

2021 TCFD report

Anthos Fund & Asset Management's climate-
related disclosures



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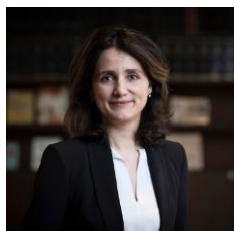
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About Anthos Fund & Asset Management

Established almost 100 years ago, Anthos Fund & Asset Management provides select, like-minded clients comprehensive, values-based asset management and investment advisory services across various asset classes to generate sustainable social impact and financial outperformance.

Since our foundation, our responsible investment (RI) approach has been inspired by the Brenninkmeijer family's values: human dignity, sustainability and good corporate citizenship. We strive for a positive, lasting impact on society and the environment. Our people are driven by the desire to meet the needs of today without compromising the opportunities and needs of tomorrow.

1 To our stakeholders



Jelena Stamenkova
van Rumpt, Director
of Responsible
Investment

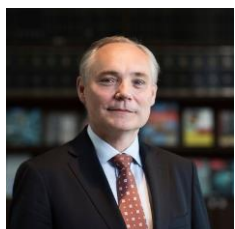
Anthos Fund & Asset Management ('Anthos') is pleased to present our first report aligned to the recommendations of the Task Force on Climate-Related Financial Disclosures ('TCFD'). This report represents our commitment to providing our stakeholders with transparency on our approach to managing climate-related risks and opportunities across our business.

We are a fund-of-funds investor and recognise that the transparency spotlight tends to shine more on the underlying companies within the funds we invest in, where carbon emissions are concentrated. We have decided to voluntarily publish our own TCFD report because we continue to believe that speaking a common language through a mechanism such as TCFD will result in greater progress across the whole financial sector. Even as a less direct influencer of reductions in carbon emissions, we believe our holistic ability to change things is great. It is important, therefore, for us to speak the same language, to use the same action levers and to provide the same thoughtful and honest disclosure that we expect from our managers and the underlying companies if we are to maximise the influence we can have.



Bastiaan Pluijmers,
Head of Investment
& Strategy Research

We understand, at first hand, the challenges of providing transparency across the many investment capabilities in the markets, both liquid and illiquid, where we have operated for several decades. From our vantage point, we can see year-on-year improvements in the adopting of the TCFD framework in some areas, while there is still scope for greater effort in other areas. We therefore see it as our role to take a step back and holistically assess how best practices and insights can be shared across different asset classes. This is yet another reason why providing our own TCFD report is such an important mechanism in our efforts to contribute to the evolving global dialogue on how investors and asset owners view action-inducing climate-related disclosures.














Jacco Maters, Chief
Executive Officer

Through this holistic lens, we have been able to systematically apply the thinking on climate disclosure and measurement from the more advanced areas of the public markets to less advanced areas in the private markets. In 2021, we announced our net zero carbon ambition for 2040 as a vote of confidence that this systematic and holistic approach will help us achieve our ambition for all our investment portfolios – whether liquid or illiquid – and the fiduciary advice we give to clients.

Confidence, however, does not guarantee success and we recognise that we still have a long way to go. By sharing this TCFD report and opening the dialogue with you, our stakeholders, we hope to continue strengthening our efforts for the benefit of all stakeholders. We welcome all feedback and look forward to learning from each other as we embark on the great adventure of creating a more equitable, resilient and sustainable future.

2 Executive summary

| Anthos climate strategy aligns with the Paris Agreement | Interim targets and monitoring for Anthos operations and investments | 2021 progress towards targets |
|--|--|---|
| <p>Net zero GHG emissions for all AuM by 2040</p> <p>Align with the ambition to limit global warming to 1.5°C</p> <p>Carbon neutral for Scope 1, 2 and (direct) 3 from 2020</p> | <p>50% reduction in tCO₂e/€ m for each asset class by 2030</p> <p>100% of investments covered as soon as data and methods are available</p> | <p>10.3% reduction in tCo₂/€ m for monitored asset classes (at least partly due to COVID effects on carbon emissions)</p> <p>60% of investments currently monitored on progress to net zero</p> <p>66% of investments measured on carbon emissions (listed equity, investment-grade and high-yield corporates, and real estate)</p> |
| <p>Initiatives we support</p> <div data-bbox="274 878 440 918">  <p>Principles for Responsible Investment</p> </div> <div data-bbox="322 949 395 1025">  </div> <div data-bbox="274 1025 440 1057"> <p>G R E S B</p> </div> <div data-bbox="274 1070 440 1146">  </div> <div data-bbox="274 1191 450 1236">  </div> <div data-bbox="274 1258 475 1361">  </div> <div data-bbox="274 1393 411 1451">  </div> <div data-bbox="264 1460 383 1518">  </div> <div data-bbox="331 1541 430 1581">  </div> <div data-bbox="268 1594 469 1639">  </div> <div data-bbox="306 1684 427 1765">  </div> <div data-bbox="277 1796 443 1854">  </div> <p>1) Scope 1 & 2</p> | <p>Targets for AuM</p> <p>25% of AuM in sustainable or impact funds by 2030</p> <p>Exclude companies with more than 10% of revenue from thermal coal or oil sands or 5% from Arctic drilling; in external funds maximise exposure to 5%, subject to comply or explain policy</p> <p>Increase coverage of investments with formal (SBTi) targets; target coverage in 2040: 100%</p> <p>Decrease warming potential of the portfolios over time; target: 1.5°C by 2040</p> <p>Carbon neutral for operations</p> <p>Carbon neutral for Scope 1, 2 and (direct) 3 from 2020</p> | <p>9% of AuM in sustainable or impact funds per December 2021</p> <p>0.35% of AuM in carbon-related exclusions per December 2021</p> <p>Coverage of companies with SBTi targets: 24% of monitored portfolios (equities, investment-grade and high-yield)</p> <p>Warming potential of monitored portfolios (equities, investment-grade and high-yield) in December 2021 was 3°C</p> <p>70% reduction in Scope 1 & 2 emissions since 2019 (due to Covid, which lead to a significant amount of working from home)</p> |

3 Introduction

Following two weeks of intense negotiations at COP26, the UN Climate Change Conference, which was held in Glasgow in November 2021, agreement was reached on the Glasgow Climate Pact. This pact highlights the role of the financial sector, as also embedded in the Paris Agreement and the Dutch National Climate Agreement, and the need to leverage trillions of euros of private finance for a net zero future – not only by investing in solutions, but also by engaging in and collaborating to improve transparency and achieve changes in the real economy. Pledges were made at COP26 by all sides: countries, the business community, the financial sector and policymakers. However, the International Energy Agency (IEA) has set the total level of ambition at roughly 1.8°C, including the new pledges made at COP26, which is higher than the limit set in the Paris Agreement and emphasises that we cannot ignore the need for immediate action.

As an asset manager, we aim to identify those companies contributing to the global climate targets and to allocate capital their way. We are aiming for net zero emissions for our AuM by 2040 in order to support the global targets and limit global warming to 1.5°C by 2050 or sooner. Our investment strategy for achieving net zero emissions focuses on two objectives: (1) decarbonising our investments, and (2) increasing our allocation to climate solutions. As a signatory of the Dutch Climate Agreement, we are committed to reducing our emissions. The Dutch Climate Agreement is targeting a 49% reduction in GHG emissions by 2030, compared to the 1990 levels, and a 95% reduction by 2050.

We firmly believe that increased transparency on our progress in achieving these goals will allow more broadly informed investment decisions. Engagement is also key and must be further professionalised, including in terms of reporting mechanisms and improvement actions. This year, as an important step in this direction, Anthos is publishing its first TCFD climate report. This describes our current climate strategy and various new developments in line with, but also taking steps beyond climate reporting frameworks. The report also explores innovative climate-related impact metrics and the roll-out of our new climate strategy, and reflects on the need for renewed climate action.

In preparing this report, we were guided by the TCFD's Recommendations in its 2021 report and followed the recommended reporting structure: governance, strategy, risk management, and metrics & targets.



Figure 1: Reporting framework for climate risk in the financial sector

4 Governance

This section details the following recommended TCFD disclosures:

- Describe the board's oversight of climate-related risks and opportunities;
- Describe management's role in assessing and managing climate-related risks and opportunities.

This section specifies the departments directly engaged in climate-related issues and decision-making, and how other departments are indirectly involved in this area. Reporting lines from departments focused on climate-related issues to the Board of Directors and the rest of the organisation are also detailed, as are the actions taken when issues are reported.

