

Lessons learnt from the pilot project and dedicated workshops are shared with the other participations during annual review workshops to ensure that the AvH group is ready by the time the legislation's requirements come into force.

A programme was hosted in 2020 and 2021 based on the '10 Types of Innovation' by Larry Keeley. A follow-up workshop was organised in 2023 to discuss the governance and metrics of the **innovation** strategies executed and the lessons learnt. Although the percentage of portfolio companies with an innovation strategy remained stable compared to last year, a distinct improvement in the quality and monitoring of the strategies was noted.

Innovation workshops focusing on topical subjects such as AI and cybersecurity were also organised.

### 3.3 CO<sub>2</sub> emissions








KPI	61%	of portfolio has <b>CO<sub>2</sub> ambition and reduction plan</b> for 2030
	1.4 mio	tonnes of CO <sub>2</sub> equivalents <b>scope 3 emissions - investment portfolio</b> (coverage 97% of portfolio)
	98%	emissions of investment portfolio was <b>SBTi tested</b>

The transformation towards a low-carbon economy triggered by the urgency to tackle climate change goes hand in hand with AvH's approach to sustainable business models. Despite contributing to climate solutions and/or reducing the CO<sub>2</sub> intensity of activities, increased turnover can nevertheless result in an increase in CO<sub>2</sub> emissions.

AvH has adopted a '**fit for purpose**' approach to find out to what extent CO<sub>2</sub> ambitions and action plans match the **Science Based Targets** initiative (SBTi) and **sector-specific transition pathways** (e.g. 1.5°C and 2°C scenarios in the Paris Climate Agreement). By starting to focus on reducing the **emission intensity**, AvH aims to achieve an absolute emission reduction in the long term. Three examples of how its participations are working on emission reduction are highlighted on page 60.

Participations are requested to establish by 2025 a carbon reduction plan for 2030. In 2023 AvH actively engaged with the largest emitters, which

#### CO<sub>2</sub> emissions of AvH investment portfolio (scope 3) in tonnes of CO<sub>2</sub> equivalents

	2023			2022			2021		
	CO <sub>2</sub> absolute emissions	Shareholding percentage	CO <sub>2</sub> emissions weighted according to the shareholding percentage ('share AvH')	CO <sub>2</sub> absolute emissions	Shareholding percentage	CO <sub>2</sub> emissions weighted according to the shareholding percentage ('share AvH')	CO <sub>2</sub> absolute emissions	Shareholding percentage	CO <sub>2</sub> emissions weighted according to the shareholding percentage ('share AvH')
	3,217,391 <sup>(1)</sup>	20%	643,478 <sup>(1)</sup>	2,486,023	20%	488,255 <sup>(1)</sup>	1,929,030	22%	421,493 <sup>(1)</sup>
	733,500	62%	454,770	653,000	62%	405,643	832,800	62%	517,169
	651,512 <sup>(2)</sup>	39%	254,090 <sup>(2)</sup>	608,769 <sup>(2)</sup>	37%	224,088 <sup>(2)</sup>	681,769 <sup>(2)</sup>	35%	239,505 <sup>(2)</sup>
	15,283	62%	9,476	15,309	62%	9,510	16,489	62%	10,240
	42,679	22%	9,389	40,752	22%	8,859	35,565	22%	7,731
	1,378	79%	1,089	1,361	79%	1,072	1,713	79%	1,348
	1,376	79%	1,087	1,470	79%	1,158	1,388	79%	1,093
Other	22,131	-	8,158	8,165	-	4,905	4,903	-	3,380
Scope 3 emissions - participations	-	-	1,381,536	-	-	1,143,749	-	-	1,202,189

<sup>(1)</sup> Sagar's CO<sub>2</sub> footprint for 2023 is based on Sagar's accounting year 2022/2023. The CO<sub>2</sub> footprint for 2022 is based on Sagar's accounting year 2021/2022. The CO<sub>2</sub> footprint for 2021 is based on Sagar's accounting year 2020/2021.

