a.s.r.
asset
management

Overview engagements H1 2023

a.s.r. asset management

Overview engagements H1 2023

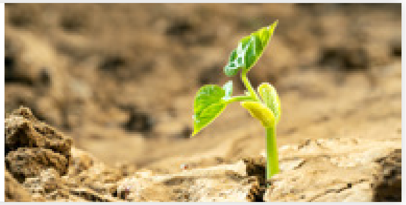
a.s.r. seeks a constructive dialogue and engagement with companies about relevant Environmental, Social and Governance (ESG) practices, in accordance with the standards outlined in the a.s.r. Socially Responsible Investment (SRI) Policy. This engagement dialogue knows three forms:

1. Engagement with the purpose of monitoring a company's on-going sustainability, which takes place regularly and especially with a.s.r.'s largest holdings;
2. Engagement with the purpose of influencing the behavior of a company or sector where ESG issues have been identified. Engagement for influencing focusses on specific and current environmental, social and governance themes. The engagement can be focused on a sector, or on individual companies. Most often these engagements are started because of violations of international standards such as Global Compact or because of high ESG risk. International guidelines such as the UN Global Compact and the UN Guiding Principles (UNGPs) therefore always form the basis of our engagements;
3. Public engagements together with policymakers, government, regulatory bodies, sector organizations and/or other stakeholders to implement and enhance sustainability practices.

In this report an overview of current engagements in the first half of 2023 is presented.

In this update

Climate Action

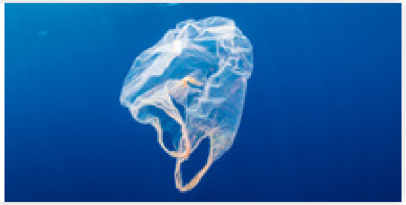


Ceres Valuing Finance Water Initiative

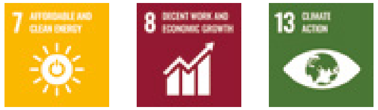
Biodiversity

Social impact

Plastic



Climate Action



Climate change is one of the systemic risks facing our global economy and financial system. It is therefore one the focus themes of the a.s.r. SRI policy. We aim to reduce the carbon emissions of our investment portfolio amongst others by engaging high emitting investee companies on improving their governance on climate change, reduce emissions and improve climate related disclosures. As we have committed ourselves to the Paris Agreement and thereby to becoming a net-zero emitter in 2050, we also ask companies we invest in to commit to net-zero carbon emissions.

Climate action should always go hand in hand with social inclusion. Jobs will disappear because of the low-carbon transition, and new jobs will arise because of new economic opportunities. In many cases this will impact workers who might need new, more specialized skills. Or communities because of relocation of production processes. A just transition seeks to ensure that the substantial benefits of a low-carbon transition are shared widely, while also supporting those who stand to lose economically – be they countries, regions, industries, communities, workers or consumers. In short: making sure no one is left behind.

a.s.r.'s exit and phase-out strategy for fossil fuel investments was announced in 2021. Our strategy has three distinct phases, the first of which was implemented in 2021, resulting in an immediate zero tolerance for companies deriving revenues from the mining and production of thermal coal, one of the dirtiest fossil fuels. We also set an exclusion threshold for companies with more than 5% of revenue from unconventional oil and gas.

Our Phase 2 started in 2022 and covers all conventional oil and gas companies in the portfolio. For these companies, we have started an intensive engagement process where we regularly assess and monitor the extent to which these companies are operating in line with the Paris Agreement goals. We do this using a combination of tools to assess companies' climate targets, carbon emissions and reductions, and their current climate strategy. Last year, a.s.r. joined the Dutch Climate Coalition, a group of Dutch asset managers with similar fossil fuel strategy objectives. a.s.r. attends and organises regular meetings with all oil and gas companies in the portfolio to monitor their climate actions and targets.

Dutch Climate Coalition Update

In the first half year of 2023 we participated in multiple engagement dialogues with oil and gas companies which are targeted by the Dutch Climate Coalition. The status of these engagements is described below.

Aker BP

Aker BP is a pure oil and gas company and therefore doesn't own petrol stations of refineries, which is the reason Aker believes they cannot be compared with integrated oil and gas companies. Currently they are focusing on the emissions which are relevant and influenceable for Aker, these are scope 1 and 2. We discussed the lack of scope 3 targets and the fact they make up around 97% of their total emissions. Whether they finally will develop scope 3 targets depends on the data of suppliers as their insight in emissions is limited.