Climate change considerations in terms of risks and opportunities are part of Anthos' larger system of responsible investment (RI) governance. In 2021, we strengthened oversight of the topic by including representatives of the Board of Directors and the Management Team in the RI Steering Committee meetings held twice a month. In 2022 we have since transitioned governance from a project approach to an RI Committee, with underlying thematic leads responsible for the relevant themes. The Committee reports to the Management Team and the Board. We will report on these meetings in the next reporting cycle.

Our governance structure ensures that RI is systematically integrated into our organisation, with effective ownership by all the relevant departments (see figure 2).

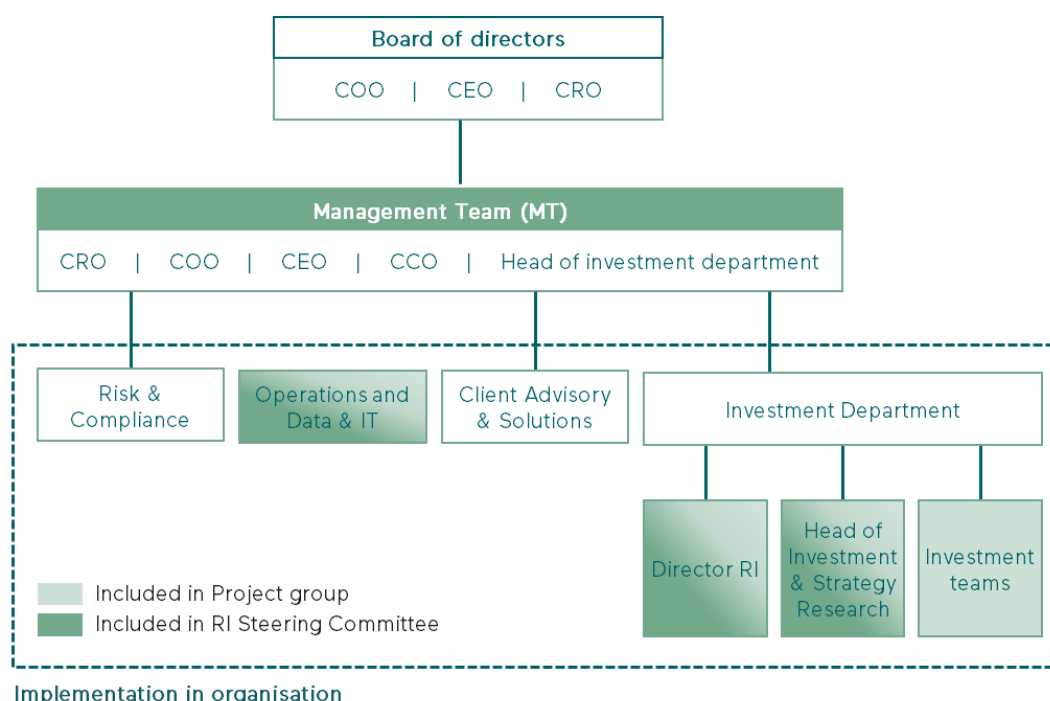
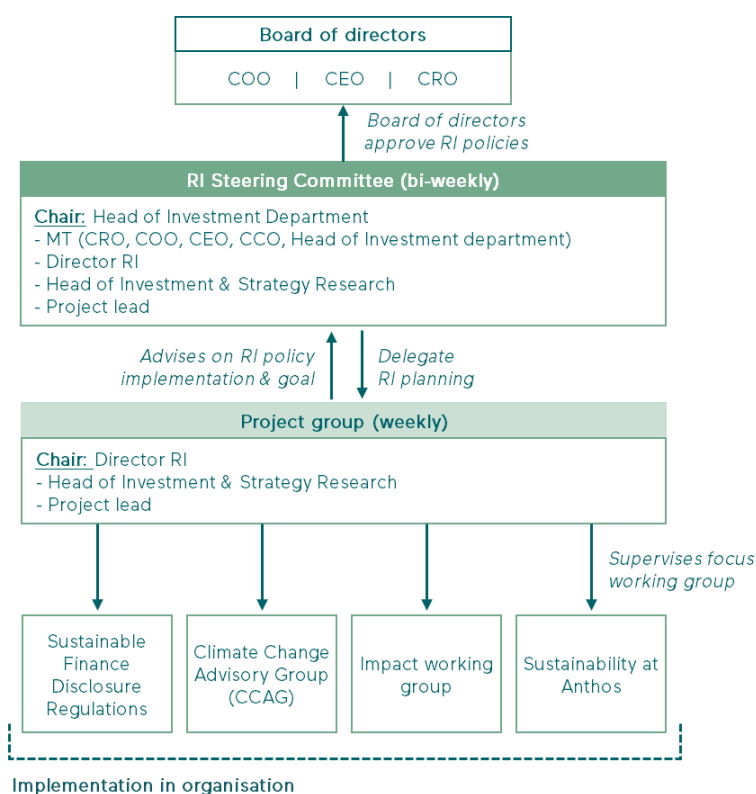


Figure 2: Company organisation

- The **Board of Directors** has ultimate responsibility for the group's RI policy and all underlying views, as well as for the position on climate change. The Board sees improving the understanding of and further integrating climate change risks into the investment processes as part of our fiduciary duty and as benefiting our clients, and undergoes annual training on the topic. The Board is responsible for defining goals and setting specific organisational targets, both for the operations and for the

investments, and will measure progress and report to the various stakeholders once a year through the annual RI Report and other existing reporting channels.

- The Management Team (MT) and Investment Department are responsible for implementing the goals and the climate change position into Anthos' investment strategies and products.
- Investment teams are responsible for integrating sustainability and ESG considerations into processes for manager selection and investment decision-making, including on climate risks and opportunities.
- The **Director of Responsible Investment** works closely with the **Investment & Strategy Research (ISR)** team. Both support the asset class investment teams and provide them with input and guidance on best practices in sustainability, ESG integration and stewardship. The Director of Responsible Investment is responsible for driving the RI strategy and for maintaining and evolving proprietary RI and impact tools in close collaboration with the ISR team and the other relevant teams across Anthos.
- The Risk & Compliance department is responsible for evaluating, monitoring and reporting the risk profile of Anthos and for capturing all risks according to the Anthos risk taxonomy framework (or enterprise risk). The outcomes are discussed in the Business Risk Committee and reported to the Management Team. Climate Risk will be integrated into Anthos' risk management taxonomy and processes in 2022. More details can be found in section 6.
- The **Client Advisory & Solutions** team works closely with our clients to support and guide implementation of RI in general and climate change in particular.



Anthos has set up various cross-departmental working groups convened around specific issues such as climate, sustainable finance disclosure requirements (SFDR) and regulatory changes, and the measurement of impact (see figure 3). The Climate Change Advisory Group (CCAG), chaired by the Director of Responsible Investment, is responsible for advising the Board of Directors and the Management Team on policy, strategy, implementation, engagement, stakeholder involvement and reporting according to best practices. CCAG members comprise individuals in key functions across the company and who report to their respective manager and the project group. This ensures that all advice and recommendations brought to the CCAG have prior support from the managerial layer. The CCAG is supported by external experts and by expertise available from COFRA.

Figure 3: RI project organisation

In 2022, RI and Climate governance within Anthos will be further strengthened and reorganised by establishing an RI Committee that includes a representative from each team across Anthos and reports to the MT and the Board.

5 Strategy

This section provides details on the following recommended TCFD disclosures:

- Climate-related risks and opportunities identified over the short, medium and long term;
- Impact of climate-related risks and opportunities on businesses, strategy and financial planning;
- Resilience of the organisation's strategy and business plans with regard to different scenarios.

In line with the concept of double materiality, integrating climate considerations into the business of Anthos follows two complementary angles. First there is the angle of climate ambitions. At Anthos we believe we have to take responsibility for the impact we have on the world. With regard to climate change, we are therefore aspiring to achieve net zero emissions by 2040 to support the global goals and to limit global warming to 1.5°C by 2050 or sooner.

The second angle, which is complementary to working towards a net zero world, is that we acknowledge that climate change is already in progress and entails risks that have not traditionally been considered. We believe these carbon risks are financially material, certainly in the medium to long term. If, therefore, we are to continue achieving good financial results, we have to mitigate climate risks and identify climate-related opportunities. To address these aspirations and challenges, we have designed a climate framework that sets us on the path to net zero by 2040 and effectively manages the associated climate-related risks and opportunities.

