

|  |
| --- |
| **US Securities and**  **Exchange Commission** |

|  |
| --- |
| **Climate Report** |

|  |
| --- |
| Fiscal Year 2022-23 |

|  |
| --- |
| Note: This is a draft of the SEC's FY 2022–FY 2023 Strategic Plan, which is being generated for admin review. |

|  |
| --- |
| Protecting Investors |

|  |
| --- |
| Maintaining Fair, Orderly, and Efficient Markets |

|  |
| --- |
| Facilitating Capital Formation |



|  |
| --- |
| **Overview** |

|  |
| --- |
| **Our operations** |

|  |
| --- |
| As an active investment manager, in our responsibility as a steward of our client’s value we strive to design a business plan that is both futures looking as well as places our client’s returns as the ultimate goal. To that end we undertake granular levels analyses of our strategy, by assessing all the potential risks and opportunities that may impact our assets. As climate change becomes poses an ever more real risk to our bottom line, we have integrated climate related risks into our current risks analysis frameworks and have planned our strategy according.  As a financial institution loeurm asset manager recognizes that there are two primary pillars to mitigating climate related risk within our structure: |

|  |
| --- |
| In the current climate emergency and the global race to Net Zero we at oeurm asset manager believe in leading through example. In that regard we have undertaken the following initiatives to decarbonize our own operations: |

|  |
| --- |
| Loeurm asset manager believes that measurement is the very first step in management. By tracking our operational emissions, we can understand our current standing in terms of our emissions profile and our exposure to climate related risks within our owned assets and operations. This allows us a greater degree of control over our own carbon footprint as well as allows us to set concrete targets for our Scope 1, Scope 2 and Scope 3 (excluding category 15) where they are material. This assessment of our directly controlled assets also allows us further headway as regulations around the world become more stringent on the mandatory disclosures of organizations’ emissions profile. Another advantage of this exercise is that it allows us to ascertain our direct exposure to climate related risks, namely Physical risks (i.e., those risks linked to direct damage of our real assets through adverse weather events) and Transition risks (i.e., those risks linked to depreciation of asset value and/or increase in risk profile due to regulations, shift in market or shareholder opinion etc.)  The assessment of these climate related risks is integral to risk proving our own operations against adverse weather events as well as potential future transition risks. By conducting this exercise, we were able to identify the following potential risks. |

|  |
| --- |
| **Tracking our Operational GHG emissions** |

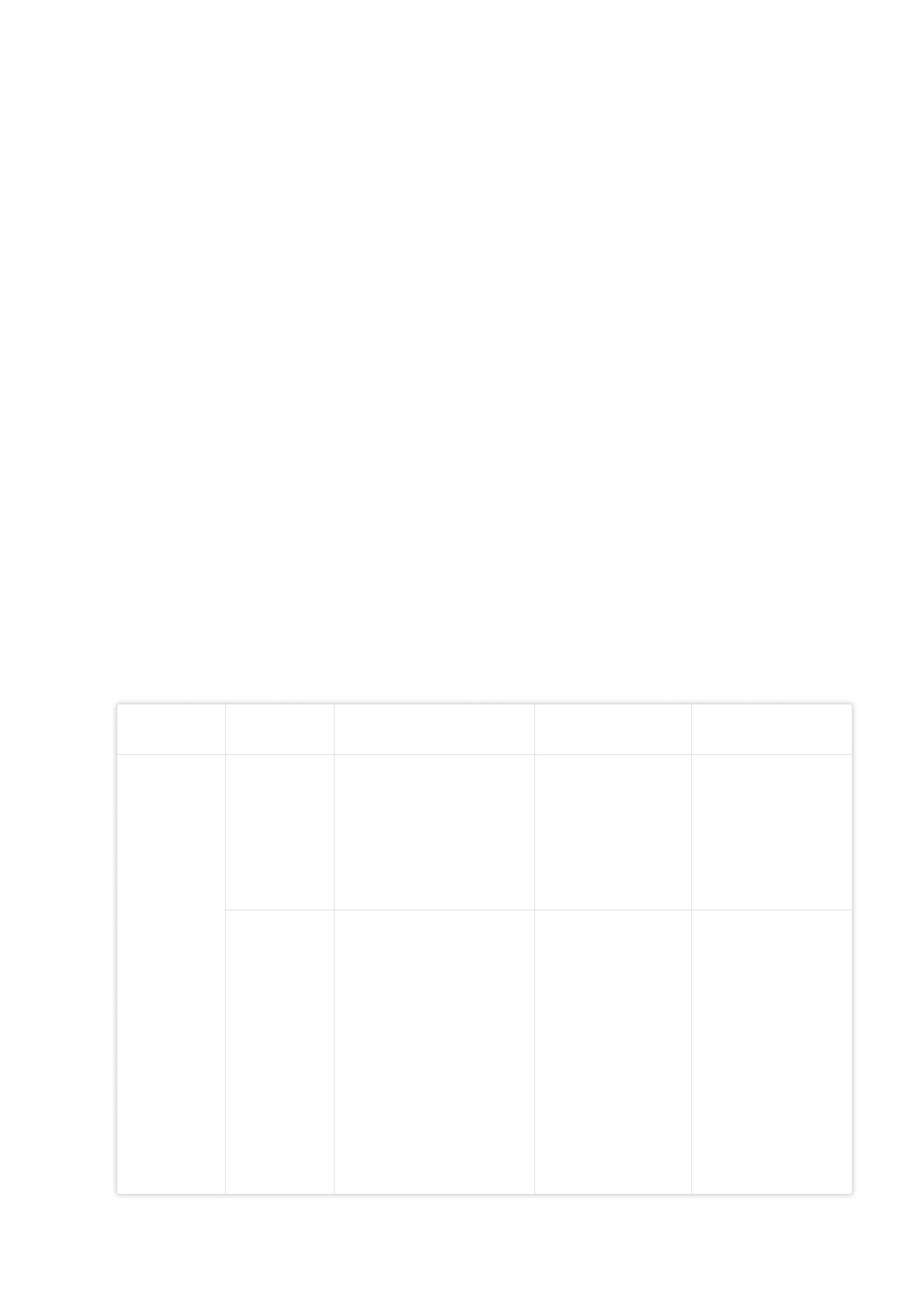
|  |
| --- |
| Our Operations  Our Investments |

