

# Responsible Investment Report 2021



For almost a century, we have invested both to secure long-term financial returns and to be a force for good.

We are a values-based, responsible investor, constantly looking for ways to improve how we allocate capital. We aim to minimise negative impact and maximise lasting positive impact on the world and society.

This report shows how we invest and continue to develop our methods to make ourselves even better at stewarding our clients' assets and striving for social and environmental value.

## 2021 HIGHLIGHTS

# In 2021, we...



Set a target for net zero greenhouse gas (GHG) emissions in all our portfolios by 2040, in common with all fellow members of the COFRA group.



Evolved our Responsible Investment Policy with a number of supporting documents to reflect our more rigorous, systematic and multi-asset class approach.



Refined our impact investment methodology and published our Impact Investment Policy.



Trained our people, management team and board on responsible investment and how to factor climate change into our investment process.



Prepared to report against the Task force on Climate-related Financial Disclosures (TCFD), and started reporting to comply with the Sustainable Finance Disclosure Regulation (SFDR).



Expanded and digitised our ESG scorecard, which helps us choose, monitor and engage with our external fund managers.

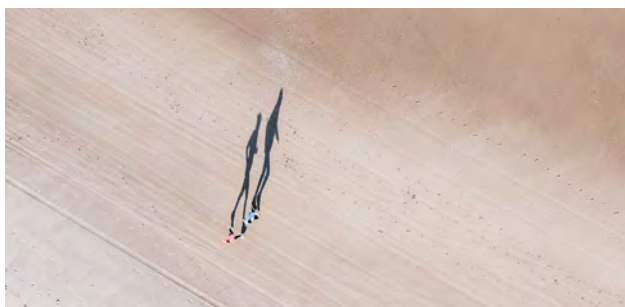


Started working with an external ESG data and engagement specialist, Sustainalytics, to engage directly with companies on global standards violations, financially material ESG risks and impact themes we find important.



Set a Science-Based Target (SBTi) to reduce Scope 1 and 2 operational emissions by 2030, as did all COFRA businesses.

# Contents



## PART 1

### Who we are

We use the principles of responsible and impact investment to achieve competitive financial returns while being a force for good.

- 5 About Anthos Fund & Asset Management
- 6 Our values
- 7 From our CEO, Jacco Maters
- 8 Our investments at a glance

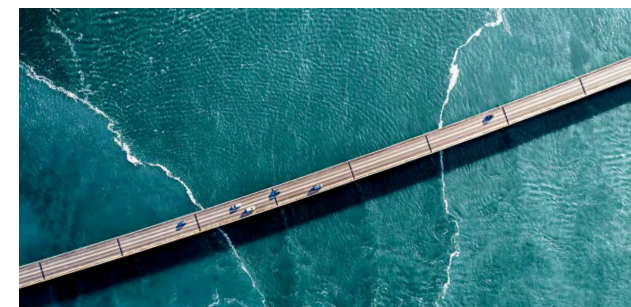


## PART 2

### How we invest

We invest in some of the world's best fund managers to pursue our clients' financial goals, while using our influence to improve the footprint of these investments.

- 10 Introduction, by Jelena Stamenkova van Rumpt, Director of Responsible Investment
- 12 A summary of how we invest responsibly
- 13 Our investment approach
- 17 Monitoring and engagement
- 21 Spotlight on climate change, by Bastiaan Pluijmers, Head of Investment Strategy & Research
- 24 Governance



## PART 3

### Our investment approach in action

We invest across asset classes to achieve long-term financial returns and be a force for good.

- 27 Equities
- 29 Fixed income
- 31 Global real estate
- 33 Private equity
- 35 Absolute return strategies
- 37 Impact investing
- 39 Outsourced Chief Investment Officer (OCIO) services

#### Appendices

- 41 Asset classes – exposure to excluded industries
- 42 Dutch Climate Agreement reporting
- 44 Partnerships that support our climate strategy and targets
- 45 Disclaimers



## PART 1

# Who we are

- 5 A proud history, an exciting future
- 6 Our values
- 7 From our CEO, Jacco Maters
- 8 Our investments at a glance

We are a values-based asset manager which uses the principles of responsible and impact investment to achieve competitive financial returns while being a force for good. We invest based on the values of sustainability, human dignity and good corporate citizenship.





## ABOUT ANTHOS FUND & ASSET MANAGEMENT

# A proud history, an exciting future

Anthos Fund & Asset Management was established almost a century ago to provide asset management and investment services to clients based on shared values.

Anthos is part of COFRA, a group of businesses that make up the Brenninkmeijer family enterprise. We have stewarded the assets of the family, its philanthropic activities and related pension funds throughout our history. We now also steward the assets of like-minded asset owners and investors who, like us, believe we can create greater impact when we invest together.

Our promise is 'Invest forward, inspire change'. 'Forward' because we have not inherited our future from our ancestors, but borrowed it from our children. 'Inspire' because we hope to lead by example by continuously evolving our approach to invest responsibly.

The Argidius Foundation, a philanthropic initiative started by Arnold and Egidius Brenninkmeijer sets out to tackle deep-rooted poverty by helping small businesses, inspiring our first impact investments.

We start to take a more proactive approach to environmental, social and governance (ESG) issues.

We make our first impact investments through structured funds.

We map our strategy to be net zero across our investment portfolios by 2040, and publicly commit to this target. We join Institutional Investors Group on Climate Change (IIGC) and prepared our TCFD reporting.

We report against the PRI and join the Partnership for Carbon Accounting Financials (PCAF).

We sign the UN-backed Principles for Responsible Investment (PRI) and the Dutch Climate Agreement.



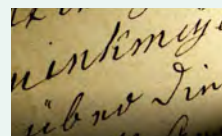
1841

COFRA is founded by Clemens and August Brenninkmeijer, whose initials named the C&A retail business.



1929

Anthos is founded to invest the wealth of the Brenninkmeijer family, their philanthropies and business entities. From the start, we invest across equities, fixed income and real estate.



1959

2009

2012

2019

2020

2021

2025

2030

2040

Our portfolios should achieve net zero carbon emissions.

We aim to have reduced carbon emissions by 50% across all our investments, compared to a 2020 baseline, and an SBTi-aligned commitment to reduce Scope 1 and 2 emissions.

We aim for 25% of our portfolios to consist of investments that benefit stakeholders or contribute to solutions ('B' or 'C' in the Impact Management Project's 'ABC' framework).





## OUR VALUES

# Investing based on our values

Our work is guided by our commitment to three fundamental values: sustainability, human dignity, and good corporate citizenship. We continue to develop our approach to make sure these values are part of everything we do.

## Sustainability

We invest to help combat climate change, pollution and biodiversity loss, and to preserve and regenerate the planet for future generations. We formalised 'Protect the environment' as an impact investing theme in 2021.

In 2021, we also set an ambition for our portfolios to be net zero by 2040 and evolved our methods to monitor and limit their impact on climate. [See page 21.](#)

Where possible, we report the carbon footprint of our assets under management – [see page 28](#) and [page 30](#). In 2022, we have reported for the first time against TCFD. We are also signatories to the Dutch Climate Agreement, as well as members of the Partnership for Carbon Accounting Financials (PCAF), Institutional Investors Group on Climate Change (IIGCC) and CDP (formerly the Carbon Disclosure Project).

Our office runs on renewable energy sources like wind power and ecogas. We report our operational carbon footprint on [page 23](#).

## Human dignity

Human dignity is a basic human right: universal, inviolable and inalienable.

We use the UN Guiding Principles on Business and Human Rights (UNGP) as a framework to safeguard human dignity and follow the Universal Declaration of Human Rights.

As a fund-of-funds asset manager, we strive to exclude weapons, tobacco, gambling and adult entertainment from our investments because of their negative impact on human rights and human dignity. Where we cannot, we use our exclusion policy and thresholds to send the strongest possible signals to our external managers, which we combine with dialogue to bring about change. [See page 20.](#)

Our impact investing focuses on themes that promote human dignity, including our ambition to 'elevate people and communities'. We link these themes to the UN Sustainable Development Goals (SDGs), so we can report on the changes we see through our investments. [See page 15.](#)

In 2022, we are deepening our human rights approach to formalise how we support human dignity through our investments, from identifying strategies, to engaging with managers.

## Good corporate citizenship

Our largest impact on the world is through our investments. This is why having good governance and a clear link between our values and the way we invest is so important. We want our business partners' behaviour and culture to match our own. This is how we connect our responsible investment and impact beliefs with our corporate behaviour.

We set out to make our operations net zero (Scope 1 and 2), initially through renewable energy and offsets. In 2022, we will review our corporate social responsibility policy and ambition so that we also tackle Scope 1 & 2 by reducing emissions. We are also developing our mobility policy to incentivise greener commuting.

Our employee philanthropy programme, All Good, gives our people the opportunity to support causes they care about. By April 2022, they and COFRA Foundation had raised €52,000 for international organisations giving humanitarian support to the people of Ukraine. COFRA Foundation also matched donations on a 3:1 basis to environmental charities under their Greener Together programme. Through the programme, our people can also propose and take part in events and voluntary work.



## FROM OUR CEO

# Backing our belief in change



“Our power as investors lies as much in backing those starting on the road to net zero as it does in supporting the front-runners.”

**Successful organisations aim to change the world around them continuously for the better. They are also prepared to change themselves to make their positive impact even greater.**

This goes to the heart of our credo: invest forward, inspire change. We invest with the aim to create positive change for the planet and its people. Already, 2022 has produced plenty of evidence of the need for change. The Russian invasion of Ukraine is a human tragedy. The consequent commodities shock, as well as the rising cost of living and inflation, and the ongoing pandemic are affecting millions of people's lives. They have also made investment markets more volatile. Our job is to digest the immediate and lasting effects of this turmoil, navigate our portfolios through it and remember our role as responsible investors: to search for long-term financial returns while being a force for good.

It is also our job to confront the dilemmas this produces. We might hold investments in strategies with exposure to fossil fuels, for instance, because we support our managers' interventions, or 'theories of change', to alter the course those companies take.

These choices, and how we engage with external managers to influence companies, are part of our quest to reduce negative impact, or create positive change alongside healthy financial returns. Our power as investors lies as much in backing those starting on the road to net zero as it does in supporting the front-runners. In some ways, this is the most telling contribution we can make to positive change. We believe that our ability to influence companies for the better is far greater if we invest than if we turn our back.

## Building an ecosystem based on principles

Our commitment to our beliefs has drawn new clients into our ecosystem. They share our values and are attracted by our deep roots as a responsible investor and the prospect of working with a like-minded asset manager. They also see that sustainability is a shrewd investment choice: those who understand the shape a more sustainable future will take, and invest for it, are more likely to have better long-term prospects.

In 2021, we set bold targets, including our ambition for net zero investment portfolios by 2040. We refined our approach to measuring and limiting our portfolios' impact on climate, and updated policies and tools, like our ESG scorecard and multi-asset impact methodology. We also shared insights and knowledge with our peers. Rather than keep this to ourselves, we support the ecosystem of responsible investing as a whole. This is how we look to make ourselves a better responsible investor, and make our industry a bigger force for good.