5.1 The context of Anthos

An effective framework for achieving net zero has to align with our business activities and the context we operate in. Anthos is an asset manager and investment adviser that manages asset allocations with a great variety of asset classes and invests almost exclusively through external investment funds. This implies that the framework has to be effective in addressing climate goals, risks and opportunities from a fund-of-funds perspective (i.e. a structure that lacks direct influence on the underlying companies invested in). Alongside this, this great variety of asset classes we invest in implies that methods have to be applicable to a wider range of investment types, while also acknowledging that not every method will be applicable to every portfolio (owing, for example, to data issues or transparency limitations or just to the very nature of the investment).

It is also important to realise that as well as operating in-house funds, Anthos manages portfolios on our clients' behalf, and that, in this case, it is the clients who decide where to invest the funds. The disclosure framework has therefore been integrated into the processes for managing our in-house funds and, in the case of clients for whom we manage portfolios, provides a starting point for discussions and for working towards alignment with our objectives to reduce emissions.

When considering our investment strategy, we apply two key considerations to frame our decisions: our investment values and our investment plans. To translate our climate policies into concrete investment decisions, we have articulated seven climate principles that guide our portfolio decisions:

1. Climate change presents portfolio opportunities for active investors;
2. Our policy applies a top-down portfolio perspective, with pragmatic asset class-specific implementation;
3. Scenario analysis can support strategic investment decisions by testing portfolio resilience under multiple potential future outcomes for climate change;
4. We pursue a beyond-exclusions strategy as we believe that exclusions do not have a significant effect on the real economy, which is where change needs to happen. Integration of ESG risks and opportunities into asset allocation, manager selection, engagement and investment for a positive

real-world impact are therefore our primary instruments for integrating climate change into our investment strategy;

5. Our approach to carbon emission risk combines available exposure data ('carbon footprint') with the more forward-looking components of climate risk management initiatives and transparency;
6. We encourage positive investments – for example, in renewable energy and in technologies that enhance energy efficiency and support resilience and adaptation – across all asset classes;
7. We invest in data management to help us report and show progress in implementation over time and relative to our objectives, market benchmarks and peers. Data management will help us to track progress and provide relevant insights for improving our implementation actions and decision-making. We aim to be transparent in all information relevant to our stakeholders.

5.2 Integrating climate ambitions into the investment strategy

At Anthos, we care deeply about leading by example as responsible investors who invest in strategies and managers across the investment universe of liquid, illiquid and fiduciary solutions.

We have set our net zero ambition for 2040, ten years earlier than in the Paris Agreement, specifically so that we can play this influential role.

The idea is to use these 'extra' ten years to help our clients, underlying managers and other market participants to transition faster.

Our hope is to increase the likelihood that we can all achieve the Paris Agreement goal and keep global warming below 1.5°C.

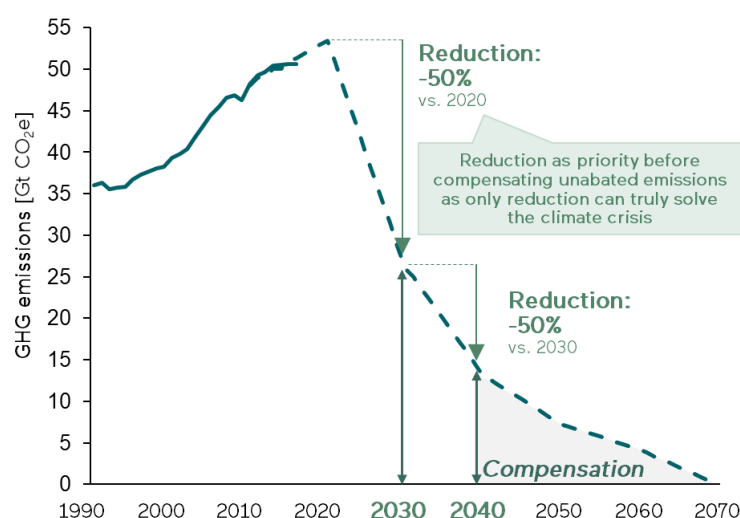


Figure 4: net zero pathway

The pathway for this ambition follows a 50% reduction target by 2030, a further 50% reduction by 2040, and a compensation strategy for the remaining carbon emissions in the portfolio (see figure 4).

When we embarked on our journey, we wondered whether the degree of separation between us and the carbon-emitting companies (via external managers) would reduce our potential influence. Our analysis shows that this seems not to be the case. Instead, by starting the hard work needed to understand our portfolios' carbon footprints and identify where the highest emissions come from, we have been able to identify where the greatest reductions can be made. This then informs how we act and how we use our three 'action levers' to influence and steer emissions reductions within our portfolios through:

- Manager selection and engagement;
- Allocation to sustainable and impact investments;
- Exclusions.

5.2.1 Selection and engagement

We achieve portfolio resilience and improvement by selecting the right funds and managers and by actively engaging with them.

We select managers who understand and know how to build and manage the best funds. This selection process is based on qualitative inputs (e.g. what processes are in place to manage climate risk) and on data. We use specific data from MSCI to evaluate the carbon emission risks and transition risks and thus assess the exposure to high-risk companies for each fund/manager. This, combined with our experience, allows an effective selection process. When we select managers and funds, we always include the ESG

scorecard as part of the due diligence process. More details on our manager expectations in terms of ESG integration and stewardship can be found in our Responsible Investment and Stewardship policies.

In 2021, we included a more detailed assessment of climate in the ESG scorecard to ensure we can more meaningfully assess managers' capacity and willingness to integrate climate risk or impact into the investment process. We aim to check:

- Climate change position – targets and ambitions, both overall and specific to the fund we invest in;
- Climate governance and strategy;
- Risk management: how the fund we invest in implements climate risk assessments of the investees, strategy assessments, carbon footprints and reporting;
- Engagement with portfolio companies to drive carbon reductions and data-tracking and to define target-setting actions;
- Reporting to the TCFD or other relevant initiatives.

We label each fund manager as a laggard, novice, professional or leader. The decision on whether to invest with a manager is taken not only on the basis of this classification, but also takes account of whether managers are taking steps to improve and work on further integration, and we prefer such managers to those showing no interest in the topic.

We expect leaders to establish fund- and operational-level carbon reduction targets and to engage with portfolio companies to set targets in line with the Science Based Targets initiative (SBTi). We believe that membership of and active participation in relevant industry initiatives adds to the quality and knowledge of the manager. We expect a systematic assessment of climate risk exposure as part of investment decision-making and regular portfolio company carbon footprinting, with clear targets and improvement actions being set. Lastly, we expect data collected to be used to manage emissions reductions and decrease costs, and reporting back to us to be increasingly transparently.

In addition to selecting the right funds and managers, we actively engage with funds and managers, using our ESG scorecard. For each fund and fund manager, we plan to create a dashboard containing climate-related characteristics and detailing the fund's performance, i.e. the highest carbon-intensive investments in the fund and the exposure of the investments that have set science-based targets. This information effectively guides our selection of and engagement with managers. We believe this engagement is crucial and expect this from all our external managers. However, we have also selected an external engagement service provider to engage directly with companies on our behalf in respect of this and other highly relevant ESG themes. You can find more about our stewardship in our Stewardship policy and in section 6.3.2.

5.2.2 Allocation: Sustainable and impact investments

We seek to invest in sectors and funds that support the climate transition and align with two of our three main areas of focus for impact creation: 'Protecting the environment' and 'Elevating people and communities'.

Our definition of impact investing means investing in solutions that meet defined financial risk and return requirements and that also support the generating of measurable and significant positive social and/or environmental impact. In practice, this means investing in companies that provide these positive outcomes through their products and services (for example, by providing access to healthcare for vulnerable patients, or solutions that significantly reduce or mitigate CO₂ emissions).

In 2020 we started measuring the exposure to green solutions on a listed company level, as defined by MSCI's Low Carbon Transition Risk assessment methodology. We expect to increase these measurements going forward as they are part of our broader target to increase our investments in sustainable or impact funds. We also map the different types of impact funds we invest in by using the

Impact Management Project norms, as shown in figure 5. Our target for 2025 is to increase our investments to 25% of AuM in the types of funds that benefit stakeholders and contribute to solutions, while also increasing our overall investments in green solutions. You can read more about our impact approach in our Positive and Impact Investment policy.



