air Quality | | | | | | |
| | Energy Management | | | | | | |
| | Water & Wastewater Management | | | | | | |
| | Waste & Hazardous Materials Management | | | | | | |
| | Ecological Impacts | | | | | | |
| Social Capital | Human Rights & Community Relations | | | | | | |
| | Customer Privacy | | | | | | |
| | Data Security | | | | | | |
| | Access & Affordability | | | | | | |
| | Product Quality & Safety | | | | | | |
| | Customer Welfare | | | | | | |
| | Selling Practices & Product Labeling | | | | | | |
| Human Capital | Labor Practices | | | | | | |
| | Employee Health & Safety | | | | | | |
| | Employee Engagement, Diversity & Inclusion | | | | | | |
| Business Model & Innovation | Product Design & Lifecycle Management | | | | | | |
| | Business Model Resilience | | | | | | |
| | Supply Chain Management | | | | | | |
| | Materials Sourcing & Efficiency | | | | | | |
| | Physical Impacts of Climate Change | | | | | | |
| Leadership & Governance | Business Ethics | | | | | | |
| | Competitive Behavior | | | | | | |
| | Management of the Legal & Regulatory Environment | | | | | | |
| | Critical Incident Risk Management | | | | | | |
| | Systemic Risk Management | | | | | | |

Dæmi um mat á sjálfbærniáhættu og neikvæðum áhrifum á sjálfbærnipætti

Alcoa Corp.
(Metals & Mining Industry)

| | | 6 of SASB's 77 industries | | | | | |
|-----------------------------|--|---------------------------|--------------------------|---------------------------------------|-------------------------|------------|-----------------|
| Dimension | General Issue Category | Health Care Delivery | Non- Alcoholic Beverages | Electric Utilities & Power Generators | Advertising & Marketing | Auto Parts | Metals & Mining |
| Environment | GHG Emissions | | | | | | |
| | Air Quality | | | | | | |
| | Energy Management | | | | | | |
| | Water & Wastewater Management | | | | | | |
| | Waste & Hazardous Materials Management | | | | | | |
| | Ecological Impacts | | | | | | |
| Social Capital | Human Rights & Community Relations | | | | | | |
| | Customer Privacy | | | | | | |
| | Data Security | | | | | | |
| | Accounting | | | | | | |
| Human Capital | Marketing Practices & Product Labeling | | | | | | |
| | Labor Practices | | | | | | |
| | Employee Health & Safety | | | | | | |
| | Employee Engagement, Diversity & Inclusion | | | | | | |
| Business Model & Innovation | Product Design & Lifecycle Management | | | | | | |
| | Business Model Resilience | | | | | | |
| | Supply Chain Management | | | | | | |
| | Materials Sourcing & Efficiency | | | | | | |
| | Physical Impacts of Climate Change | | | | | | |
| Leadership & Governance | Business Ethics | | | | | | |
| | Competitive Behavior | | | | | | |
| | Management of the Legal & Regulatory Environment | | | | | | |
| | Critical Incident Risk Management | | | | | | |
| | Systemic Risk Management | | | | | | |

MSCI áhættuvægi fyrir Alcoa Corp. (Materials – Aluminium)

Materials Aluminum

Search for a sub-industry Clear

Carbon Emissions

Environment / Climate Change

Companies are evaluated on the carbon intensity of their operations and their efforts to manage climate-related risks and opportunities.

| Issue | Weight | | |
|-----------------------------------|--------|---------|---|
| Carbon Emissions | 15% | ■■■■■■■ | 🔗 |
| Toxic Emissions & Waste | 14.1% | ■■■■■■■ | 🔗 |
| Water Stress | 11.4% | ■■■■■■■ | 🔗 |
| Biodiversity & Land Use | 1.8% | ■ | 🔗 |
| Raw Material Sourcing | | | 🔗 |
| Opportunities in Renewable Energy | | | 🔗 |
| Product Carbon Footprint | | | 🔗 |
| Climate Change Vulnerability | | | 🔗 |
| Financing Environmental Impact | | | 🔗 |
| Electronic Waste | | | 🔗 |
| Opportunities in Green Building | | | 🔗 |
| Opportunities in Clean Tech | | | 🔗 |
| Packaging Material & Waste | | | 🔗 |

