OWNERSHIP CAPITAL

TCFD REPORT

2022

In May 2019, Ownership Capital signed the Statement of Support for the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. This report is prepared in line with the TCFD recommendations and outlines our approach to the assessment and management of climate risks and opportunities across our business.

Governance

Disclose the organization's governance around climate-related risks and opportunities.

We consider climate-related risks (transition and physical risks) and opportunities to be inseparable from other financial risks and opportunities for companies and investment portfolios. Understanding and effectively managing these risks is paramount to the success of our business as a single strategy investment firm. Our investment process is constructed to identify and integrate the short, medium, and long-term climate-related risks and opportunities facing our investee companies and investment portfolio. The Investment Committee is responsible for the integration of climate-related risks and opportunities in our investment process.

The Senior Management Team ensures climate risks and opportunities are also assessed and managed for our own operations. The business is run in line with the mission of our firm: to generate long-term absolute returns for our clients at low inherent financial and extra-financial risk, while encouraging and leading the asset management industry towards a more sustainable economy and promoting stronger stewardship practices.

Business Operations

Ownership Capital is a privately-owned company with independent, employee management based in Amsterdam, the Netherlands. Ownership Capital is managed by a Senior Management Team (the "SMT"). The Charter of the SMT governs the way decisions are taken within Ownership Capital. The SMT is responsible for the daily governance of the firm and is authorised to make decisions on behalf of Ownership Capital.

The Senior Management Team meets monthly to discuss business management and strategy, including climate-related business management issues where applicable, such as the budget for our carbon offset programme, policies on business travel or sustainability initiatives in the office. The SMT reviews the carbon footprint of the firm annually and approves the budget to offset the operational footprint.

Related to the firm's operations, the CEO, in coordination with the COO and Manager, Legal and Compliance is responsible for oversight of business risk, including climate-related risks and maintaining compliance with regulatory changes in the industry. An employee-led Working Group meets regularly and is responsible for the implementation of our carbon measurement and offset programme.

In 2023, we will add a new Head of Sustainability function. Part of the responsibilities of this newly established role will include improving our climate reporting and increasing our industry and policy-level engagement on climate-related risks and opportunities.

In 2019, we created an external Advisory Board comprised of leading industry experts. The Advisory Board meets twice a year to discuss business strategy and provide strategic advice, including addressing climate-related risks and opportunities through industry outreach and reporting improvements.

We receive additional guidance and expertise on climate-related matters from our Chairman. In 2019, David Pitt-Watson, recognized globally a leading thinker and practitioner in the field of responsible investment, joined Ownership Capital as our Chairman. He is a visiting Fellow at the Cambridge Judge Business School and has been active in various initiatives to promote responsible investment including co-chairing the United Nations Environment Programme Finance Initiative and leading the Royal Society of Arts Tomorrow's Investor Project.

Investment Process

Each Investment Team member is responsible for the assessment and integration of climate-related risks and opportunities at the investee-company level. They are also responsible for individual company engagement on climate-related risks and opportunities. Investment team members are able to conduct thorough due diligence, monitoring and engagement as we hold a focused portfolio, meaning each analyst typically covers between 2-5 positions in the portfolio. As climate related risks and opportunities are fully integrated into our analysis for every portfolio company, they are discussed as part of the regular due diligence and monitoring process.

The Investment Committee has ultimate oversight on ensuring the risks and opportunities associated with the investment portfolio, including those related to climate change, are appropriately assessed and integrated into the investment process.

Strategy

Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.

Business Operations

We seek to minimize the direct environmental impact and climate risk exposure of our business operations. Our Climate Working Group, which is comprised of employees from all units of the business, is responsible for the measurement and management of our operational carbon footprint at the firm-level. The primary contributors to our carbon footprint are our offices and business travel.

On an annual basis we measure and offset the carbon emissions associated with our office and business travel. We purchase carbon credits from Gold Standard verified projects and also offset emissions through donations to Work With Nature, a Dutch foundation with a preserve in Costa Rica. We will continue to prioritize the expansion of our carbon measurement and wor towards emissions reductions in the future.

While we currently do not consider direct physical risks to our business operations to be significant, we do have business continuity practices in place to ensure we can continue to operate as a business in case of disruptions such as extreme weather events.

We consider risks and opportunities impacting our investment portfolio to be the most significant climate-related impact to our business.

