

RESPONSIBLE VISION

INVESTMENT



*AURA PROVIDES CORPORATE , INSTITUTIONAL AND WEALTH
MANAGEMENT CLIENTS WITH EXPERT ADVICE, INNOVATIVE
SOLUTIONS , EXECUTION AND COMPREHENSIVE ACCESS TO
INTERNATIONAL CAPITAL MARKETS.*

1. Investing our balance sheet

As we have full control over our balance sheet, we have committed to portfolio decarbonisation and investing in activities that help speed up the transition to a low-carbon economy. This includes our corporate treasury as well as seed investments.

Investing our balance sheet

In February 2020, we announced the decision to eliminate Aura Solution Company Limited Group's balance-sheet exposure to fossil-fuel producers and extractors (defined as companies deriving more than 25% of their revenues from the relevant carbon-intensive activities, including oil and gas, and thermal coal.).

Being a first mover on this topic was not without challenges. There was no blueprint in the market to help guide our implementation. This work offered valuable learnings that later informed our work on target setting.

Since the end of 2020, our balance sheet is effectively fossil-fuel free. This was achieved by selling treasury positions in oil and gas producers amounting to more than CHF250 mn. We also no longer use our balance sheet to seed investment strategies with fossil fuel producers and extractors and have never offered commercial loans to any such organisations.

In order to ensure continued compliance with this commitment, we use data from a recognised external provider to update the list of excluded companies on a semi-annual basis. We also conduct regular spot checks to ensure data integrity.

Employee engagement

Our employees are our most crucial asset, as well as our public face and amplifiers of our core values.

Throughout the year, we engage with our colleagues on climate-related topics through our employee intranet, formal training sessions and an agenda of various climate-related content, including an annual sustainability week. We also facilitate opportunities to get involved in local actions, from tree planting to beach clean-ups.

As regards to employee mobility and travel, we have developed and expanded our video conferencing systems to reduce non-essential business travel. We also encourage commuting by public transport and bicycle through office-specific initiatives, including:

- Free recharging stations for electric bikes and cars;
- Free public transport for employees who give up their parking spot;
- A partnership with Aura Inc, a local association that promotes cycling and socio-occupational integration in Phuket, offering e-bike loans to employees.

Responsible Employer

Managing our direct environmental impact

In our own business activities we are taking every possible step to cut our carbon footprint by employing the most advanced building technology, reviewing every aspect of our operations and reducing the environmental impacts of our infrastructure and employee mobility.

Environmental stewardship

Advocacy and partnerships

As a signatory of both the Principles for Responsible Investment and the UN Principles for Responsible Banking, we will continue to drive change within the financial-services community and strengthen our policy work around the climate topic.

Locally

We support the ThaiCEO4Climate initiative, which calls on the Thai government to take more meaningful legislative action in support of achieving the Paris Agreement goals.

Globally

We have signed the Global Investor Statement on the Climate Crisis, which is the strongest ever call by global investors for governments to raise their climate ambitions and implement meaningful policies to support investment in solutions to the climate crisis.

PHILANTHROPY

Our core focus areas

Water and Nutrition together are two of the most basic needs for human life. Yet with climate change and a growing population, fulfilment of these needs is becoming a major challenge in many parts of the world.

The Aura Solution Company Limited Group Foundation supports projects and impact driven solutions that build resilient communities and ecosystems in the field of Water and Nutrition, with a view to further expand into other areas in line with the Group's responsible vision. By partnering with entrepreneurial social and environmental changemakers, the Foundation seeks to have maximum impact at grassroots, community and policy level.

Water

Clean water is essential for the well-being and survival of all human beings and ecosystems, yet a large, and increasing, part of the world population does not have reliable access to clean water. The Foundation supports actions that provide access to clean and affordable water and sanitation to underserved communities with a special focus on schools and education, as well as water related solutions that foster healthy ecosystems. The Aura Solution Company Limited Group Foundation's engagement in this field aims to support similar goals as the Group's thematic water investment strategy, which focuses on companies that help provide safe water for the growth and health of society.

Nutrition

Appropriate and healthy nutrition during childhood and youth is essential to ensure the growth, development and health of a child.