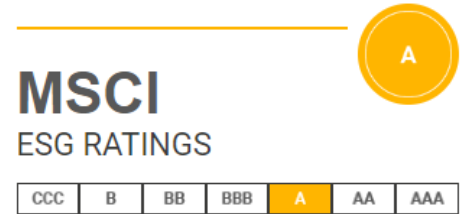
Social

| Issue | Average Weight | |
|-------------------------------------|----------------|-------|
| Labor Management | 11.3% | ■■■■■ |
| Health & Safety | 10.9% | ■■■■■ |
| Community Relations | 1.8% | ■ |
| Chemical Safety | 0.4% | |
| Product Safety & Quality | 0.3% | |
| Supply Chain Labor Standards | | 🔗 |
| Consumer Financial Protection | | 🔗 |
| Responsible Investment | | 🔗 |
| Controversial Sourcing | | 🔗 |
| Access to Finance | | 🔗 |
| Access to Health Care | | 🔗 |
| Opportunities in Nutrition & Health | | 🔗 |
| Privacy & Data Security | | 🔗 |
| Human Capital Development | | 🔗 |

Governance

| Issue | Average Weight | |
|---------------------|----------------|---------|
| Governance | 33% | ■■■■■■■ |
| Ownership & Control | | |
| Board | | |
| Pay | | |
| Accounting | | |
| Business Ethics | | |
| Tax Transparency | | |

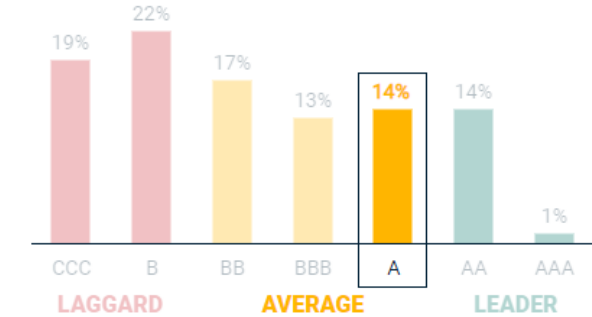
Alcoa fær meðaleinkunn í stjórnun sjálfbærniáhættu hjá MSCI og Sustainalytics...



Alcoa is **average** among 72 companies in the **metals and mining - non-precious metals industry**.

ESG Rating distribution in relation to industry peers

Universe: MSCI ACWI Index constituents metals and mining - non-precious metals, (72 companies)



| ESG LAGGARD | AVERAGE | ESG LEADER |
|-----------------------------|-----------------------------|--------------------------|
| TOXIC EMISSIONS & WASTE | CARBON EMISSIONS | CORPORATE GOVERNANCE |
| | BIODIVERSITY & LAND USE | CORPORATE BEHAVIOR |
| | LABOR MANAGEMENT | COMMUNITY RELATIONS |
| | WATER STRESS | HEALTH & SAFETY |

Alcoa Corp.

Industry Group: **Diversified Metals**

Identifier: **NYS:AA**

Alcoa Corp is a vertically integrated aluminum company whi and the manufacture of primary aluminum. It is the world's l volume, and its profits are closely tied to prevailing commoc + Show More

Full time employees: **13,100**

ESG Risk Rating **COMPREHENSIVE** ?
23.7 Medium Risk

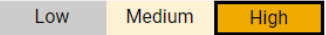


Last Update: **Apr 13, 2023** ?

Exposure

Exposure refers to the extent to which a company is exposed to different material ESG issues. Our exposure score takes into consideration subindustry and company-specific factors such as its business model.