Investment Philosophy

We invest on behalf of long-term asset owners including pension funds, foundations, and endowments. Our clients most often have multi-decade or perpetual liabilities and investment horizons. As a result, our investment process is constructed to identify and integrate the short (0-2y), medium (3-5y)- and long-term (5y+) risks and opportunities facing our investee companies and investment portfolio, including climate-related risks. Our risk and valuation models fully integrate risks and opportunities related to all time horizons into our investment analysis and decision-making process.

Ownership Capital is committed to supporting the global transition towards net-zero greenhouse gas (GHG) emissions by 2050 by limiting global warming to 1.5°C in line with the latest available climate science. To advance this commitment, we joined the Net Zero Asset Managers initiative in July 2021. Forty percent of all our engagement activity focused on Environmental and Climate action. As proponents of active engagement, we believe the best way to drive real-world decarbonisation and protect the future value of our investment strategy is through direct engagement with our portfolio companies. Therefore, our net-zero investment approach is based upon the “Portfolio Coverage Approach” methodology established by the Science Based Target Initiative (SBTi) for Financial Institutions and informed by the methodologies of the Institutional Investors Group on Climate Change (IIGCC) Net-Zero Investment Framework and the UN Asset Owner Alliance Target Setting Protocol.

Our targets for the portfolio are outlined below. We will continue to review the latest available climate science and industry guidelines to ensure our targets remain in line with best practice in the future.

DISCLOSURE

All portfolio companies to disclose Scope 1, 2 and to the extent possible, material Scope 3 emissions by FY 2023 reporting.

2030 NET ZERO ALIGNED

We engage with 100% of portfolio companies on their pathway to Net Zero. Our goal is for all portfolio companies held for longer than 36 months to achieve Net Zero alignment by 2030. Based on our historical holding period and assumptions about the future investable universe, we expect 80% of the portfolio will be in scope for the Net Zero alignment target by 2030.

Net Zero Alignment includes:

Ambition	Set a long-term 2050 goal consistent with achieving global net zero and limiting global warming to 1.5°C
Targets	By 2030, set SBTi-approved decarbonisation target aligned to Net Zero by 2050 or sooner.
Emissions	Show emissions intensity performance in line with targets
Disclosure	Disclosure of Scope 1, 2 and to the extent possible, material Scope 3 emissions

We closely monitor the progress of our companies to ensure they are following through on their commitments by showing emissions performance in line with their stated ambitions.

While our primary form of engagement and influence on climate-related risks and opportunities is through engagement with companies in our investment portfolio, we also engage collaboratively with the industry to advance industry-level and policy-level action on climate.

Organization	Climate-Related Involvement
UNPRI	Member of Net Zero Listed Equity Practitioners' Group
TCFD	Supporter
Transition Pathway Initiative	Asset Management Supporter
Net Zero Asset Managers Initiative	Signatory

In 2022, we were a signatory to the Global Investor Statement to Governments on the Climate Crisis.

Risk Management

Disclose how the organization identifies, assesses, and manages climate-related risks.

Business Operations

All aspects of our business are regularly and proactively tested to ensure business continuity during adverse circumstances, such as potential closure due to extreme weather. We are well equipped to run our business without disruption as we are cloud-based for all activities, systems, and authorization processes. Furthermore, every division at Ownership Capital has a team structure which ensures that we have a backup for every individual across the firm. We also assess and monitor the business continuity procedures of critical third-party suppliers, including our outsourced mid- and back-office team.

Investment Management

Our investment team is responsible for the assessment of climate-related risks and opportunities for investee companies and the portfolio overall.

This analysis includes an assessment of the ESG-related risks and opportunities, including those related to climate change. In our bottom-up company ESG analysis framework, the OC Govern, we assess the ESG performance of each portfolio company using over 150 parameters across Management, Environmental, Social and Governance categories. Examples of the parameters we assess for each company include:

- Public Disclosure of Scope 1-3 Emissions
- Scope 1+2 and Scope 1+2+3 Absolute Emissions / Emissions Intensity
- 3Yr Trend in Absolute Emissions / Emissions Intensity
- SBTi Target
- Energy Source (% of Renewables)
- Product Portfolio Aligned to Low-Carbon Transition

The outcome of our ESG analysis guides our engagement agenda for the company. Our engagement focuses both on reducing climate-related risks and positioning the company for climate-related opportunities.

