



Quarterly ESG Update - Q4 2019

a.s.r. asset management



Action

In this last quarterly update of 2019 (and for the decade) we share again interesting ESG news and developments, like the highest ranking for a.s.r. asset management amongst Dutch Institutional Investors on consideration of climate change risks and opportunities. As this VBDO research shows, climate change has really become an important factor in the investment process of many Dutch pension funds and insurance companies. The awareness of global warming has finally changed this last decade, with the Paris agreement as an important milestone. And we do realize a gradual decrease for the carbon emissions in our investment portfolios, so we're well on target for our long term environmental ambitions.

As shown in the returns of our investment portfolios, we are outperforming the financial markets with respect for people and planet. We don't need arctic oil, child labour or tax havens. But the world is not in the right place yet! So no more calls for action, the next decade is the time to action on climate change and other environmental, social and governance controversies.

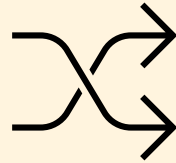
Want to learn more about a.s.r.'s sustainable investing? Visit our [website](#).





In this update

Climate



COP25
in Madrid

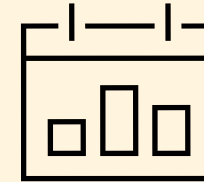


Investors
urge action

Active ownership



Phasing out fur



Voting in 2019

Other news



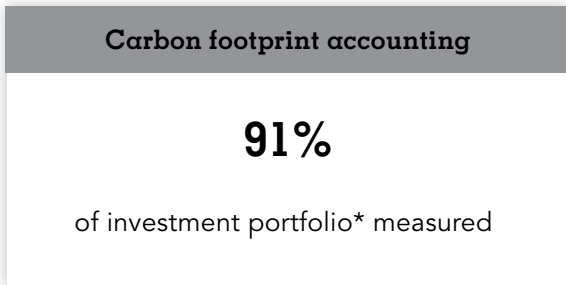
a.s.r. nr 1 on
considering
climate
risk and
opportunities



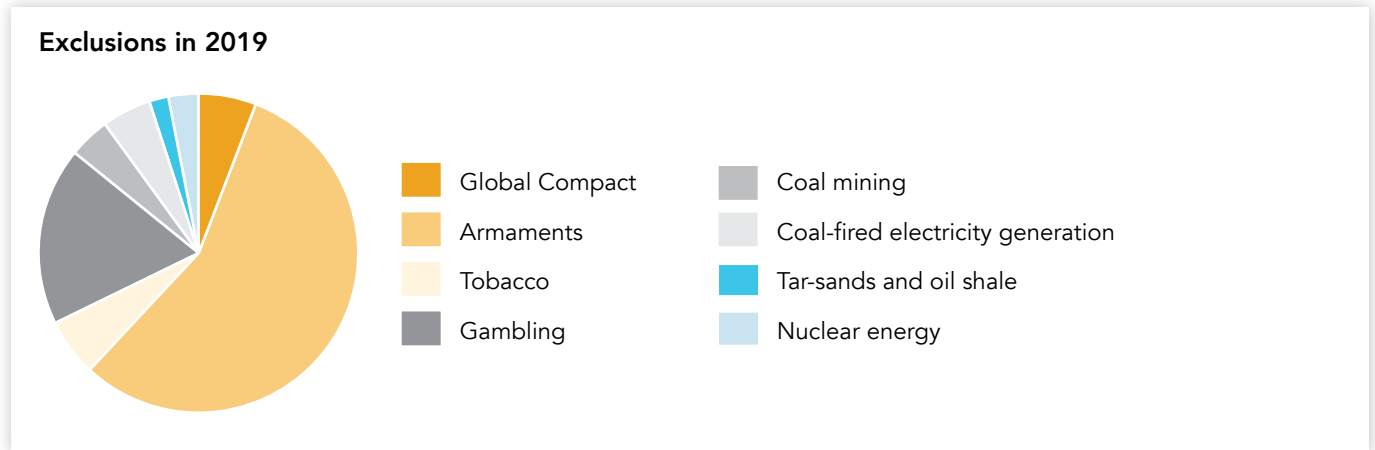
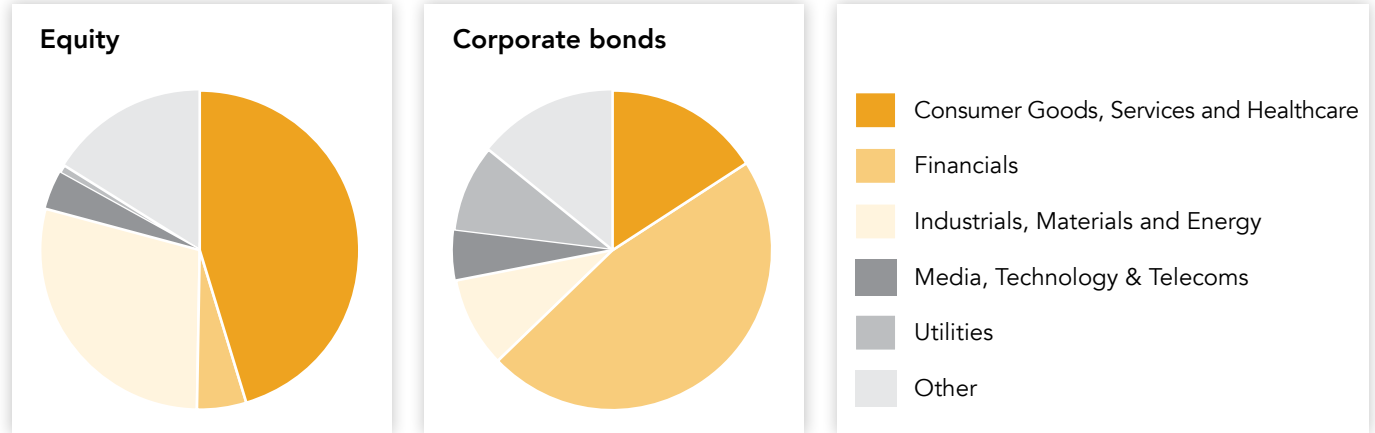
New impact
investment