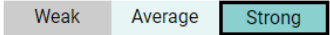
Alcoa Corp.'s Exposure is **High**



Management

Management refers to how well a company is managing its relevant ESG issues. Our management score assesses the robustness of a company's ESG programs, practices and policies.

Alcoa Corp.'s Management of ESG Material Risk is **Strong**



...og staða loftlagsáhættu virðist vera ásættanleg út frá uppgefnum upplýsingum

What is the company's commitment to reduce

Decarbonization Target

Does ALCOA CORPORATION have a decarbonization target?

YES

Does ALCOA CORPORATION have a decarbonization target that is considered in the calculation of Implied Temperature Rise?

YES

Target Year 2025

Comprehensiveness
% of company footprint covered by target 16.92%

Ambition
Projected reduction per year to meet stated target** 0.59% p.a.

Target data as of April 11, 2023*

| Name | Response | Year | Status | Score |
|-------------|---------------------|------|-----------|-------|
| Alcoa Corp. | Climate Change 2022 | 2022 | Submitted | B |

Carbon Dioxide Equivalent Emissions

| | Direct (Million metric tons) | Indirect (Million metric tons) | Total CO _{2e} Emissions (Million metric tons) | Emissions Intensity (Million metric tons of CO _{2e} per metric ton of production) |
|------|---------------------------------|-----------------------------------|--|---|
| 2017 | 16.2 | 5.8 | 22.0 | 5.21 |
| 2018 | 17.5 | 6.7 | 24.2 | 6.60 |
| 2019 | 17.7 | 6.6 | 24.3 | 6.96 |
| 2020 | 18.5 | 5.4 | 23.9 | 6.06 |
| 2021 | 17.4 | 4.4 | 21.8 | 5.41 |

En hvað með neikvæð áhrif Alcoa á sjálfbærniþætti?

| | A | B | C |
|----|-------------------|---|---------------------------------------|
| 1 | | Principal | Adverse Impacts for Alcoa Corp. As of |
| 2 | pai_metric | | |
| 3 | _number | pai_metric_name | pai_metric_value_combined |
| 4 | 1.1.1 | Scope 1 GHG emissions | 17,400,000 |
| 5 | 1.1.2 | Scope 2 GHG emissions | 4,400,000 |
| 6 | 1.1.3 | Scope 3 GHG emissions | 29,041,296 |
| 7 | 1.1.4 | Total GHG emissions scope 12 | 21,800,000 |
| 8 | 1.1.5 | Total GHG emissions scope 123 | 50,841,296 |
| 9 | 1.2.1 | Carbon footprint scope 12 | 1,721 |
| 10 | 1.2.2 | Carbon footprint scope 123 | 4,013 |
| 11 | 1.3.1 | GHG intensity scope 12 | 2,040 |
| 12 | 1.3.2 | GHG intensity scope 123 | 4,358 |
| 13 | 1.4.1 | Exposure to fossil fuels | 0 |
| 14 | 1.5.1 | Share of nonrenewable energy consumption | 67% |
| 15 | 1.6.3 | Energy consumption intensity - Manufacturing (C) | 10.8 |
| 16 | 1.6.10 | Energy consumption intensity, all high impact climate sectors | 10.8 |
| 17 | 1.7.1 | Impact on biodiversity | 0 |
| 18 | 1.9.1 | Hazardous waste and radioactive waste ratio | 1,812 |
| 19 | 1.10.1 | Violations of the UNGC and OECD principles | 0 |
| 20 | 1.11.1 | Monitoring UNGC and OECD compliance | 0 |
| 21 | 1.12.1 | Gender pay gap | 1% |
| 22 | 1.13.1 | Board gender diversity | 33% |
| 23 | 1.14.1 | Exposure to controversial weapons | 0 |
| 24 | 2.8.1 | High water stress | 0 |
| 25 | 2.15.1 | Lack of deforestation policy | 1 |
| 26 | 3.6.1 | Insufficient whistleblower protection | 0 |
| 27 | 3.9.1 | Lack of a human rights policy | 0 |
| 28 | 3.14.1 | Severe human rights issues and incidents | 0 |