<sup>(2)</sup> Sipef has, according to ISO 14064, slightly adjusted the calculation methodology for scope 1 and scope 2 emissions. The CO<sub>2</sub> footprint according to the adjusted methodology for 2022 would have been 658,271 tonnes CO<sub>2</sub> eq, weighted 243,560 tonnes CO<sub>2</sub> eq and for 2021, 728,762 tonnes CO<sub>2</sub> eq, weighted 255,067 tonnes CO<sub>2</sub> eq. Sipef considers net emissions in line with the GHG protocol.

## Case studies regarding GHG intensity: DEME, SIPEF and Sagar Cements

In the case studies, the metrics and reference years were used as reported by the participations in their respective sustainability reports and annual reports available on their websites.



### > DEME

#### Reduction percentage of GHG intensity

DEME has set a target to **reduce GHG intensity by 40% by 2030** (compared to 2008), in line with the decarbonisation trajectory set out by the International Maritime Organization (IMO). By the end of 2022 DEME had already achieved a GHG intensity reduction of 27%<sup>(1)</sup>. DEME aims to attain climate neutrality by 2050.

<sup>(1)</sup> Data of 2008 and 2022 verified by Lloyd. Verification of the data of 2023 is pending.

#### > Way forward

- Operational efficiency (e.g. fuel saving)
- Technical and technological efficiency (e.g. heat waste recovery systems)
- Connection to shore power & bunkering of LNG and blends of biofuels

### > SIPEF

#### Net GHG intensity (scope 1 & 2) per tonne of palm oil produced (CPO)

SIPEF has set a target to **reduce GHG intensity by 28% by 2030** (compared to 2021). In 2023, SIPEF has already achieved a reduction of 10%. There was a slight increase in 2023 (compared to 2022), due to lower production levels, an increase in production area and refinements in the calculation methodology.

#### > Way forward

- Methane capture
- RSPO new planting procedure

### > Sagar Cements

#### GHG intensity (scope 1 & 2) per tonne of cementitious production

Sagar Cements has set a target to **reduce GHG intensity by 28% by 2030** (compared to 2020) notwithstanding the core of its activities is performed in India. This target is in accordance with Sagar's plan of working towards the Science Based Targets initiative (SBTi), with the aim of attaining **net zero by 2050**, which will a.o. require a change in customer behaviours.

#### > Way forward

- Reduction clinker ratio
- Use of alternative fuels
- Greater share of green energy
- Energy efficiency
- Alternative raw materials
- Partnering with academic institutions and research centres

represent 98% of the emissions from the investment portfolio, further challenging their CO<sub>2</sub> strategy and action plans. The discussions focused on available and utilized operational and technical levers for improvement, market willingness to pay for products and services with lower carbon intensity, expected carbon footprint costs, and the impact of related operational costs and investments.

Looking at AvH as an **investment company**, scope 1 and 2 (186 tonnes of CO<sub>2</sub> equivalents) are the direct and indirect CO<sub>2</sub> emissions related to energy consumption in its own offices. Scope 3 emissions are attributable to two sources. On the one hand, there are scope 3 emissions that relate to its own activities (249 tonnes of CO<sub>2</sub> equivalents), i.e. business travel.

On the other hand, there are scope 3 emissions that relate to the investment portfolio (1.4 million tonnes of CO<sub>2</sub> equivalents). Scope 3 emissions of the investment portfolio include the scope 1 and 2 emissions from the companies in the portfolio, weighted according to the shareholding percentage. For an investment company such as AvH, the majority of the emissions can be attributed to scope 3 emissions caused by its investment portfolio.

The overall CO<sub>2</sub> emissions (in CO<sub>2</sub> equivalents of scope 1 and 2) based on the accounting scope amounted to 754,749 tonnes of CO<sub>2</sub> equivalents in 2023 (see Sustainability Report: Annex 4 at the back of the annual report). It remains very difficult to get reliable figures on scope 3 emissions for group companies. A pragmatic approach based on business sense taking into account the underlying drivers thereof, remains the best way forward the coming years. AvH considers reporting as an investment company, in a voluntary way, more meaningful for its stakeholders.

