

Climate Strategy Quoniam

A Comprehensive Approach



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Introduction¹

Quoniam recognises that climate change presents significant risks and opportunities for financial markets and the global economy. As responsible stewards of our clients' investments, we are committed to addressing climate-related risks and supporting the transition to a low-carbon economy. This Climate Policy outlines our approach to managing climate-related risks and integrating climate considerations into our operations and investment processes, following the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Quoniam is committed to integrating climate change considerations into all aspects of our business. We recognize the urgent need to address climate-related risks and opportunities and believe that by implementing this climate policy, we strengthen our efforts to contribute to a more sustainable and resilient financial system while delivering value to our clients and stakeholders.

Strategy Overview

Decarbonization

We have committed to reduce the carbon footprint of our investments and operations by an average of 50% by 2030 and achieve carbon neutrality for investments by 2050, aligned with the Paris Agreement to limit global warming to well below 2°C above pre-industrial levels.

In line with the German government's targets, we aim to be climate neutral in our operations by 2045. This means decarbonising our portfolios and reducing our operational emissions.

Adaptation

At the same time, we aim to manage the portfolios for which we are responsible as fiduciaries in a way that best positions them for the expected impacts of climate change in terms of the risks and opportunities it presents, while ensuring that we also adequately address climate risks in our business operations and integrate them into our operational decision-making.

Climate Investing

We are also committed to developing investment products that take climate considerations into account and meet the evolving needs of our clients.

¹ Detailed information on metrics and the assets in scope can be found in section "Climate neutrality in portfolio management."

Targets and Implementation

Climate neutrality in business operations – inside-out perspective

At an operational level, Quoniam's climate strategy focuses on measures specifically designed to optimise an asset manager's operations from a climate change perspective and to adapt to the challenges posed by climate change. This ensures that Quoniam actively contributes to the reduction of greenhouse gas emissions while preparing to manage the risks and impacts of climate change.

- Reducing emissions: Implementing measures to reduce direct and indirect greenhouse gas emissions, with a particular focus on the absolute reduction of CO₂ emissions and the percentage reduction compared to the base year – with the aim of achieving climate neutrality by 2045.
- Optimising energy consumption: We will use and encourage the use of energy efficient technologies and processes within our decision-making authority. We use key indicators such as total energy consumption and energy efficiency per office unit or per employee.
- Sustainable business travel: Minimise travel emissions through green transport and alternative communication methods such as video conferencing, with progress measured in terms of emissions reduction and percentage reduction compared to the base year.
- Employee engagement on climate change: Promote awareness and training on individual impact on climate change, with metrics including participation in climate programmes and employee satisfaction with company climate initiatives.

Climate neutrality in portfolio management – guiding framework:

Net Zero Asset Manager Initiative (NZAM)

As a quantitative asset manager, we have always used a wide range of data for risk measurement and portfolio management. This enables us to quantify the impact of climate policy and climate change on the portfolios. For example, from 2020 on we have been actively managing the environmental footprints of our sustainably managed funds and mandates to be lower than the broader market.

- In 2021 we joined the NZAM initiative and committed to reducing greenhouse gas emissions from assets under management to net zero by 2050.
- In line with the Net Zero Investment Framework (NZIF) of the Institutional Investors Group on Climate Change Group on Climate Change (IIGCC), the carbon neutrality target refers to the financed Scope 1 and Scope 2 CO₂ emissions of the assets under management, where possible and meaningful, and where we have the discretion to do so. This includes both equity and bond investments.
- In line with the recommendations of the TCFD and the Partnership for Carbon Accounting Financials (PCAF), we measure the financed emissions as a percentage of the company value, normalised by the invested volume. We do not currently set a Scope 3 target due to the insufficient data coverage and quality. We will continue to closely monitor the financed Scope 3 emissions and, where appropriate, seek to manage them through active engagement.

Adapting to Climate Transition

Considering climate risks in business operations - outside-in perspective

- Analysis of climate-related risks: Identify and assess operational risks from climate change, using metrics such as the number of risks identified and the effectiveness of mitigation measures.
- Developing resilience strategies: Develop strategies to increase operational resilience to climate impacts, measured by the company's ability to minimise disruption and quickly restore normal operations.
- Integrate climate considerations into operational planning: Integration of climate considerations into long-term operational planning, measured by its influence on strategic decisions.
- Climate-related risk management: Implementation of strategies to minimise and manage climate-related risks, as measured by progress in implementing measures and the effectiveness of contingency plans.

Portfolio Alignment

- We integrate climate change considerations into our investment processes through data integration: We source climate-related data from various providers and integrate it into our investment analysis. This data includes carbon footprint metrics, climate risk exposure and scenario analysis results, such as alignment with the Paris Agreement's goal of limiting global warming to well below 2°C. Our research team has developed a climate signal that incorporates a range of climate-related data points, risks and opportunities as well as forward-looking data such as climate targets and target quality.
- Climate considerations are an integral part of our investment decision-making process. Our portfolio managers take climate-related risks and opportunities into account when constructing and rebalancing portfolios. We set portfolio-level targets to reduce carbon intensity.
- In our dedicated climate transition fund, we focus our investment decisions on sectors and companies that make a positive contribution to the transition to a low-carbon economy. Simply divesting from high-carbon assets means that another investor acquires them with no real-world impact. For the net zero transition to be successful, the high emitting sectors and companies will require the most capital for their transformation.

Promoting climate investing and transition

Climate solutions

Equipping and empowering our clients is central to achieving the net zero goal. We are committed to supporting our clients in the implementation of their decarbonisation and climate investments. We do this by offering customised solutions that allow clients to define the measures and target paths that are right for them.

We develop innovative investment products that integrate climate considerations and meet the evolving needs of our clients. Our products include climate-focused funds and impact-aligned investment strategies that provide investors with opportunities to support the transition to a low-carbon economy while managing the associated risks.

Stewardship and engagement

- Together with our parent company Union Investment, we actively engage with companies in our portfolios to encourage them to adopt sustainable business practices, set emissions reduction targets and improve their climate-related disclosures.
- Where mandated, we vote in favour of shareholder resolutions that address climate risks and opportunities,
- and we work with industry peers to increase our engagement efforts through collaborative initiatives such as Climate Action 100+.

Governance and Disclosures

We are committed to transparent disclosure of our climate-related activities and progress in both operations and investments. We provide regular climate-related reports to our clients, outlining our risk management approach, portfolio alignment, engagement efforts, and progress towards our carbon intensity reduction targets.

The SI Committee monitors target achievement, decarbonisation progress and overall portfolio alignment, while the Sustainability Officer (CSR specialist) oversees sustainable operations. Reporting on company-wide carbon metrics is made available on Quoniam's website.

Operational targets are regularly reviewed by Quoniam's Management Board. Reporting on the status and achievement of operational KPIs is done at group level in conjunction with Union Investment in accordance with the Corporate Sustainability Reporting Directive (CSRD).