Setjum losun gróðurhúsalofttegunda í samhengi við 2° sviðsmyndina

MSCI IMPLIED TEMPERATURE RISE

over **3.2°C**



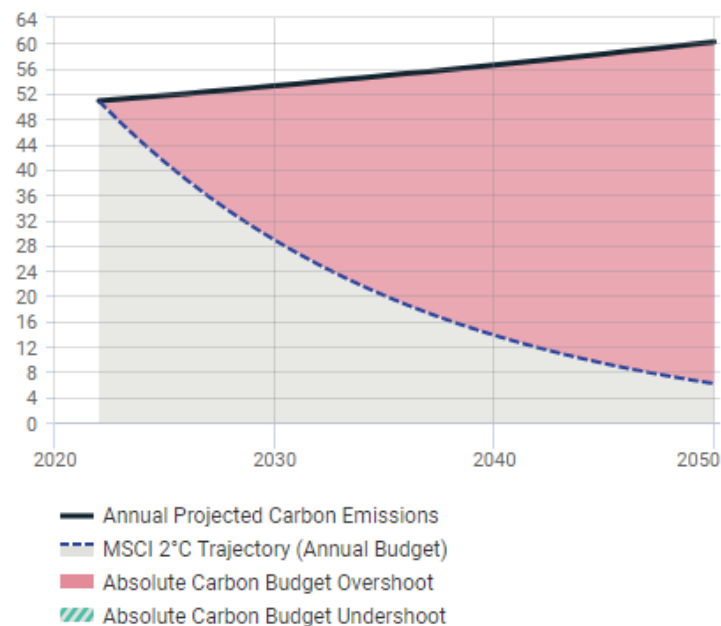
STRONGLY MISALIGNED

An Implied Temperature Rise of **above 3.2°C** indicates that ALCOA CORPORATION is strongly misaligned with global climate goals. Its contribution to catastrophic climate change is higher than most.