|  |
| --- |
| U.S. Securities and Exchange Commission |

|  |
| --- |
| | |

|  |
| --- |
| **02** |

|  |
| --- |
| Company Climate Report 2023 |



|  |
| --- |
| **Our investments** |

|  |
| --- |
| **Our Risks & Opportunities** |

|  |
| --- |
| We at risk are utilizing a False for our short-term time horizon.  False for our medium-term time horizon  For our long-term time horizon |

|  |
| --- |
| U.S. Securities and Exchange Commission |

|  |
| --- |
| | |

|  |
| --- |
| **03** |

|  |
| --- |
| Company Climate Report 2023 |

|  |
| --- |
| As a financial institution our core objective is the security and returns of our client’s and customer’s investments. As such we have designed a robust multifaceted strategy that would be resilient against several classes of risks, including climate change. Therefore, our strategy at False would offer a high amount of security while not compromising on our client’s returns. Our approach to designing a climate resilient strategy rest on these 4 pillars: |

|  |
| --- |
| Assessing our risks & opportunities  Protecting our client’s assets  Financing and influencing the transition  Strengthening our resilience to climate change |

|  |
| --- |
| Describe the impact of climate-related risks and opportunities on the organization’s businesses, strategy, and financial planning. |

|  |
| --- |
| **Risk Class** |

|  |
| --- |
| **Risk Type** |

|  |
| --- |
| **Transition Risk** |

|  |
| --- |
| Policy & legal |

|  |
| --- |
| Market |

|  |
| --- |
| Potential shifts and more stringent regulations on GHG emissions and financing of high emitting sectors my be limited. |

|  |
| --- |
| As market shifts in the transition to net zero customers’ sentiment may change regarding certain products. These potential market changes even be on the supplier side with increased cost of new technology implementation (e.g., solar panels). |

|  |
| --- |
|  |

|  |
| --- |
| risk |

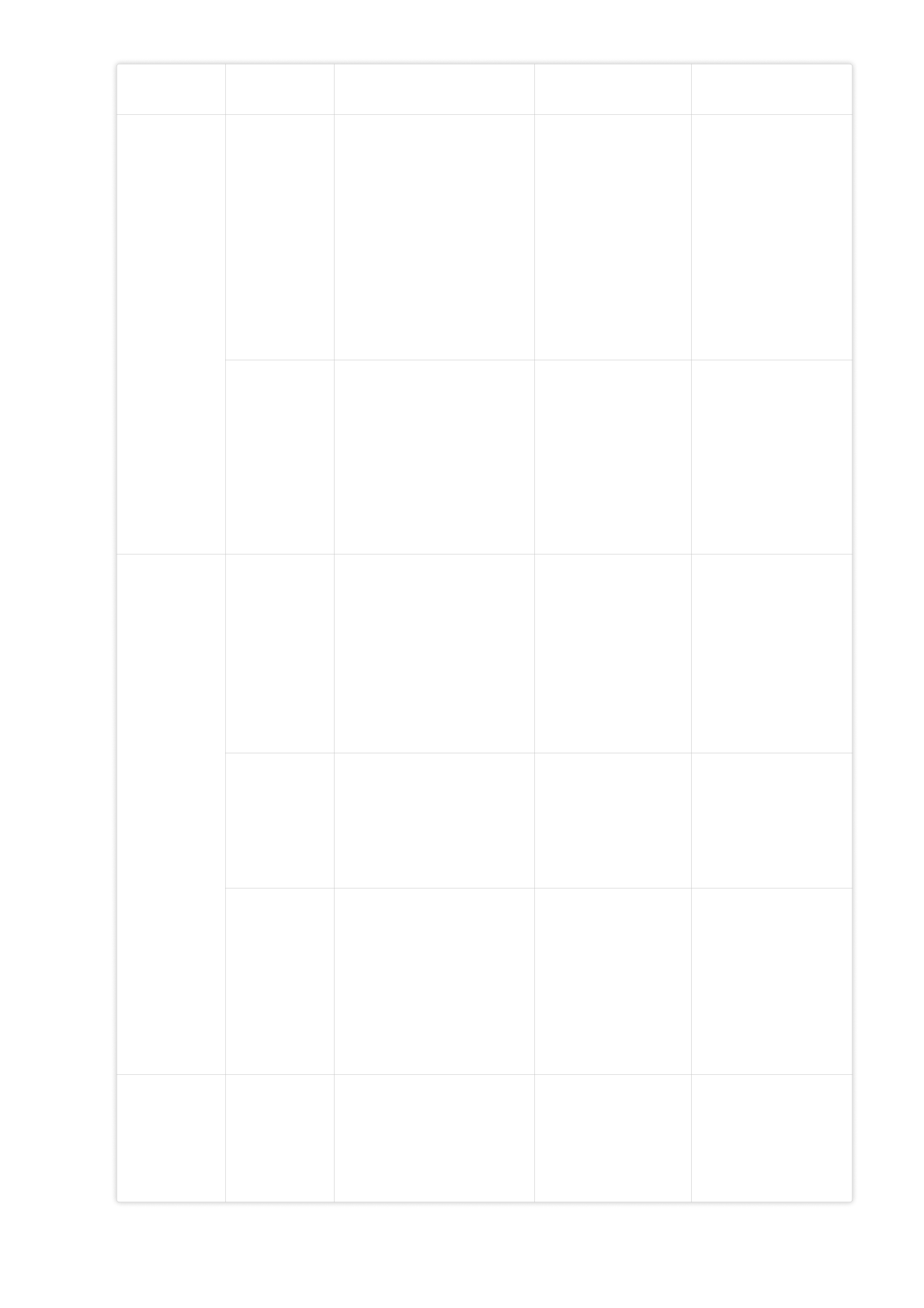
|  |
| --- |
| **Definition** |

|  |
| --- |
| **Time Horizon** |

|  |
| --- |
| **Impacted Area** |

|  |
| --- |
| risk |

|  |
| --- |
| False |



|  |
| --- |
| Technology |

|  |
| --- |
| Reputational |

|  |
| --- |
| Acute |

|  |
| --- |
| Chronic |

|  |
| --- |
| Continued investments in publicly acknowledged high emitting sectors will be damaging to an organization’s standing and reputation. |