Figure 5: Impact Management Project categories

5.2.3 Exclusions: Minimising negative impact and risk

We see exclusion as a minimum standard reserved only for issues that we feel we cannot change through engagement, or as a last resort once we have done all we possibly can. In general, and in line with international standards, we aim to exclude or avoid companies that do harm to our values of human dignity, sustainability and good corporate citizenship (see our RI Policy and the ESG Positions and Exclusion Policy for more details). With specific regard to the climate goals, our focus is moving to companies generating revenue from thermal coal, oil sands or Arctic drilling. According to the IEA scenario analysis (2020), no new investments in coal plants, coal mines or oil & gas fields can be allowed on the 1.5°C trajectory. The analysis of our portfolios has shown that companies generating revenue from thermal coal, oil sands or Arctic drilling have a disproportionate effect on portfolio carbon emissions compared to the amount invested (in our portfolios, this effect is approximately 10x). We therefore believe that the extractive industries of thermal coal, oil sands and Arctic drilling, which have the highest carbon intensity compared to their peers, will be poor investments. Our policy will evolve as we learn more about activities' impacts and further develop our views on the relevant products and services. Our 2021-2022 Exclusion policy excludes:

- Thermal coal, because it is more carbon-intensive than other fossil fuel sources, but also more easily replaced. The risks of continuing exposure to thermal coal at this point in the transition outweigh the benefits. We therefore exclude companies exposed to coal extraction and generation, with a **10% revenue threshold**;
- Oil sands, because these activities have various adverse effects on the environment: they are extremely carbon-intensive, pollute air and land, and also involve various human rights-related controversies. We exclude companies that extract oil sands, with a **10% revenue threshold**;
- Involvement in Arctic drilling, because it exposes companies to reputational and financial risks. Exploring for oil and natural gas in the Arctic faces opposition from environmental groups, both with regard to global climate change and the increased risk of environmental disasters. We therefore exclude companies involved in oil and gas exploration in the Arctic regions, with a **5% revenue threshold**.

As previously mentioned, we seek to engage with our external managers, especially those active in demand-side companies such as those in the transport or construction sectors or manufacturing industry. Actively engaging with such companies on aligning their energy goals with the goal of transitioning to a low-carbon economy helps move the needle, as does asking for more transparency and

sustained action from such companies. Lastly, we are seeking to increase exposure to companies that provide solutions and are better-positioned for the energy transition.

5.3 Integrating climate risks and opportunities into the investment strategy

A climate-conscious investment strategy starts by identifying the risks and opportunities. We have devised our strategy by following the TCFD taxonomy and assessed the impact of the risks and opportunities over the short, medium and long term. We believe scenario analysis is the best tool for these assessments. A climate scenario is a forecast used to assess the resilience of our strategy regarding climate-related risks and opportunities. The climate scenario analysis is intended to provide insight into:

- The cost of achieving significant reductions in our portfolios' GHG emissions in various policy, technological and socio-economic scenarios;
- The warming potential of our current portfolios if no additional efforts are made to curb GHG emissions and/or to contribute to technological or other climate solutions;
- Where the biggest opportunities lie regarding capital allocation decisions to reduce our portfolios' future GHG emissions and/or increase exposure to GHG reductions from technology and innovation.

We have chosen to adopt the MSCI Climate Value-at-Risk ('Climate VaR') framework for our scenario analysis as it is the most effectively aligned approach for measuring our contributions to keeping global warming below 1.5°C and is also aligned with the risk taxonomy and recommendations of the TCFD.

As well as the quantitative insights into climate risks and opportunities in the investment portfolios derived from scenario analysis, qualitative considerations are also important for investing in opportunities. Allocation targets for sustainable investments have been set, and we are developing models for identifying solution-based investments on an ongoing basis.

5.3.1 Key risks

The key risks for our business and their potential financial impact comprise (1) transition risks, and (2) physical risks. Each risk type is detailed below, with mitigation strategies identified.

Transition risks

| Risk type | | Potential financial impact | Time horizon | Risk level | Mitigation strategies |
|----------------|---|--|--------------|------------|---|
| Policy & legal | Enhanced emissions reporting obligations | Higher compliance costs | Short | Low | Establishment of robust carbon footprinting and reporting practices Active involvement in related initiatives (e.g. PRI, PCAF, SBTi) |
| | Increased pricing of greenhouse gas emissions | Cost increases (e.g. higher energy prices and travel expenses) | Short/medium | High | Commitment to reduction targets in line with 1.5°C scenario for platform and portfolio emissions |
| | Exposure to litigation | Reduced demand for products and services as a result of fines and court judgements | Medium | Low | Implementation of ESG scorecard to ensure investments align with internal values and external scrutiny Implementation of enhanced exclusion criteria for thermal coal, oil sands and Arctic drilling |

| Risk type | | Potential financial impact | Time horizon | Risk level | Mitigation strategies |
|------------|---|---|--------------|------------|--|
| Technology | Costs of transitioning to lower emissions technology | Increased capital investments in new technology; increased costs of adopting/deploying new practices and processes | Short | Medium | Identification of stranded assets and fossil fuels in portfolios using MSCI climate data Exclusion criteria on fossil fuels and allocation target for climate solutions and green investments |
| | Significant shift in client preferences | Reduced revenue due to decreased demand for our services | Short/medium | Low | Client engagement on environmental topics through workshops Facilitation of clients' climate ambitions and creation of transparency |
| Market | Climate-related risks impacting the market | Abrupt and unexpected market impacts reduce the value of AuM, thus impacting on clients and reducing investment management revenue | Short | Medium | Transition risks assessed under various scenarios using MSCI's Climate VaR module and communicated to clients Reduction of exposure to stranded assets through exclusion criteria |
| | Increased stakeholder concerns or negative stakeholder feedback | Reduced revenue from decreased client demand or from negative impacts on workforce management and planning (i.e. lower employee attraction and retention) | Short/medium | Medium | Client workshops on the topics of climate and responsible investing Employee workshops on incorporating climate-related topics into day-to-day work |
| Reputation | Stigmatisation of sector | Reduced capital inflow due to bad reputation of asset management sector | Medium | Low | Facilitation of sector-wide change through participation in initiatives and working groups, e.g. SBTi, PCAF, PRI |

Physical risks

| Risk type | | Potential financial impact | Time horizon | Risk level | Mitigation strategies |
|-----------|--|--|--------------|------------|---|
| Acute | Increased severity of extreme weather events such as cyclones and floods | Write-offs and early retirement of existing assets (e.g. damage to property and assets in high-risk locations) | Medium | Medium | Physical climate risks of portfolios assessed under various scenarios using MSCI's Climate VaR module and communicated to clients |
| | Effects from longer-term shifts in climate patterns, e.g. | Loss of portfolio value due to changing weather patterns (e.g. unsuitable climate for certain crops) | Long | Low | Physical climate risks of portfolios assessed under various scenarios using MSCI's Climate VaR module and communicated to clients |

| Risk type | | Potential financial impact | Time horizon | Risk level | Mitigation strategies |
|-----------|-------------------------------|--|--------------|------------|-----------------------|
| | sea level rise and heat waves | or additional costs from increased heat waves) | | | |

5.3.2 Key opportunities

In addition to risks, we have identified key opportunities for our business and their potential financial upsides:

| Opportunity type | | Potential financial upside | Time horizon | Impact level | Strategy |
|------------------------------|--|--|--------------|--------------|---|
| Products and services | Development and/or expansion of low-emission products; provision of tailored products and services | Increased revenue through demand for lower-emission products and services; improved competitive position, reflecting shifting client preferences | Short | High | Establishment of net zero funds to align with client demands Increase investments in sectors that encourage the transition |
| Markets | Access to new markets | Increased revenue through access to new and emerging markets (diversification of financial assets) | Short | Medium | Increase investments in markets that encourage the transition |
| Energy source | Investment in climate solutions | Increase profitability by investing in renewable energy | Short | Medium | Increase investments in climate solutions to facilitate and profit from the energy transition |
| Resource efficiency | Use of more efficient modes of transport | Reduced operating costs; benefits for workforce and reputation | Short | Low | Establishment of a mobility policy, with COFRA, to promote more sustainable modes of travel |

5.3.3 Resilience of our strategy, using scenario analysis

The scenario analysis (the Climate VaR method) uses a quantitative approach to provide a forward-looking, return-based valuation assessment for measuring climate-related risks and opportunities for the investments in our portfolios. The quantitative model offers insights into how climate change could affect company valuations across a range of scenario outcomes on a 15-year time horizon. In addition, it indicates our portfolios' warming potential, a forward-looking metric that shows the global temperature scenario to which the portfolio is best aligned. This metric is based on the current business activities and emission-reduction targets of the underlying investments if no additional efforts are made to curb GHG emissions or to contribute to climate solutions (technological or otherwise).

