Asteria Obviam

Climate Change Policy

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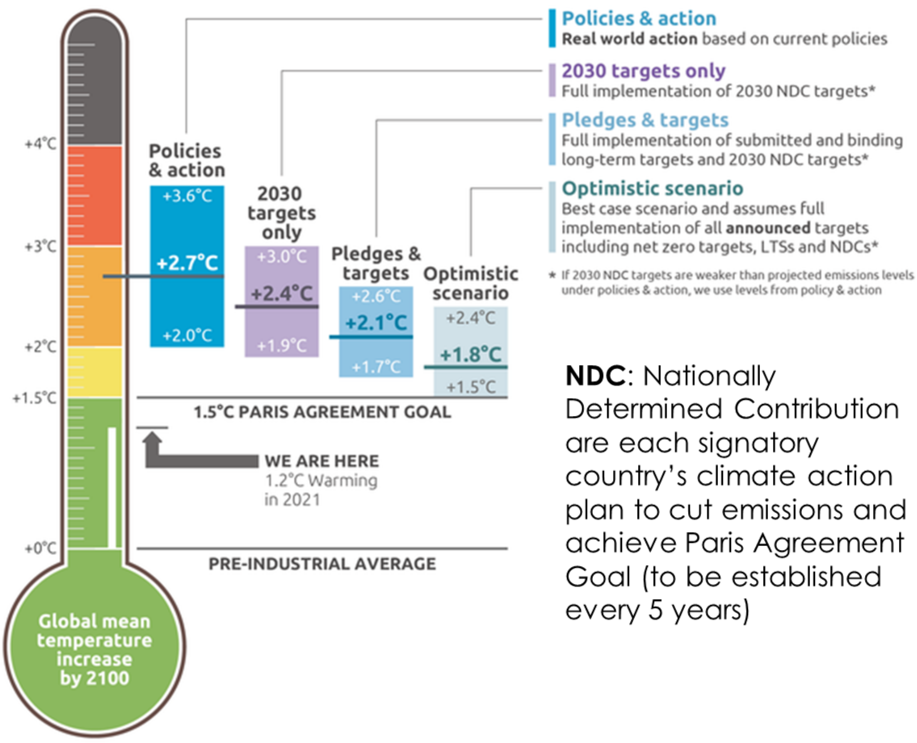
Asteria Investment Managers' Climate Pledge: Our Roadmap to Net Zero

Climate scenarios are loud and clear: without any action, the average temperature increase could reach + 5 degrees by 2100. Climate change poses an unprecedent threat on how our civilization is organized, and how our current economy and capital markets' function.

Recent scientific research indicates that current likely temperature-rise trajectories, supported by implementation of mitigation pledges, would entail 2.0–2.6°C global warming by mid-century. Much more is needed to support the Paris Agreement[1] in keeping rising temperature below 2°C compared to pre-industrial levels and the investment industry has a key role in a net zero carbon future by 2050.



NDC: Nationally Determined Contribution are each signatory country's climate action plan to cut emissions and achieve Paris Agreement Goal (to be established every 5 years)

Source: Climate Action Tracker, Asteria IM

Global commitments are growing but are still short of what is needed to limit global temperature rises to 1.5 °C. Achieving the Paris Agreement target requires unprecedented levels of capital to close the climate finance gap. Furthermore, climate-related transition risk costs to the financial sector are estimated to be USD 2.2 Trillion[2].

As an asset manager, our enabling role - "making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development" (as explicitly referred to in Article 2.1(c) of

[1] The Paris Agreement is a legally binding international treaty on climate change, adopted by 196 Parties at COP 21 in Paris, on 12 December 2015 and entered into force on 4 November 2016.

[2] Climate Stress Testing and Scenarios Projects, Oxford Sustainable Finance Group, 2021

the Paris Agreement) - confronts us to our responsibilities. Asteria IM's climate pledge covers multiple actions defining our contribution to the climate transition.

Committing to Net Zero

There is an almost linear relation between global warming and CO_2 emissions accumulating in the atmosphere. This results in a concept of "carbon budget" – an amount of cumulative emissions to not be overstepped. The Intergovernmental Panel on Climate Change (IPCC) estimates the remaining "carbon budget" of the planet to be 580 gigatons (Gt) of CO_2 for a 50% chance of limiting the warming to 1.5°C[3] . In 2019, humanity emitted 43.04 Gt of CO_2[4].

To conform to this carbon constraint, the global economy needs to reach a state of net-zero emissions by eliminating or avoiding GHG emissions released to the atmosphere from all stakeholders (individual, organization, company, country, etc.), and compensate the remaining ones with carbon offsets.

For an asset manager, carbon neutrality must be considered within investor's portfolios. In July 2021, Asteria IM has joined the Net Zero Asset Management Initiative. This coalition of asset managers commits to decarbonizing investment portfolios to net zero by 2050 or sooner and is part of the Glasgow Alliance for Net-Zero. As a result, we pledge to:

- prioritize real-economy emissions reductions,
- take account of material portfolio Scope 3 emissions,
- create investment products aligned with net-zero emissions, and
- facilitate increased investment in climate solutions

Furthermore, Asteria IM has committed in October 2021 to reach net-zero greenhouse gas (GHG) emissions **by 2030** across all assets under management and operations.