2°C Trajectory

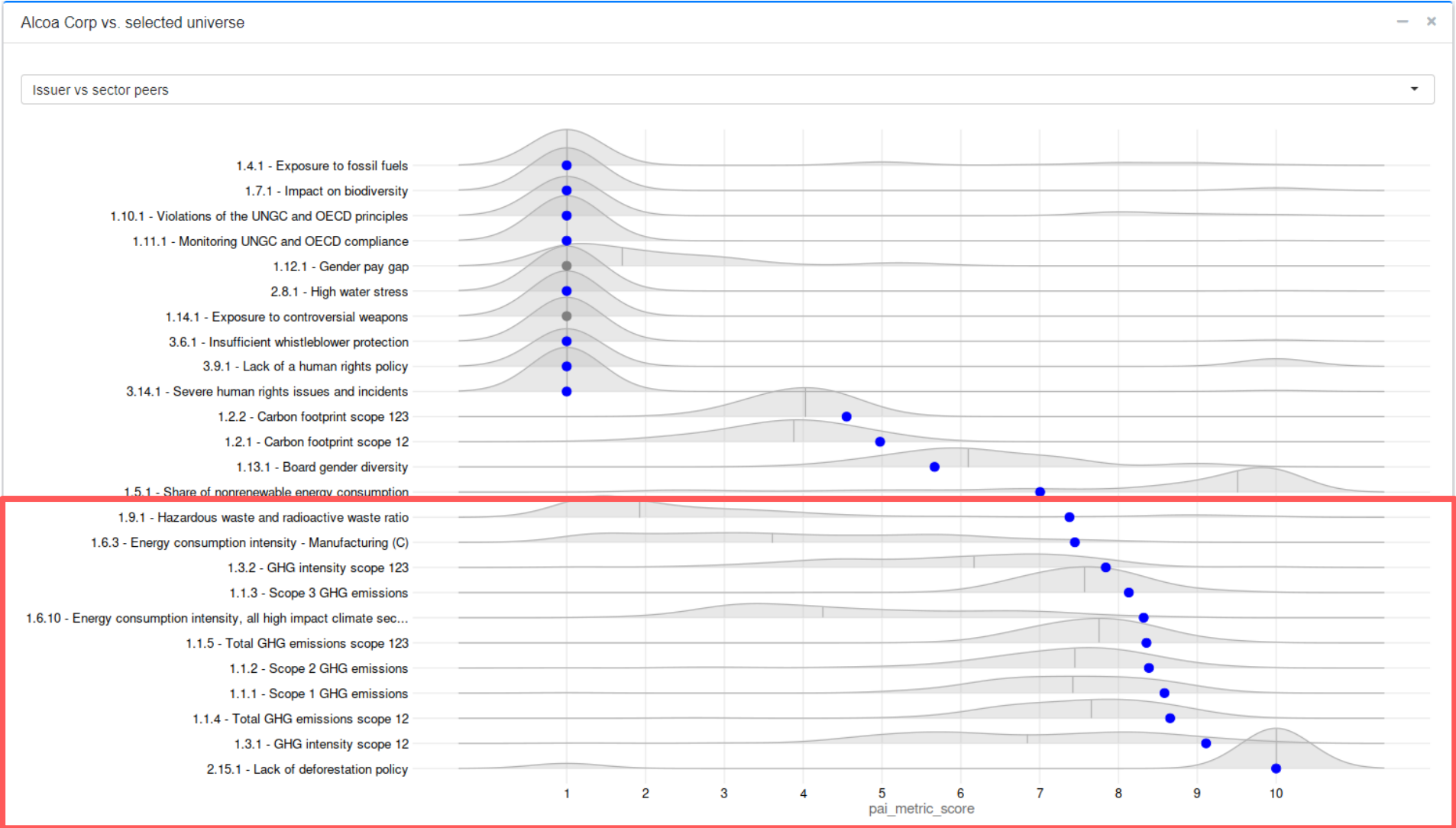


Absolute emissions [Megatons CO₂e]



Decarbonization data as of April 11, 2023*

Alcoa stendur sig verr en aðrir í sama atvinnugeira þegar kemur að losun gróðurhúsalofttegunda, losun eiturefna og orkunýtingar



Niðurstaða: Sjálfbærniáhættan gæti verið ásættanleg... ...en neikvæðu áhrifin á sjálfbærniþætti eru veruleg

