

Climate Action Strategy

Soros Fund Management LLC

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Introduction

At **Soros Fund Management (SFM)**, the principal asset manager for the **Open Society Foundations (OSF)**, we are proud to protect and grow the financial resources that sustain the goals of supporting justice, equity and free expression.

Our changing climate demands an urgent and sustained response from all economic sectors, including governments, civil society, businesses and investors. The Intergovernmental Panel on Climate Change has found that to prevent the worst impacts of a warming planet, global average temperature rise should be limited to well below 2°C, and ideally 1.5°C, above pre-industrial levels. Achieving this temperature target requires a net-zero emissions global economy by mid-century.

SFM's unique platform and stable asset base position us to support a climate-resilient global economy. We aim to be part of the solution, not just avoid the problem. Despite incremental advances, emissions continue to rise, effectively putting the 1.5°C target out of reach and exposing the gap between commitments and action. In our view, geopolitical dynamics, energy security concerns and competing national priorities are almost certain to prevent meaningful progress on the issue.

With that as the backdrop, we seek to redouble our efforts and enhance our focus on pragmatic, real world outcomes, contextualized for the present moment.

Our updated climate strategy adjusts how we approach our four strategic pillars and we have added a crosscutting thematic focus on electric grids with an eye toward security, resiliency and energy affordability. Our four pillars continue to focus on:

1. Interim and long-term emissions reduction targets
2. Restricted fossil fuel exposure
3. Solution-oriented investments
4. Active engagement and investment stewardship

Cross-cutting Focus on Grid Security, Resilience and Energy Affordability

By centering our climate strategy on the electric grid, we aim to deliver meaningful impact on an essential priority. This focus positions both society and the economy for a more resilient future while advancing grid security, strengthening system reliability and improving energy affordability.

A modernized, resilient, and low-carbon electric grid is essential to energy security, economic competitiveness and future-ready infrastructure. As the backbone of the clean energy economy, the grid enables large-scale renewable integration, electrification of transportation and buildings, deployment of distributed energy resources and adaptation to a changing climate. Without a flexible and robust grid, economy-wide decarbonization is either impossible or prohibitively expensive. Moreover, a secure and resilient grid provides the foundation for innovation—powering the development of new technologies, business models and industries that will define the next era of growth. As energy demand accelerates across both the private sector and society, grid-centered solutions offer not only a critical pathway to deep emissions reductions but also a powerful driver of long-term value creation.

This theme is both targeted and multidimensional, and we believe it will increase our real-world impact across our stewardship, investment and market-level engagement efforts. The thematic focus encourages our portfolio management teams to engage in grid-related decarbonization themes through their investments across key sectors.

INTERIM AND LONG-TERM EMISSIONS REDUCTION TARGETS:

In our updated strategy, our targets remain in place to reduce the carbon intensity of our portfolio per dollar invested by 60% by 2030, from a 2019 portfolio baseline and will continue to work towards net-zero emissions by 2040.

To further support our climate targets, we have evolved our Right Path Program to become a Right Path Portfolio (RPP). The Right Path Portfolio is a dedicated sleeve of long-term holdings in companies that are central to decarbonization and have demonstrated credible transition plans. The RPP allows SFM to have an extended seat at the table for engagement with high emitting companies that are established leaders or fast improvers.

The Right Path Portfolio is constructed with positions held for engagement purposes in a dedicated sleeve. We work in close partnership with portfolio managers and analysts to select names from their investment universe for potential inclusion in the portfolio, as well as companies we agree will be fast improvers or lead the way for their industry from a climate progress perspective.

To ensure transparency for our key stakeholders, we capture emissions for this investment sleeve and will publicly report it as a separate figure from total emissions across our various investment strategies.

We track progress of the Right Path Portfolio companies to ensure they have the continued objective to make meaningful strides towards transition through specific actions such as an ambitious, credible transition plan and a public commitment to advance toward a net-zero future. This program is designed to give companies time to execute their strategies, especially given the current lag in emissions data, and then hold them accountable with heightened scrutiny to their pledges. Our initial focus for the portfolio is to target the inclusion of electric utilities, but over time we also seek to include materials, metals and mining, transportation, technology/hyperscalers, steel, paper/packaging and cement, as relevant.

In addition to the RPP, each of our internal portfolio managers (PMs) is assigned annual emissions reduction targets. To manage toward their target, they each have access to a desktop tool to actively analyze their portfolio emissions. The goal of these targets and tools is to engage internal teams in an understanding of how their investments can help advance our emissions intensity reduction goals and how their allocations can enable capital to flow toward lower-carbon companies. To further enhance transparency around our approach, we will explore potential additional metrics for disclosure.

RESTRICTED FOSSIL FUELS EXPOSURE

SFM is committed to addressing both **fossil fuel supply and demand** in our efforts to accelerate the global transition to a low carbon economy as quickly as possible.

Starting in 2025 we have restricted new investments in **fossil fuel supply** including companies involved in exploration and production, transportation and distribution, and equipment and services.