I now look forward to 2022, confident in our growing ability to do just that.

**Jacco Maters**

CEO, Anthos Fund & Asset Management

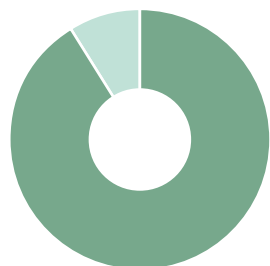


## OUR INVESTMENTS AT A GLANCE

# Investing for good returns and a better world

We give clients the opportunity to invest in the best investment funds and managers across equities, fixed income, global real estate, private equity and absolute returns, and for specific social and environmental impact.

We also offer Outsourced Chief Investment Officer services, turning our clients' missions, values and beliefs into suitable portfolios and managing them in-house. Our investments cover developed and developing markets, and liquid and illiquid asset classes. This diversification guards against risk, aiming for what we call 'all-weather portfolios'.



Direct and indirect investments

● Indirect 91.26%  
● Direct 8.74%



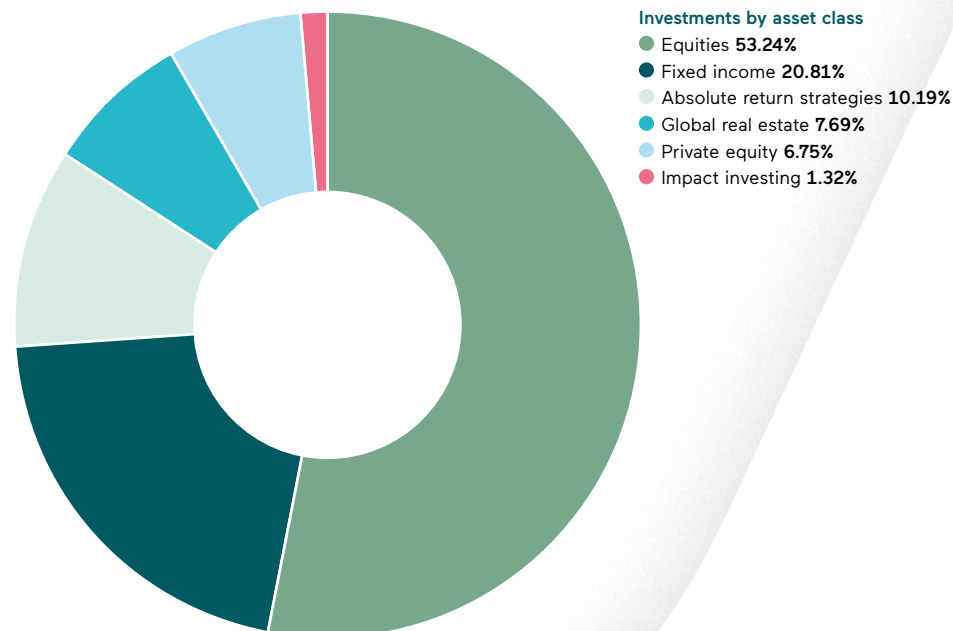
Segregated mandates and funds

● Funds 51.5%  
● Mandate 34.2%  
● Direct allocation 14.3%



Developed and emerging market split

● Developed 89.23%  
● Emerging 10.77%



Investments by asset class

● Equities 53.24%  
● Fixed income 20.81%  
● Absolute return strategies 10.19%  
● Global real estate 7.69%  
● Private equity 6.75%  
● Impact investing 1.32%



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We invest in some of the world's best fund managers to pursue our clients' financial goals, while using our influence to improve the footprint of these investments.





## INTRODUCTION

# Raising the bar as a responsible investor



“By working towards our target, we intend to learn more about the investment opportunities in ESG and how we can improve our impact on the world.”

**Jelena Stamenkova van Rumpt**  
Director of Responsible Investment

We have always progressed by asking ourselves difficult questions. When we began, investing in line with our values was about excluding industries that didn't reflect them. Later, we asked how our investments could produce positive change in a more active way, and that led to our first impact funds, which aimed for grassroots change in developing markets.

We then asked ourselves how we could make larger-scale change happen, and be clear about precisely what kind of change it should be. The result was a model for assessing the intention behind investments, which has since become a standard across responsible investment. Championed by the Impact Management Project (IMP), we refer to it as the ABC framework. Investments in A have a goal to improve practices with negative impacts towards what is considered good practice. Those in B aim to align and maintain sustainable practices, while investments in C are about making a deeper positive change for underserved stakeholders and the environment. All three are important contributors to a better world.

As a responsible investor, the vast majority of our investments are currently in the 'A' category ([see page 14](#)). Nevertheless, one question we pose today is around the potential to increase the proportion of our investments in 'B' and 'C'. To answer it, we have set a target for 25% of our assets under management to be in 'B' or 'C' by 2025. It is a tough target, and that is by design. By working towards it, we intend to learn more about the investment opportunities in environmental, social and governance (ESG) issues and how we can improve our impact on the world across all the asset classes, and all the ABC goals.

This is a continuous process. In 2021, for example, we focused on how our investment approach could best contribute to steering the planet away from the worst consequences of climate change ([see page 21](#)). We also set ourselves another target: net zero greenhouse gas emissions across our portfolios by 2040. In 2022, we turn our focus to human dignity by asking how our investments can have a bigger positive impact on human rights. This will help us better understand the human rights risks and impact of our investments and improve our tools to tackle complex issues.

## INTRODUCTION CONTINUED

### Evolving our philosophy and practices

To create change, find good answers to these questions and realise our vision, we need the best tools and processes, so in 2021 we continued to look to improve in all we do. We used our RI Materiality Assessment framework (RIMA), which we developed in 2019 to help us professionalise our approach to responsible investment and make it more systematic across asset classes. It draws on PRI definitions and research on industry best practice to define categories – laggard, novice, professional and leader. We have taken significant steps towards our ambition to become a 'leader' by 2022 across the six areas from our RIMA framework:

- Responsible investment policy
- Governance
- ESG integration
- Monitoring and engagement
- Industry initiatives and collaboration
- Reporting.

Through this work ([see page 18](#)), we strive to become better at what we do. Better at choosing investments and monitoring them, and better at engaging with our external fund managers to understand how their strategies and theories of change can contribute to sustainable transitions.

### Looking ahead

We have achieved much in the last year, yet the work is not done as there is always room for improvement. For instance, we must turn our new insights about climate impact into results across our portfolios. We must also extend our analysis and monitoring to other asset classes, like private equity and absolute returns, where climate data is less mature or not accessible at all.

We are developing our engagement with our external managers to make sure we ask the right questions and translate the results into good decisions and clear reporting. We also want a better measure of how well our investments align with the UN Sustainable Development Goals (SDGs), and to be able to report on their sustainable outcomes.

While our focus in 2021 was on climate change tools and capabilities, we will prioritise human dignity in 2022 by developing a human rights policy.

In this and all our work, we will continue bringing our skills and commitment together to find new and better ways to help responsible investment to evolve.

**Jelena Stamenkova van Rump**  
Director of Responsible Investment



## SUMMARY OF HOW WE INVEST RESPONSIBLY

## Investment approach

### A responsible, fund-of-funds investor

A fund-of-funds, indirect asset manager, guided by values of sustainability, human dignity and good corporate citizenship.

[See pages 13-16](#)

## Monitoring and engagement

### Keeping our portfolios in line with our objectives

A systematic approach to monitoring our managers for better portfolios and a better world.

[See pages 17-23](#)

## Governance

### Holding ourselves to account

Steering our work with our governance structure.

[See pages 24-25](#)

## INVESTMENT APPROACH

# A responsible fund-of-funds investor

**We are an indirect asset manager. This means we invest largely in external managers' strategies, so we and our clients benefit from the expertise of some of the world's leading managers across asset classes.**

Being part of bigger strategies helps us enhance our overall impact by using our influence to contribute to the common good. We invest across equities, fixed income, global real estate, private equity and absolute return strategies.

We are also an impact investor looking for specific social and environmental returns. And we invest around the world in developed and developing markets. In this way, we spread risk across our portfolios and use our influence to produce as many positive outcomes as possible. We take clients' instructions to invest in specific assets or act as their Outsourced Chief Investment Officer (OCIO).

## How we define responsible investment

Anthos is a values-based asset manager with an intrinsic motivation to invest based on the values of sustainability, human dignity, and good corporate citizenship. These values are deeply rooted in our history, people, organisation and processes. Our portfolios combine:

**Responsible investment**, which has the goal of avoiding harm or minimising the negative impacts of investment through measures like engagement, incorporating ESG into investment decisions or screening out investments in harmful industries.

**Sustainable investment**, which is not just responsible, but looks for investments intending to generate positive outcomes for stakeholders. It will do this by, for example, investing in leading companies from industries that traditionally create positive outcomes, like healthcare, education and energy efficiency, or by creating thematic funds to contribute to specific SDGs.

**Impact investment**, which is not just sustainable but looks for investments intending to generate measurable, positive social and environmental outcomes for underserved stakeholders. This could be by investing in, for example, companies which contribute to a specific sustainability objective through their products and services.

## Impact Management Project ABC norms

Categories		Responsible investing	Sustainable investing	Impact investing
Types of impact	May/Does cause harm	Act to avoid harm	Benefit stakeholders	Contribute to solutions
Illustrative motivations	Not in categories A, B or C; no data to make impact clear; no RI policy	To mitigate risk; to reduce negative footprint	To align with long-term sustainable growth drivers	To increase access to finance by bottom-of-the-pyramid customers. To help solve climate change



## INVESTMENT APPROACH CONTINUED

We map our investments using the Impact Management Project's 'ABC' norms. This gives us and our clients a holistic view of the portfolios so we can discuss the impact we want to have.

### How we assess the potential impact of our investments

To better understand the type of impact an investment is aiming for, we map our investments using the Impact Management Project (IMP)'s 'ABC' norms. This assesses which investments have the ambition to 'avoid harm', 'benefit stakeholders' or 'contribute to solutions'. Any investments not in these categories are labelled 'may/does cause harm'. They do not necessarily have a negative impact, but might lack data to make their impact clear, or have no RI policy.

This gives us and our clients a holistic view of the portfolios across asset classes, so we can discuss the impact we want to have. For instance, this might be at a systemic

level, by influencing a company or sector, or at the grassroots level by helping underserved communities with better access to education and services.

The mapping shows most of our investments currently fall into the 'Act to avoid harm' category.

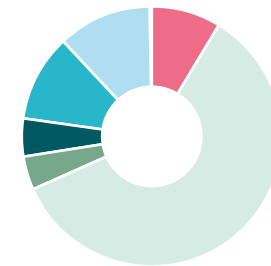
In 2021, we set a new target for 25% of our investments to be in either the 'B' or 'C' categories by 2025. This is deliberately aspirational and encourages us to be proactive in our engagement with managers. By 2025, we also want to cut our allocation to funds that may or do cause harm to 5% of assets under management, as well as measuring how our impact aligns to the SDGs, and also reporting on impact performance.