|  |
| --- |
| Severe weather events that have an immediate effect on real assets (e.g., Cyclones, wildfires) |

|  |
| --- |
| As the science around climate change has been solidified and it is an accepted fact that there must be a large shift in technologies from power to manufacturing, high emitting technologies may be decommissioned. |

|  |
| --- |
| Severe weather events that have a continuous negative effect on real assets, productivity, etc. (e.g., heat waves effecting labor output, resource scarcity, water stress) |

|  |
| --- |
| <Client time horizon for Reputational risks. Source: Client> |

|  |
| --- |
| <Client time horizon for Policy and legal risks. Source: Client> |

|  |
| --- |
| <Client time horizon for acute risks. Source: Client> |

|  |
| --- |
| <Client impacted area for Policy & Legal Risks. Source: Client> |

|  |
| --- |
| <Client impacted area for Policy & Legal Risks. Source: Client> |

|  |
| --- |
| <Client impacted area for Policy & Legal Risks. Source: Client> |

|  |
| --- |
| <Client time horizon for chronic risks. Source: Client> |

|  |
| --- |
| <Client defined risk time horizon. Source: Client> |

|  |
| --- |
| <Physical Risk Climate Var Source: Client Q & A/Scenario (business as usual) Analysis Module> |

|  |
| --- |
| <Client impacted area for Policy & Legal Risks. Source: Client> |

|  |
| --- |
| <Client Defined Risk Description. Source: client> |

|  |
| --- |
| <Client Defined Risk. Source: Client> |

|  |
| --- |
| <Client impacted area for Policy & Legal Risks. Source: Client> |

|  |
| --- |
| **Risk Class** |

|  |
| --- |
| **Risk Type** |

|  |
| --- |
| **Definition** |

|  |
| --- |
| **Time Horizon** |

|  |
| --- |
| **Impacted Area** |

|  |
| --- |
| **Physical Risk** |

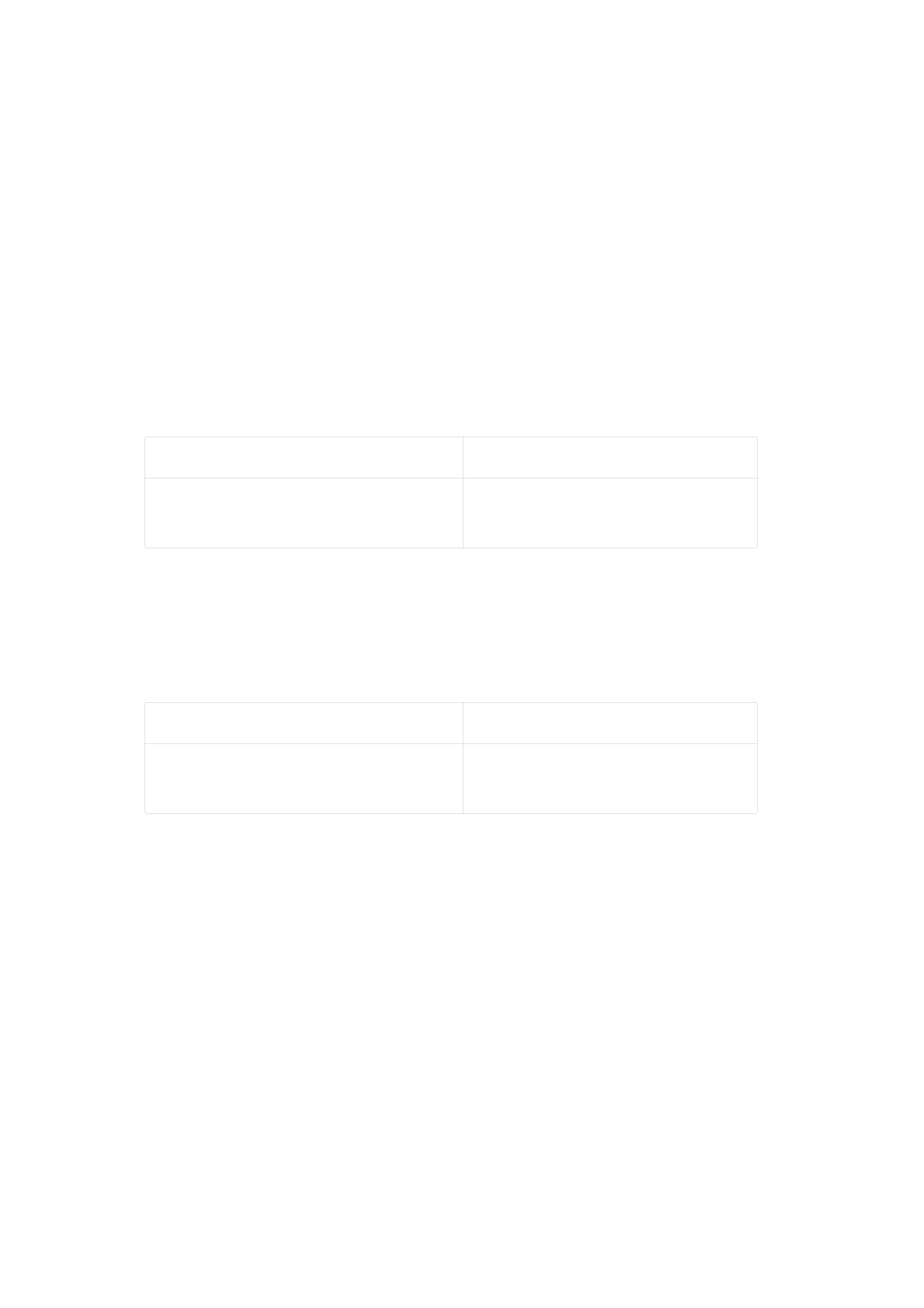
|  |
| --- |
| **Transition Risk** |

