

represent 98% of the emissions from the investment portfolio, further challenging their CO₂ 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 CO₂ equivalents) are the direct and indirect CO₂ 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 CO₂ 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 CO₂ 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 CO₂ emissions (in CO₂ equivalents of scope 1 and 2) based on the accounting scope amounted to 754,749 tonnes of CO₂ 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 CO₂ footprint increased from 1.2 to 1.4 million tonnes of CO₂ equivalents in 2023 relative to 2022. This CO₂ footprint covers the core sectors as well as Growth Capital participations that are potentially active in CO₂ intensive industries. AvH's CO₂ 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 CO₂ emissions. It has incorporated an action plan to tackle CO₂ 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 CO₂ 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 CO₂ 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 CO₂ 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.

EU Taxonomy alignment 2023		
	Eligible	Aligned
Turnover		
AvH group	49%	27%
DEME	42%	33%
CFE	79%	20%
Nextensa	97%	32%
Capex		
AvH group	56%	43%
DEME	49%	49%
CFE	87%	19%
Nextensa	100%	20%
Opex⁽¹⁾		
AvH group	-	-
DEME	-	-
CFE	-	-
Nextensa	-	-

⁽¹⁾ The Opex, as defined in the scope of the EU Taxonomy, comprises a restrictive list of non-capitalised costs. As the participations prepare their annual financial statements on the basis of IFRS, they are already to a large extent included in the Capex. AvH chooses to focus on Turnover and Capex.

3.5 Innovation

Sustainable business models are shaped by constant innovation. Innovation is key when it comes to enhancing a company's resilience in a continuously evolving business landscape. By defining an appropriate innovation strategy, businesses are better equipped to diversify their products and services, explore new markets and optimise operations. Moreover, innovative solutions often lead to increased operational efficiency, cost savings and improved customer experiences, all of which strengthen a company's competitive position.

As a responsible and active partner, AvH encourages its participations to make innovation part of their corporate strategy. Efforts are focused on the strategic drivers that can deliver the most significant impact over the long term. This commitment ensures that resources are aligned with goals and that results are evaluated on a regular basis. That is why AvH encourages its participations to **formalise an innovation strategy and related processes**, and to evaluate them annually at board level. This process is monitored via the ESG questionnaire.

Each participation is responsible for its innovation strategy. AvH's role consists of (1) providing and mutually exchanging cross-sectoral methodologies and best practices (e.g. through the workshops already mentioned), and (2) monitoring the supervision of the innovation strategy at board level.

4. AvH as a sustainable company

AvH is committed to fostering a sustainable and responsible business environment focused on the material topics of corporate governance, talent development and a culture of values (e.g. integrity). They define and shape the quality of AvH's portfolio. These are consequently the ESG metrics that AvH closely monitors with clearly defined ambition targets.

4.1 Corporate governance

Corporate governance is a cornerstone in AvH's ESG philosophy to define strategies and steer processes. It provides a framework that ensures accountability, fairness and transparency.

AvH has defined an **ESG governance** structure to ensure strategic alignment. Since 2019, AvH's ESG policy has been coordinated by a member of the executive committee (André-Xavier Cooreman). Twice a year, the **ESG steering committee**, composed of the two co-CEOs, the CFO, the Secretary-general and the member of the executive committee responsible for ESG, evaluates the ESG policy, the progress made and the ambitions and priorities.

An ESG working group meets on average every three months and is in charge of the operational rollout of the ESG policy. The ESG working group is coordinated by the Head of ESG and is composed of the member of the executive committee responsible for ESG, representatives of the investment team, the Chief Human Capital Officer (CHCO), legal, investor relations and finance.

The full executive committee approves these evaluations from the ESG steering committee and reports at least once a year to the audit committee, remuneration committee and the board of directors. In 2023 a session was held on ESG policy and its strategical ambitions for the board of directors and a session on ESG reporting was made for the audit committee. The scope of these discussions includes AvH (group level, own operations and investments) and the participations' ESG policy.

Participations are encouraged to set up their own ESG governance structure and to report at least once a year to their own board of directors (on which AvH is represented), and having their audit committees reviewing their ESG reporting. Since the information gathered at the participations is crucial, AvH makes substantial efforts to have qualified ESG teams in the companies that are supported by their respective management teams.

 Further information concerning the approach and implementation of corporate governance can be found in the section entitled 'Corporate governance statement'.