

Climate Change Investing Guidelines

Anthos Fund & Asset Management

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0. Introduction

Anthos Fund & Asset Management (Anthos) is a values-based asset manager that invests mainly through fund selection. We are based in Amsterdam and invest globally. For generations, we have been entrusted with the responsibility of providing comprehensive values-based asset management services for the Brenninkmeijer family and related pension funds. Our approach is inspired by the values of sustainability, human dignity, and good corporate citizenship.

Climate change is one of the greatest challenges defining our era. By signing the Paris Agreement in 2016, 196 countries committed to holding the increase in global average temperatures to well below 2°Celsius above the pre-industrial levels by the end of the century and pursue efforts to limit the temperature increase to 1.5°C. In September 2019, Anthos signed the Dutch Climate Agreement¹, thereby committing to reduce our emissions and support the goal of reducing GHG emissions by 49% by 2030 (compared to 1990).

1. Scope & review

This document describes Anthos climate framework used for climate integration² in our products and investment portfolios, our Net-Zero objective, and our governance & accountability mechanisms. It applies to the assets for which Anthos is acting as the fund manager and assets managed on behalf of third parties. For certain asset classes and/or securities there is no availability of data, methods or models yet to measure emissions, climate risks and/or forward-looking indicators (e.g. for derivatives and Absolute return funds). When this is the case, these asset classes are exempt from the applicable requirements set out in this document, until further guidance and data becomes available.

These investments guidelines elaborate further on our role as an investor and should be read with the Responsible Investment (RI) Policy of Anthos as it follows the same governance. The document will be reviewed on a regular basis, and at least every two years. The targets included in this document may be subject to change, as climate guidance recommends reviewing climate targets regularly in response to evolving climate science and market expectations.

2. Managing climate related risks

Anthos sees climate change as a global systemic risk, that potentially affects performance negatively as well as provides opportunities that investors should consider in their investments. In second line risk management, Anthos has an Enterprise Risk Management (ERM) framework to ensure we have robust processes to identify and mitigate risks, which now includes sustainability risks and specifically climate related risks.

¹ <https://www.klimaatakkoord.nl/documenten/publicaties/2019/06/28/national-climate-agreement-the-netherlands>

² Such as the integration of climate considerations and double materiality in investment decision making and portfolio construction; both from the perspective of opportunities, risks and impact of our investments.

In line with the Task Force on Climate-Related Financial Disclosures (TCFD), the key risks for our business and their potential financial impact comprise of transition risks³ and physical risks⁴. We report on the risks identified on an annual basis as well as the mitigation strategies in place in our annual RI Report.

In first line risk management, climate risks are monitored and managed on two levels:

- a) **External manager's risk management:** It is key for Anthos to partner with fund managers that have a strong understanding of climate related risks and opportunities and have risk mitigating processes in place. This assessment is performed through our due diligence and monitoring process, where we ask detailed questions about our external manager's climate framework.
- b) **Climate monitoring:** The portfolio emissions for which we have reported emissions are included in the first line monitoring dashboards and monitored against Anthos' Net-Zero pathway.

3. Our commitment & targets

Anthos' climate commitment is to achieve Net-0 emissions by 2040, aligning with the preferred goal of the Paris Agreement to limit global warming to below 1.5 degrees Celsius. In September 2019, Anthos signed the Climate Agreement of the Dutch sector, thereby committing to reduce our emissions and support the goal of reducing GHG emissions by 49% by 2030 (compared to 1990).

Anthos has translated this commitment into the following targets:

- 25% reduction of the carbon budgets (expressed in reported tCO₂e/€m) by 2025,
- 50% reduction of the carbon budgets (expressed in reported tCO₂e/€m) by 2030
- Exclude companies deriving revenues from thermal coal, oil sands, arctic drilling, maintain exposure below 5% in external liquids pooled funds
- Monitor exposure to fossil fuels to explore potential divestment by 2030
- Increase reported emission figures of our investments to 90% by 2030
- Increase owned square meters of our real estate investments included in the CREEM pathway to 90% by 2030
- Increase coverage of investments with formal (e.g SBTi) targets to 100% by 2040

While our Net-0 ambition applies to all our AuM, we do not manage all our clients' assets in line with this objective, as not all our clients have explicitly mandated this in the investment agreement. We use the same investment process and RI tools for all our AuM, we don't include our clients' assets in our Net-Zero objective. For this reason, we commit to engage with our clients to move towards aligning their assets with our objectives.

- Engage with clients to align 3rd party assets' investment guidelines with Anthos' Net Zero objectives

³ Climate-related risks can also be associated with the transition to a lower-carbon global economy, the most common of which relate to policy and legal actions, technology changes, market responses, and reputational considerations.

⁴ Physical risks emanating from climate change can be event-driven (acute) such as increased severity of extreme weather events (e.g., cyclones, droughts, floods, and fires). They can also relate to longer-term shifts (chronic) in precipitation and temperature and increased variability in weather patterns (e.g., sea level rise).