|  |
| --- |
| U.S. Securities and Exchange Commission |

|  |
| --- |
| | |

|  |
| --- |
| **04** |

|  |
| --- |
| Company Climate Report 2023 |



|  |
| --- |
| **Our investments** |

|  |
| --- |
| In assessing our transition Risks we have found our VaR is <Transition risk VaR. Source: Client>  In assessing our Physical Risks we have found our VaR is <Physical risk VaR. Source: Client> |

|  |
| --- |
| The properties in our water stress risk areas are: |

|  |
| --- |
| **Physical Risks**  In our assessment of our physical risks we have assessed our real asset exposure to:  <if flood risk is material to the client>Flood Risk: <Percentage real assets in high flood risk areas. Source: Client>  The properties in our flood risk areas are: |

|  |
| --- |
| **Opportunities**  Given that the transition has changed shareholder perception and has mandated a shift in investment strategies, with the integration of ESG related issues in the investment process, we at <client> see several opportunities emerging from the global transition to net zero.  <Client methodology for assessing climate related opportunities. Source: Client> |

|  |
| --- |
| U.S. Securities and Exchange Commission |

|  |
| --- |
| | |

|  |
| --- |
| **05** |

|  |
| --- |
| Company Climate Report 2023 |

|  |
| --- |
| **Property Name** |

|  |
| --- |
| **ZIP Code/Postal code** |

|  |
| --- |
| <ZIP code of property in high flood risk area. Source: Client> |

|  |
| --- |
| <Property in high flood risk area. Source: Client> |

|  |
| --- |
| <If water stress is material to the client> Water Stress: <percentage real assets in high water stress areas> |

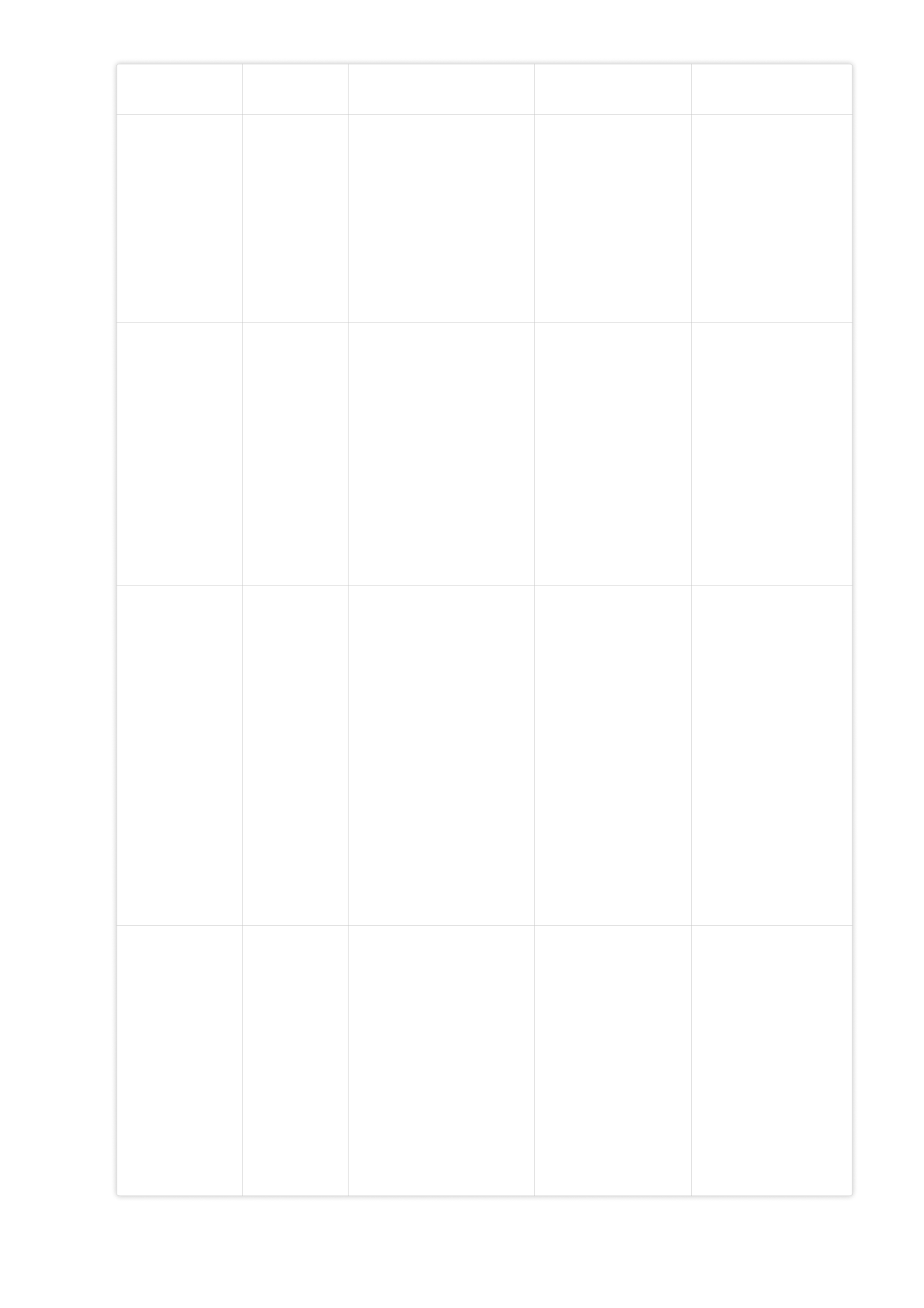
|  |
| --- |
| Within our water stress exposed properties we consume <amount of water consumed in water risk areas. Source: Client> |