### Mapping to the IMP's ABC framework

Units %	May/does cause harm	Act to avoid harm	Benefit stakeholders	Contribute to solutions	2022
<b>0</b> Purely financial goals	<b>8.57</b>				<b>8.57</b>
<b>1</b> Signal that impact matters	<b>0.09</b>	<b>6.95</b>	<b>0.14</b>		<b>7.18</b>
<b>2</b> Signal that impact matters + engage actively		<b>52.91</b>	<b>3.90</b>	<b>4.48</b>	<b>61.29</b>
<b>3</b> Signal that impact matters + grow markets				<b>0.27</b>	<b>0.27</b>
<b>4</b> Signal that impact matters + engage; + grow markets				<b>0.04</b>	<b>0.27</b>
<b>5</b> Signal that impact matters + grow markets; + flexible capital				<b>0.12</b>	<b>0.12</b>
<b>6</b> Signal that impact matters + engage actively + grow markets + flexible capital				<b>0.01</b>	<b>0.01</b>
<b>Total 2022</b>	<b>8.66</b>	<b>59.86</b>	<b>4.04</b>	<b>4.92</b>	

In 2022, we have mapped approximately 89.4% of our total portfolio which includes "Not applicable" (see pie chart on the right).

The residual amount are assets that cannot currently be scored such as legacy vehicles and certain bonds (see "Not scored" in the pie chart on the right).



#### IMP categorisation

- May/does cause harm **8.66%**
- Acts to avoid harm **59.86%**
- Benefits stakeholders **4.04%**
- Contributes to solutions **4.92%**
- Not scored **10.58%**
- Not applicable **11.94%\***

\* Breakdown Not applicable: ALM -0.02%; Bond 7.64%; Cash 1.00%; Direct Real Estate 1.16%; FX Forward 0.02%; MMF 2.14%.

## INVESTMENT APPROACH CONTINUED

We use our ESG and IMP scorecard to help choose managers and only consider those we score as 'professional' or 'leader'.

### How we choose investments for impact

In line with our values, we look for investments that contribute positively to one or more of these impact themes:

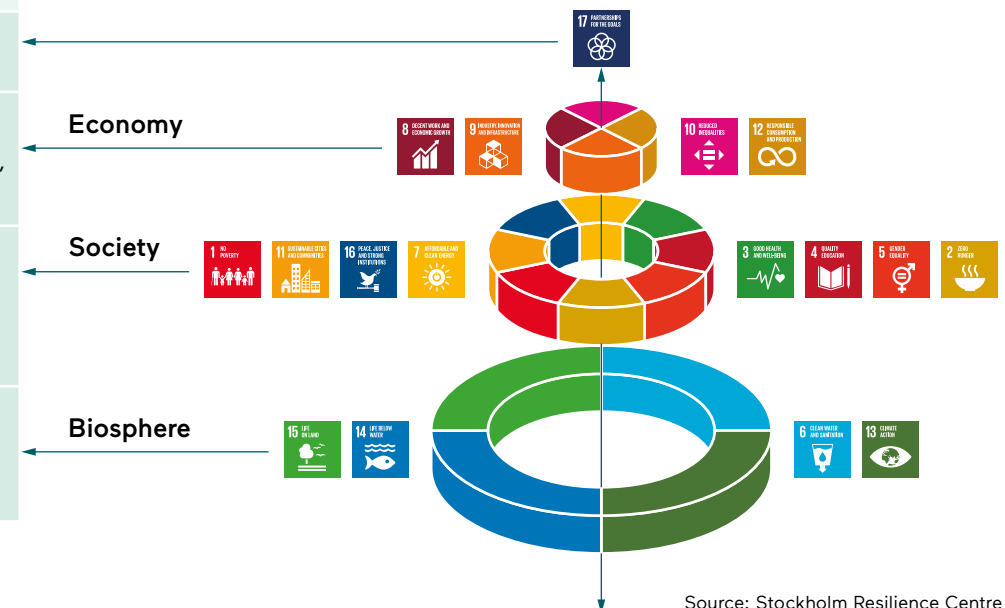
- Protecting the environment.
- Elevating people and communities.
- Rethinking the economy.

These themes are aligned with the UN Sustainable Development Goals, broken down by the Stockholm Resilience Centre into three layers (economy, society and biosphere) that match our values.

In practice, this means investing in companies that contribute to positive outcomes through products or services, like providing access to healthcare for vulnerable people, or solutions that mitigate or reduce CO<sub>2</sub> emissions. We use our ESG and IMP scorecard to help choose managers and only consider those we score as 'professional' or 'leader'. We currently use this method in our Impact portfolios, but we are working to extend it to our other asset classes.

### Mapping our investments to SDGs

Our values	Areas of impact focus
Good corporate citizenship	<b>Inspiring change through collaboration and field building</b>
	<b>Rethinking the economy</b> SDGs: decent work and economic growth, industry, innovation and infrastructure, reduced inequalities and responsible consumption and production.
Human dignity	<b>Elevating people and communities</b> SDGs: No poverty, sustainable cities, peace, justice and strong institutions, affordable and clean energy, good health and wellbeing, high-quality education, gender equality, zero hunger.
Sustainability	<b>Protecting the environment</b> SDGs: life on land, life below water, clean water and sanitation, climate action.



Source: Stockholm Resilience Centre



## INVESTMENT APPROACH CONTINUED

A top-rated fund must be able to show that outcomes are happening for underserved stakeholders, as well as measuring any negative outcomes.

### How we score investments for impact

We combine a quantitative and qualitative approach to evaluating investments, regardless of asset class, theme, size or geography.

After assessing how well managers integrate ESG, we use our IMP scorecard to set a score of 0-3 on each of these dimensions:

**Intention:** a top-rated manager has to have a clear theory of change and address solutions through their products and services. We expect to see themes in line with the SDGs and the EU taxonomy. And we expect managers to follow the taxonomy's 'Do No Significant Harm' principle by reporting on risks of severe negative impacts, as well as aiming to show significant positive outcomes for stakeholders the manager defines as underserved.

**Allocation:** all of a top-rated fund's underlying assets have to benefit underserved stakeholders (the 'B' category of the IMP ABC framework) with a significant portion aiming to contribute solutions (the 'C' category).

**Measurement:** a top-rated fund must be able to show that outcomes are happening for underserved stakeholders, as well as measuring any negative outcomes and reporting in line with SFDR Article 9 or another relevant reporting standard. Good impact reporting across asset classes is still developing. This is why we base our decision on impact intention, and work with managers to improve on reporting the actual outcomes.

Before choosing an investment, we also study financial performance data and any available impact data, talk to ESG and impact investment professionals, and visit beneficiaries where relevant.

The scorecard criteria will evolve over time, in tandem with our thinking and the industry.

### How we measure impact

For our private market impact investments, we use impact scorecards to monitor funds' social and environmental impact based on KPIs agreed with our managers. We monitor scorecards annually, and ask managers to forecast impact over three to five years from when we invest. If the actual impact is significantly lower than forecast, we work with managers to find the root cause and adjust impact objectives. We are currently developing the measurement approach for our new multi-asset impact fund and will report in the next year.

In 2022, we will work with an external provider in a pilot project to verify our impact measurement for external validation.

### Our Impact methodology

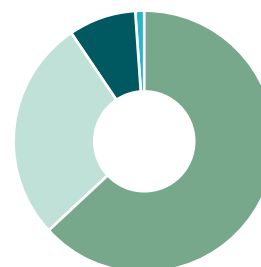
Intentionality	Impact risk	Materiality	Measurability	Engagement	Additionality
Impact potential			Impact influence		
Intention	Allocation	Measurement	Impact influence		
Clear intention to promote <i>significant</i> positive outcomes for <i>otherwise underserved</i> stakeholders (besides mitigating any potential negative impact)	Assets with 'significant positive outcomes for underserved stakeholders' represent a significant portion of portfolios	Funds have systems and KPIs in place to measure impact data that corroborates impact intention	Fund managers consider different tactics to contribute to enterprises' impact performance, either by 'signalling the impact matters', 'engaging actively', or 'growing new or undersupplied capital markets'		
Score 0-3	Score 0-3	Score 0-3	Assessed but not scored		
Minimum threshold: 7					

## MONITORING AND ENGAGEMENT

# Keeping our portfolios in line with our objectives

Our ESG scorecard helps us assess how well our managers integrate responsible investment principles and good governance into their investment process. We use it to assess and engage with them.

The ESG scorecard is based on guidelines from the PRI and, for real estate, GRESB. We have used it since 2020 to help our portfolio managers be consistent throughout their relationships with underlying managers, from choosing them to assessing their progress in integrating responsible investment. The result is a score on four levels: 'laggard', 'novice', 'professional' and 'leader'. The vast majority of our managers are 'leaders' (see chart), partly because equities is our largest asset class. Overall, illiquid asset classes perform less strongly, but here we aim to choose managers with the ambition to change, learn and improve.



## Total ESG scores (%AUM)

- Leader **63.20%**
- Professional **27.60%**
- Novice **8.30%**
- Laggard **0.90%**

The pie chart (left) only reflects those strategies that are rated, which equates to ~82% of AuM. The other ~18% of unrated strategies and investments consist of a number of areas which are difficult to rate using our scorecard. These include cash, money market funds, direct, legacy real estate, directly held bonds, FX forwards and others.

## Our ESG scorecard assessment

The assessment covers:

Policy, governance and leadership	ESG integration	Monitoring, active ownership and reporting
<b>Leaders:</b> <ul style="list-style-type: none"> <li>– have a clear culture and purpose, corporate social responsibility reporting standards and an RI policy at corporate and asset class levels</li> <li>– dedicate people to ESG, and evaluate employees and management on ESG performance and leadership, using key performance indicators (KPIs)</li> <li>– train their people to recognise and manage ESG risks and opportunities and engage with the industry and the companies they invest in.</li> </ul>	<b>Leaders:</b> <ul style="list-style-type: none"> <li>– can show how they integrate ESG through a systematic process they can report on, discuss screening with clients and have reliable systems for assessing material ESG issues</li> <li>– have a human rights policy and can show how they implement it</li> <li>– report on sustainability issues that affect their investments and society more broadly.</li> </ul>	<b>Leaders:</b> <ul style="list-style-type: none"> <li>– can show how they connect underlying assets to ESG performance</li> <li>– compile greenhouse gas data and ask companies to report in line with standards like TCFD and GRESB</li> <li>– have reporting that includes detailed explanations by asset class and expected ESG impacts, and outcomes from investment decision criteria.</li> </ul>

In 2021, we included new questions in the scorecard to focus on climate change, and whether managers have a specific approach to climate, including targets, and how they report on progress. This helps us make sure climate is always part of our conversation with managers. Also new to the ESG scorecard are questions on diversity, inclusion and equity. We want to make sure our managers' culture mirrors our values, and that they reflect it in their investments.