4. Investment levers for climate action

As a fund-of-funds investor, Anthos primarily influences climate impact through fund selection rather than direct control over the underlying investments. Our strategy focuses on selecting and engaging with fund managers who align with our decarbonization goals. We have identified three key "levers" to drive climate considerations across our portfolios: manager selection and engagement, allocation to sustainable and impact investments, and exclusions.

Lever 1: Manager Selection and Engagement

Our main influence on portfolio emissions is through choosing fund managers with robust ESG practices and engaging actively with them. We strive to prioritize managers with clear emission reduction targets, adherence to the Science Based Targets initiative (SBTi) or recognized climate guidance like the Institutional Investors Group on Climate Change (IIGCC), and active participation in climate-related industry initiatives such as working groups from IIGCC. Using our ESG scorecard, we assess each manager's climate policies in line with recognized standards and regularly monitor climate related metrics, when available, for improvement opportunities. Engagement efforts focus on improving disclosures and ensuring that the climate strategy of the fund is well implemented and aligned with our Net-0 pathway.

Additionally, we collaborate with an external engagement service provider to engage directly with companies on key ESG issues, including climate risks management, setting Net-0 targets, contributing to improvement on risk management across the companies whether they are in our portfolio currently or not.

Lever 2: Allocation to Sustainable and Impact Investments

In line with our values, we allocate capital to funds that support the climate transition in our impact funds and where possible across the broader portfolio too. Since 2020, we track our exposure to funds that have a sustainable or an impact objective linked to climate transition, climate mitigation and adaptation solutions. For listed investments, we are also able to report on our investments in climate solutions through MSCI data.

Lever 3: Exclusions

In alignment with our values and climate goals, we seek to exclude companies with significant revenue from high-impact activities, such as thermal coal, oil sands, and Arctic drilling. Specifically:

- Thermal Coal: Companies with a 10% revenue threshold due to its high emissions and transition risks.
- Oil Sands: Companies with a 10% revenue threshold because of its environmental impact and related controversies.
- Arctic Drilling: Companies with a 5% threshold due to ecological risks and reputational concerns.

5. Governance & accountability

The governance of climate change within Anthos places the ultimate responsibility and accountability for the implementation of our RI policy and our Net Zero objective with our board. Day-to-day responsibility and accountability for implementation and coordination lie with our investment department. Each investment team monitors whether their investments are in line with Anthos' Net-Zero objective and escalates to the Head of Investments in case the portfolios' emissions grow above the allowed carbon budgets. Anthos reports on the climate change metrics to its clients in quarterly reports and externally, in our annual RI report aligned with the TCFD recommendations, as well as in our PAI Statement.

Anthos aims to align its climate action framework with recognized standards such as the SBTi, the IIGCC Net-Zero frameworks, and PCAF for emissions measurement. Please refer to Anthos' climate methodology document.

Team/function	High level responsibilities
Board of Directions (CEO and CRIO)	<p>The Board of Directors (CEO and CRIO) has ultimate responsibility for the group’s RI policy and all underlying views, as well as for the position on climate change. Specifically with regards to climate, the Board:</p> <ul style="list-style-type: none"> ○ bears ultimate responsibility for the climate guidelines, ○ is responsible for defining climate goals and setting emission targets, both for our own operations as for the investments, ○ will monitor progress on climate goals and emission targets and reports to the various stakeholders through different reporting channels, including but not limited to, the annual RI Report and the annual TCFD report.
Management team (MT)	<p>The Management Team (MT) oversees the actual integration and implementation of this climate guidelines within the firm, the investment strategies and products.</p>
Investments Team	<p>The Investment teams within the investment department are responsible for the actual integration of the climate guidelines into investment decision-making, manager selection and portfolio construction, thereby:</p> <ul style="list-style-type: none"> ○ managing climate risks, ○ being aware of opportunities that arise due to climate change and resulting legislation and capitalize on them when opportune. ○ making sure the portfolios perform in line with the set emission reduction targets over time.
Responsible Investment Team	<p>The Responsible Investment team supports the investment teams and provides them with input and guidance on best practices in climate and climate integration. The Responsible Investment team is responsible for driving the RI strategy and for maintaining and evolving proprietary RI and impact tools in close collaboration with the ISR team and the other relevant teams across Anthos.</p>
Investment & Strategy Research team	<p>The Investment & Strategy Research (ISR) team supports the investment teams with analysis of investments and portfolios that provide the team with actionable climate information informing investment decision-making, manager selection and portfolio construction.</p>
Risk & Compliance department	<p>The Risk & Compliance department executes (2nd line) monitoring of the execution of RI-related processes and compliance with internal policies as well as applicable laws and regulations.</p>
Client Advisory Solutions	<p>The Client Advisory & Solutions works closely with our clients to support and guide their view on climate integration.</p>