| | A | B | C | D | E | F |
|----|---|---|----------------------------------|------------------------------|-------------------------|------------------------|
| 1 | Principal Adverse Impacts for Alcoa Corp. As of 18 April 2023 | | | | | |
| 2 | pai_metric | | | | | |
| 3 | _number | pai_metric_name | pai_metric_value_combined | pai_metric_percentile | pai_metric_score | pai_metric_flag |
| 4 | 1.1.1 | Scope 1 GHG emissions | 17,400,000 | 0.97 | 8.58 | red |
| 5 | 1.1.2 | Scope 2 GHG emissions | 4,400,000 | 0.99 | 8.39 | red |
| 6 | 1.1.3 | Scope 3 GHG emissions | 29,041,296 | 0.94 | 8.13 | red |
| 7 | 1.1.4 | Total GHG emissions scope 12 | 21,800,000 | 0.98 | 8.65 | red |
| 8 | 1.1.5 | Total GHG emissions scope 123 | 50,841,296 | 0.95 | 8.35 | red |
| 9 | 1.2.1 | Carbon footprint scope 12 | 1,721 | 0.97 | 4.98 | red |
| 10 | 1.2.2 | Carbon footprint scope 123 | 4,013 | 0.92 | 4.55 | red |
| 11 | 1.3.1 | GHG intensity scope 12 | 2,040 | 0.87 | 9.11 | green |
| 12 | 1.3.2 | GHG intensity scope 123 | 4,358 | 0.85 | 7.84 | green |
| 13 | 1.4.1 | Exposure to fossil fuels | 0 | 0.90 | 1.00 | green |
| 14 | 1.5.1 | Share of nonrenewable energy consumption | 67% | 0.26 | 7.01 | green |
| 15 | 1.6.3 | Energy consumption intensity - Manufacturing (C) | 10.8 | 0.99 | 7.45 | amber |
| 16 | 1.6.10 | Energy consumption intensity, all high impact climate sectors | 10.8 | 0.98 | 8.32 | amber |
| 17 | 1.7.1 | Impact on biodiversity | 0 | 1.00 | 1.00 | green |
| 18 | 1.9.1 | Hazardous waste and radioactive waste ratio | 1,812 | 0.99 | 7.38 | green |
| 19 | 1.10.1 | Violations of the UNGC and OECD principles | 0 | 0.98 | 1.00 | green |
| 20 | 1.11.1 | Monitoring UNGC and OECD compliance | 0 | 0.96 | 1.00 | green |
| 21 | 1.12.1 | Gender pay gap | 1% | 0.30 | 1.00 | green |
| 22 | 1.13.1 | Board gender diversity | 33% | 0.33 | 5.67 | green |
| 23 | 1.14.1 | Exposure to controversial weapons | 0 | 0.99 | 1.00 | green |
| 24 | 2.8.1 | High water stress | 0 | 0.98 | 1.00 | green |
| 25 | 2.15.1 | Lack of deforestation policy | 1 | 1.00 | 10.00 | red |
| 26 | 3.6.1 | Insufficient whistleblower protection | 0 | 0.92 | 1.00 | green |
| 27 | 3.9.1 | Lack of a human rights policy | 0 | 0.57 | 1.00 | green |
| 28 | 3.14.1 | Severe human rights issues and incidents | 0 | 1.00 | 1.00 | green |

Smáa lettrið: Alcoa Corp. er ekki endilega slæmt fyrirtæki, heldur er það starfandi í flóknum *Transition* viðskiptageira

- **Transition activities:** Activities that are critical to the economy but are not currently close to a net-zero carbon emissions level.

| EU Taxonomy Table | |
|------------------------------------|------------------|
| 1 step | |
| Eligible | 66.865% |
| Potentially Eligible | 0% |
| (Thereof transition activity) | (64.377%) |
| (Thereof enabling activity) | (0%) |
| (Thereof own performance activity) | (2.487%) |
| 2 step | |
| Contribution | 0% |
| Potential Contribution | 2.089% |
| 3 step | |
| Do No Significant Harm | Medium DNSH risk |
| 4 step | |
| Social Safeguards | Medium SS risk |
| 5 step | |
| Aligned | 0% |
| Potential Aligned | 2.089% |

| Sector | Status |
|--|------------------|
| Aluminium | → Scoping Phase |
| Apparel and footwear | ○ Finalized |
| Aviation | 🔄 In Development |
| Buildings | 🔄 In Development |
| Chemicals | 🔄 In Development |
| Cement | ○ Finalized |
| Financial institutions | ○ Finalized |
| Forest, Land and Agriculture (FLAG) | ○ Finalized |
| Information and Communication Technology (ICT) | ○ Finalized |
| Maritime | ○ Finalized |
| Oil and Gas | 🔄 In Development |

EU Taxonomy Navigator

HomeEU Taxonomy CompassActivities by sectorEU Taxonomy CalculatorFAQ

Home > EU Taxonomy Compass > EU Taxonomy Compass

EU Taxonomy Compass

aluminiumSearch☐ Transitional☐ Enabling

| Sector | Activity | Climate mitigation | Climate adaptation | Water | Circular economy | Pollution prevention | Biodiversity |
|---------------|--------------------------|--------------------|--------------------|-------|------------------|----------------------|--------------|
| Manufacturing | Manufacture of aluminium | ⊕ T | ⊕ | | | | |

Substantial contribution criteria ^

The activity manufactures one of the following:

a. primary aluminium where the economic activity complies with two of the following criteria until 2025 and with all of the following criteria⁽¹⁰⁵⁾ after 2025:

i. the GHG emissions⁽¹⁰⁶⁾ do not exceed 1,484⁽¹⁰⁷⁾ tCO₂e per ton of aluminium manufactured⁽¹⁰⁸⁾;

ii. the average carbon intensity for the indirect GHG emissions⁽¹⁰⁹⁾ does not exceed 100g CO₂e/kWh;

iii. the electricity consumption for the manufacturing process does not exceed 15.5 MWh/t Al.

b. secondary aluminium.