2019 in numbers



Sectors*



*own account, internally managed

Climate and Energy Transition

a.s.r. ranks number one in the VBDO study on Climate Change

a.s.r. received the highest total score among 80 Dutch pension funds and insurance companies in a study on climate change executed by VBDO, the Dutch Association of Investors for Sustainable Development. The ranking is part of a biennial study on how Dutch institutional investors include the risks and opportunities of climate change in their investments.

The goal of the study was to assess if and how institutional investors currently consider the various climate change risks and opportunities. It also considers if and how investors adapt their investment portfolios to ensure resilience.

VBDO investigated the sustainability profile of the largest 30 insurers, including a.s.r., as well as 50 pension funds. The research examines policy, implementation, governance and transparency of sustainable investments. Based on this, a report is published (in full: Dutch Institutional Investors and Climate Change - Becoming part of the solution) in which a ranking is included. The full report can be found [here](#).





COP25: investors urge action on climate change

COP25 in Madrid, redirected from Santiago de Chile at the last moment, was all about carbon markets and trading emissions credits, Article 6 of the Paris Agreement and reporting requirements and transparency. From a government and national contributions perspective this meant heated discussions on carry-over credits from Kyoto and claims of double counting, while the elephant in the room was climate and transition finance. All the while with Greta Thunberg speaking passionately as the voice of future generations, urging leaders to act.

From an investor perspective, a group of institutional investors (among others a.s.r.) representing \$37tn in assets, joined Greta in calling for more ambition and national contributions, for example through ending fossil fuel subsidies or putting a meaningful price on carbon. As owners of companies, this group of investors are increasingly pushing towards decarbonization and transparency (for example through the TCFD and Science-Based Target methodologies) while building energy transition investment offerings for clients.

The next COP will be held in Glasgow, in November 2020, which marks 5 years since the Paris Agreement. A recent report from UNEP stated that the world needs to cut emissions by 7.6% each year between now and 2030 if we intend to still hit the 1.5-degree target.



Opening of the COP 25 in Madrid by Ms. Espinosa, Executive Secretary UNFCCC, Ms. Schmidt, Minister of Environment of Chile and Ms. Ribera, Minister for Ecological Transition Spain.

New PCAF report published at COP25

The latest PCAF report was presented on December 11 at the Climate Summit in Madrid. In the report the 17 Dutch financial institutions that are part of PCAF show the progress that has been made with the carbon accounting method.

New asset classes have been added to the methodology and new tools are available for the growing number of financial companies who want to use the PCAF methodology. Participating institutions in the Netherlands represent €2 trillion of assets under management, many of whom already publicly disclose the associated carbon footprint.

