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Table of Contents

[Overview 3](#_Toc142297359)

[**Our operations** 3](#_Toc142297360)

[**Tracking our Operational GHG emissions** 3](#_Toc142297361)

[Our investments 4](#_Toc142297362)

[Our Risks & Opportunities 4](#_Toc142297363)

[Our investments 5](#_Toc142297364)

[**Physical Risks** 5](#_Toc142297365)

[**Opportunities** 6](#_Toc142297366)

[**Internal Carbon Pricing** 8](#_Toc142297367)

## **Overview**

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:

* Our Operations
* Our Investments

### **Our operations**

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:

### **Tracking our Operational GHG emissions**

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.

## **Our investments**

* We at risk are utilizing aFalse. Source: Client Q & A> for our short-term time horizon.
* False. Source: Client Q & A> for our medium-term time horizon
* False. Source: Client Q & A> For our long-term time horizon

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 <client> 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.

## **Our Risks & Opportunities**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Risk Class** | **Risk Type** | **Definition** | **Time Horizon** | **Impacted area** |
| Transition Risks | Policy & legal | Potential shifts and more stringent regulations on GHG emissions and financing of high emitting sectors my be limited. |  | scenario |
| Transition Risks  Physical Risk | Market | 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). | **<Client time horizon for Market risks. Source: Client>** | **<Client impacted area for Policy & Legal Risks. Source: Client>** |
| Technology | 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. | **<Client time horizon for Technology risks. Source: Client>** | **<Client impacted area for Policy & Legal Risks. Source: Client>** |
| Reputation | Continued investments in publicly acknowledged high emitting sectors will be damaging to an organization’s standing and reputation. | **<Client time horizon for Reputational risks. Source: Client>** | **<Client impacted area for Policy & Legal Risks. Source: Client>** |
| **<Physical Risk Climate Var Source: Client Q & A/Scenario (business as usual) Analysis Module>** |  |  |  |
|  | Acute | Severe weather events that have an immediate effect on real assets (e.g., Cyclones, wildfires) | **<Client time horizon for acute risks. Source: Client>** | **<Client impacted area for Policy & Legal Risks. Source: Client>** |
| **<Client Defined Risk. Source: Client>** | Chronic | 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 chronic risks. Source: Client>** | **<Client impacted area for Policy & Legal Risks. Source: Client>** |
|  | **<Client Defined Risk Description. Source: client>** | **<Client defined risk time horizon. Source: Client>** | **<Client impacted area for Policy & Legal Risks. Source: Client>** |

## **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>

### **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:

|  |  |
| --- | --- |
| Property Name | ZIP Code/Postal code |
| <Property in high flood risk area. Source: Client> | <ZIP code of 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>

The properties in our water stress risk areas are:

|  |  |
| --- | --- |
| Property Name | ZIP Code/Postal code |
| <Property in high water stress risk area. Source: Client> | <ZIP code of property in high water stress risk area. Source: Client> |

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

### **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>

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Opportunity Type** | **Opportunity** | **Description** | **Potential Impact** | **Time horizon for opportunity** |
| **Products & Services** | **<Example: Opportunity 1. Source: Client>** Offer enhanced ESG products and investment strategies.    Providing Strategic advice on climate opportunities | 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. | Increased Revenue | **<Client Time horizon for opportunity. Source: client>** |
| **Energy Source** | * Use of lower emissions energy sourcesin our data centres * Utilization of electric vehicles for business travel, add **<Opportunity in energy sourcing. Source: Client>** | 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. | **<Potential impact of opportunity 2. Source: Client>** | **<Client Time horizon for opportunity. Source: client>** |
| **Resource Efficiency** | Making buildings energy efficient    Utilizing recycling,    Utilizing more efficient means of transport  **<Opportunity 3. Source: Client>** | 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 3. Source Client>** | **<Potential impact of opportunity 2. Source: Client>** | **<Client Time horizon for opportunity. Source: client>** |
| **Markets** | **<Opportunity 4. Source: Client>**  Utilizing public sector initiatives for green financing    Accessing new locations and investment strategies | **<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. | **<Potential impact of opportunity 4. Source: Client>** | **<Client Time horizon for opportunity. Source: client>** |
| **Resilience** | Utilizing renewable energy to decrease fossil fuel exposure    Resource Substitutions **<Opportunity 5. 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>** | **<Potential impact of opportunity 5. Source: Client>** | **<Client Time horizon for opportunity. Source: client>** |
| **<Client Defined Opportunity. Source: Client>** | **<Opportunity . Source: Client>** | **<Description of Opportunity . Source Client>** | **<Potential impact of opportunity . Source: Client>** | **<Client Time horizon for opportunity. Source: client>** |

### **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>

**Scenario Analysis** <if client has conducted a 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.

#### **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.

We have explained our scenarios in the following section.

#### **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.

#### **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.

#### **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”.

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>

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.

Chart, line chart

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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>



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.