Climate Value-at-Risk ('VaR')

Broadly speaking, we distinguish three approaches to assessing the degree of climate sensitivity in investment portfolios: top-down (or 'macro') approaches, sector-level (or 'meso') approaches and

bottom-up (or 'micro') approaches. The MSCI Climate VaR framework used by Anthos provides a coherent methodology, with models and inputs from all three approaches to estimate future climate-related costs and revenues at the securities level. The integration of these three approaches, combined with a strong focus on security-level analysis, makes the method particularly relevant for our active asset management strategies.

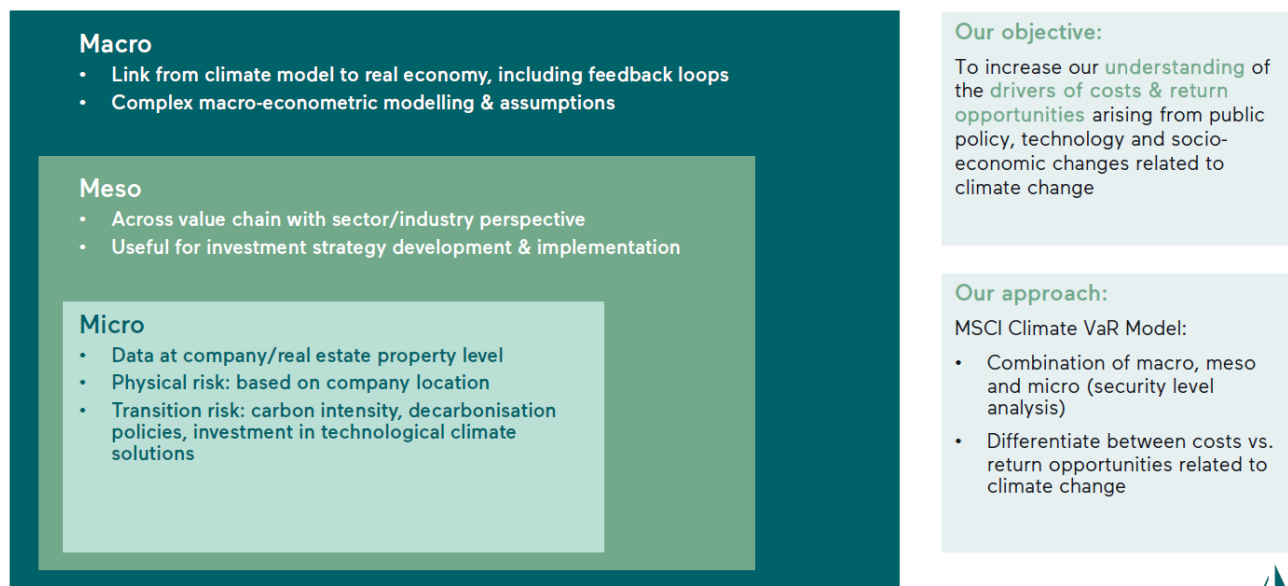


Figure 6: Overview of Climate VaR approach

The approach relies on three core pillars and produces Climate VaR figures for each pillar and each company:

- **Physical risks:** Potential costs due to physical hazards or climate change-related perils. The physical risks provide insight into how the geolocations of a company contribute, and how vulnerable (or sensitive) the economic activity of the company is, to certain perils (e.g. a transport company will be more affected by snowstorms than an IT company). Two different scenarios – an aggressive and a moderate weather scenario – can be chosen to estimate the physical risks for a portfolio.
- **Transition risks:** Potential costs of compliance with climate change policies that countries enact in order to decarbonise. The drivers (components) of this risk are the policy effects on emissions directly related to the economic activity (Scope 1); the pass-through policy effects on electricity production and prices (Scope 2), and the policy risks for the whole value chain in which a company operates (Scope 3, divided into upstream and downstream effects). Many different scenario pathways can be chosen to estimate the transition costs.
- **Technological opportunities:** Opportunities born out of the changes required to meet the transition to a low-carbon economy, based on current low-carbon revenues and company specific patents. The scenarios for estimating the technological opportunities are the same as those used for the transition risks.

In short, the Climate VaR figures for each scenario are the total present value of modelled expected future cashflows (estimated based on scenario inputs) as a percentage of the current enterprise value. In other words, Climate VaR shows the cumulative performance likely to be incurred in a chosen scenario due to climate change. While the MSCI model of climate change risks and opportunities extends all the way to 2080, our analysis focuses on the first 15 years. We believe this medium-term carve-out of the MSCI data is sensible because the modelling for the first 15 years is more precise, while policy transition risks and technological opportunities are likely to materialise in the next decade or two, and the duration of an equity security is 15-20 years.

Anthos has identified three policy scenarios as being the most relevant for tracking the climate transition and technological opportunities: the 1.5°C scenario, the 2.0°C scenario and the 2.0°C late-action scenario. Note that Anthos has committed to keeping global warming below 1.5°C by 2100. All three scenarios project a peak in emissions in 2020. Both the 1.5°C and 2.0°C scenarios project a sharp decrease in GHG emissions after 2030, with the 1.5°C scenario becoming emission-neutral by 2055 and the 2.0°C scenario by 2100. In the 2.0°C late-action scenario, the transition only starts accelerating to more or less converge with the 1.5°C scenario in 2030.

We have used the VaR models for an initial assessment of the climate risks and opportunities in the portfolios that we currently manage and how they compare relative to passive (benchmark) alternatives. The outcomes are described in the table below.

- The figures show a relatively mild effect of climate change on asset values of the total Anthos AuM: on average, less than 0.10% per annum over the next 15 years;
- Policy transition risk is the biggest driver of climate-related costs, especially in temperature scenarios where more action is needed to achieve certain global warming outcomes.

| Total Anthos AuM | AIM/CGE 1.5°C | AIM/CGE 2.0°C | AIM/CGE 2.0°C Late Action |
|---------------------------------------|---------------|---------------|---------------------------|
| Physical risk | -0.30% | -0.30% | -0.30% |
| Transition risk | -0.91% | -0.35% | -1.13% |
| Policy risk | -1.81% | -0.80% | -1.88% |
| Technology opportunities | 0.90% | 0.45% | 0.75% |
| Total Climate VaR (cumulative) | -1.21% | -0.65% | -1.43% |
| Total Climate VaR (annual) | -0.08% | -0.04% | -0.10% |

Climate VaR: cost of climate change, expressed as % of asset/portfolio value. Numbers for total Anthos AuM are aggregated across asset class portfolios on a capital-weighted basis. Annual Climate VaR numbers are calculated by dividing the cumulative Climate VaR by 15 years. Numbers may not add up due to rounding.

Table 1: Aggregate Climate VaR – Total Equity, High-Yield & Investment-Grade AuM

Climate VaR metrics ©2022 MSCI ESG Research LLC. Reproduced by permission.

Warming potential

The warming potential metric encapsulates a company's contribution to rising temperatures and allows us to assess the global temperature scenario to which the company (and our portfolios) is best aligned. The metric measures the contribution to climate change from a company's direct GHG emissions (Scope 1), indirect GHG emissions (electricity use, Scope 2), emissions across the value chain (Scope 3) and emission reductions from low-carbon technology ('cooling potential').

As in the case of the Climate VaR models, we have made an initial assessment of the portfolios' warming potential. Based on our current portfolios' estimated future carbon intensity, our total AuM aligns with a temperature increase of 3.3°C by the end of the century. If related to the VaR figures, the estimated annual costs of reducing this temperature increase to 1.5°C amount to 0.08% of our portfolios' asset value over a period of 15 years.

The warming potential is used in the Anthos net zero policy as a first step towards integrating forward-looking measures alongside carbon footprint measures, which are by definition backward-looking. Although we are aware that these type of measures are still in an early stage of development and have their limitations, this field is rapidly evolving and new measures are being launched. We are continually monitoring what is being developed, and the forward-looking measures we use are very likely to change over time, with better solutions becoming available.

5.3.4 Bottom-up climate integration

We predominantly invest through external managers. In addition to screening our portfolios and investments according to the methods described above, we integrate climate considerations into the manager selection process before investing. To identify whether and how external managers take climate risks into account and act on related opportunities, we include this assessment in our ESG scorecard, which has been developed with the concept of double materiality in mind and aligned across the various asset classes through our ESG + Impact Management Project (IMP) framework.