Næsta skref er að birta upplýsingarnar...

ESG and sustainability risk integration

In order to ensure that investment decisions are based on comprehensive information, we seek to integrate ESG factors into our investment analysis. Since ESG factors can have both a negative and a positive impact, they can be used to identify investment opportunities as well as sustainability risk.






Sustainability risk considerations are integrated into our investment decision-making framework as part of the overall risk assessment. Our overall risk assessment, based *inter alia* on quantitative and qualitative ESG information, allows for a robust identification of sustainability risk. We identify sustainability risk by considering ESG factor in the investment process, and assessing the materiality of the negative impact of these ESG factors on the value of the investment.

Indicators applicable to investments in investee companies

| Adverse sustainability indicator | | Metric | Impact [year n] ³ | Impact [year n-1] ⁴ | Explanation ⁵ | Actions taken, and actions planned and targets set for the next reference period |
|--|---|--|------------------------------|--------------------------------|--------------------------|---|
| CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS | | | | | | |
| Greenhouse gas emissions | 1. GHG emissions | Scope 1 GHG emissions | N/A | N/A | N/A | We are a signatory to Net Zero Asset Managers Initiative and committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5°C. We have an organisational-wide target to reduce the weighted average carbon intensity (WACI) of our funds' investments; a set of portfolio-specific carbon footprint reduction targets, and a complementary target to ensure individual companies are engaged to become 1.5°C aligned. We have set a 2025 target to ensure 80% of our top 200 largest carbon footprint contributors are on a Paris-aligned trajectory or else subject to engagement to become aligned. |
| | | Scope 2 GHG emissions | N/A | N/A | N/A | |
| | | Scope 3 GHG emissions | N/A | N/A | N/A | |
| | | Total GHG emissions | N/A | N/A | N/A | |
| | 2. Carbon footprint | Carbon footprint | N/A | N/A | N/A | Most of the funds managed by us that have been classified as Article 8 or Article 9 funds under the SFDR are subject to our Paris Aligned Fossil Fuel Policy which prohibits investments in fossil fuel companies that are not transitioning in line with the climate |
| | 3. GHG intensity of investee companies | GHG intensity of investee companies | N/A | N/A | N/A | |
| | 4. Exposure to companies active in the fossil fuel sector | Share of investments in companies active in the fossil fuel sector | N/A | N/A | N/A | |
| | 5. Share of non-renewable energy consumption and production | Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy | N/A | N/A | N/A | |

...en það þarf að innleiða þær líka (1/2)

NORDEA ASSET MANAGEMENT

| Pillar |  Business Model |  Governance Quality |  Business & Governance Ethic |  Environment |  Social |
|-----------|---|---|--|--|---|
| Rating | A, B, C | A, B, C | A, B, C | A, B, C | A, B, C |
| ESG Risks | | | Risk Exposure 1-3 Financial Risk 1-3 Reputational Risk 1-3 | Risk Exposure 1-3 Financial Risk 1-3 Reputational Risk 1-3 | Risk Exposure 1-3 Financial Risk 1-3 Reputational Risk 1-3 |
| | 30% | 10% | Variable (%) | Variable (%) | Variable (%) |