The Dutch group pioneered the development of a methodology to assess the carbon emissions of financial institution's loans and investments. This approach has been the catalyst for a global movement of institutions who assess their emissions with a view, ultimately, to align their impact with the Paris Climate Goals.

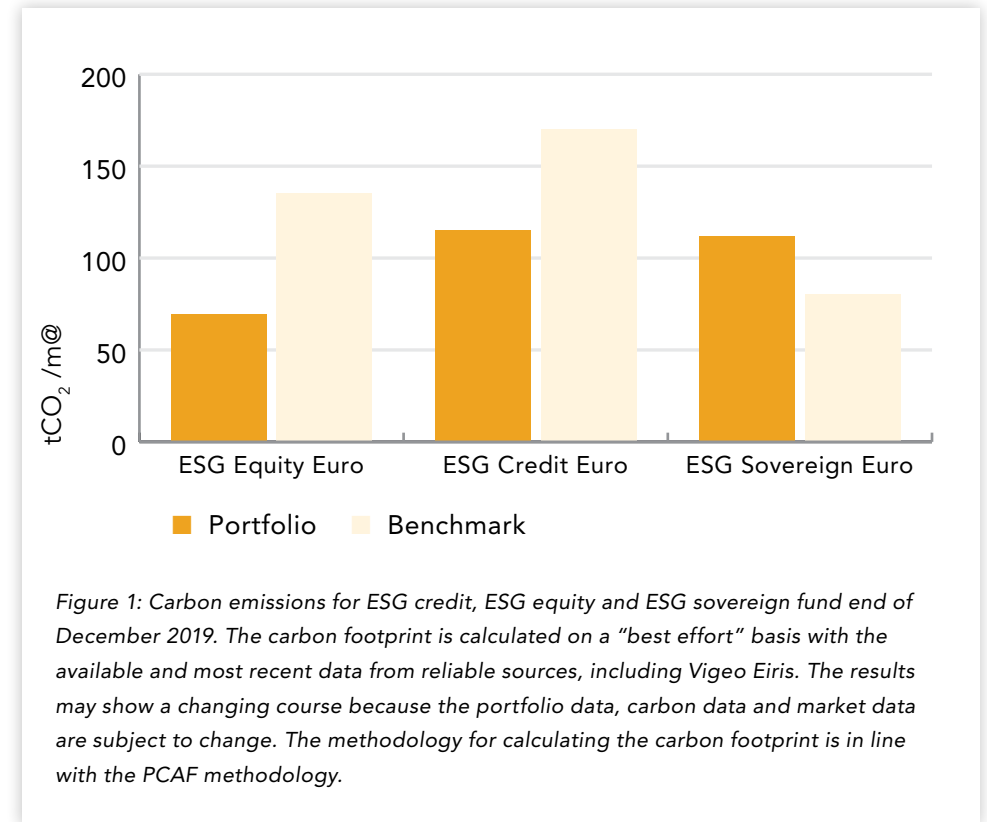
Jack Julicher, CEO a.s.r. asset management: "a.s.r. is committed to measure the carbon footprint for at least 95% of the internally managed investment portfolio for the own account in 2021 and to set targets for the long term decarbonization pathway. The PCAF partnership has delivered essential tools for carbon accounting and Science Based Targets road testing to a.s.r. and other financial institutions, to build climate resilient investment portfolios and to maximize their enabling potential to transform towards a low-carbon world."

a.s.r. ESG fund range

In 2017, a.s.r. launched an ESG fund range including euro sovereign bonds, euro credits and European equities. While already having a strict ESG policy for the overall investment process within a.s.r. asset management, these ESG funds have additional guidelines on ESG indicators. These guidelines resulted in ESG funds with a lower absolute carbon footprint.

CO₂-footprint of our investments

At the end of the fourth quarter of 2019 we were well on track for our target of measuring the carbon emissions for at least 95% of the a.s.r. investment portfolio (for own account) by 2021. In this quarter we were able to increase the carbon footprint calculation of the a.s.r. Real Estate portfolios. During the year we calculated a significant amount of our Dutch mortgage loans and Real Estate portfolios. The calculations for our Dutch mortgage loans portfolio were made with PCAF methodology in a pilot with CBS. This will give us a better insight into the actual consumption of gas and electricity (conventional 'grey' or green) per calendar year and associated CO₂ emissions. The calculations were made with data from end 2015 and 2016, the most recent available at the moment. We are still evaluating the results within PCAF.