|  |
| --- |
| **Property Name** |

|  |
| --- |
| **ZIP Code/Postal code** |

|  |
| --- |
| <ZIP code of property in high flood risk area. Source: Client> |

|  |
| --- |
| <Property in high flood risk area. Source: Client> |



|  |
| --- |
| U.S. Securities and Exchange Commission |

|  |
| --- |
| | |

|  |
| --- |
| **06** |

|  |
| --- |
| Company Climate Report 2023 |

|  |
| --- |
| <Example: Opportunity  1. Source: Client> Offer enhanced ESG products and investment strategies.  Providing Strategic advice on climate opportunities |

|  |
| --- |
| Use of lower emissions energy sources in our data centres  Utilization of electric vehicles for business travel, add <Opportunity in energy sourcing. Source: Client> |

|  |
| --- |
| Making buildings energy efficient  Utilizing recycling,  Utilizing more efficient means of transport  <Opportunity  3. Source:Client> |

|  |
| --- |
| Utilizing public sector initiatives for green financing  Accessing new locations and investment strategies  <Opportunity 4. Source: Client> |

|  |
| --- |
| Increased Revenue |

|  |
| --- |
| Our dedicated ESG funds can be increased as shareholders demand for ESG products increases. We see an opportunity for us in this space.  As awareness of climate change and the risks it poses to financial insitutions increases we at <client> seek to accelerate the transition and make it profitable by providing expert advice on climate risks and opportunities. |

|  |
| --- |
| We at <client> fully believe that utilization of energy must be responsible in nature. Therefore we encourage adoption of lower emissions energy sources in order to accelerate our climate transition.  We at <client> believe in leading by example and as such, in our global operations, we seek to inset as much of our footprint as possible. To this end we recognize that utilizing electric vehicles is an ideal way to capitalize on this. |

|  |
| --- |
| In our offices we seek to implement the latest standards in sustainable design to create a forward looking operational strategy.  We believe that the circular economy is a primary aspect of any successful transition. Therefore we seek to implement recylcing practises in all aspects of our business, from plastic to electronic waste.  As a global organization we seek to interact with our employees and clients directly no matter the distance. We recognize that frequent travel is a significant contributor to climate change and as such we look to encourage remote work and electric and eco friendly travel as much as possible. |

|  |
| --- |
| <Description of Opportunity 4. Source Client>  As governments become more aware of the climate emergency several incentives are being created to channel investments into sustainable practises. We seek to utilize these incentives in order to deliver both to our clients and the world as a whole.  As the developing world becomes more active in the transition to net zero, new markets and opportunities for funding are opening. This would allow us to further diversify our product range for our clients. |

|  |
| --- |
| <Client Time horizon for opportunity. Source: client> |

|  |
| --- |
| <Client Time horizon for opportunity. Source: client> |

|  |
| --- |
| <Potential impact of opportunity 2. Source: Client> |

|  |
| --- |
| <Client Time horizon for opportunity. Source: client> |

|  |
| --- |
| <Potential impact of opportunity 2. Source: Client> |

|  |
| --- |
| <Client Time horizon for opportunity. Source: client> |

|  |
| --- |
| <Potential impact of opportunity 4. Source: Client> |

|  |
| --- |
| **Opportunity Type** |

|  |
| --- |
| **Opportunity** |

|  |
| --- |
| **Description** |

|  |
| --- |
| **Potential Impact** |

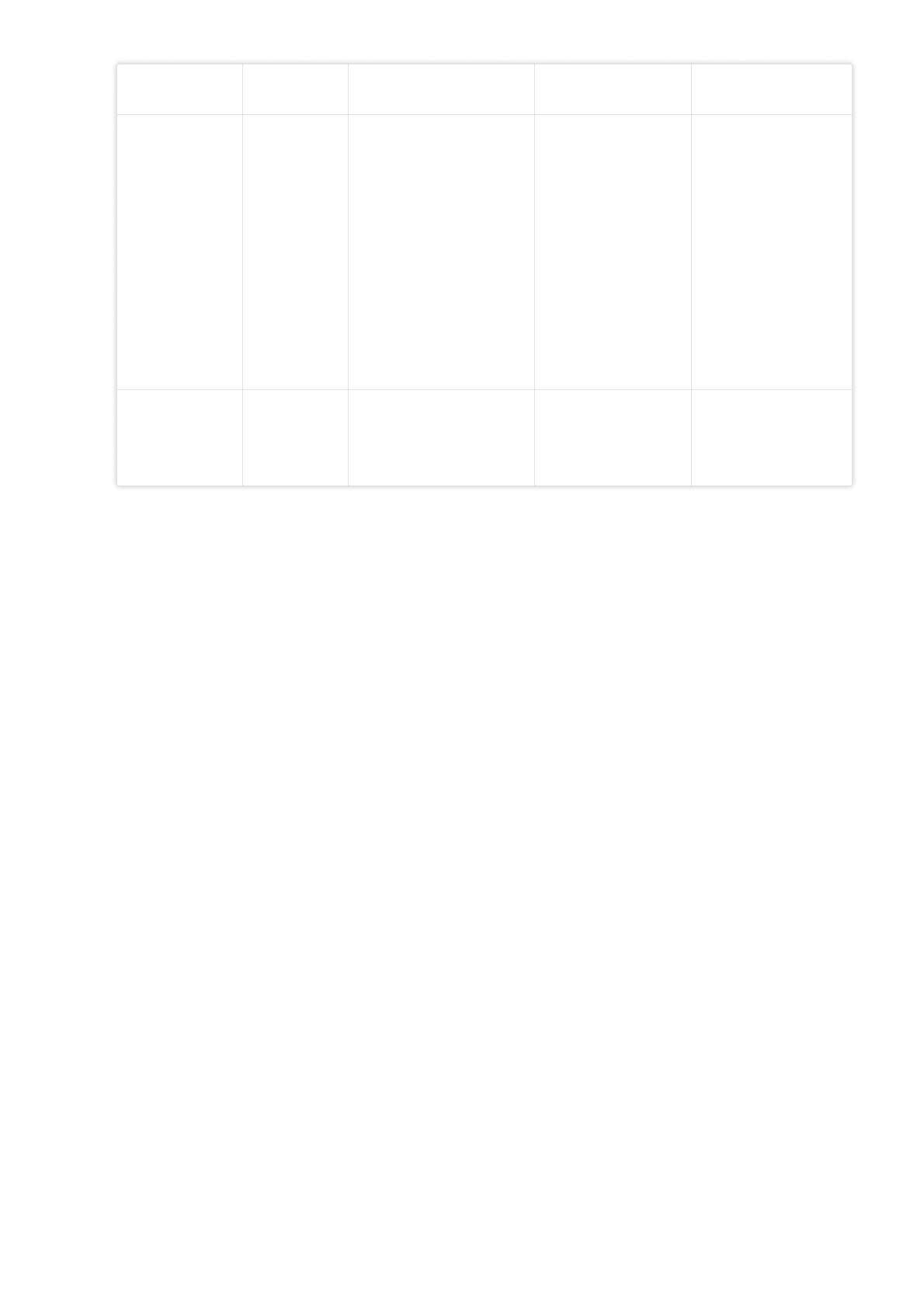
|  |
| --- |
| **Time horizon for opportunity** |