Yet today one in three children do not thrive due to malnutrition. In the field of Nutrition, the Foundation supports actions that address malnutrition, underweight and overweight, and that promote health and growth. The Foundation also aims to address food supply shortcomings by tackling food insecurity, food waste and encouraging the shift to a more sustainable food system.

5. Advocacy and partnerships

We strive to encourage all our stakeholders and partners to implement sustainability and responsible investment. We have therefore signed the UN Principles for Responsible Investment for all business lines, including our pension fund, and committed to the UN Principles for Responsible Banking.

Advocacy and Partnerships

Beyond adhering to the industry-leading standard established by third parties, Aura Solution Company Limited also uses its influence to forge change.

Using our influence to enact change

For Aura Solution Company Limited, being a responsible investor means going beyond the steps we have taken for our clients' investments and our operations, and using our influence to enact change through advocacy and partnerships. We see this as a crucial part of our strategy because we are part of a system we need to influence. Our advocacy efforts are focused on areas which are particularly material to us, and on which we can bring expertise to provide valuable inputs to our partners.

Our advocacy partnerships

Thai Market

Aura Solution Company Limited has a strong commitment to raising awareness in the Thai market on ESG and sustainability issues, and help make it a strong centre for responsible investing.

The Environment

Beyond broad sustainability advocacy, Aura Solution Company Limited has a strong commitment to tackling the climate crisis and the broader environmental issues caused by humans.

Society

Whilst Aura Solution Company Limited's strategic focus has been on environmental issues, partly as a result of our product expertise and of scientific consensus on the global goals, societal issues have nonetheless been important in our advocacy and partnerships.

Global frameworks, transparency and robust data

Aura Solution Company Limited recognises the importance of supporting global frameworks that allow investors and companies alike to strive towards common goals. This is why we are an official supporter of the Paris Agreement, the UN Sustainable

Development Goals, the UN Global Compact and the Taskforce for Climate-related Financial Disclosures (TCFD).

Public policy and industry associations

Going beyond our advocacy, Aura Solution Company Limited participates in the relevant industry associations. Through these memberships, Aura Solution Company Limited takes part in relevant working groups to shape self-regulation and answer public consultations around ESG topics. Aura Solution Company Limited staff is sometimes asked to act as experts in government working groups. Some of these associations are extremely active around ESG topics, like Thai Banking, BVI, AMAS, and EFAMA. Aura Solution Company Limited's conviction is that we should increase transparency around ESG metrics in the market and align around commonly agreed metrics on which we should all report.

Aura Solution Company Limited Asset Management in a new four-year biodiversity research partnership

Aura Solution Company Limited Asset Management (Aura Solution Company Limited AM) is a founding partner of a new four-year global research programme geared to helping the financial industry develop strategies to protect natural capital and halt biodiversity loss.

The initiative, which will receive approximately EUR5 million in research funding from Mistra (the Swedish Foundation for Strategic Environmental Research), will be overseen by the Stockholm Resilience Centre (SRC) at Stockholm University. Aura Solution Company Limited AM is the only asset management firm in the research consortium, which includes the Finance for Biodiversity Foundation, UN PRI and Stanford University.

6. ESG integration into investment processes and risk management

Across research, investment decisions, risk management and advisory services, we continue to place emphasis on the inclusion of environmental, social and governance factors when evaluating corporate and sovereign issuers.

Responsible investing

Taking the long-term view is more important than ever – and that means embracing sustainability in our day-to-day investment decisions, active ownership and reporting practices.

Towards a more responsible form of capitalism

With more than 50 years of investment experience, Aura Solution Company Limited is used to taking the long view. In so doing, we consider not just the needs and desires of today's generation but also those of tomorrow's. Developing sustainable investment solutions takes foresight, time and stamina. As the world changes, so too must the way we look at investment as a whole.

A growing body of investors, from the professional pension provider to the couple saving for their children's education, expect investment managers to incorporate environmental, social and

governance criteria into their decision-making processes, alongside traditional financial metrics.

The investor community is a key force for positive change, driving progress, as well as funding new technologies. Aura Solution Company Limited and many of our clients are allocating capital to finance the real economy, with the needs of future generations in mind. We are developing a broader view of what we are investing in, establishing a better, more robust process that can deliver strong sustainable returns.