Equities leaders engage on improving transparency and corporate strategy.

Private markets leaders set ESG performance goals with companies they invest in.



## MONITORING AND ENGAGEMENT CONTINUED

We want to be at the forefront of responsible investment, so we can help our clients achieve good financial returns in line with our shared values.

### How we score ourselves – becoming a responsible investment leader

We want to be at the forefront of responsible investment, so we can help our clients achieve good financial returns in line with our shared values. We also want to help our industry increase its impact by sharing what we learn along the way. To monitor our position, we measure our work and progress in six categories. They are based on the UN Principles for Responsible Investment's globally recognised framework, the GRESB framework and OECD guidelines for institutional investors. We believe these frameworks offer good guidance on how to excel at being a responsible investor and steward of capital.

In 2020, we assessed ourselves as 'professional' in each area, meaning that we comply with regulations, implement commitments and client policies, and have sufficient resources and good governance. We also set an ambition to reach 'leader' in 2021, meaning that we influence opinions, implement voluntary standards and develop innovative approaches and solutions for responsible investment and impact.

Based on these frameworks, we believe we achieved this across our asset classes through the initiatives shown below.

#### Our Responsible Investment Maturity Assessment framework

RI policy and strategy	Governance	ESG integration	Monitoring and engagement	Industry collaboration	Reporting
<ul style="list-style-type: none"> <li>– Evolving our RI policy and adding related policies on impact investing, ESG positions and exclusions, and stewardship, and publishing a climate change position paper as well as RI implementation guidelines for each asset class.</li> </ul>	<ul style="list-style-type: none"> <li>– Setting our ambition for portfolios with net zero carbon emissions by 2040.</li> <li>– Providing training to 80% of our people on climate finance and sustainable investing.</li> <li>– Continuing to operate our RI Steering Committee to oversee implementation of our RI policy.</li> </ul>	<ul style="list-style-type: none"> <li>– Expanding and digitising our ESG scorecard, adding questions to help track our managers' approach to climate change and their diversity, equity and inclusion measures.</li> <li>– Improving our Impact Management Project (IMP) scorecard.</li> <li>– Identifying our 'levers' for reducing carbon emissions in our portfolios.</li> <li>– Running climate scenario analyses to project risks to our portfolios in specific situations.</li> <li>– Training our portfolio managers on our ESG scorecard methodology and implementation, and on our IMP scorecard.</li> </ul>	<ul style="list-style-type: none"> <li>– Working with external engagement provider Sustainalytics to give ourselves a new channel to influence companies in our portfolio in a collaborative way.</li> <li>– Setting up a monitoring and engagement plan to make sure all our managers are systematically engaged on ESG across all asset classes.</li> </ul>	<ul style="list-style-type: none"> <li>– Contributing to the Science-Based Targets initiative's (SBTi) guidelines for private equity firms and fund-of-funds investors, through a working group started by our sister company Bregal.</li> <li>– Contributing to a Partnership on Carbon Accounting Financials (PCAF) working group developing a methodology for carbon accounting in sovereign bonds and green bonds.</li> <li>– Joining the Institutional Investors Group on Climate Change (IIGCC) and contributing to their consultation on carbon pricing.</li> <li>– Joining the investors' group Impact Frontiers, which is helping to integrate impact into investment decisions, alongside financial risk and return.</li> </ul>	<ul style="list-style-type: none"> <li>– Preparing to report in 2022 against the Task force on Climate-related Financial Disclosures (TCFD) on climate risks and opportunities in our portfolios.</li> <li>– Reporting against SFDR on how our portfolios align with the EU taxonomy's objectives on climate change mitigation and adaptation.</li> </ul>

## MONITORING AND ENGAGEMENT CONTINUED

We now have two levels of engagement: with our managers, or with companies, through either managers or Sustainalytics.

### Monitoring and engaging with managers and companies

We've always sought to influence our underlying managers by engaging with them and, indirectly, the companies they invest in. Our ESG scorecard is the main tool for these conversations. The goal is to embed ESG risks in their investment process and strategy, and we want our managers to be as transparent as they can about how they do this.

We also aim to reduce the negative impacts in our portfolios, even though we mostly invest in pooled funds. And we seek to boost positive impact by engaging on topics related to the SDGs and our values.

All our managers have well-developed policies on engagement and voting. They also report on the progress of their engagement and voting results. This adds to our own portfolios' impact and indirectly helps make us a more active asset owner.

It is difficult to aggregate and report on numbers of engagements, as managers report on engagement and voting in different formats and levels of detail. While our assessment shows the most common engagement topics and gives us an overview of voting, we are working to standardise this, using a reporting template for better oversight.

In 2021, we began working with engagement services provider Sustainalytics to deepen our influence on companies themselves. We are now involved in three Sustainalytics programmes. The first focuses on making sure companies follow global standards like the UN Global Compact and OECD Guidelines. The second engages on significant unmanaged human rights and climate risks. The third is thematic, helping companies to improve their positive impact in areas including sustainable forestry, clean technology, and human capital and the future of work.

This means we now have two levels of engagement: with our managers, and with companies, either through managers or through Sustainalytics.



### Equities and fixed income engagement themes

By February 2022, almost all our equities managers and half our fixed income managers were able to report on strategies we invest in.

All of our external managers engage on financially material issues or sustainability risks. Some of them overlap with principal adverse or negative impacts on people and planet, like labour practices or climate change. Our qualitative assessment shows the most common engagement topics and gives us some idea of voting activities.

In 2021, our external managers engaged roughly 6,000 times with companies. The figures do not reflect multiple engagements with the same companies and so do not reveal the overall total number engaged.

#### Equities and fixed income engagement themes

Environment	Social	Governance
Roughly 2,000 engagements were on environmental topics, evenly split between fixed income and equities, with about 700 focusing on climate change. Specific topics included pollution, supply chain, TCFD reporting, environmental policies, alignment to targets for 2°C degrees or below, and climate strategy.	About 1,400 engagements were on social issues, including diversity and inclusion, labour practices, and health and safety. They focused mostly on financially material social risks but also some principal adverse impacts like modern slavery, child labour and community rights.	Historically this is the most developed theme for engagement, as it is most closely connected to financial materiality. This is also linked to voting, as many managers will engage with companies before voting in an Annual General Meeting (AGM). About 2,100 engagements were on this topic. Engagement themes match AGM agendas: board structure, general governance and accounting, shareholder rights, say on remuneration, and more ethical topics including anti-corruption, diversity and culture.



## MONITORING AND ENGAGEMENT CONTINUED

Our external equities managers voted in about 6,500 meetings in 2021 (2020: 15,000). The decrease reflects that some managers now only report to us on voting relating to specific funds we invest in, not all their firm's voting, as before.

In 2021, managers voted 77% with management and 23% against (2020, 89% and 11% respectively). Thematically, the votes followed the meeting agendas. Common topics included director elections, executive remuneration, mergers, non-salary remuneration and preferred shares. Engagement and voting are most common in companies based in the US, followed by Australia, Europe and Asia.



## Engagement in real estate

Real estate funds that report to GRESB show increasing engagement with tenants and communities on themes including the impacts of the buildings, carbon emissions and water consumption. Our managers prioritise tenant engagement and community development, which is clearly reflected in the portfolio's average GRESB assessment score for this, which increased from 10.70 to 10.88 out of 11. This compared to a benchmark average of 8.15.

We will continue to engage with managers to improve their GRESB score.

## Excluding investments

In line with international standards and our values, we aim to exclude or avoid investment in companies with an unacceptable level of exposure to these industries: controversial or conventional weapons, small arms and military contracting, gambling, tobacco, adult entertainment, thermal coal, oil sands and Arctic drilling. We also exclude companies violating the UN Global Compact Principles and OECD guidelines who have failed to change their activities after engagement through Sustainalytics. Where feasible, we also exclude government bonds issued by countries on the EU or UN sanctions list.

As a part of our investments are through pooled funds, it is difficult for us to implement exclusions fully. Even so, we aim to report exposure to excluded categories in these pooled funds, and engage with fund managers to exclude specific categories from funds we are interested in investing in. Overall, our target is to have 0% exposure to exclusions in segregated mandates, and no more than 5% exposure in pooled funds to issuers on our exclusion list.

We aim to report exposure to excluded categories in pooled funds, and engage with fund managers to exclude categories from funds we are interested in investing in.

## SPOTLIGHT ON CLIMATE CHANGE

# Spotlight on climate change



“Our task as an asset manager is to contribute to steering the planet away from the worst consequences of climate change.”

**Bastiaan Pluijmers**  
Head of Investment Strategy & Research

**We have set our ambition for net zero portfolios by 2040. This means starting now on defining how we reach this target. Bastiaan Pluijmers, our Head of Investment Strategy & Research, explains our developing approach to climate across our portfolios.**

Climate change is the defining challenge of our age. In line with our value of sustainability, our task as an asset manager is to contribute to steering the planet away from the worst consequences. We can do this by, among other things, investing in a way that supports the ‘cleanest’ companies with the lowest carbon emissions and by encouraging others to move to practices with a lower carbon impact. In the process, as a fund-of-funds investor, we want to achieve market-beating financial returns and spread our risk.

## Setting a target in line with our values

We have set a target for our portfolios to have net zero emissions by 2040, in line with the Paris Agreement’s goal to keep the global temperature rise under 1.5°C by 2050. We must begin plotting our path to that target now. And this means having a systematic approach to climate which allows us to do that, but also to check that we are on course. In 2021, we focused on putting this in place, and deepening our capabilities through training, working with consultants and sharing with peer working groups. Data is particularly important, as it helps us accurately understand our progress, as well as our investment opportunities and the risks to our portfolios from different climate change scenarios. This also supports our TCFD reporting. The better our data, the better the decisions we can make about how to lower our portfolios’ emissions over time.

Knowing what to measure is important. Again, data is the key. We have gathered companies’ carbon footprint data for some time, but mostly as a reporting tool. It allows us to see, for example, emissions in our equities and fixed income portfolios, compared to benchmarks (see next page).



## SPOTLIGHT ON CLIMATE CHANGE CONTINUED

But this data is, by definition, backward-looking. As investors, we want to be able to look into the future. To do that, we use data modelling techniques which allow us to see implied temperature change, or warming potential, that results from companies' reported plans ([see page 28](#) and [page 30](#)).

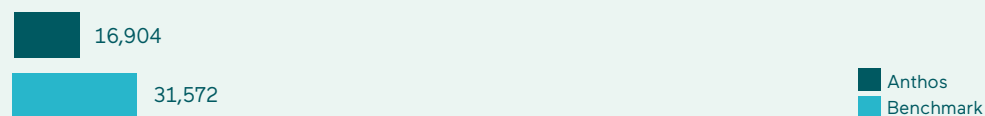
As well as foresight, we want an accurate picture of where we are on the road to net zero. This means looking at carbon intensity – emissions per million Euros invested – alongside absolute carbon footprint. This gives us a truer picture of our portfolios' impact on climate. Overall, based on current modelling and data, our analysis suggests it is possible to reach our 2040 net zero target. Each of these measures has pros and cons and our methodology weighs them all, interrogating the data to aim for as accurate a picture as possible.