|  |
| --- |
| **Products & Services** |

|  |
| --- |
| **Energy Source** |

|  |
| --- |
| **Resource Efficiency** |

|  |
| --- |
| **Markets** |



|  |
| --- |
| U.S. Securities and Exchange Commission |

|  |
| --- |
| | |

|  |
| --- |
| **07** |

|  |
| --- |
| Company Climate Report 2023 |

|  |
| --- |
| <Opportunity 5. Source: Client> Utilizing renewable energy to decrease fossil fuel exposure  Resource Substitutions |

|  |
| --- |
| <Opportunity . Source: Client> |

|  |
| --- |
| <Client Defined Opportunity. Source: Client> |

|  |
| --- |
| As regulations around the world become ore stringent, particularly around the useage of fossil fuels, we seek to bolster our resilience against any potential regulations by getting ahead of the curve and utilizing renewable energy where possible.  We seek to substitute our high carbon footprint resources where possible to allow us to mitigate any risks of resource stress impacting our operations.  <Description of Opportunity 5. Source Client> |

|  |
| --- |
| <Description of Opportunity . Source Client> |

|  |
| --- |
| <Client Time horizon for opportunity. Source: client> |

|  |
| --- |
| <Client Time horizon for opportunity. Source: client> |

|  |
| --- |
| <Potential impact of opportunity . Source: Client> |

|  |
| --- |
| <Potential impact of opportunity 5. Source: Client> |

|  |
| --- |
| **Opportunity Type** |

|  |
| --- |
| **Opportunity** |

|  |
| --- |
| **Description** |

|  |
| --- |
| **Potential Impact** |

|  |
| --- |
| **Time horizon for opportunity** |

|  |
| --- |
| **Resilience** |

|  |
| --- |
| **Internal Carbon Pricing**  To mitigate our own operational carbon footprint we have chosen to implement real financial responsibility within the company to better prepare us for the times when carbon taxes and regulations become mandatory. We do this by implementing an internal carbon pricing mechanism for our own emissions.  To do this we charge <amount charged per metric ton of carbon. Source: Client> between different parts of our organization to incentivize climate friendly practices within our own organization.  We have calculated our total price, i.e., the total carbon budget for the year and we have found it is equal to <total price. Source: Client>.  <Discussion on operational boundaries for internal carbon pricing. Source: Client>  <the rationale for selecting the carbon price. Source: client> |

|  |
| --- |
| **Impacts**  <Impact of climate related risk on Business Operation>  <Impact of climate related risk on products>  <Impact of climate related risk on supplier>  <Cost of mitigation activities. E.g., Renewable Energy>  <R&D expenditure> |



|  |
| --- |
| U.S. Securities and Exchange Commission |

|  |
| --- |
| | |

|  |
| --- |
| **08** |

|  |
| --- |
| Company Climate Report 2023 |

|  |
| --- |
| **Methodology**  As scenario analysis relies heavily on data, we have been able to assess <percentage portfolio included in scenario analysis. Source: Client> of our portfolio and understand our results. We utilized the following scenarios in our analysis. We have utilized a timeframe till <time frame of scenario analysis. Source: Client. E.g., 2050> |

|  |
| --- |
| **Scenario Selection**  In line with the TCFD standards we have utilized a detailed scenario analysis to determine our portfolio’s alignment with the ‘ideal’ climate scenario <ideal scenario. Source: client Q & A> ( ‘Very Ambitious’ <temperature of lowest temperature scenario. Source: Client> degrees rise over preindustrial levels). Also, in line with the TCFD recommendations we have included one 2oC scenario, namely the <2C scenario. Source: Client Q & A> in our scenario analysis. We have also included <scenario selected. Source: SE> as a stress test and assessed our risks with our findings. |

|  |
| --- |
| **NGFS Net Zero 2050**  Net Zero 2050 is an ambitious scenario that limits global warming to 1.5 °C through stringent climate policies and innovation, reaching net zero CO₂ emissions around 2050. Some jurisdictions such as the US, EU and Japan reach net zero for all greenhouse gases by this point.  This scenario assumes that ambitious climate policies are introduced immediately. CDR is used to accelerate the decarbonisation but kept to the minimum possible and broadly in line with sustainable levels of bioenergy production. Net CO₂ emissions reach zero around 2050, giving at least a 50 % chance of limiting global warming to below 1.5 °C by the end of the century, with no or low overshoot (< 0.1 °C) of 1.5 °C in earlier years. Physical risks are relatively low but transition risks are high. |