Aker BP currently has the lowest emissions intensity of all big oil and gas companies. For that reason, they believe it's better to keep providing oil and gas from Aker – as the world keeps demanding significant amounts of oil and gas for at least this decade –than from companies with higher emission intensity figures. At a.s.r. this reasoning is not valid as long as the company cannot prove that it is operating in line with the Paris Agreement.

Cheniere Energy

Cheniere Energy is an American energy company primarily involved in liquefied natural gas (LNG) production, export and related activities. Their key business operations include liquefaction, LNG transport, regassification and LNG infrastructure. With Cheniere we have discussed the demand for LNG from Europe and their role in supplying this.

We also discussed their limited reduction targets and lack of scope 3 reduction targets. Cheniere is currently investigating their total scope 3 emissions, but setting targets is not their main priority. Additionally, we discussed to what extent their current LNG infrastructure would be feasible for applying it for different kinds of energy like liquified hydrogen which is a more sustainable alternative to LNG.

ENI

We discussed ENI's decarbonization targets and acknowledged that ENI, in contrast to other major parties, remains committed to their emission targets despite the increasing demand for oil and gas. We have discussed to what extent the company expects to increase their hydrocarbon production and when they expect to reach their plateau. Considering the activities of ENI we identified two additional risks: stranded assets and geopolitical risks (because of operations in unstable countries).

Another important topic in the engagement dialogue is related to Plenitude, ENI's wholly owned subsidiary which focuses on renewable energy production and a network of charging points for electric vehicles. In December 2022, Plenitude signed an agreement to acquire 100% of PLT, an integrated Italian group producing electricity from renewables. With this synergistic operation Plenitude will strengthen its presence in Italy and Spain and has 1.5 GW of renewable capacity in Italy and Spain.

Equinor

Equinor is a Norwegian energy company that primarily focuses on oil, natural gas, and renewable energy production. Equinor is involved in various energy-related activities, including offshore and onshore oil and gas exploration, production, and refining. They are a significant player in the offshore oil and gas industry and have operations in various locations worldwide. According to the IEA's Net Zero Emissions scenario, approximately 31% of the energy mix should come from renewable sources in 2030 and 70% by 2050 to be in line with the Paris Agreement. However, Equinor targets 12-16 GW of renewable energy generation capacity by 2030, which translates to 10% of their energy mix. Equinor states that there is significant competition in the market for renewables, also the supply is a bottleneck. Electricity prices are not high enough to generate returns to attract significantly more investors and the return on renewable projects is still not comparable to oil and gas projects.

We also discussed Equinor's involvement in unconventional oil and gas exploration and production. Currently they are active in the arctic (Wisting fields in the Barents Sea). The areas where they operate in the arctic are mostly ice free throughout the year, therefore they don't see significant risks in terms of operating conditions. At a.s.r. we do identify significant risks according to activities in the Arctic due to the risk of heavy pollution in case of accidents.

Galp Energia

We discussed that companies should aim to reduce their emissions as much as possible by 2050 and that neutralizing measures should play a limited role. SBTi requires long-term targets with emission reductions of at least 90% by 2050. Galp has strong renewable targets and we recommended the publication of a public expected energy mix disclosure for 2030.

We also discussed the results of the Transition Pathway Initiative (TPI). In this public assessment Galp has been assessed as not aligned in the medium term and below two degrees aligned in the long term. TPI assesses many peers as 1.5C aligned in the long-term and therefore we advised Galp to own the narrative by explaining Galp's view on how oil and gas companies can be Paris-aligned.

Repsol

With Repsol we discussed their energy mix in 2030 and we recommended them to make this part of their public disclosure, including the energy mix on a production basis The targeted carbon intensity of Repsol (based on the IPCC scenarios) were also part of the discussion. Lastly, In Repsol's carbon intensity calculations avoided emissions were included in the carbon intensity indicator, but this is not common among peers. SBTi also does not count avoided emissions toward science-based targets, therefore we recommended aligning their calculations with best practices.