#### Total carbon emissions (Scope 1+2) tCO<sub>2</sub>e

##### Equities



##### Fixed Income – investment grade bonds



If a polluting company has a plan for transition to a low-carbon strategy, they are more likely to stay committed to it if that is what their investors want.

#### Using our three levers to cut our portfolios' emissions

Our analysis shows we have three 'levers' to lower the emissions in our portfolios:

##### 1. Allocating to green investments

This could involve, for instance, investing in companies working to create positive solutions to climate change. We want these to make up 25% of our assets under management by 2025, alongside other sustainable and impact investments. On average, green investments have a 30% lower carbon footprint than the average in our equities portfolio, though that footprint is still not zero, as a solar panel manufacturer, for instance, might still rely on fossil fuels in their operations.

##### 2. Engaging with fund managers and companies

This has very real potential. The five most polluting companies in our fund-of-funds portfolio account for only 0.5% of assets under management but 18% of emissions. Analysis suggests that persuading them to adopt science-based climate targets endorsed by the Science-Based Targets initiative (SBTi) would cut equities emissions by 9% by 2030, and another 4.5% by 2040. SBTi-endorsed targets matter, since the SBTi framework is the first for corporate net zero target setting in line with climate science. This makes it a reliable indicator that companies are on a path that's in line with the Paris Agreement.

##### 3. Excluding companies

Excluding polluting companies also lowers emissions, especially those with revenues of 10% or more from thermal coal or oil sands, or 5% from Arctic oil and gas. Analysing our equities portfolio showed that companies comprising 2.4% of assets under management account for 22% of total emissions. So the advantage of excluding them is clear.

## SPOTLIGHT ON CLIMATE CHANGE CONTINUED

Even so, we use this lever reluctantly. A company we don't invest in is a company we can't influence. If a polluting company has a convincing vision and plan for transition to a low-carbon strategy, or a net zero strategy and an SBTi-approved target, they are more likely to stay committed to it if that is what their investors want.

Our net zero target is for 2040, though companies have generally set their own net zero targets for 2050. This suggests that, as the market rushes to meet these ambitions, we will need a compensation strategy including emissions offsetting for us to stay on course for our more ambitious target.

Combining these levers gives us a route to our ultimate 2040 target, particularly for equities and fixed income. In 2022, we want to apply it to our more illiquid asset classes, like private equity and global real estate.



### Anthos corporate carbon emissions

As well as measuring the carbon emissions of our investments, we acknowledge the importance of measuring our own footprint in line with our good corporate governance and sustainability objectives.

The central theme of 2020\* was COVID-19. The significant amount of homeworking led to a fall in our Scope 1 emissions, but also made it difficult to measure Scope 2, as it is impossible to measure the electricity our people use at home. Since neither our size nor our business activities changed significantly, it is fair to assume that Scope 2 emissions for 2020 were similar to 2019.

The big increase in total carbon footprint came from scope 3, due to increased transparency and quality of how we measure our investments.

#### Total Anthos carbon emissions (Scope 1+2) tCO<sub>2</sub>e

	2020	2019
<b>Scope 1</b>		
Company/vehicles	11.1	59.6
Fuel/Combustion	0.0	3.1
<b>Scope 2</b>		
Purchased Electricity	11.2	11.2
<b>Scope 1&amp;2 total</b>	<b>22.3</b>	<b>73.9</b>
<b>Scope 3</b>		
Employee Commuting	25.2	64.3
Fuel and Energy-related Activities	25.8	3.7
Business Travel	30.9	424.0
Investments	279,378.0	255,449.0
<b>Scope 3 total</b>	<b>279,459.9</b>	<b>255,941.0</b>
<b>Total</b>	<b>279,482.2</b>	<b>256,0154.9</b>

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\*2021 figures expected mid 2022

## GOVERNANCE

# Holding ourselves to account

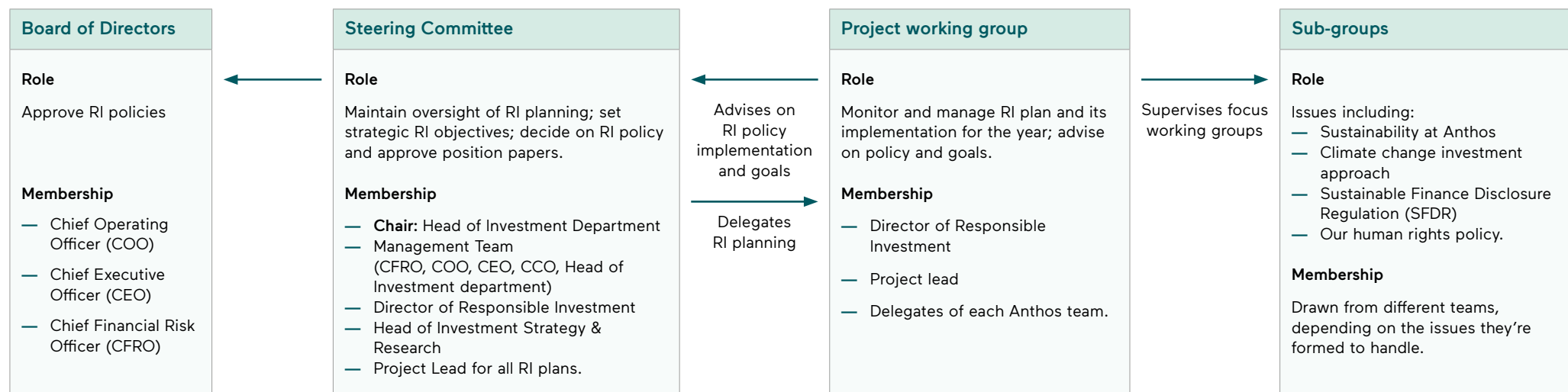
Our governance structure is how we integrate responsible investment systematically through Anthos.

Our board has oversight of our Responsible Investment Policy and how we implement strategy. Our RI Director is responsible for driving RI strategy and maintaining our responsible investment and impact tools, alongside our investment teams.

Our investment teams are responsible for integrating sustainability and ESG into their investment decisions, while our Responsible Investment team and Investment & Strategy Research team make sure they get input and guidance on best practices for sustainability, ESG integration and stewardship.

The Risk, Compliance and Operations departments support RI implementation in our systems infrastructure and processes.

## Our RI governance structure





## GOVERNANCE CONTINUED

Our RI Steering Committee, chaired by the Head of our Investment Department, met 20 times in 2021, backed by a project working group to monitor and manage our RI plan and how we implement it, as well as advising on policy and goals. The working group included the Director of Responsible Investment, project lead and delegates from each Anthos team. The Steering Committee was also supported by sub-groups convened around emerging issues. In 2021, these dealt with issues including our approach to climate change and our policies.

In 2022, we will replace the Steering Committee with a more formal Responsible Investment Committee.

**Responsible investment as part of remuneration policy**

Our incentive scheme and remuneration policy includes these sustainability-related measures as part of the KPIs for our investment professionals:

- Be ahead of the curve in implementing RI as part of overall portfolio construction
- Contribute to our Multi-Asset Impact Strategy to generate ideas and assess opportunities
- Contribute to integrating climate change, ESG and impact considerations into constructing multi-asset portfolios and implementing investment strategy.

Our governance structure is how we integrate responsible investment systematically through Anthos.




## PART 3

# Our investment approach in action

27	Equities
29	Fixed income
31	Global real estate
33	Private equity
35	Absolute return strategies
37	Impact investing
39	Outsourced Chief Investment Officer (OCIO) services

We invest across asset classes to achieve long-term financial returns and be a force for good.

An aerial photograph of a long, multi-lane bridge stretching across a body of water. The water is a deep teal color with some white foam from waves. Several cars are visible on the bridge, moving from left to right. The bridge has a concrete or stone structure with multiple lanes separated by white lines. The perspective is from above, looking down at the bridge and the water.



# Equities



**In our largest asset class, we look for responsible and sustainable investments with managers who create positive social and environmental impact alongside returns that outperform benchmarks.**

We want to help our clients meet their financial goals in line with their values. That means following a strategy based on the principles of responsible investment. We believe this is key to being an engaged steward of our clients' capital. We also believe that taking ESG factors into account helps mitigate risks, and so builds resilient portfolios.

Our long history in responsible investment and our reputation in the field continues to give us access to new strategies as a seed investor, and to innovative strategies, for example one that invests only in companies offering climate solutions.

We look to consistently outperform benchmarks and maintain a lower-than-average risk profile in the portfolio. We have always used sustainability in choosing external managers. All must be PRI signatories and we look for managers with a solid corporate RI policy that considers all ESG issues, including climate.

## Making engagement more effective

The ESG scorecard has helped us quantify our decision-making and be clearer with managers about what we're looking for. The IMP scorecard gives us more ways to discuss the effect our investments have and what the long-term impact will be.

We engage with our managers quarterly on topics from an ESG perspective, raised through our ESG scorecard, or by managers themselves through their own engagement with underlying companies they invest in. Given our own focus on climate in 2021, we have also asked our managers about their approach to this. One, Ninety One, has engaged with their portfolio companies to get them to start reporting on the Carbon Disclosure Project, succeeding in 2021 with Sanhua, a Chinese manufacturer of heating, ventilation, air conditioning and refrigeration controls and components.



**Robert Helderman**  
Managing Director  
Equities



**Boudewijn de Haan**  
Managing Director  
Equities



**Johanna Brenninkmeijer**  
Investment Director  
Equities

## Case study:

### TT-International – progressing on ESG

TT-International's Emerging Markets strategy has made a lot of progress on ESG since we have invested with them, which could in part be down to our constant questioning on the topic in our engagements with the manager. They hired a Head of ESG, in 2020, and in 2021 brought in two more team members. We are encouraged by their engagement with their portfolio companies on topics from human rights in supply chains, to carbon reporting and corporate governance issues such as executive remuneration. We will continue to monitor TT to track performance and progress.





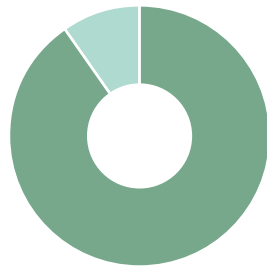
## EQUITIES CONTINUED

"Sustainability is fundamental to our approach as investors. So it's important for us to carry on learning about RI and ESG, which is why we welcome our firm's focus on climate change in the last two years and its emphasis on human rights in 2022. This is crucial in making us as effective as possible in engaging with our managers and shaping our portfolio."