In our top-down portfolio scenario analysis, we stress test the portfolio to determine the company-level and portfolio-level cash flow impacts for scenarios such as an increase in mandatory carbon pricing to ensure the portfolio is positioned for an 'inevitable policy response' aligned with achieving Global Net Zero. We use a price for carbon in our scenario analysis based on the European Investment Bank's latest publicly disclosed 2030 shadow carbon cost of carbon of €250 per tonne[1]. While this is far above current carbon prices, we stress test the portfolio cash flows if this cost was implemented immediately to understand potential impacts.

The implications of physical risks are currently assessed at the individual portfolio company. We also review physical risk-assessments at the portfolio-level from MSCI, but this is not part of our investment stress-testing tool currently. We continue to evolve our approach to assessing and integrating physical risks from climate change into our portfolio-level risk management process.

[1] Available at https://www.eib.org/attachments/thematic/eib_group_climate_bank_roadmap_en.pdf

Metrics and Targets

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

Business Operations

In 2019 we created an internal Working Group to develop a strategy for reducing the carbon emissions of our business. Over time, we have improved the methodology for measuring Scope 3 emissions through train travel in the measurement of our emissions, reviewing the climate policies of our largest suppliers and developing emissions estimates for work from home.

Our goal is to reduce the impact of our operational emissions through focusing on our offices and business travel. Our offices are located in the historical and UNESCO-protected canal ring of central Amsterdam. There are restrictions on the changes that can be made to historic buildings in this area, which can create challenges in improving the sustainability of our offices. We are also not the owner of the building, creating further challenges to our efforts in improving the sustainability of our offices. However, we have been able to implement several key improvements including upgrading the offices windows from single to double glazing, while meeting the standards of the municipality in upholding the historical integrity of the location. We also upgraded our heating system and switched to fully LED lighting. We recycle all plastic and paper waste at our offices.

New Windows Installed at Ownership Capital Offices to Improve Energy Efficiency

Source: Ownership Capital

While virtual meetings have become more prevalent after the COVID period, there is still a need for business travel to meet our clients and portfolio companies. We encourage employees to take the most sustainable business-travel options, including trains and public transport whenever possible. All employees also receive an annual Health and Wellness budget, which can be used towards the purchase of a bicycle for commuting.

Investment Management

While our companies already have a meaningfully lower carbon emission intensity than the average MSCI World company (*less than 5% of the MSCI World WACI as of December 31, 2022)*[2], we believe every business must actively contribute to global decarbonisation through reducing their own environmental impact and innovating to help others reduce impact.

In 2022, we engaged with 100% of our companies on aligning to Net Zero. Forty percent of all our engagement activity focused on Environmental and Climate action. Whilst there is still more work to be done and engagement on the topic is intensive, a third of current investee companies have already set decarbonisation targets approved by the Science-Based Targets Initiative (SBTi), with several others making public commitments to set science-based targets in the near future. We expect further commitments and formalised targets in the next 3 years as companies are putting in place the necessary frameworks and organisational structures to achieve this.

While our companies remain at varying stages of their journey, we saw progress towards Net Zero across the portfolio in 2022. For some companies, like ICE and TradeWeb, this meant reporting on emissions for the first time. For others which are at later stages of their journey, this was setting decarbonisation targets. Five portfolio companies made decarbonisation commitments or set targets through the Science-Based Targets Initiative in 2022:

Companies with new Science-Based Targets Initiatives (SBTi) in 2022

Edwards	Committed to Near-Term SBTi
Illumina	Set Near-Term and Net Zero SBTi
Mettler-Toledo	Set Near-Term and Net Zero SBTi
Synopsys	Committed to Near-Term SBTi
Workday	Set Near-Term Targets SBTi

As an example of progress achieved with portfolio companies on reducing carbon risk and setting Net Zero targets, please see the case study below.

Case Study: Setting Decarbonisation Targets

Company Name: Mettler Toledo (Precision measurement tools)

Date of First Investment: June 2014

Company Background: Mettler Toledo (Mettler) is a leading global provider of precision weighing equipment and services. Its solutions are critical in research & development, quality control and manufacturing processes in a wide range of industries including life sciences, food, and chemicals. Mettler's broad portfolio of precision measurement tools and its focus on cross-selling, process optimization and production modularization, enable steady margin expansion and market-share gains within a fragmented competitive landscape.