Shareholder resolution TotalEnergies

a.s.r., together with and 17 investors with assets under management of around €1.1 trillion and green shareholder group Follow This, has filed a climate resolution for the AGM of TotalEnergies SE, which took place on May 26, 2023. The resolution asked the oil major to align its 2030 scope 3 emissions reduction targets with the Paris Climate Agreement.

Our consortium of co-filers consisted of institutional investors and asset managers from France, Belgium, The Netherlands, the UK, and the US. It includes, among others, Achmea IM, a.s.r. AM, Degroof Petercam AM, Edmond de Rothschild AM, La Banque Postale AM & Tocqueville Finance, La Financière de l'Echiquier, Mandarine Gestion, Man Group, Messieurs Hottinguer & Cie Gestion Privée, MN, Ofi Invest AM, PGGM Investments, Sanso IS, and Sycomore AM.

As group of institutional investors, we want to safeguard long-term returns for our beneficiaries. Oil majors like TotalEnergies have the scale, capital, and knowledge to help the world transition from fossil fuels to low-carbon energy sources. Unfortunately, we believe that TotalEnergies has not made sufficient progress in supporting this transition.

In the end, more than 30 per cent of investors supported the resolution filed by Follow This, calling for TotalEnergies to cut its emissions at a faster pace by 2030. Like many of its peers, TotalEnergies has been shifting more of its budget towards clean energy.

It will spend $5bn this year on renewable energy assets, up from more than $4bn, although most of its $16bn to $18bn investments are dedicated to other areas, including oil. Some investors have commended Total for making this shift but signaled that momentum should continue at a faster pace than the company has so far indicated.

Statement on Eacop

In the first half year of 2023 the Dutch Climate Coalition has published a statement which expresses the concerns of investors (MN, a.s.r., van Lanschot Kempen, NN Group and PGGM) regarding the EACOP (East African Crude Oil Pipeline) project. In 2006 oil was found in the Albert Lake in Uganda, after which the Uganda government approved the development of wo upstream project: Tilenga and the EACOP project. EACOP concerns a cross-border underground pipeline project in Uganda and Tanzania. Below we presented the complete statement:

Dutch Climate Coalition Statement on TotalEnergies Tilenga & EACOP Projects in Uganda and Tanzania

April 19, 2023, the Netherlands – Over the course of the last year, we, a group of Dutch institutional investors representing EUR 800 billion of assets and collaborating in the Dutch Climate Coalition (DCC) , have had constructive dialogues with TotalEnergies regarding Tilenga and the East African Crude Oil Pipeline Project (EACOP).

By way of background, in 2006, oil was discovered in the Lake Albert Basin in Uganda. The Ugandan government then agreed to develop the resources under two upstream projects, one of them being Tilenga, which is operated by TotalEnergies. To export the oil to international markets, the invested parties formed EACOP, a cross-border buried pipeline from Kabaale in Uganda to a port in Tanga, Tanzania.

During the exploration phase, many stakeholders raised concerns about the economic benefits and alleged human rights violations surrounding these two projects. They also shared their fears that the development and production phases will cause further harm if no immediate action is taken. As concerned responsible investors in the company we want to work to ensure these concerns do not materialize and have conducted a thorough review of third-party documentation, ultimately calling on TotalEnergies to explain their plans to mitigate the project's potential negative impacts.

The company has demonstrated a willingness to discuss project-related activities, answering many of our questions and providing reference materials. Our dialogues have centered on a range of topics pertaining to Tilenga & EACOP, including climate, human rights and remediation, and impact on biodiversity of the projects. While we appreciate the efforts made by the company to address our concerns, we nevertheless continue to question the long-term value created by these projects in light of potential negative impacts. DCC has now enlisted the support of subject-matter and local experts to provide their views of the current situation with the hope of supporting our best-informed investment decisions based on the company's management of concerns related to the Tilenga and EACOP projects

Together with these experts, we will review the project under three main topics:

1) Climate
DCC has unequivocally committed to the Paris Agreement and to limiting global warming to 1.5oc. Although we expect Paris alignment from all our investee companies, we believe the oil and gas sector has an elevated role in making a just energy transition possible. Furthermore, the International Energy Agency's (IEA) NZE scenario requires a significant reduction of the proportion of oil in the global energy mix by 2050. As a result, energy companies need to re-evaluate their capital allocation.
To that effect, we will review Tilenga & EACOP projects' impact on the company's decarbonisation strategy and Paris alignment. To safeguard the long-term value of the funds we manage on behalf of our clients, we will also look at the physical and transition climate risks.