Asteria IM's climate strategy is articulated around four axes:

1) Climate investment strategy:

As an asset manager dedicated to impact investing, we use capital as an agent to change and encourage the transition to a low carbon economy.

a) Impact Research

The climate science and technology are evolving at a very fast pace and strong research is necessary to shape the most impactful investment universe. For instance, with 72% of global GHG coming from burning fossil fuel and rising energy demand, the climate challenge will require structural changes in the energy production sector. It also involves a complete overhaul of the functioning of the sectors with the highest energy consumption, such as transport, construction, and industry, which will have to be both more energy efficient and more capable of using decarbonized energy.

[3] https://www.ipcc.ch/sr15/chapter/spm/

[4] Global Carbon Project https://www.globalcarbonproject.org/carbonbudget/20/files/GCP_CarbonBudget_2020.pdf

b) Climate Solutions

In delivering net-zero alignment, we commit to prioritizing real-economy emissions reductions and take account of material portfolio Scope 3[5] emissions. Providing solutions to reach net zero is currently still undercapitalized but represents a promising investment opportunity. We are committed to closing the climate finance gap by creating investment products aligned with net-zero emissions and facilitating increased investment in climate solutions. We actively invest in companies or projects providing a solution through their product, service, or technology. Our goal is to support the growth and innovation of companies providing viable low or no carbon alternatives to increase avoided emissions.

Our investment universe is shaped with the similar intention of the EU taxonomy[6], favoring companies with revenues from positive activities mitigating climate change.

c) Paris aligned portfolios

To ensure our portfolios are aligned with 1.5 degrees scenario, we use forward looking measures to assess the Implied Temperature Rise. projected emissions over the next five decades, based on their current emissions and analysis of their stated reduction targets. We construct portfolios aligned on a Transition Strategy Trajectory to the post-carbon economy and committed to the path of carbon neutrality by 2050.

We use the transitional pathway firm methodologies highlighted by the Science Based Targets Initiative[7] to assess if assets are meeting the emissions reduction pathway required to be considered aligned to net zero. The methodologies used are the Sectoral Decarbonization Approach (SDA) when available or the greenhouse gas emissions per unit of value-added approach (GEVA)[8]. Companies following an SDA represent less than 5% of companies in our universe. The GEVA is mainly applied requiring companies to reduce their emissions by at least 7% per year.

2) Active shareholder

Pursuant to our ESG Proxy Voting Policy, we systematically direct our votes in favor of proposals seeking that companies provide disclosures or adopt policies related to mitigating their climate change-related risks. This includes requesting information disclosure about scenario analyses and climate strategy implementation.

3) Engagement activities

Our investment strategies actively support climate solutions with the appropriate emission footprint reduction strategies. However, we do acknowledge that in order to reach Paris Agreement's goal, all companies must embrace the carbon neutrality route. Thus, we have joined complementary collective initiatives below to encourage the following actions:

a) Disclosing harmonized, reliable, and comparable data:

[5] all indirect emissions (not included in Scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions.

[6] EU taxonomy refers to a classification system with a list of environmentally sustainable economic activities

[7] The Science Based Targets initiative (SBTi) drives ambitious climate action in the private sector by enabling companies to set science-based emissions reduction targets

[8] The_Sectoral_Decarbonization_Approach.pdf (sciencebasedtargets.org)

Carbon Disclosure project: a non-profit running a global environmental disclosure system. CDP supports companies to measure and manage on climate change, water security and deforestation at the request of investors.
Task Force on Climate-related Financial Disclosures (TCFD) to improve and increase reporting of climate-related financial information.

b) **Committing** to ambitious reduction strategies at corporate level:

Climate Action 100+: an investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change engaging with companies across the planet with the highest combined direct and indirect greenhouse gas emissions.

c) **Ensuring** policy advocacy supports the same objective for a clear regulatory environment for companies and investors to navigate through:

The Investor Agenda: a common leadership agenda on the climate crisis that is unifying, comprehensive, and focused on accelerating investor action for a net-zero emissions economy.

4) Transparency and reporting:

a) Impact measurement

We systematically report on the carbon avoidance achieved in the real economy through the activities of companies held in the relevant portfolios. Environmental impacts are measured throughout the entire value chain using the Input-Output tables and provide a quantitative metrics about **avoided** CO_2e, m3 of water used and MWh of fossil fuel generated.

b) TCFD

As signatory of the PRI and part of the Net zero Asset Manager initiative, we committed to transparent and rigorous accountability. We will report annually on our financial climate risk and opportunities pursuant to the TCFD guidelines through the UN PRI reporting platform. Such report will track our progress towards Net Zero for our operations and assets under management by covering:

- governance,
- strategy,
- risk management,
- asset allocation,
- target setting, and
- engagement activities.