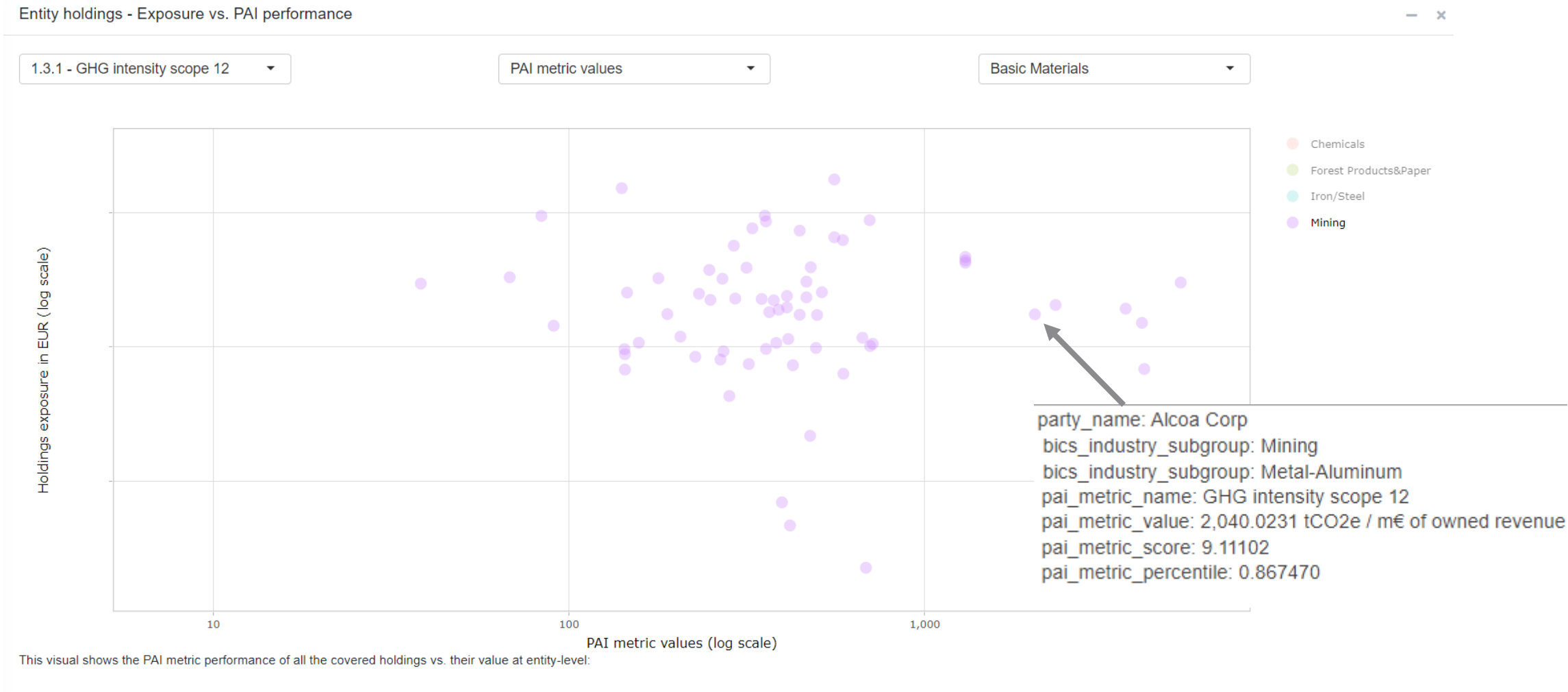
Rating

- Key sector issues are identified
- These are complemented with key company-specific issues
- Each pillar is rated – one overriding factor can not arbitrarily set the rating
- Policy, strategy, performance are KPIs evaluated

Weighting

- Business model 30%
- Governance Quality 10% (implicitly assessed in the remaining three pillars)
- Business ethics, Environment and Social have variable weights based on
 1. Risk exposure: Materiality Key risk if more than 30% of operations in high risk area
 2. Financial Impact: Magnitude example fines 10% of revenue
 3. Reputational: Impact on brand/reputation

...en það þarf að innleiða þær líka (2/2)



Nordea

Thank you!



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