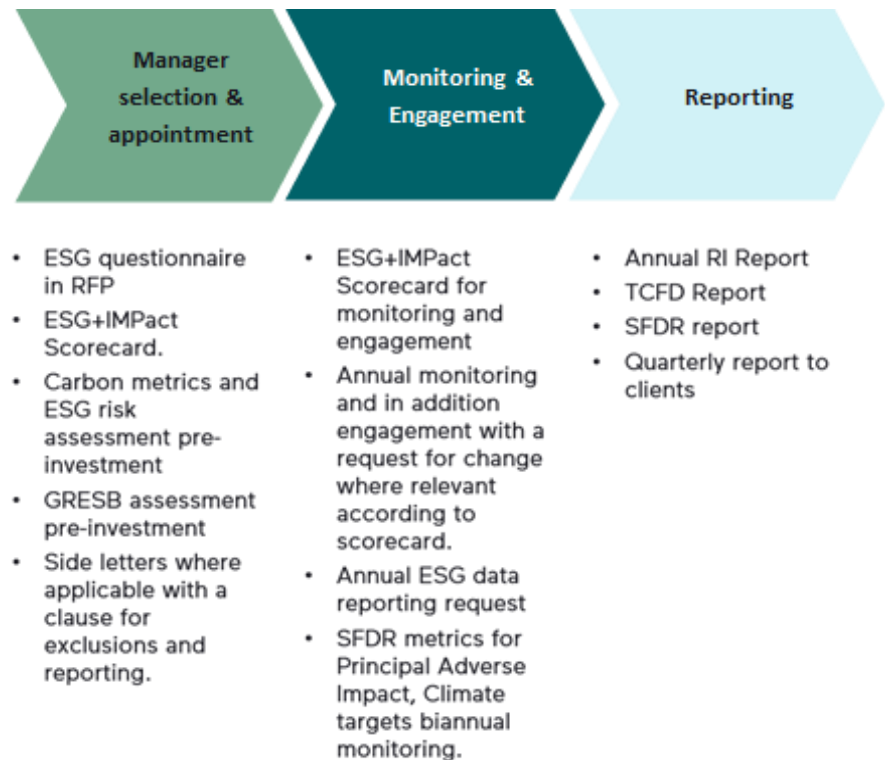


Figure 7: ESG integration into the investment process.

Figure 7 outlines the process of this integration. See section 5.25.2 for a general explanation of how we integrate climate into our manager and fund selection, engagement, allocation and exclusions.

6 Risk management

This section provides details on the following recommended TCFD disclosures:

- Processes for identifying and assessing climate-related risks;
- Processes for managing climate-related risks (including mitigation, transfer, acceptance and control);
- Integration of processes related to identifying, assessing and managing climate-related risks into overall risk management.

A solid and strong risk management process is key for mitigating risk and leveraging opportunities, both for our own business and also for our clients. In this section, we describe the processes involved in climate-related risk management and how we have integrated these processes into our overall risk management process. The risk function monitors and manages risks based on a framework comparable to that used by the investment strategy (see section 5.2). This increases its effectiveness.

6.1 Identifying and assessing climate-related risks

To manage risk, it must first be identified. To stay relevant and take advantage of the latest insights in this rapidly developing field, we work with and seek out industry initiatives such as the PRI, PCAF, GIIN, CREO and DUFAS. To embed new insights and views within the organisation, we prepare position papers and review policy reports. In 2021, we reviewed our entire RI policy framework to make sure that climate and other relevant issues were fully embedded in our organisation. We also prepared an ESG Positions and Exclusion policy and a Climate position paper to help us communicate the identified risks and

relevant themes for risk. Our investment managers discuss all these topics with the external managers. These discussions, in turn, enable us to devise frameworks and include climate risk in the day-to-day work in an effective manner. In addition, we continually keep track of and meet leading data and model providers in the market to ensure that the data we use is of the highest quality and that the models implemented are still best in class. Lastly, our TCFD reporting efforts challenge us to consider and identify the climate risks and opportunities to which our organisation is exposed.

The Director of Responsible Investment and the Head of Investment & Strategy Research, in collaboration with the rest of the organisation via the Climate Change Advisory Group, are key to our monitoring and integration of climate-related risks and opportunities, as described under climate governance in section 4.

6.2 Measuring climate-related risks

The climate risks and measures relevant to our risk management process can be derived from our investment strategy:

- Our commitments to net carbon zero. We monitor the measures taken towards achieving the net zero carbon emission goals so as to make sure we do not deviate too far, or depart altogether, from our commitments. We have set our commitments based on our ambition to contribute to the changes to the real-world economy that need to happen to keep the world on a 1.5°C pathway. We recognise that most of the initial actions we take align very closely with our views on the climate risk to our portfolio. Initially, the transition risks stemming mostly from policy changes and operational changes are expected at the portfolio company level. Increasingly, however, the physical risks, too, will stem from such changes.
- To measure these risks we use the MSCI Climate VaR scenario methodology, which provides a framework for identifying portfolio concentration issues both in exposure to physical risks and to transition risks. We rely on our managers and discuss with them how they approach climate risk, making sure that their views are integrated at their level and, through engagement, also have an influence at the company level, where the effects are felt and the change needs to happen.

6.3 Managing climate-related risks

Climate change cannot be tackled in isolation. As we predominantly invest through external funds, one of our most important tools in managing climate risk, alongside data analysis and monitoring, is fund selection and engagement, as described in section 5.2. This involves integrating our climate ambitions into our investment process through manager selection, engagement, allocation and exclusions. These activities, together with the involvement of clients, stakeholders, peers and policymakers, and additional company level engagement are key to our risk-mitigation strategy on climate change.

6.3.1 Clients, stakeholders and peers

We hold regular climate workshops with our clients and other stakeholders to inform and share knowledge with them, as well as to learn from them. The workshops are an opportunity for us to share our latest insights into developments in climate change and to explain how Anthos is working to address them. For us, it is crucial to take our clients, who are the final decision-makers for a large share of our assets, on this path with us.

Our engagement with peers is based on our belief that a global problem such as climate change requires a global approach. We need industry-wide frameworks to increase transparency and ultimately build a more stable financial industry. This, in turn, will reduce the risk of severe disruption from climate change. Therefore, we are proactively looking for collaboration initiatives, such as PCAF and the Institutional Investors Group on Climate Change (IIGCC). See Appendix 8.2 for a list of all the collaboration initiatives we support.

6.3.2 Investee companies – thematic engagement

While the policies, quality of engagement and reporting from external investment managers are continually improving, we also want to make sure that the companies in our portfolios engage with one voice, based on one methodology and aligned with our own policy. As such, we outsource our direct company engagement to an external engagement service provider. This expands our leverage as a fund-of-funds investor and allows us to contribute to themes that are important to our clients and to society as a whole. We also screen our portfolios for potential and actual adverse impacts and sustainability risks and address these by leveraging the capacity of our service provider and its collaboration efforts.

In 2021, through our engagement service provider, we not only engaged with companies facing serious controversies or material risks related to climate change, but also became part of three smaller (in terms of the number of companies), but more focused thematic engagements related to our value of sustainability and climate change:

- (1) The **'Feeding the future'** engagement, the objective of which is to contribute to a more sustainable trajectory for the future of food, with a focus on responsible stewardship of land and other natural resources and supporting a sector-wide transition to more sustainable business models;
- (2) The recently started engagement on **'Climate change: sustainable forests and finance'**, the objective of which is to address climate risk and advocate for reductions in direct and indirect emissions in global forest systems, with a focus on companies, customers and financiers;
- (3) The **'Responsible cleantech'** engagement, the objective of which is to catalyse more sustainable production of some of the most popular cleantech solutions.

6.3.3 External investment managers and fund monitoring

Monitoring climate risk at the external investment manager level is done both qualitatively, through research and dialogue, and quantitatively, using data. To structure our monitoring efforts, we implemented an ESG scorecard in 2020. In 2021, as described in section 5.2.1, we then added further focus by including the integration of climate into the investment process as a separate question in the scorecard. We are now supplementing this with a dashboard that includes various metrics intended to give our portfolio managers better information for engaging with and monitoring external managers. We are continually improving this dashboard so that decisions can reflect the results of the monitoring. Our main focus at present is on:

- Staying on track to achieve our climate goals by actively tracking developments in each fund's aggregated carbon emissions over time and its contribution to our total carbon footprint;
- Recognising that changing how companies treat climate issues starts primarily at the company level. We therefore measure a fund's coverage of investments that have set formal targets and actively advocate increasing exposure to companies with SBTi and/or CDP targets;
- Targeting our engagement efforts at the companies that really matter; we therefore track the 5 to 10 largest carbon emitters in each fund and monitor our portfolio managers' engagement with the external funds on these investments;
- Companies generating revenue from certain activities that, as discussed in section 5.2, do not align with our vision and, given the size of the investment, make a disproportionate contribution to our carbon footprint. To minimise exposure to these companies, we actively monitor our exposure to companies generating revenue from thermal coal, oil sands or Arctic drilling activities. This data is used to actively engage with external investment managers on these topics;
- Using asset class-specific models and assessments to measure and engage with investment managers. This means, for example, requiring our real estate investment managers to subscribe to the GRESB Assessment. Our funds' annual GRESB scores are reviewed as part of our monitoring efforts to ensure that our real estate investments meet our standards.