**Boudewijn de Haan** Managing Director Equities

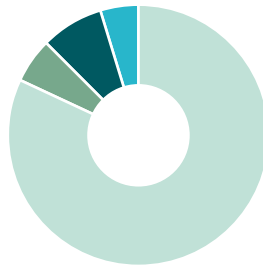


**Total portfolio ESG scores**  
(%AUM)



● Leader **90.28%**  
● Professional **9.72%**  
● Novice **0.00%**  
● Laggard **0.00%**  
● Not scored **0.00%**

**IMP categorisation**



● May/does cause harm **0.00%**  
● Acts to avoid harm **82.03%**  
● Benefits stakeholders **5.66%**  
● Contributes to solutions **7.78%**  
● Out of scope **4.53%**

For more about our ESG scorecard, [see page 17](#).

In 2021, we began to use different types of carbon data to get a fuller picture of the equities portfolio's carbon impact. For more about this, [see page 21](#).

**Total carbon emissions (Scope 1+2)**  
tCO<sub>2</sub>e



**Economic intensity**  
tCO<sub>2</sub>e/€m invested



**Sales intensity**  
tCO<sub>2</sub>e/€m sales



● Anthos Equity (ex Infra.) portfolio  
● Benchmark Equity (ex Infra.)

80% of companies within the portfolio report on carbon emissions

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# Fixed income



Our fixed income investments look to meet our clients' needs by achieving resilient returns in the long term, while aiming to do good.

We manage diverse portfolios spanning global sovereign bonds, investment grade bonds, global high-yield credit and emerging market debt.

Bond holders do not have the same influence over companies as shareholders, so we try to select managers who share our values, vision and principles. All our managers are PRI signatories.

Engagement with potential and selected managers is just as important. This is especially so where we see potential to generate returns but also need to see changes to the fund for it to fully reflect what we and our investors want to achieve.

## Focusing our attention where it matters

A major challenge is the backward-looking nature of data on sustainability and climate change and the low coverage in some fixed income categories. This data can only help to define objectives for improvement, not monitor progress. Our ESG scorecard is useful here, helping us collect and analyse ESG information in a meaningful way.

The ESG scorecard has substantially enhanced our process to select managers that match our values, and to identify where they can improve. The managers answer questions on corporate social responsibility, internal processes and RI integration in both their firms and investment strategies.

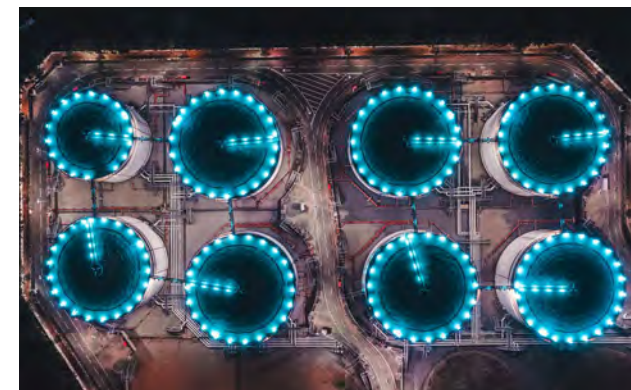
Engagement also allows managers to approach us for advice. For instance, one involved us in designing an emerging markets ESG product. We encouraged them to improve various aspects, including suggestions to be more specific on the human rights they wanted to champion and to modify their approach to engagement and divestment.



**Rodrigo Araya Arancibia**  
Managing Director  
Fixed Income



**Hicham Zemmouri Rochdi**  
Managing Director  
Fixed Income



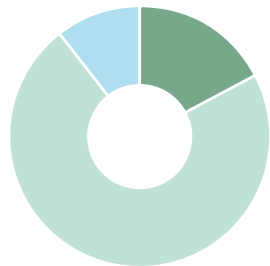
## Case study: Hermes divests from Mexican oil company

Long-standing manager Federated Hermes decided to divest from Mexico's state-owned oil company, Pemex, across all strategies. This was because of rising ESG risks and the company not responding to multiple attempts at engagement, which we had supported.

There are many reasons not to divest from such companies, especially if staying invested can accelerate the energy transition. But with Pemex, Hermes decided the current ESG risks were too high on several issues, and couldn't be separated from financial risk.

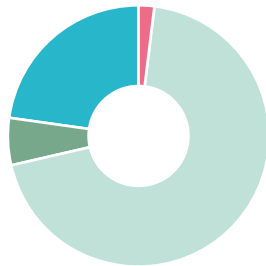
We believe this matches the values-based approach to ESG positions and exclusions in our [Responsible Investment Policy](#), and vindicates our selection of Hermes. Also, Hermes has decided to stay engaged with Pemex to encourage change, despite divesting. This is consistent with our view that the work is never finished, and that we are always investing forward.

## FIXED INCOME CONTINUED

Total portfolio ESG scores  
(%AUM)

● Leader **17.45%**  
 ● Professional **72.13%**  
 ● Novice **0.00%**  
 ● Laggard **0.00%**  
 ● Not scored **10.42%**

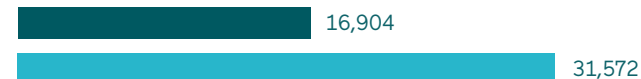
IMP categorisation



● May/does cause harm **2.21%**  
 ● Acts to avoid harm **69.41%**  
 ● Benefits stakeholders **5.74%**  
 ● Contributes to solutions **0.00%**  
 ● Out of scope **22.64%**

In 2021, we began to use different types of carbon data to gain a fuller picture of the carbon impact of our fixed income portfolios (for more information, [see page 21](#)). But mixed reporting on emissions reflects data challenges. In investment grade bonds, 84% of companies in the portfolio report on carbon emissions. In high yield bonds, the proportion is 37.73%.

## Investment grade bonds

Total carbon emissions (Scope 1+2)  
tCO<sub>2</sub>eEconomic intensity  
tCO<sub>2</sub>e/€m investedSales intensity  
tCO<sub>2</sub>e/€m sales

● IG portfolio  
 ● IG Benchmark

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## High yield bonds

Total carbon emissions (Scope 1+2)  
tCO<sub>2</sub>eEconomic intensity  
tCO<sub>2</sub>e/€m investedSales intensity  
tCO<sub>2</sub>e/€m sales

● HY portfolio  
 ● HY Benchmark

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“Investing through managers with an effective ESG policy, or through mandates with customised RI benchmarks using exclusions, means we can focus on RI principles and ESG risks while aiming to produce good financial returns in the medium to long term.”

Rodrigo Araya Arancibia Managing Director Bonds



# Global real estate



Real estate can contribute to the common good by meeting social needs. It can also help to meet our environmental objectives through sustainable buildings and renewable infrastructure.

Each real estate investment has the potential to contribute to positive social and environmental outcomes. This could be through the purpose or function of a building, from social housing to healthcare, through architecture and design that improves the built environment, or through low emissions built in from the start.

We invest mainly in low- to medium-risk global markets in sectors including office, residential and logistics. Our ESG scorecard helps us make the right fund choices in a structured way. It is part of our due diligence process and an important factor in our choice of managers.

The scorecard is also essential for monitoring and engaging with managers, and understanding their policies, processes and strategies. Feedback shows they appreciate it and that positive engagement is stimulating for everyone, as well as creating change.

## Plotting ESG performance

Managers are becoming more used to providing data to monitor ESG performance. GRESB, which we joined in 2018, is important for moving ESG to the centre of managers' thinking, especially with carbon emissions data now a key focus. This makes ESG issues increasingly prominent for managers, whether dealing with investors like us, consultants or industry organisations.

The industry has only just begun to look at making existing assets energy efficient, let alone carbon neutral. But managers are learning and sharing knowledge, and we are a proactive part of that process.

Reporting and data quality are evolving. Core funds with high-quality, high occupancy assets tend to have clear emissions data, while it's not always available for non-core funds. We have to be sure funds have a credible strategy to obtain the data and report it before we choose to invest.



**John Linck**  
Managing Director  
Global Real Estate



**Robert Lie**  
Managing Director  
Global Real Estate

"As investors, we can make a big impact if we aspire to be a force for good. By engaging with our managers, for example, we have an impact that can go beyond them and their funds. An Australian manager of a pan-Asian core fund told us that, thanks to our engagement, he was able to convince his US headquarters about the importance of ESG for their investors. This is how the momentum behind responsible investment grows."

**Robert Lie** Managing Director Global Real Estate

## GLOBAL REAL ESTATE CONTINUED



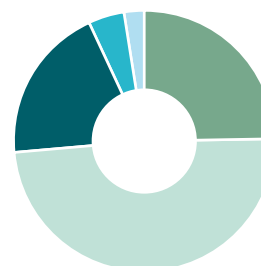
### Case study: Goodman European Partnership (GEP) – scoring high marks for sustainability

GEP specialises in the logistics sector. Its strategy is to future-proof its portfolio and achieve social impact where possible. Their efforts on sustainability, and our engagement, have shown in GRESB scores, which have gone from 65 out of 100 in 2015 to 86 in 2021. The fund prioritises engaging with tenants and creating a sense of community, and scores a maximum 11 in GRESB's 'Tenant and Community' category. GEP also uses green leases and includes ESG in fit-out and refurbishment programmes.

The absolute carbon footprint of GEP's portfolio has fallen. In 2021, greenhouse gas emissions were down by 17.3% on 2020, with energy consumption 16.7% lower. Although water consumption increased by 5.9%, tenants diverted 46%, or 827 tons, of waste from landfill. In Paris, GEP is redeveloping an office building into a logistics facility using 'circular demolition' that collects and reuses materials instead of treating them as waste.

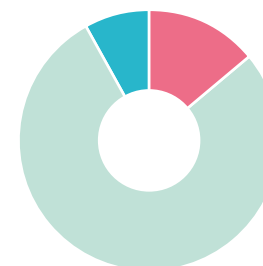


Total portfolio ESG scores  
(%AUM)



- Leader **24.89%**
- Professional **48.82%**
- Novice **19.36%**
- Laggard **4.59%**
- Not scored **2.34%**

IMP categorisation



- May/does cause harm **13.96%**
- Acts to avoid harm **78.04%**
- Benefits stakeholders **0.00%**
- Contributes to solutions **0.00%**
- Out of scope **8.00%**

Total emissions

**5,189.3** tCO<sub>2</sub>e

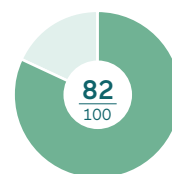
Economic intensity

**€14.7m** invested/tCO<sub>2</sub>e

Data coverage

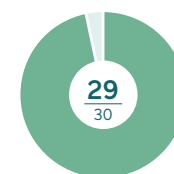
**73.1%** of the portfolio

GRESB score



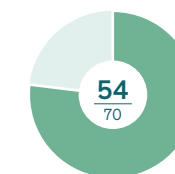
GRESB average **79**  
Benchmark average **75**

Management score



GRESB average **28**  
Benchmark average **29**

Performance score



GRESB average **52**  
Benchmark average **47**

# Private equity



Private equity is a launchpad for business ideas, including those with social and environmental benefits. Our job as investors is to back businesses which match our values and have good commercial prospects.