2) Biodiversity
DCC members are committed to preserving biodiversity and we expect the same from our investee companies. Oil production from Tilenga in the Lake Albert basin and development of the 1,443 km EACOP pipeline are potential threats to biodiversity and the rare and endangered species in the Murchison Falls National Park and other affected regions in Uganda and Tanzania.
Therefore, we will examine the projects' impact on protected wildlife habitats and Total's claim to deliver a positive net impact on biodiversity in the context of the Tilenga project.

3) Socio-economic impact
As responsible investors, we adhere to the UN Declaration on Human Rights, the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights and expect our investee companies to do the same. Investors forming part of the DCC have maintained dialogue with TotalEnergies to voice this expectation and express our concerns. We have, in parallel, maintained dialogue with civil society organisations who have continued to voice issues surrounding the violation of human rights and the absence of well-communicated and adequately implemented grievance mechanisms by TotalEnergies.

Hence, we will evaluate the implementation of appropriate grievance mechanisms, including monitoring systems for continued evaluation of human rights risk exposures; adherence to Free, Prior & Informed Consent (FPIC) and the eight IFC performance standards; and consider the long-term socioeconomic value created by the projects on areas such as local capacity building, job creation and living wages.

Next Steps
We will start to review the three topics with industry experts in Q2 2023 and expect to publish a follow-up statement during Q3 2023. The follow-up statement will contain our conclusions and requests to TotalEnergies with regards to these two projects.

Following this phase, DCC members will discuss whether we see a realistic change potential and decide whether we will continue to engage with TotalEnergies on Tilenga & EACOP collaboratively or independently, or defer to our individual escalation strategies.

As investors, we acknowledge the material steps taken by TotalEnergies in implementing an energy transition strategy and want to ensure the Tilenga & EACOP projects do not affect the company's decarbonisation journey or long-term economic prospects. Like all other oil and gas companies, we are here to support and guide TotalEnergies as it makes its contribution to a global green and just future. It is an essential part of our stewardship duty and of grave importance to us and the clients we represent.

Linde**

Linde is an international company specialising in industrial gases and engineering services. Linde is a leading supplier of industrial gases such as oxygen, nitrogen, argon, carbon dioxide and helium, which are used in various industries such as metalworking, chemicals, food processing and healthcare. In Linde's sector, the growth potential for climate-related developments is assessed as significant. The demand for Carbon Capture Utilisation and Storage (CCUS) technologies is already huge and will only increase. Recently, Linde has also established a joint venture with Heidelberg Materials to launch the world's first industrial CCU facility in a cement plant. This facility will capture 70,000 tonnes of CO2 annually. Our engagement supplier EOS also recognizes the importance of this material issue and has discussed this on our behalf with Linde.

Mizuho Financial Group**

Mizuho Financial Group is a Japanese financial conglomerate and last voting season, the issue of climate change and the role of financial services companies also received a lot of attention at shareholder meetings in Japan. A coalition of climate groups is applying pressure or Japan's top three banks, including Mizuho. Last year, under increased pressure, the banks had already promised to stop financing new coal projects. Climate activists are critical of banks' transition plans for now, as they rely heavily on unproven technologies such as ammonia co-firing and carbon capture. Our engagement provider EOS also sat down with the company to review its transition plans. IT investments and the relationship between executive and independent directors were also discussed as issues important to good corporate governance.

Air Liquide SA**

Air Liquide SA is a multinational French company and one of the world's largest suppliers of industrial gases such as oxygen, nitrogen, hydrogen and many other gases used in various industries. The chemical industry has a relatively heavy climate impact, so it is a positive development to note that Air Liquide has included more extensive disclosures regarding 'Climate risk consideration'. Our engagement provider EOS has discussed with Air Liquide the underpinnings behind the motivation that climate risks do not pose a material risk to the financial statements. Assumptions cited relate to various scenarios with CO2 prices, off-take contracts and Carbon Capture and Storage (CCS) options. We continue to engage with the company on its climate risk assessments.

* Companies under engagement by Robeco on behalf of a.s.r.
** Companies under engagement by EOS Hermes on behalf of a.s.r.