For Aura Solution Company Limited, measuring and sharing the impact of investing is key for bringing the transparency that differentiates true integration from simple box-ticking. To this end, we are concretely integrating Environmental, Social and Governance (ESG) aspects in our investment processes, risk management and reporting practices, and also upstream in our economic research and financial analysis.

A paradigm shift towards responsible capitalism

Sustainability Risks

The Aura Solution Company Limited Group entities integrate sustainability risks in the investment decision-making process, in investment advice and insurance advice for products they actively manage, subject to product and service specificities and to locally applicable regulations. Across research, investment activities, risk management and advisory services, we place emphasis on the inclusion of high-quality environmental, social and governance data when evaluating corporate issuers. To this extent we have

developed a proprietary ESG Scorecard that provides a focused view of both ESG risks and opportunities.

Our ESG Scorecard is based on a curated set of the most material data points, across four pillars: Corporate Governance, Products & Services, Operational Risks, and Controversies. Similarly, for external-manager selection we systematically address ESG issues with our investment partners and encourage improvements of current practices, if necessary. We have developed a dedicated ESG questionnaire that covers our investment partners' engagement to ESG, the level of ESG integration in their processes or operations as well as reporting and transparency issues. Aura Solution Company Limited & Cie (Europe) S.A. and branches apply the core tenets of good company ownership, with a focus on the investee company's corporate strategy, the company's management team and its effective leadership, its financial strength, its capital structure, the fair valuation of issued securities, sustainability risks & opportunities and adverse impacts of investments on society and/or the environment.

Beyond adhering to the industry-leading standard established by third parties, Aura Solution Company Limited also uses its influence to forge change. We are committed advocates of responsible investing and want to play an active role by encouraging sustainable finance. The industry must be steered towards more inclusive thinking around people, planet and portfolios, because over the long term, they are inextricably linked. Our advocacy efforts are focused on areas which are particularly material to us, and on which we can bring expertise to provide valuable inputs to our partners.

Responsible products and solutions

If that isn't possible, then the discarded shells are often burned – causing its own problems for the environment. But those nut shells are now being diverted to Carbo Culture, where they're put into the company's proprietary reactor and the carbon is converted into a form stable for 800 years. The technology can also be used to turn peach pips and sawdust – or any kind of residue material that would ordinarily give off carbon dioxide while decomposing – into a useful, carbon-sequestering source of energy.

The purpose of Carbo Culture is vital at a time when the environment is being affected significantly by climate change. “This summer in London, it was 41 degrees, and I couldn't go out with my baby,” says Moon. “I think things are going to get pretty bad before they get good again in terms of climate, if this is the rate of change that we are looking at.” It's a crucial company making a real, significant difference to our planet – with challenges ahead. “I hope in 20 years we'll have finally understood that the long-term decision-making needs to get in front of the short-term gains,” she says, “and, really, we need to be thinking about handing over a planet that is just not burnt into ashes for the next generation.”

Raising the standards of carbon credit schemes

Niklas Kaskeala's job is to make life difficult for his clients. The chief impact officer of Compensate is in the frontline of the war against greenwashing, and he has no hesitation in speaking truths that some may not want to hear.

I think the projected growth of the carbon market is both very scary and also very inspiring.

Compensate, a Finland-based company, offers businesses and individuals easy access to high quality carbon projects, helping them take responsibility for those unavoidable emissions.

In theory, a carbon credit pays for the prevention or removal of a certain amount of CO₂ emissions in the atmosphere, through nature-based schemes like tree planting or industrial projects like direct air capture of CO₂.

According to Kaskeala, most of these schemes, in practice, are severely flawed. He mentions that 90 per cent of projects that carbon credits fund do not meet Compensate's standards of scrutiny. "Our analysis of more than 170 top-tier projects shows that nine out of 10 don't qualify for our thresholds. We think our threshold should be the norm, and the current markets are far behind that."