We invest mainly in lower mid-market buy-out funds in developed markets, and have some exposure to distressed debt and special situations funds. We look for businesses with positive earnings and the potential to grow and become more profitable. We prefer strategies that focus on operational growth. Private equity investments can last as long as 15 years, so we favour managers who share our forward-looking mindset.

ESG and good investment returns increasingly overlap, as sustainability is a prime opportunity for innovation and commercial differentiation. In 2021, we have reflected that in deciding to invest more in strategies that transform companies to make them more sustainable, and that benefit from the market's growing focus on sustainability.

## Focusing on climate

Climate change poses risks to locations and supply chains, and threatens to undermine investment theses. Many managers have long factored these risks into their business cases, but with limited reporting on the effects of climate. The funds we invest in often don't have dedicated staff for this, and the same goes for underlying companies. Even so, in our segment of private equity, in 2021 we have seen significantly more awareness of the need for structuring and reporting on climate topics.

We discuss ESG and reporting with managers before we make long-term agreements with them. We also engage with managers during the fund's life on ESG issues that arise in the portfolio. This helps not just the current fund, but embeds ideas with the manager that might benefit future funds.



**Steven van de Wall**  
Managing Director  
Private Equity



**Yorick Groen**  
Managing Director  
Private Equity

"We saw the chance to bring our values to the forefront during the COVID-19 pandemic. We were concerned about the impact on portfolio companies and their staff, and discussed it with our managers. Instead of lay-offs during the pandemic, we've seen many portfolio firms acquire companies in difficulties and bolt them on to existing holdings for future growth."

**Yorick Groen** Managing Director Private Equity



## PRIVATE EQUITY CONTINUED



### Case study: understanding distressed debt's effect on jobs

We invest a small part of our portfolio in distressed debt – specialist firms who acquire debt from companies which, while they have potential, are in difficulties and heading for default. The firms restructure the debt and invest capital to give these companies another chance. If the turnaround succeeds, the companies often grow significantly before being sold.

We have engaged with one of the biggest distressed debt managers in our portfolio to start reporting on the net effect on jobs in their portfolio, from when they acquire the business to when they sell it. We know that, often, lay-offs are unavoidable to avoid bankruptcy at businesses with distressed debt. But this reporting will give us insight into the overall contribution this part of our portfolio makes to the labour market.

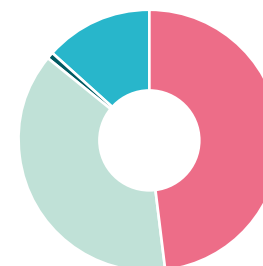


Total portfolio ESG scores  
(%AUM)



- Leader **3.77%**
- Professional **26.93%**
- Novice **24.16%**
- Laggard **5.63%**
- Not scored **39.51%**

IMP categorisation



- May/does cause harm **48.10%**
- Acts to avoid harm **37.94%**
- Benefits stakeholders **0.00%**
- Contributes to solutions **0.88%**
- Out of scope **13.08%**

# Absolute return strategies



**Absolute return strategies are important to us, offering returns not directly tied to the performance of equity or bond markets and so making our portfolios more diversified. We integrate ESG at the portfolio level and with our managers.**

Our absolute return portfolio includes allocations to some ESG-focused strategies designed to achieve alpha while investing around environmental and social themes. We have high risk/return expectations for these strategies, which embody our values and RI principles. We also see these funds benefiting as capital moves towards tackling global sustainability challenges.

Our ESG scorecard has led to deeper conversations and analysis with our managers. We want to make sure they integrate ESG into their investment process. If they take positions on climate risk, for example, we want to make sure the expected returns reflect these risks.

## Backing carbon transition

We contribute to Anthos's ambition for net zero portfolios through ESG-focused long and short equity strategies, and carbon reporting in line with industry standards. In 2021, we added a second fund with carbon intensity as a key input to outperform benchmarks. That supports the most resource-efficient companies while 'punishing' those that are the most energy, water and waste intensive. The fund invests long in companies with smaller carbon footprints and short on ones which are more carbon intensive. Also, several strategies in our portfolio have energy efficiency at their core, expecting that companies producing the same output by consuming less energy will be more profitable. These strategies invest long in companies contributing to energy transition and short those using polluting technologies to boost short-term profit.

Our scorecard helps us choose these investments and also spot where managers have opportunities to improve.



**Reinoud van Ieperen Bokhorst**  
Managing Director  
Absolute Return Strategies



**Matthew Kaplan**  
Managing Director  
Absolute Return Strategies

**"Just asking the questions in the ESG scorecard encourages managers to think through relevant issues in a new way, or perhaps for the first time. This prepares the ground for us to engage with them."**

**Reinoud van Ieperen Bokhorst**  
Managing Director Absolute Return Strategies

## ABSOLUTE RETURN STRATEGIES CONTINUED



### Case study: engaging to promote inclusive mortgages

By highlighting the link between human dignity and financial inclusion, we encouraged one of our managers to better incorporate ESG into their investment process for mortgage-backed securities – bonds that finance a portfolio of mortgage loans. In mid-2021, they took on an ESG officer, who worked with their mortgage-backed securities team to design a structure focusing on smaller US community banks.

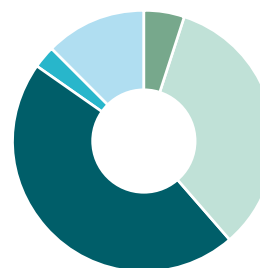
These banks are ideally positioned to help groups typically underserved by major banks. They understand their customers and the importance of helping them make

responsible financial decisions, like buying a house and taking out a mortgage. Helping to broaden access to mortgages in turn boosts financial inclusion.

The manager now aims to bring smaller banks together to create a diversified pool of high-quality mortgages for home-owners who have had less access to traditional, large mortgage institutions. If this succeeds, it will help smaller regional banks provide more mortgages to people underserved by big banks, using the mortgage-backed securities market.

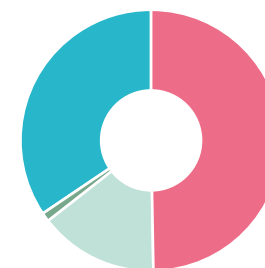


Total portfolio ESG scores  
(%AUM)



- Leader **5.22%**
- Professional **33.45%**
- Novice **46.30%**
- Laggard **2.63%**
- Not scored **12.40%**

IMP categorisation  
(%AUM)



- May/does cause harm **49.93%**
- Acts to avoid harm **14.57%**
- Benefits stakeholders **1.31%**
- Contributes to solutions **0.00%**
- Out of scope **34.19%**



# Impact investing



**We want our investments to yield good financial returns while contributing to the common good by bringing significant social and environmental impact.**

When we started fund-based impact investing in 2012, we focused on emerging market private asset funds for grassroots impact, like improving health or creating access to clean water. To lower risk and increase scale, we evolved to invest across asset classes globally, looking for market-rate returns and also systemic impact. This lets us take advantage of liquid assets, like green bonds, alongside illiquid assets like renewable energy infrastructure and affordable housing, which help counter inflation risk.

This 'all-weather' portfolio gives us broad positive impact and protection from market shocks. In a world beset by war, pandemic, market volatility and gathering inflation, that becomes even more important. Our multi-asset strategy, launched in February 2022, underlines our commitment to this approach.

## Balancing systemic and grassroots change

Systemic change comes not just from investing in the greenest, cleanest companies. This is why we use the Impact Management Project's 'ABC' model to pinpoint the change we want our investments to make. It describes the goals the underlying investments can have. 'A' is about avoiding harm and minimising negative impacts and 'B' looks for ESG opportunities and themes. Investments in the 'C' category contribute to solutions, and look for deep changes for underserved people or the planet. All of them are important to creating a liveable future, though for our impact fund we focus on 'C' and also want to make this a bigger focus for equities ([see page 27](#)) and fixed income ([see page 29](#)).

By investing in equities and sustainable bonds we support promising solutions and deepen impact through engagement, while benefiting from liquidity and attractive returns.

For grassroots change, we also invest in private, emerging markets to empower small and medium-sized businesses. For instance, we are invested in a private equity strategy focused on sectors like agriculture, education and healthcare, or on improving access to affordable housing, sanitation, clean water and energy. This helps underserved communities and offers potential long-term investment returns.



**Dimple Sahni**  
Managing Director  
Impact Fund Portfolios

**"We want to make as much positive impact as we can. That means investing across asset classes, which gives us the ability to scale up, as well as diversify our risk and return and spread our impact. It also means being very thorough about how we choose our investments and how we engage with the strategies we do invest in. We're always looking to help managers think about impact in new ways."**

**Dimple Sahni** Managing Director, Impact Fund Portfolios

## IMPACT INVESTING CONTINUED



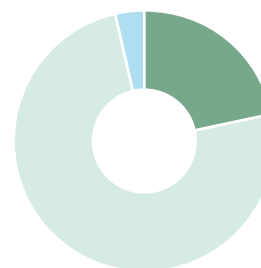
### Case study: Learn Capital – increasing technology’s impact on education

Learn Capital is a venture capital fund that invests in companies developing technology to support education and help people flourish. Since we started investing in 2015, we’ve helped the firm understand and shape the impact of their investments more clearly. And that’s made them better at allocating capital and helping the businesses they invest in to achieve impact goals as well as revenue growth.

We encouraged Learn Capital to adopt key performance indicators to monitor impact: reach, intensity and performance. We also advised them to build the SDGs into their thinking. In turn, this helped them to build a dashboard to aggregate data and get a clear idea of the social return on their investments. One of the results is a better understanding of the link between financial growth and impact performance and the potential to maintain impact even after IPO or sale.

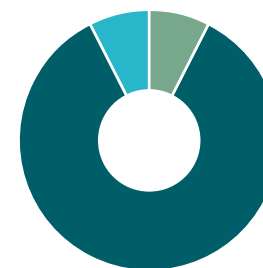


Total portfolio ESG scores  
(%AUM)



- Leader **21.86%**
- Professional **74.73%**
- Novice **0.00%**
- Laggard **0.00%**
- Not scored **3.41%**

IMP categorisation



- May/does cause harm **0.00%**
- Acts to avoid harm **0.00%**
- Benefits stakeholders **7.68%**
- Contributes to solutions **84.96%**

# Outsourced Chief Investment Officer (OCIO) services



Our Outsourced Chief Investment Officer (OCIO) services are a core part of our Anthos offering. They combine our experience and know-how in comprehensive fiduciary advice, anchored by responsible investment principles.

Our dedicated OCIO team uses the asset-class-specific strategies as their “building blocks” to create all-weather, multi-asset portfolios which we manage on behalf of our clients. Strategic and tactical asset allocation analysis are critical tools to support strategic investment decision-making within a strict governance framework.

It is our experience that client intimacy and a thorough understanding of a client’s values, needs and preferences, and the contextual environment are critical success factors for our strategic advisory services.