|  |
| --- |
| We have explained our scenarios in the following section. |

|  |
| --- |
| **Scenario Analysis** |

|  |
| --- |
| Climate scenario analysis is a type of risk modeling utilized by <client> where we project potential futures and assess our exposure to several climate related risk factors from carbon pricing, to investment in fossil fuels. We utilize scenario analysis in an effort to better quantify our risks and opportunities and identify the potential impacts on our businesses.  The strength of scenario analysis lies in its relative outputs. It allows us to compare several possible science-based trajectories for the world and understand the impacts of our risks relative to each scenario. By utilizing this exercise, we gain a greater understanding of our primary risk exposures allowing us to prioritize and effectively govern our risks. |

|  |
| --- |
| <if client has conducted a scenario analysis> |



|  |
| --- |
| U.S. Securities and Exchange Commission |

|  |
| --- |
| | |

|  |
| --- |
| **10** |

|  |
| --- |
| **THE SEC’S FY 2022 FINANCIAL REPORT** |

|  |
| --- |
| THE SEC’S FY 2022 CLIMATE REPORT was successfully produced through the efforts of our talented staff. To these individuals, we offer our sincerest appreciation. We would also like to acknowledge the Government Accountability Office and the SEC’s Office of Inspector General for the professional manner in which they conducted the audit of the FY 2022 financial statements. |



|  |
| --- |
| U.S. Securities and Exchange Commission |

|  |
| --- |
| | |

|  |
| --- |
| **09** |

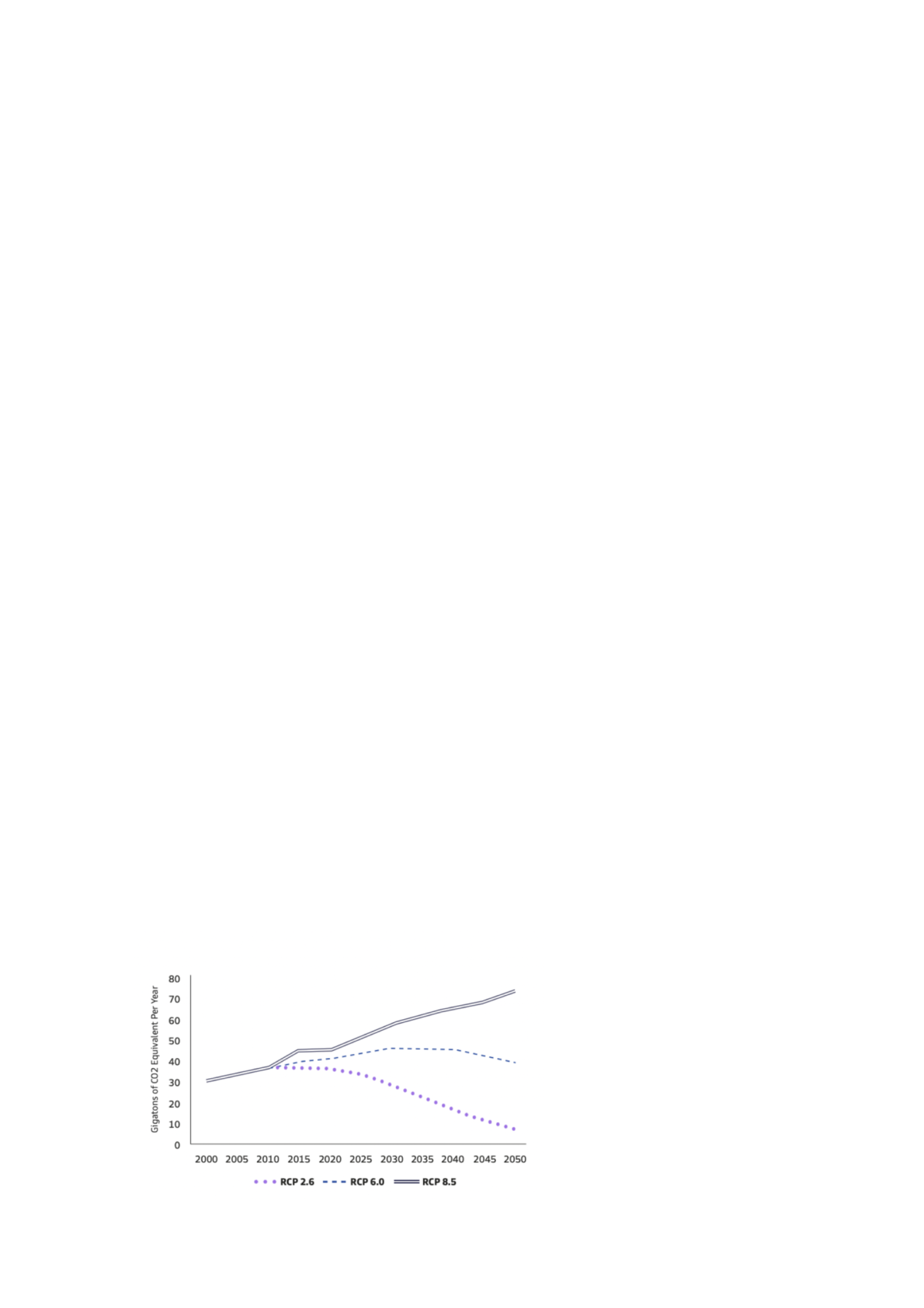
|  |
| --- |
| Company Climate Report 2023 |