If funds or companies within a fund do not show sufficient progress, we plan to actively engage with the external investment manager to exclude these companies from the fund. We expect our managers' voting practices to align with their policies on climate and engagement strategies and we aim to check that this is the case through our monitoring.

6.4 Integration of risk management into overall risk management

Risk management is integrated into all Anthos processes. Our risk taxonomy, as outlined below, outlines the risk types that we have identified as having the potential to affect our objectives. The purpose of the risk taxonomy is to support effective and efficient risk management by creating a common risk vocabulary and providing a risk classification.

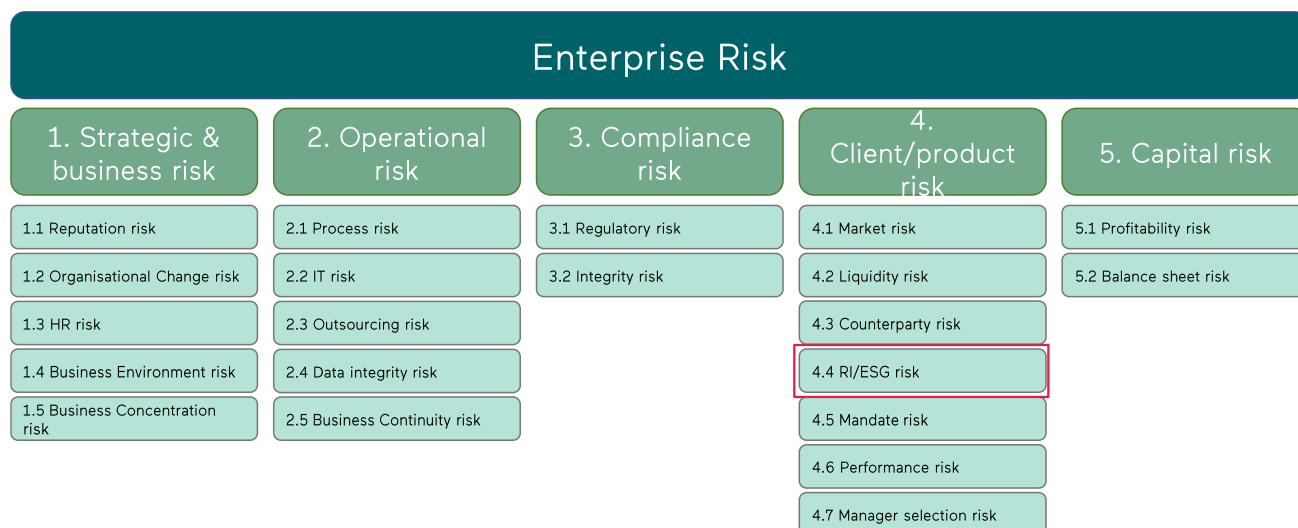


Figure 8: Anthos risk taxonomy

Processes relating to the management of climate risks are monitored as part of the RI/ESG risk identified in this taxonomy and are therefore subject to the general risk management cycle executed by Anthos. In general terms, this cycle comprises the following activities:

- On an annual basis the Management Team identifies the high-level risks it faces in seeking to achieve its formulated strategic objectives and determines Anthos' tolerance to the identified risks ('risk appetite'). The risk appetite is stipulated and explained in a formal Risk Appetite Statement that is approved by the Board of Directors;
- The Management Team subsequently conducts a Strategic Risk Self-Assessment (with the Risk Management team's support) to assess the current level (i.e. impact/probability) of risk faced by Anthos vis-à-vis its strategic targets;
- Operational Risk Self Assessments (ORSAs) are performed on Anthos' various operational processes on an ongoing basis in order to identify and assess the key operational risks in our processes. Existing control measures are taken into consideration to assess the probability and impact of the net level of risks. The Risk Management team coordinates and evaluates the ORSAs and reports on their outcomes.

We will continue analysing how best to integrate climate into these processes in 2022.

7 Metrics & targets

This section provides details on the following recommended TCFD disclosures:

- Metrics used to assess climate-related risks and opportunities in line with strategy and risk management;
- GHG emissions (Scope 1, 2 and 3) and related risks;
- Targets used to manage climate-related risks and opportunities and performance against these targets.

The approaches and frameworks for integrating the climate-related risks, opportunities and goals described in the strategy (section 5) and risk management (section 6) rely on measures, targets and limits. All the metrics used in our climate framework are explained in this section, which also considers last year's GHG emissions and openly discusses the targets we have set and the progress we are making towards achieving these targets.

7.1 Metrics & targets

7.1.1 Net carbon zero

| What | Measure | Target/Aim | Data |
|--------------------------|--|---|----------------|
| Carbon footprint | Tonnes of GHG emissions= tCO ₂ e | Target: Align with 1.5°C reduction pathway to net zero in 2040 (i.e. 50% decline per decade) | Anthos/MSCI |
| | Tonnes of GHG emissions x € million Invested = tCO ₂ e/€ MLN | Target: Align with 1.5°C reduction pathway to net zero in 2040 (i.e. 50% decline per decade) | Anthos/MSCI |
| Warming potential | Temperature scenario with which the portfolio is aligned | Target: Move towards 1.5°C warming potential (Paris Agreement) by 2040 | MSCI |
| Target coverage | % exposure of AuM to companies with Paris-aligned targets | Target: Increase companies with Paris-aligned targets to 100% by 2040 | Anthos |
| | % of portfolio emissions coming from companies with Paris-aligned targets | Target: Increase companies with Paris-aligned targets to 100% by 2040 | Anthos/MSCI |
| Largest polluters | Top 5 companies with largest carbon footprint in portfolio | Target: Active engagement on these investments | MSCI |
| Polluting sectors | % exposure of AuM to companies with revenues from thermal coal, oil sands or Arctic drilling | Minimise exposure to companies with revenues from thermal coal, oil sands or Arctic drilling | Sustainalytics |
| | | Aim to exclude companies with over 10% of revenues from thermal coal or oil sands, or 5% from Arctic drilling | Sustainalytics |
| Green investments | % allocation of AuM to green solutions | Aim for 25% of the portfolios by 2030 | Anthos/MSCI |
| | % exposure of emissions to green solutions | Aim to increase over time | Anthos/MSCI |

7.1.2 Climate risks & opportunities

| What | Measure | Target/Aim | Data |
|-----------------------------------|--|--|------|
| Physical risks | Climate VaR - Physical VaR risk figure | Measure and track VaR figure of physical risks for aggressive weather development scenarios | MSCI |
| | Climate VaR split by companies, sectors, geolocations and weather categories | Measure and track which locations, sectors and investments contribute to VaR figure | MSCI |
| Transition risk | Climate VaR - Policy VaR risk figure | Measure and track Policy VaR figure in three scenarios' pathways: 1.5°C, 2°C and late-action 2°C | MSCI |
| | Climate VaR split by companies, sectors and regions | Measure and track contributors to VaR figure | MSCI |
| Opportunities & green investments | Climate VaR - Technological opportunities | Measure and track technological opportunities in 1.5°C scenario | MSCI |
| | MSCI's Low Carbon Transition Score | Measure the Low Carbon Transition Score | MSCI |

7.2 GHG emissions (Scope 1, 2 and 3)

Anthos measures the Scope 1, 2 and 3 emissions, as shown below. The largest component in our total company emissions comprises Scope 3 emissions (these include the Scope 1 and 2 emissions of the companies in our investment portfolios).

Total emissions in 2020 [tCO₂e]*

Carbon metrics ©2022 MSCI ESG Research LLC. Reproduced by permission.

| | Scope 1 | Scope 2 | Scope 3** |
|------|---------|---------|-----------|
| 2020 | 11 | 11.2* | 279,379 |

*Due to the significant amount of homeworking, the main scope two element 'electricity use' could not be measured reliably. As the size of the organisation nor the business activities did not change significantly, the electricity use of 2019 is used as proxy for scope 2 emissions in 2020.