Active Ownership

Fur

Fur was once a critical asset for humans in prehistory and it has become a much debated luxury item today. Together with China, Europe accounts for approximately 60% of the world production of mink skin, which is estimated at around EUR 6.2 billion according to 2015 figures. Nevertheless, pressure from animal activists and increasing consumer concerns about animal welfare, has made a number of luxury brands decide to go fur-free. Additionally, several countries have already decided to ban fur, or are in the process of phasing it out.

Over the course of two years, Actiam, Aegon Asset Management and a.s.r. asset management, collaborated on engagements with five global listed luxury brands – Kering, LVMH, Burberry, Hermes and Michael Kors - to address the controversies related to the topic of fur and exotic leather. We had a constructive dialogue with most of these companies on the reasons for phasing out the use of fur and exotic skins from their collections. Objectives of the engagement were to understand how the companies are using fur and exotic leather and how they deal with negative consumer sentiment around fur and regulatory developments. Ultimate goals of the engagement was for the companies to commit to a phase out or stop the use of fur.

The conversations with luxury brands provided insight into new developments and materials. Laggards were those that do not have a long-term holistic view on this controversial issue; whereas, the leaders, surprised us with in-depth and constructive dialogue. A challenge remains transparency and traceability of raw material and its environmental and social impacts in their supply chain.

Two of the companies that were part of this engagement, Burberry and Michael Kors, communicated that they will stop using fur and exotic leather in their collections from now on. Out of those companies that continue to use fur, we expect full transparency on how and where the products are sourced. Moreover, we expect them to make a commitment to uphold the highest



social and environmental standards and to research, develop and use low-impact alternatives for fur and exotic leather. In short, to take a holistic view on the overall environmental impact of the raw materials they use. Going forward, in accordance with our investment policies, we will continue to monitor companies' efforts on this topic.

The full white paper can be found [here](#).



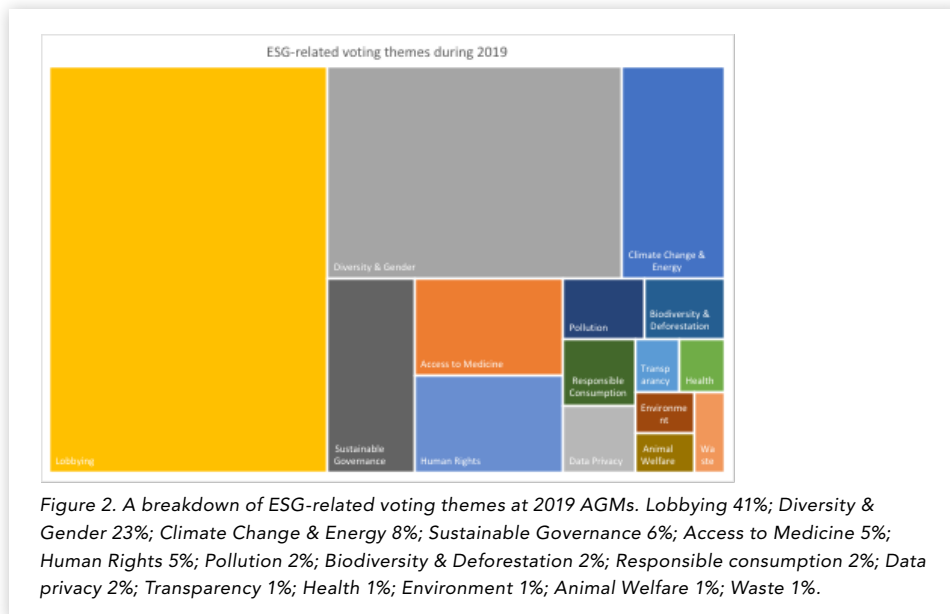
Voting in 2019

a.s.r. exercised its voting rights as a shareholder at 69 Annual General Meetings in Q4 2019. At these meetings, a.s.r. voted against management in 6.5% of the voteable items. In 2019, a.s.r. voted in total on 1052 AGMs, nearly 97% of the shareholder meetings held. Of the 1052 shareholder's meetings, 408 had at least one vote Against, Withheld or Abstained from a.s.r. 60 of these 408 meetings had one or more votes against remuneration with regard to the Board of Directors or Supervisory Board and 174 meetings had one or more votes against appointments. In the graph below (figure 2), you find a breakdown of ESG-related shareholder proposals in 2019. The majority of proposals (41%) concerned an ask for increased transparency on lobbying practices and political contributions. Also, many shareholder proposals addressed gender equality in 2019 (23%).