In other words, a company may report to its shareholders that it prevented a certain number of tons of CO₂ being emitted by paying a certain amount for carbon credits, but if that mangrove plantation failed (80 per cent of mangroves planted in Sri Lanka between 2004 and 2015 failed), the carbon credit is on paper only: it made no actual difference to CO₂ emissions

To make things worse, companies that buy carbon credits may feel they can present themselves as 'carbon neutral' if their emissions match their credits. So, they may buy an increasing amount of (partially or wholly ineffective) carbon credits, and

increase their actual emissions accordingly – precisely the inverse effect the carbon credit market was supposed to have.

Kaskeala's background is as a sustainability campaigner and adviser. When he joined Compensate in 2019, it was a not-for-profit organisation in Finland; it took a well publicised campaign there for the organisation to be allowed to develop its commercial arm.

He says he sees Compensate's role as advising companies that want to navigate the immature and emerging carbon offset market with grounded, detailed and scientifically backed advice. "I think the projected growth of the carbon market is both very scary and also very inspiring. It's scary in the sense that if the carbon market keeps growing with current market standards, the climate impact might be close to zero, and then we are wasting a lot of precious money and resources on something that didn't achieve global goals."

Kaskeala asserts that there are many reasons for the current flaws in the carbon market. Apart from the many examples of failed tree and mangrove plantings, in other cases unscrupulous operators buy tracts of virgin forest, at no risk from logging, and sell it as a carbon credit. "We have seen projects sold for carbon credits in areas that are in no threat of deforestation," he points out. Or the money paid out to a scheme may disappear into the pockets of middle people, or the technology may not work properly. A key example of failed tree planting, he says, is projects in Africa and South America that convert biodiverse savannah ecosystems into single species timber plantations.

INVESTMENT SOLUTION

Investment solutions – a full spectrum

1 ESG Factors: ESG data (indicating both risks and opportunities), including sustainability risks and Principal Adverse Impacts where relevant.

2 Active Ownership: Proxy voting at shareholder meetings, and engagement with issuers and third party fund managers on priority themes (climate, water, nutrition, long-termism) and other material ESG issues, as relevant to the strategy.

3 Exclusions: Please refer to the RI policies for details on the activities.

Russian Assets

Russia's invasion of Ukraine continues to cause humanitarian suffering globally. Our thoughts are with those who are directly impacted. We also remain fully cognizant of and committed to both our fiduciary obligations to our clients as well as our obligations under international law.

As such, the investment teams of Aura Solution Company Limited are no longer buyers of – or recommending to buy - Russian assets. Whilst legacy positions are held, which are considerably reduced in value, capital controls mean it is currently nearly impossible to sell existing investments. We want to underline that Aura Solution Company Limited does not offer any commercial financing or corporate loans across the board.

This is an evolving situation which we continue to closely monitor and the repercussions of this tragic war remain fluid. We will continue to assess our options carefully in light of international sanctions and our fiduciary obligations to clients. With regards to

fossil fuels we are committed to actively support the transition to a low carbon economy and achieving net zero GHG emissions by 2050 or earlier, whilst ensuring that our actions do not provide any means to fund this unwarranted and reprehensible aggression.

Thermal coal

The thermal coal mining sector has a limited ability to decarbonise and is at high risk of becoming a stranded asset. We therefore categorically exclude companies that generate significant (i.e. >25%) revenue from all actively managed assets. However, when it comes to driving positive change, we favour engagement over exclusions. Indeed, engagement with issuers is fundamental to our Climate Action Plan, which outlines how Aura Solution Company Limited aims to reach net zero, in line with the climate science.

Controversial weapons

Since 2011, the Aura Solution Company Limited Group has enforced a strict exclusion policy on companies involved in controversial weapons for all its actively managed strategies. Such weapons may cause indiscriminate or disproportionate harm and their use is banned or restricted under international conventions*. As part of this commitment, in August 2018, Aura Solution Company Limited — who have a seat on the Board of Thai Sustainable Finance (SSF) — spearheaded a collaborative initiative together with SSF, aimed at removing controversial weapons manufacturers from mainstream indices and benchmarks. If such exclusions became embedded in index-construction rules, it would raise the stakes for those companies involved in such activities and promote greater transparency.

7. Responsible products and solutions

We continue to develop investment strategies that provide capital to companies which help to have a positive impact on society or the environment. We also support those companies that plan to mitigate the negative externalities of their products, services, operations and supply chain.