**Scope 3 for Anthos includes business travel, employee commuting but also the carbon footprint of the investments.

Total GHG emissions in our portfolios (our Scope 3 emissions)

Carbon metrics ©2022 MSCI ESG Research LLC. Reproduced by permission.

| Investments covered | % of total AuM | % relevant | Of which, CO ₂ e reported | Of which, CO ₂ e estimated | Total tCO ₂ e emissions | Economic intensity t CO ₂ e/€ m investments | Physical intensity t CO ₂ e/€ m sales |
|---------------------|----------------|------------|--------------------------------------|---------------------------------------|------------------------------------|---|---|
| Total equities | 53% | 100% | 81% | 18% | 181,556 | 32 | 130 |

| | | | | | | | |
|-----------------------------------|-----|------|-----|-----|--------|-----|-----|
| Total fixed income | 19% | | | | | | |
| Corporate investment-grade | | 18% | 84% | 8% | 16,904 | 45 | 125 |
| Corporate high-yield | | 20% | 38% | 23% | 75,729 | 201 | 410 |
| Real estate | 5% | 100% | | 73% | 5,189 | 15 | N/A |

** As Scope 1 and 2 carbon emissions in 2021 were not yet known at the time of publishing, the figures for 2020 are shown. This also applies for Scope 3 in the case of the investment portfolios where 2020 emissions were used due to a lack of availability of figures for 2021. When calculating Scope 3, however, the portfolio composition is as per the end of 2021.*

In the case of equities, our CO₂ reporting is for the total equity portfolio, including the active, passive and infrastructure portfolios. This reporting is on a look-through basis and reflects the underlying investee companies in which our external managers invest. In the case of fixed income, GHG reporting is for investment-grade and high-yield bonds. The emerging markets local debt (sovereign) and return/matching portfolios are currently out of scope due to data limitations.

7.3 Setting science-based reduction targets for our direct emissions (Scope 1 and 2)

Under the umbrella of its parent company, COFRA Holding, Anthos has aligned with COFRA's commitment to set a science-based reduction target for our Scope 1 and 2 emissions in 2030. The Science Based Targets initiative (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). Its aim is to mobilise the private sector by providing guidance and support in setting clear climate goals. Science-based targets are defined as targets in line with what the latest climate science deems necessary to meet the goals of the Paris Agreement. The SBTi framework is the right fit for us as it ensures we follow best practices on our path to carbon neutrality and that we do so in line with the latest scientific insights. By committing to this initiative, we can future-proof our growth, cut costs, stay ahead of new regulation and spur innovation within our organisation.

8 Appendix

8.1 Key TCFD definitions for the risk & opportunity matrices

Risks: A risk is defined as any potential negative impact on a business stemming from the failure to understand climate change risks. Examples of such risks include increased regulatory requirements and regulatory costs, additional capital expenditure associated with asset damage, disruption to the supply chain, reputational risks, and exit strategy risk associated with future investors who may be increasingly climate-aware.

Transition risks: The TCFD recommendations state that 'Transitioning to a lower-carbon economy may entail extensive policy, legal, technology, and market changes to address mitigation and adaptation requirements related to climate change. Depending on the nature, speed, and focus of these changes, transition risks may pose varying levels of financial and reputational risk to organizations.'

- **Policy & legal risk:** In general, policy takes one of two directions: policy that attempts to constrain actions that contribute to the adverse effects of climate change, or policy that seeks to promote adaptation to climate change. Examples of the latter include carbon-pricing mechanisms to reduce GHG emissions and encouraging more water efficiency. The significance of the risk of policy changes will depend on the nature and timing of such changes.
 - Legal/litigation risks are becoming increasingly important. Recent years have seen a substantial increase in climate-related litigation claims (e.g. the Urgenda lawsuit against the Dutch government). Reasons for such litigation include the failure of organisations to mitigate impacts of climate change, failure to adapt to climate change, and insufficient disclosure of material financial risks.
- **Technological risk:** Technological improvements or innovations that support the transition to a lower-carbon, energy-efficient economic system can have a significant impact on organisations. To the extent that new technologies displace old systems and disrupt some parts of the existing economic system, winners and losers will emerge. Examples include the increased adoption of renewable energy, energy efficiency, electric vehicles, etc.
- **Market risk:** Markets are complex and the impact of climate change can have a variety of outcomes. One of the major ways markets could be impacted is through a significant shift in supply and demand for certain commodities, products and services as climate-related risks and opportunities are increasingly taken into account.
- **Reputational risk:** Climate change has been identified as a potential source of reputational risk tied to changing customer or community perceptions of an organisation's contribution to or detraction from the transition to a lower-carbon economy.

Physical risk: The TCFD recommendations state that 'Physical risks resulting from climate change can be event-driven (acute) or longer-term shifts (chronic) in climate patterns. Physical risks may have financial implications for organizations, such as direct damage to assets and indirect impacts from supply chain disruption. Organizations' financial performance may also be affected by changes in water availability, sourcing, and quality; food security; and extreme temperature changes affecting organizations' premises, operations, supply chain, transport needs, and employee safety.'

- **Acute risk:** The TCFD recommendations define acute risks as 'those that are event-driven, including increased severity of extreme weather events, such as cyclones, hurricanes, or floods.'
- **Chronic risk:** The TCFD recommendations define chronic risks as 'longer-term shifts in climate patterns (e.g., sustained higher temperatures) that may cause sea level rise or chronic heat waves.'

Opportunities: Actively managing the uncertainties surrounding climate change may result in opportunities. Examples include understanding supply chain exposure and taking early action to enable an organisation to better withstand climate shocks and outperform less-prepared competitors, improving

operational efficiencies and resilience by implementing energy and water efficiency measures to reduce consumption, and accessing additional financing in climate finance and carbon markets.

8.2 Collaborations supporting our climate strategy and targets

| Organisation | Abbreviation | Summary |
|---|--------------|---|
| Partnership for Carbon Accounting Financials | PCAF | PCAF has developed GHG accounting methodologies that apply to any financial institution. The following asset classes are currently covered by the methodology: listed equity and corporate bonds, business loans and unlisted equity, project finance, mortgages, commercial real estate and motor vehicle loans. |
| Institutional Investors Group on Climate Change | IIGCC | The IIGCC works with business, policymakers and fellow investors to help define the investment practices, policies and corporate behaviours required to address climate change. It has defined programme areas to address key issues, works closely with other investor groups, and plays a leading role in global investor initiatives on climate change. |
| Dutch Fund and Asset Management Association | DUFAS | The Dutch Fund and Asset Management Association has 50 members, ranging from large (e.g. pension funds) to small, specialised asset managers. DUFAS aims to improve the investment knowledge of the general public and to help implement industry standards. It also advocates for a unified European market, with equal regulation for asset managers. |
| Dutch Climate Agreement | N/A | The Climate Agreement is part of the Dutch climate policy. It is an agreement between many organisations and companies in the Netherlands to combat climate change. The government's central goal in the National Climate Agreement is to reduce GHG emissions in the Netherlands by 49% by 2030, compared to the 1990 levels. |
| Principles for Responsible Investment | PRI | In its focus on making ESG part of investment decisions, ownership and reporting, the PRI provides useful guidance for standardising and improving our approach across our asset classes. As well as echoing our values, the PRI helps us to speak our industry's emerging RI language and frame our activities, including choosing and engaging with our investment managers. Reporting to the PRI also helps us to see where we stand relative to our industry. |
| Global Real Estate Sustainability Benchmark | GRESB | GRESB Assessments are guided by what investors and the industry consider to be material issues in the sustainability performance of real asset investments, and are aligned with international reporting frameworks such as GRI, PRI, SASB and DJSI, TCFD recommendations, the Paris Agreement, UN SDGs, and regional and national disclosure guidelines and regulations. |

| | | |
|---|------|---|
| Impact Management Project | IMP | The IMP provides a forum for building a global consensus on measuring, managing and reporting sustainability. It is relevant for enterprises and investors wanting to manage ESG risks, as well as for those wanting to contribute to global goals. |
| Science Based Targets initiative The Science Based Targets initiative (SBTi) drives ambitious climate action in the private sector by enabling companies to set science-based emission-reduction targets. | SBTi | We have joined a private equity working group with the aim of co-creating a reduction methodology for Anthos as a largely fund-of-funds investor. Under the umbrella of its parent company, COFRA, Anthos has publicly committed to set a science-based reduction target for our Scope 1 and 2 emissions by 2030 in line with the 1.5°C pathway. |

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