In terms of geographic spread we saw the majority of AGM's in the US, while Europe combined represents ~45% of votes.

In most cases we followed our proxy voter ISS' recommendation, based on our SRI policy and their analysis. Examples of votes in favor of a shareholder proposal were the case of PepsiCo, where we voted in favor of a proposal asking the company to report quantitatively measurable progress towards pesticide reduction in its supply chain. Although we recognize that PepsiCo has an extensive environmental program in place, we reward objective targets and measurements when possible, and as such voted in favor of the proposal. Similarly, with Kohl's Corp we found the lack of policy on animal welfare and environmental sustainability in the supply chain and procurement, reason enough to vote in favor of a request to Kohl's Corp to develop such a policy.

For a more detailed of our engagements and voting visit our [website](#).



Impact Investing

SET Fund III

SET Ventures, the energy transition venture capital firm, successfully completed its fundraising for SET Fund III at €100 million, well above the target size of €75 million. SET will continue to invest in European early growth-stage companies that shape the future energy system through effective balancing of intermittent renewable generation, smart energy distribution and storage, and promoting efficient energy use. Investors in SET Fund III include leading international corporations, renowned family offices, development agencies and forward-looking financial institutions. Also a.s.r. asset management has selected this impact fund for a commitment, as this strategy fits perfectly in our strategic investment policy regarding Climate Change and Energy Transition.

Managing Partner Wouter Jonk: "The energy sector is going through a major transition as the trend towards renewable generation and electrification of many sectors accelerates. Besides traditional utilities, the energy system of tomorrow has many new participants: from energy producing consumers to the automotive industry to real estate. All enabled by newly created data-driven business models." SET Fund III is geared to generate financial returns, strategic insights and environmental impact for its limited partners. SET is considered a leader among venture capital funds in the way ESG and impact creation are integrated into its investment decision-making process. It received the 2018 ESG award from the Dutch Association of Venture Capital and Private Equity and was the winner of Cleantech Group's "European Investor of the Year 2019 award".



Other news

EU update Sustainable Finance Plan

The European Commission has published two regulations regarding the Sustainable Finance Action Plan. The first regards the EU Taxonomy, developed to increase transparency on sustainable practices and the second EU Paris-proof benchmarks, aiming to bring more clarity and homogeneity in the climate/low-carbon indices universe.

The regulations will come into force soon and gives parties until March 10th 2021 – and for some obligations until January 1st 2022 – to implement them.

Members States, the EU and financial market participants, will be required to apply the Taxonomy when presenting ‘environmentally sustainable’ products or labels. Also, market participants will be required to disclose information on how and to what extent the investments that underlie their financial product support economic activities that meet the criteria of the Taxonomy.

The Taxonomy consists of three categories of activities: already low-carbon, enabling and transitional. Social minimum safeguards are included and refer to OECD Guidelines for Multinational Enterprises, UN Guiding Principles on Business and Human Rights, and ILO core convention.

The technical screening criteria are meant to be consistent with a pathway to limit the temperature increase to 1.5°C.

Support for Women Empowerment and Sustainable aerospace

a.s.r. has joined two PRI collaborations. The Investor Statement to support the Women’s Empowerment Principles and achieve Gender Equality” and the “Investor Statement airlines and aerospace companies”

Aviation is a carbon-intensive mode of transportation and is projected to grow rapidly in the 21st century. Airlines and aerospace companies are encouraged to develop standards and practices to position themselves for the transition to a low- carbon economy and to manage their climate related risks.

There has been increasing awareness that the achievement of gender equality is a prerequisite for sustainable development. The purpose of this statement is to encourage companies to sign the Women’s Empowerment Principles. This set of 7 principles, established by the UN Global Compact and UN Women, aims at helping companies create and implement effective equality initiatives that benefit workers, management, society and shareholders. As a signatory of the UN Global Compact, a.s.r. endorses these principles as well.

More information?

Contact us at:

raquel.criado.larrea@asr.nl

marjolein.meulensteen@asr.nl

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a.s.r. asset management

Archimedeslaan 10

3584 BA Utrecht

www.asrvermogensbeheer.nl