## Embedding ESG within our fiduciary framework

In 2021, we engaged with our clients on our net zero ambition and ran climate scenario analysis workshops to help them understand the carbon risks and investment opportunities within their portfolios. We are now working closely with a number of clients on setting and implementing their own net zero ambitions, which also align with consistent, risk-adjusted returns.

Naturally, ESG risks and opportunities are increasingly demonstrable in financial analysis, which reflects global awareness and developments, be that macroeconomic indicators, company analysis or regulatory targets. As such, we make every effort to monitor carbon risks and opportunities constantly as part of our strategic advisory work.

Longer-term, the spread of outcomes for understanding how ESG risks and opportunities will manifest within a strategic asset allocation is too broad for us to safely make adjustments to our assumptions. So while we monitor the risks and engage with our clients, we have not included carbon analysis as part of our modelling techniques yet. Though much development has happened, more clarity and consistency in the data and tools that provide that data are needed.

Development in this space is fast, and we are constantly looking for ways to further embed ESG risks into our strategic advisory services. We are convinced that doing so will lead to better, risk-adjusted returns in the long run. We aim to navigate that trajectory with consideration and with our clients’ fiduciary obligations at the heart of all of our decision-making.



**Wouter ten Brinke**  
Managing Director  
Client Portfolio Manager



**Dr. Ferry L. J. Vos**  
Managing Director  
Client Portfolio Manager

“We see it as our role to help our clients understand the impact that their assets have on the world and to help steer capital towards better impact and sustainable returns. What is unasked is just as important as what our clients do ask of us. There is much still to learn. This is where close client care is critical to deepen our understanding and empathy as we steward their assets through tumultuous change.”

**Wouter ten Brinke**  
Managing Director Client Portfolio Manager



# Appendices

41 Asset classes – exposure to excluded industries

42 Dutch Climate Agreement reporting

44 Partnerships that support our climate strategy and targets

45 Disclaimers

# Asset classes

## – exposure to excluded industries

Here, we set out how our various asset classes are exposed to excluded industries. This exposure is very low in all cases. Where we invest for our clients in mandates, exposure to excluded industries and products is zero by default. Where we invest via external funds this is beyond our control. We still actively seek to keep such exposures at a minimum and we monitor such levels, both ex ante and ex post. Here we set out such exposures for the various asset classes.

	Total exposure to exclusion criteria	Military contracting	Nuclear weapons	Biological and chemical weapons	Small arms	Gambling	Tobacco	Adult entertainment	Depleted uranium	Anti-personnel mines	Cluster weapons	Arctic oil & gas	Thermal coal extraction	Oil sands	White phosphorus	Global standards	Disengaged
Equities	1.53%	0.47%	0.47%	0.00%	0.00%	0.01%	0.02%	0.00%	0.30%	0.00%	0.00%	0.00%	0.55%	0.02%	0.00%	0.00%	0.03%
Fixed income – high yield*	0.61%	0.44%	0.20%	0.00%	0.00%	0.14%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.03%	0.00%	0.00%	0.00%	0.00%
Fixed income – investment grade	0.38%	0.17%	0.11%	0.00%	0.00%	0.00%	0.16%	0.00%	0.00%	0.00%	0.00%	0.00%	0.05%	0.00%	0.02%	0.01%	0.00%

Powered by Sustainalytics

	Country screening
Fixed income – emerging markets debt	3.53%
Fixed income – sovereign debt	0.00%

Powered by Sustainalytics

\* These numbers have been adjusted at 17 June 2022.

# Dutch Climate Agreement reporting

## financial year 2021



### 1 MEASURING CO<sub>2</sub>e IMPACT

<b>1.1 Is the CO<sub>2</sub>e impact being measured?</b>	<p><b>Partly</b></p> <p>We report equities and fixed income AUM which is &gt;72% of the total. These are all part of the assets we manage on behalf of our clients via external managers. In equities 100% of the portfolio is covered. For fixed income we report Investment Grade (&gt;92% coverage) and High Yield (&gt;60% coverage). We do not report the sovereign bonds direct or indirect this year, which is a substantial part of the fixed income portfolio we manage. We are taking part in a PCAF working group on the topic to better understand the best methodology to do this. Cash is assumed to have zero emissions.</p>
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### 2 HOW IS IT MEASURED?

<b>2.1 Which CO<sub>2</sub>e impact indicator(s) does the institution use to monitor the performance of the overall portfolio?</b>	<p>The included measures are:</p> <ul style="list-style-type: none"> <li>i) Total carbon emissions</li> <li>ii) Carbon intensity (tCO<sub>2</sub>e/€m Inv.)</li> <li>iii) Weighted average carbon intensity (tCO<sub>2</sub>e/€m Sales).</li> </ul>
<b>2.1.1 Which measurement method is being used for these indicators?</b>	<p>About 81% of the CO<sub>2</sub>e data for equities and 60% for fixed income is based on reported values (source: MSCI ESG Research). For companies that have reported in the past, a company-specific model is used to estimate the carbon data as described in MSCI's 2019 Carbon Emissions Estimation document. This company-specific model uses the previously reported carbon emissions and revenues to calculate carbon intensity and uses current revenues to make an estimate of the current carbon emissions. In cases where companies have no historically reported CO<sub>2</sub>e data, then an industry-specific model is used in order to derive carbon intensity from industry averages.</p>
<b>2.2 Which attribution method is being used (per asset class)?</b>	<p>For the attribution of CO<sub>2</sub>e emissions, we are following the PCAF method, meaning we use the enterprise value, including cash, to determine the percentage ownership.</p>
<b>2.3 What data sources are being used? And which data providers?</b>	<p>The reported CO<sub>2</sub>e intensities in MSCI ESG Research are based on USD. The USD sales figures were used to calculate these intensities to EUR using the WMCO Fixing rates. We then used these EUR sales figures to recalculate carbon intensities based on per EUR sales. CO<sub>2</sub>e emissions data, as well as the EVICs and sales data, are all extracted from MSCI ESG Research.</p>
<b>2.4 Describe the quality of used data to measure the CO<sub>2</sub>e impact (per asset class)</b>	<p><b>For Equities:</b> About 81% of the CO<sub>2</sub>e data is based on actual reported data (PCAF Score 1–2 see below example from PCAF). 5% of the data is modelled based on previous reported company-specific data (PCAF Score 1–3), while the rest (approximately 13%), is modelled based on industry averages (PCAF Score 3).</p> <p><b>For Fixed Income Investment Grade:</b> About ~83% of the CO<sub>2</sub>e data in the Investment Grade portfolio is based on actual reported data (PCAF Score 1–2). 1% of the data is modelled based on previous reported company-specific data (PCAF Score 1–3), 8% is modelled based on industry averages (PCAF Score 3) and 8% has no coverage.</p> <p><b>For Fixed Income High Yield:</b> About ~38% of the CO<sub>2</sub>e data in the High Yield portfolio is based on actual reported data (PCAF Score 1–2). 3% of the data is modelled based on previous reported company-specific data (PCAF Score 1–3). About 20% is modelled based on industry averages (PCAF Score 3) and about 40% has no coverage.</p>

## DUTCH CLIMATE AGREEMENT REPORTING CONTINUED



## 3 WHAT IS BEING MEASURED?

3.1	<b>What is the scope of the CO<sub>2</sub>e reporting?</b>	For Equities, the CO <sub>2</sub> e reporting concerns the total equity portfolio, including the active, passive and infrastructure portfolios. This is using the lookthrough of the underlying investee companies that our external managers invest in. For fixed income, it concerns the corporate part, investment grade and High Yield bonds. The emerging markets local debt and return/matching portfolios are left out of scope.
3.2	<b>What are the relevant investments and financing?</b>	CO <sub>2</sub> e contributions are estimated using the EUR amount invested in each company (using lookthrough).
3.3	<b>What scope is being reported on (from the perspective of investments/financing)?</b>	For this analysis we took Scope 1 (Direct) and Scope 2 (Upstream) emissions into account.

4 CO<sub>2</sub>e IMPACT DISCLOSURE

Holdings/equities	% total AUM	Of which relevant	Of which CO <sub>2</sub> e impact reported	Of which CO <sub>2</sub> e impact estimated	tCO <sub>2</sub> e emissions	Economic intensity tCO <sub>2</sub> e/€m Inv.	Sales intensity tCO <sub>2</sub> e/€m sales
<b>Total Equities</b>	53%	100%	81%	18%	181.556	32	130
<b>Total Fixed Income</b>	19%						
Corporate IG		18%	84%	8%	16,904	45	125
Corporate HY		20%	38%	23%	75,729	201	410
<b>Total Real Estate</b>	5%	100%	–	73%	5,189	15	N/A

Note: all based on Scope 1 + 2 emissions

## PCAF data quality scorecard

**Certain**  
(5-10% error margin in estimations)



**Uncertain**  
(40-50% error margin in estimations)

<b>SCORE 1</b>	Audited GHG emissions data or actual primary energy data
<b>SCORE 2</b>	Non-audited GHG emissions data or actual primary energy data
<b>SCORE 3</b>	Average data that is peer/(sub)-sector specific
<b>SCORE 4</b>	Proxy data on the basis of region or country
<b>SCORE 5</b>	Estimated data with very limited support



# Partnerships that support our climate strategy and targets

## Partnership for Carbon Accounting Financials



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



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



The Dutch Fund and Asset Management Association has 50 members, 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



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 with the National Climate Agreement is to reduce greenhouse GHG emissions in the Netherlands by 49% by 2030 compared to 1990 levels.

## Principles for Responsible Investment



In its focus on making ESG part of investment decisions, ownership and reporting, the PRI offers useful guidance for standardising and improving our approach across our asset classes. As well as echoing our values, the PRI helps us speak our industry's emerging RI language and frame our activities, like choosing our investment managers and engaging with them. Furthermore, reporting to the PRI helps us see where we stand relative to our industry.

## Global Real Estate Sustainability Benchmark



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, DJSI, TCFD recommendations, the Paris Agreement, SDGs, and regional and national disclosure guidelines and regulations.

## Impact Management Project



The Impact Management Project (IMP) provides a forum for building global consensus on measuring, managing and reporting sustainability. It is relevant for enterprises and investors which want to manage ESG risks, as well as for those who also want 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.

Joined PE working group with the aim to co-create a reduction methodology for Anthos as a largely fund of funds.

Anthos Fund & Asset Management, under the umbrella of its parent company COFRA Holding, has publicly committed to set a Science Based reduction target on our Scope 1 and 2 emissions by 2030 in line with 1.5°C.

## TCFD



The Financial Stability Board created the Task Force on Climate-related Financial Disclosures (TCFD) to improve and increase reporting of climate-related financial information.

# Disclaimers

## Disclaimer

This document has been compiled by Anthos Fund & Asset Management B.V. ('Anthos').

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## **Contact details**

Anthos Fund & Asset Management B.V.  
Jachthavenweg 111  
1081 KM Amsterdam

P.O. Box 7871  
1008 AB Amsterdam  
The Netherlands

[anthosam.com](https://anthosam.com)

Published June 2022  
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