|  |
| --- |
| **Below 2 °C**  Below 2 °C gradually increases the stringency of climate policies, giving a 67 % chance of limiting global warming to below 2 °C.  This scenario assumes that climate policies are introduced immediately and become gradually more stringent though not as high as in Net Zero 2050. CDR is deployment is relatively low. Net-zero CO₂ emissions are achieved after 2070. Physical and transition risks are both relatively low. |

|  |
| --- |
| **Divergent Net Zero**  Divergent Net Zero reaches net-zero by 2050 but with higher costs due to divergent policies introduced across sectors and a quicker phase out of fossil fuels.  This scenario differentiates itself from the Net Zero 2050 by assuming that climate policies are more stringent in the transportation and buildings sectors. This mimics a situation where the failure to coordinate policy stringency across sectors results in a high burden on consumers, while decarbonisation of energy supply and industry is less stringent. Furthermore, the availability of CDR technologies is assumed to be lower than in Net Zero 2050. Emissions are in line with a climate goal giving at least a 50 % chance of limiting global warming to below 1.5 °C by the end of the century, with no or low overshoot (<0.1 °C) of 1.5 °C in earlier years. This leads to considerably higher transition risks than Net Zero 2050 but overall the lowest physical risks of the 6 NGFS scenarios. |

|  |
| --- |
| **Delayed Transition**  Delayed Transition assumes global annual emissions do not decrease until 2030. Strong policies are then needed to limit warming to below 2 °C. Negative emissions are limited.  This scenario assumes new climate policies are not introduced until 2030 and the level of action differs across countries and regions based on currently implemented policies, leading to a “fossil recovery” out of the economic crisis brought about by COVID-19. The availability of CDR technologies is assumed to be low pushing carbon prices higher than in Net Zero 2050. As a result, emissions exceed the carbon budget temporarily and decline more rapidly than in Well-below 2 °C after 2030 to ensure a 67 % chance of limiting global warming to below 2 °C. This leads to both higher transition and physical risks than the Net Zero 2050 and Below 2 °C scenarios. |

|  |
| --- |
| **Nationally Determined Contributions**  Nationally Determined Contributions (NDCs) includes all pledged policies even if not yet implemented.  This scenario assumes that the moderate and heterogeneous climate ambition reflected in the conditional NDCs at the begining of 2021 continues over the 21st century (low transition risks). Emissions decline but lead nonetheless to 2.6 °C of warming associated with moderate to severe physical risks. Transition risks are relatively low. |



|  |
| --- |
| U.S. Securities and Exchange Commission |

|  |
| --- |
| | |

|  |
| --- |
| **10** |

|  |
| --- |
| Company Climate Report 2023 |

|  |
| --- |
| **Current Policies**  Current Policies assumes that only currently implemented policies are preserved, leading to high physical risks. |

|  |
| --- |
| Emissions grow until 2080 leading to about 3 °C of warming and severe physical risks. This includes irreversible changes like higher sea level rise. This scenario can help central banks and supervisors consider the long-term physical risks to the economy and financial system if we continue on our current path to a “hot house world”. |

|  |
| --- |
| In this exercise we have gained and disclosed an understanding of our exposure to heavy emitting sectors that would push our portfolio towards a higher temperature scenario. |

|  |
| --- |
| Net Zero Emissions by 2050 Scenario: A scenario which sets out a pathway for the global energy sector to achieve net zero CO2 emissions by 2050. It doesn’t rely on emissions reductions from outside the energy sector to achieve its goals. Universal access to electricity and clean cooking are achieved by 2030.  Announced Pledges Scenario: A scenario which assumes that all climate commitments made by governments around the world, including Nationally Determined Contributions (NDCs) and longer-term net zero targets, as well as targets for access to electricity and clean cooking, will be met in full and on time.  Stated Policies Scenario : A scenario which reflects current policy settings based on a sector-by-sector and country by country assessment of the specific policies that are in place, as well as those that have been announced by governments around the world.  RCP 1.9: Radiative forcing = 1.9W/m2, Temperature: 1.5C, Very Strongly Declining Emissions  RCP 2.6: Radiative forcing = 2.6W/m2, Temperature: 2.0C, Strongly Declining Emissions  RCP 4.5: Radiative forcing = 4.5W/m2, Temperature: 2.4C, Slowly Declining Emissions  RCP 6.0: Radiative forcing = 6.0W/m2, Temperature: 2.8C, Stabilising Emissions  RCP 8.5: Radiative forcing = 8.5W/m2, Temperature: 4.3C, Rising Emissions  <Client Defined Scenario. Source: Client>: <Client Scenario description. Source: Client> <Client defined scenario temperature. Source: Client> |



|  |
| --- |
| U.S. Securities and Exchange Commission |

|  |
| --- |
| | |

|  |
| --- |
| **11** |

|  |
| --- |
| Company Climate Report 2023 |

|  |
| --- |
| In our scenario analysis we have assessed the shift in the following factors:  <Scenario Variable 1. Source: Client. E.g., Carbon pricing, energy mix>  <Scenario Variable 2. Source: Client> |

|  |
| --- |
| **Scenario Analysis Findings/Portfolio alignment**  <Scenario Analysis Findings. Source: Client> |

|  |
| --- |
| **Carbon Offsets**  Where we were not able to reduce or avoid our emissions at source, we have offset our emissions through investments in carbon offsetting projects around the world in  <reporting year> that offset a <total amount of carbon offsets in CO2e. Source: SE/Client>.  <Project Name. Source: Client/SE?>  <Registry. Source: Client/SE?>  <Project Type. Source: Client/SE?>  <Amount of Carbon being sequestered by project. Source: SE?/Client> |

|  |
| --- |
| **Renewable Energy Certificates**  We at <client> seek to kickstart the transition to net zero and lead by example. As a major aspect of the world’s emissions is from traditional sources of energy, we seek to purchase Renewable Energy Certificates to enable both operational returns as well as climate action.  We have purchased the following certificates:  <Project Name. Source: Client>  <Amount of Energy produced in kWh. Source: Client>  <Project location. Source: Client>  <Energy Source: Source: Client> |