We seek to take a more contextualized approach when considering investments in companies and projects that contribute materially to **fossil fuel demand**:

- ▶ **Utilities:** Given the importance of electrification in the energy transition, utilities play a unique and critical role. We aim to be nuanced in our approach to this sector, taking into account the corporate, regulatory and geopolitical context. We restrict:
 - ♦ Companies or projects with plans to build new coal-fired electricity generating capacity, including expansion or acquisition of existing facilities.
 - ♦ Companies in Organisation for Economic Co-operation and Development (OECD) countries or China with greater than 20% generating capacity from coal, unless the company has published credible plans to retire such assets by 2030. In line with our aim to support a just transition, we believe OECD countries should be held to a higher standard and lead the way in moving away from coal. We do not currently enforce a cap on existing coal power production in non-OECD countries.

We seek to take a nuanced and pragmatic approach to our decision-making on fossil fuel restrictions. When companies demonstrate credible, ambitious plans for rapid decarbonization, we may consider an exception. In such cases, we will carefully analyze the company's operating and regulatory environment as well as its goals, actions and investments.

We also assess the capacity for engagement with a company. When these factors demonstrate meaningful potential for transition, we may determine that the restriction on that company can be lifted.

This approach enables SFM to navigate the complexity of the present-day real-world transition. To ensure accountability and transparency, we will report on our decision-making for any exceptions to our fossil fuel restriction. We will explore the publication of additional narratives/KPIs/case studies to provide more granularity on the implementation of fossil fuel restrictions over time.

SOLUTION-ORIENTED INVESTMENTS:

Our climate solutions investments aim to drive meaningful decarbonization while achieving strong financial returns. This is integral to our broader commitment to achieve net-zero portfolio emissions by 2040. At the same time, policy momentum around the energy transition has slowed and, in certain instances, reversed. This has heightened the urgency and, in some cases, structural shifts in technology costs, corporate demand and state-level policies continue to drive market growth, even amid federal headwinds. This policy uncertainty creates dislocations and inefficiencies that will enable us to identify undervalued assets and long-term winners. Regardless of political direction, climate solutions offer both long-term value creation and a critical lever for deep emissions reductions across sectors.

A thematic focus on grid resilience, security, efficiency and resulting decarbonization helps concentrate our efforts towards delivering focused real-world impact. Our approach emphasizes investment fit and freedom within a framework.

Investment Fit: Investments in this sleeve must meet our standard investment expectations, though there may be considerations for differences in risk profile and/or liquidity.

Freedom within a Framework: A flexible framework guides how and where we focus attention and allocate capital for climate solutions. Our principles-based approach is steered by the following guideposts:

- ▶ **Market-Driven:** An emphasis on the role of markets in driving scalable climate solutions that deliver outcomes, meet the current moment and do not rely on policy tailwinds
- ▶ **Climate Relevance:** Prioritization of sectors/opportunities where the connection to climate impact (both mitigation and resilience) is clear and material; and prioritization of solutions that align with our energy/utilities and private credit investment strategies
- ▶ **Scalability:** Focus on solutions with the potential for meaningful system-wide impact or emissions reductions at scale
- ▶ **Range of Maturity:** Openness to both proven and less mature technologies where directional progress is evident

In addition to our solution-oriented investments, we also seek to engage at the market level to identify and help address key friction points that prevent the scale of necessary climate

solutions. Further, SFM will work to identify opportunities for engagement partnerships and thought leadership with other leaders across industries to drive impact.

Our market-level engagement on grid decarbonization will initially focus on electric utilities. We will use our network and relationships to collaborate with climate experts and the private sector on how to address challenges in:

- ▶ Grid-scale battery deployment
- ▶ Grid enhancing technologies (GETs) / alternative transmission technologies (ATTs)
- ▶ Advanced grid management and digitization
- ▶ Permitting and interconnection
- ▶ Distributed energy
- ▶ EV charging infrastructure
- ▶ Resilience and infrastructure hardening
- ▶ Carbon-free backup power

ACTIVE ENGAGEMENT AND INVESTMENT STEWARDSHIP:

Our stewardship and engagement style takes a cooperative and outcomes-focused approach, aiming to drive meaningful real-world climate progress across the portfolio. We seek to deepen the focus of our dialogues on a set of clearly defined sector-based priorities and objectives that aim to drive real world progress on climate change.

Specifically, we engage companies in focused dialogues on the friction points that prevent business model transformation and system-level challenges that require collective action to address. We also focus on company-level progress where we can identify specific actions a company can take to continue to make progress on their climate journey.

When selecting companies to engage, we prioritize portfolio companies in targeted high-emitting sectors with the most potential to decarbonize in the near- to medium-term. Our thematic focus specifically prioritizes grid decarbonization where relevant, among other climate topics such as Scope 3 data reporting and climate resilience. We will identify critical levers for each company where we expect progress can be made and engage deeply on those topics over time.

Company engagement will continue to be conducted in partnership with investment teams to ensure we tap into the knowledge and expertise of our portfolio managers and analysts. We continue to actively vote our proxies in alignment with our stewardship and engagement priorities.