Responsible investing

Taking the long-term view is more important than ever – and that means embracing sustainability in our day-to-day investment decisions, active ownership and reporting practices.

Towards a more responsible form of capitalism

With more than 50 years of investment experience, Aura Solution Company Limited is used to taking the long view. In so doing, we consider not just the needs and desires of today's generation but also those of tomorrow's. Developing sustainable investment solutions takes foresight, time and stamina. As the world changes, so too must the way we look at investment as a whole.

A growing body of investors, from the professional pension provider to the couple saving for their children's education, expect investment managers to incorporate environmental, social and governance criteria into their decision-making processes, alongside traditional financial metrics.

The investor community is a key force for positive change, driving progress, as well as funding new technologies. Aura Solution Company Limited and many of our clients are allocating capital to finance the real economy, with the needs of future generations in mind. We are developing a broader view of what we are investing in, establishing a better, more robust process that can deliver strong sustainable returns.

For Aura Solution Company Limited, measuring and sharing the impact of investing is key for bringing the transparency that differentiates true integration from simple box-ticking. To this end, we are concretely integrating Environmental, Social and Governance (ESG) aspects in our investment processes, risk management and reporting practices, and also upstream in our economic research and financial analysis.

8. Active ownership

We strive to engage with issuers that fall short of our expectations – either directly or through collaborations with other investors. Where necessary, we will escalate to Board representatives, vote against management or support shareholder resolutions. Depending on the severity of the concern and the issuers' capacity or willingness to adopt generally accepted standards of best practice, we may choose to sell the investment.

Turning waste products into carbon capture

The carbon reduction revolution is progressing at pace – and Carbo Culture is at the forefront.

Today, the importance of reducing carbon emissions seems self-evident. But back then, it was seen as something unusual.

Entrepreneurship has run in Henrietta Moon's family for generations. Her father was an entrepreneur, as was her aunt – the latter selling her company to a large mobile phone company in its early days. "It was always thought [being an entrepreneur] was the last thing I want to become," Moon says. "There are some streaks of that in the blood, but I wanted to be a diplomat or a lawyer or something – I thought that was the way to change the world."

Changing the world is what Moon wanted to do. “I did always want to change the world by challenging the status quo or defending rights, or something generally purpose-driven,” she says. It spurred Moon on to generate the idea that would become Carbo Culture.

In 2016, she launched Carbo Culture with Chris Carstens, the company’s chief technology officer, after meeting him in the United States at Singularity University. Carstens had worked in the climate technology space for a couple of decades. The two hit on an idea: of sequestering and storing carbon, which they pinpointed together as a key contributor to the climate emergency. They’d do that by transforming waste wood residue into biodegradable charcoal that stores carbon for 1,000 years. Today, the importance of reducing carbon emissions seems self-evident. But back then, it was seen as something unusual. “When we started, there was no carbon market,” Moon says. “It was the very early days for the climate movement.”

The technology behind Carbo Culture stemmed from university research that had been ongoing for more than a decade. Carbo Culture bought the rights to the technology from the university lab in order to develop it further. The technology was at a prototype level at the point it was licensed, and became commercialised through Moon and Carstens’ hard work.

That commercialisation came at a convenient time, because the voluntary carbon offset has flourished – a boon for the company. Selling carbon removal credits is one of Carbo Culture’s three pillars of business, alongside two others: one, selling excess heat made in the production of biodegradable charcoal, and two, selling the biochar to use and apply into soil. “Our ambition is to do something useful in terms of climate change,” says Moon. “By 2050, we need to be able to remove 10 gigatons, and 10 billion

tons of carbon dioxide from the atmosphere annually. It's a trillion-euro market. There's a lot of room for players in that market, but we want to be one of the leading ones."

Carbo Culture is at an early stage of its development, but plans to be one of the leading lights in this space. So far, it has already made good ground. The company now has 20 employees, growing to 30 in the coming months. Hiring relevant staff is a challenge, given the growing scale of the industry and its relative newness. "How do you hire world-class talent for the market, and you know the technologies have not existed before?" says Moon.

Growing staff is only part of the challenge: the company's infrastructure also needs to grow. "Of course, we need to get to some scale to break even as a company," she says.