The investment portfolio's CO<sub>2</sub> footprint increased from 1.2 to 1.4 million tonnes of CO<sub>2</sub> equivalents in 2023 relative to 2022. This CO<sub>2</sub> footprint covers the core sectors as well as Growth Capital participations that are potentially active in CO<sub>2</sub> intensive industries. AvH's CO<sub>2</sub> footprint may change substantially, depending on its investment and divestment decisions or those of its group companies.

Sagar Cements acquired Andhra Cement in January 2023, which resulted in an increase in absolute CO<sub>2</sub> emissions. It has incorporated an action plan to tackle CO<sub>2</sub> emissions in its overall strategy. DEME's increase in total greenhouse gas emissions is caused by a slightly higher occupation of the offshore fleet and the deployment of a number of cutter suction dredgers in more energy-intensive projects. The increase in CO<sub>2</sub> emissions of SIPEF can be explained by lower production levels and an increase in production area in 2023, as well as refinements in SIPEF's calculation methodology.

In 2023, the CO<sub>2</sub> footprint of the investment portfolio reported to AvH became more comprehensive, covering 97% of the portfolio (AuM). However, at the time of publication of this report, the data for some participations is either unavailable or not uniformly established. Based on current knowledge, these factors are not expected to have a significant impact at AvH level. Nevertheless, AvH encourages all relevant participations to initiate or refine these measurements so that they can be incorporated in future reporting.



Further information on the individual CO<sub>2</sub> emissions and targets of AvH as a company can be found in section '4.4 Direct impact on environment and social aspects'.

### 3.4 Alignment with EU Taxonomy

The EU Taxonomy is part of the EU's Green Deal approach and defines a classification system for environmentally sustainable activities, with the aim of facilitating sustainable investments and avoiding the risk of 'green-washing'.

The EU Taxonomy system sets high standards in terms of technical screening criteria. Notwithstanding these high standards, the AvH group already reaches substantial percentages. By contrast, many activities that actually make a positive contribution to the climate are not considered 'aligned'. This does not prevent AvH from supporting such activities if they contribute to a low-carbon environment.

AvH and its participations adopted a conservative approach as regards the reporting of alignment with EU Taxonomy. A sanity check was carried out on the used methodology and interpretations by the participations, also to avoid the risk of double counting.

AvH reports on the following two elements based on its **accounting consolidation scope**:

- **Eligible:** determining which economic activities are covered by the EU Taxonomy and contribute to the environmental objectives.
- **Aligned:** checking against EU Taxonomy criteria such as the technical screening criteria (TSC), without having a significant negative impact (Do not significantly harm, DNSH) on the other goals defined within the EU Taxonomy system.

**AvH's group companies** have a significant potential to make a positive impact on climate change. AvH's strong EU Taxonomy alignment underscores its positive impact. The AvH group stands out thanks to the substantial portion of its turnover (27%) and investments (43%) which is already 'aligned' with this framework. These figures show the financial impact of initiatives taken by the AvH group from an ecological perspective, whereby the capex figure clearly demonstrates its commitments to, and belief in, the future.

**DEME's** activities in offshore wind are considered both eligible and largely aligned. Rail infrastructure projects were screened as well. DEME's eligible activities expanded in 2023 to also include parts of its environmental activities. **CFE's** eligible activities primarily relate to construction and renovation, electrical installation, rail infrastructure and real estate development. The aligned turnover mainly relates to BPI's project development and CFE's construction projects. **Nextensa's** eligible activities are primarily related to real estate development and the letting of real estate from its own investment portfolio. The aligned turnover is mainly generated from rental income and the sale of apartments (Park Lane). The EU Taxonomy reporting for **Delen Private Bank** and **Bank Van Breda** is included in their respective sustainability reports and annual reports available on their websites.

A summary of the EU Taxonomy figures for 2023 are included in the table. The complete tables as required by the regulations are included in the Sustainability Report: Annex 5 at the back of the annual report.