Engagement Priority: Mettler Toledo achieved considerable progress since our initial investment on key engagement items including improving measurement and disclosure of carbon emissions, achieving absolute emissions reductions of 58% over the last 4 years and increasing total energy consumption from renewable sources from 36% in 2019 to 100% in 2021. Despite this progress, we wanted the company to set science-based reduction

[2] Source: MSCI

targets aligned to Net Zero by 2050 or sooner as a next step in their journey of leadership in the corporate low-carbon transition.

Engagement Outcomes: In 2022, Mettler Toledo published near-term, long-term and Net Zero targets through the Science-Based Targets Initiative (SBTi). The company committed to reduce Absolute Scope 1 and 2 GHG emissions 70% by 2030 from a 2019 base year and Absolute Scope 3 GHG emissions from purchased goods and services, fuel and energy related activities, upstream transportation, business travel, employee commuting, and use of sold products by 30% by 2030 from a 2019 baseline. They are also committed to reaching net-zero greenhouse gas emissions across their value chain by 2050.

Future Engagement Priorities: Our future priorities include monitoring decabonisation progress in line with the targets set and extending sustainability excellence to products/services by exploring innovations to improve product life cycle through repair in the near term.

We also want our companies to adopt a system-level approach to decarbonisation, where companies and industries are encouraged to work together to provide global solutions and engage with our companies on environmentally sustainable products. Forty-five of our engagements with companies were focused on providing meaningful climate solutions to their customers. The applications and innovations are diverse: Ansys and PTC provide technology that helps their customers to better design and simulate products to increase speed to market of electric powertrains or low carbon, low waste, and more sustainable products. For Dexcom and Edwards, our engagement is focused on developing and launching a recycling program, as the product's footprint is significant. As a second step, we are engaging on developing products that are more environmentally friendly. For Kering, our focus is on making luxury that lasts and building a second-hand market to extend product life.

Our engagement-based approach means that we may invest in companies in the future which have a higher level of absolute carbon emissions or emissions intensity than existing portfolio companies. This could result in an increase in the portfolio-level absolute or intensity-based emissions over time. Our focus on engagement aims for each individual company to decarbonize, rather than achieving portfolio-level decarbonisation through asset allocation.

Climate Metrics: OC Portfolio[3]

TCFD Metric Category	Metric	2021	2022
GHG Emissions	Financed Carbon Emissions[4]	Scope 1+2: 0.6 Scope 1+2+3: 19.3	Scope 1+2: 0.5 Scope 1+2+3: 23.2
	Weighted Average Carbon Intensity[5]	Scope 1+2: 9.3 Scope 1+2+3: 294.7	Scope 1+2: 7.9 Scope 1+2+3: 353.7
Transition Risks	Implied Temperature Rise[6]	1.9^0 C	1.8^0 C
	Scope 1 + 2 Disclosure	-	71%
	SBTi Approved Initiative	15.2%	29%
	Fossil Fuel Based Revenue Exposure	0%	0%
	Oil & Gas Exposure (Any tie)	0%	0%
Physical Risks	Aggregated Physical Climate VaR	N/A	-0.6%
Climate-Related Opportunities	Green Revenues	0.1%	0.2%

Scope 3 emissions represent the most significant source of emissions for our business and many of our portfolio companies. While measurement and reporting of Scope 3 emissions is improving significantly, there remain significant challenges in data quality and consistency across parties. We provide Scope 1+2 and separately our Scope 1+2+3 portfolio metrics for Financed Carbon Emissions and Weighted Average Carbon Intensity as we do consider Scope 3 data to be less reliable and comparable between years at this point. We will continue to engage with our investee companies on the improvement of Scope 3 measurement and reporting, while also seeking to improve our own practices around Scope 3 emissions.

[3] Based on MSCI Data disclosed as of Dec 31, 2021 and Dec 31, 2022.
[4] Tons $CO2_e$ / USD M invested). Investor Allocation: EVIC.
[5] (Tons $CO2_e$ / USD M Sales)

We are committed to continuous improvement to our reporting practices. For further information or to provide feedback on our report please contact:

Rhian Jones rhian@ownershipcapital.com
Client Group clientgroup@ownershipcapital.com