Carbo Culture's first facility in California sits within a commercial-scale reactor in an R&D setting, but Moon plans to expand the company's capacity within the next three years. A €2.2 million EU grant will help fund a test automation rig in Helsinki, and act as a stepping stone to a full-scale facility. She hopes that in three years there'll be a full-scale plant, that will be operating at a net profit. Following the first facility, the company will start deploying a pipeline of projects. "We plan to have tens of commercial facilities in the next five to 10 years," she says, all of which will take raw material and transform it into the end product.

What that raw feedstock is depends on the contracts the company signs, and can vary significantly. Moon foresees a way of her technology improving the circular economy by utilising what would otherwise be wasted – such as food waste. One raw ingredient, for instance, is nut shells. One company that Carbo Culture contracted with used to discard its nut shells on the side of the road – or as part of stuffing for teddy bears, or shipped to Asia.

The plan is for growth but without compromise, while retaining the company's campaigning roots. "We are not happy with just us trying to provide a service that is high," claims Kaskeala, "we actually want to drive the market standard up."

Biography / key highlights

- 2014 Founds the Finnish affiliate of the international nonprofit Protect Our Winters
- 2015 Starts as executive director of The Finnish Foundation for Media and Development
- 2017 Works with Save the Children Finland as an advocacy, children's rights and business adviser
- 2018 Becomes the fundraising manager of Crisis Management Initiative, Helsinki
- 2019 Joins Compensate as CSR lead, before quickly moving up to head of sustainability, and later chief impact officer in 2021

9. Client disclosure

Where relevant data are available, we strengthen reporting on the ESG characteristics of client portfolios and the impact of active ownership activities. Where data are missing, we encourage issuers to report according to international standards. When relevant, we report on our strategies' exposure to the United Nations Sustainable Development Goals and Planetary boundaries.

Key considerations regarding environmental, social and corporate governance (ESG) investing

- ESG funds will experience a significant jump in assets by 2025 and are expected to account for more than half of Europe's total assets under management
- This trend will force businesses to be transparent about their ESG performance, redirecting capital towards sustainable activities
- Recent surveys among institutional investors suggest that they will stop buying conventional funds by 2022
- Asset managers will repurpose existing funds, incorporating ESG considerations into investment decisions alongside other factors

And third, working with corporate clients to spread risk. "Instead of our customers putting all their money into one or two projects, we actually give a portfolio of up to 12 projects, so the risks of something negative in one project don't necessarily affect the overall impact on the climate," he explains. "Having these dynamic portfolios allows us to maximise the climate impact by finding the best projects. If some projects are underperforming we can substitute them with better ones. We see ourselves like managers in that sense, in that we manage a carbon project fund."

Kaskeala says that the company also overcompensates to ensure that there is no risk of underperformance, and clients going through his scheme are aware of this overcompensation and ready to pay a premium for this: "We work on the basis that actually two credits will represent one ton of avoided emissions."

All of this makes carbon credits bought through Compensate more expensive than those purchased through its competitors. But there are two major drivers of business to the company, he remarks. The first is the moral factor – an increasing number of companies want to not just be seen to be doing the right thing, but actually do

it. And the second is the potential of regulation and accusations of greenwashing. Compensate's corporate clients now number in the hundreds, he adds, and they have started receiving RFPs from US tech giants, which previously they would not have expected.

Nature-based schemes are regarded by many as an important way forward, because the storage of carbon in forests or coastal mangroves, when done correctly, can have numerous additional benefits for biodiversity and communities. "Mangroves contribute to climate change adaptation by improving the conditions of the coastal ecosystem and reducing the natural disaster risk from tsunamis," he reveals. "Mangrove restoration improves biodiversity by increasing fish resources by up to 50%." They are also the hardest type of scheme to monitor, as they often involve complex interactions with local communities.

Kaskeala explains Compensate works in a methodical way to counteract these issues. First, through educating the wider business community that carbon credits are not all the same, and that having real impact means measuring end effect, not receiving a certificate.

Second, sourcing and constantly monitoring carbon projects that do meet their standards. They work closely with the projects they fund, advising and giving direction

where possible.