Ford Motor**

Ford is one of the largest car manufacturers in the world and produces a wide range of vehicles, including passenger cars, commercial vehicles, trucks and SUVs. Recently, Ford has also been increasingly developing in the field of electric vehicles. For instance, the company has set ambitious EV targets, a run rate of 600,000 cars worldwide by the end of 2023, and two million EVs by 2026. Our engagement provider EOS has been talking to Ford about EV quality, over-the-air software updates, safety and the decarbonisation effects of EVs. We will continue to follow Ford's developments.

Rio Tinto, Enel and Berkshire Hathaway

Reaching net-zero carbon emissions by 2050 is vital to halt climate change and avoid irreversible consequences. Following an increased societal focus on mitigating climate change, the impact of transition is materializing. Consumer preferences are changing, regulation is tightening, technologies are advancing and stakeholders call on companies to take climate change action. Climate change poses systematic risks to the global economy and financial system and companies play a key role in mitigating these risks. At the same time, companies can reap the opportunities that arise from transition and mitigation. As investors, it is important to understand how key emitters are integrating climate change-related risks and opportunities in their commercial planning as well as to inform companies of our expectations for them. Berkshire Hathaway, Enel and Rio Tinto fall under this engagement program.

The following topics are essential in this specific engagement program:

1) Net-zero ambition: the commitment to be net-zero in 2050 should be made public, including scope 1, 2 and 3.
2) Net-zero targets: companies are expected to have quantitative GHG reduction targets for scope 1, 2 and 3. We also want companies to set targets on the short term (2025), medium term (2030) and long term (2050).
3) Decarbonization strategy: this plan should lay out a comprehensive strategy outlining how the company plans to achieve their GHG emissions reduction targets. Important components like the product mix, supply change management and research and development spending are required in this plan.
4) Capital alignment: capital expenditures should be aligned with their Paris Agreement aligned GHG emissions reduction target.
5) Climate change policy advocacy: companies should support relevant climate policy dealing. Therefore lobbying, advocacy and promotion activities should be disclosed with the company's intention.
6) Climate change governance: companies should set clear and sound governance structures around climate change, with a focus on board oversight.
7) Just transition: companies should establish and disclose a Just Transition Plan.
8) TCFD disclosures: companies should be consistent with the recommendations of the TCFD and implement them in their public reporting.

* Companies under engagement by Robeco on behalf of a.s.r.
** Companies under engagement by EOS Hermes on behalf of a.s.r.

For a company, achieving net zero carbon emissions means that they have reduced their emissions as much as possible within their operations and value chain, and have offset any remaining emissions to achieve a net zero balance.
To achieve this goal, companies may implement various strategies, such as improving energy efficiency, increasing the use of renewable energy sources, investing in low-carbon technologies, and reducing the carbon footprint of their supply chains.
Companies that commit to achieving net zero emissions are sending a signal to their stakeholders, customers, and investors that they are taking their environmental responsibilities seriously and are committed to reducing their impact on the planet. It can also help companies stay ahead of regulatory requirements and position themselves as leaders in a low-carbon economy.

However, it's important to note that achieving net zero emissions can be challenging and requires significant investments and changes in business operations. Companies need to consider both the short and long-term costs and benefits of transitioning to a low-carbon business model.
Summaries of the engagement procedures during first half year:

Enel*
Earlier this year, media reported the new Italian's government's plans to remove the CEO of Enel to replace him with someone who is more aligned with the climate views of the Italian current government. The Italian government is – due to its significant share in the company (23%) – entitled to appoint the CEO, Chairman and majority of the board of directors.

A group of institutional investors, including Robeco, has sent a letter to the Italian Ministry of Economy to express their concerns regarding the board renewal of Enel and the environmental impact and impact this may have on the continuity of the company's strategy.

Rio Tinto*
Our engagement provider Robeco had an engagement dialogue with Rio Tinto and collaborative investors of the Climate Action 100+. Rio Tinto has decarbonization targets on both the longer term as well as the shorter term. The targets regarding the short-term goals have not been met, but the company stays confident about their commitment and integrity around their greenhouse gas reduction targets.

Another topic which has been discussed is the recommendations for nature-based solutions (TNFD). With their mining operations, Rio Tinto owns significant parts of land and therefore opportunities exist to invest in sequestering emissions and promoting biodiversity. The company wants to publish a report in line with the recommendations of the TNFD.

Lastly, there has been discussion about the company's scope 3 emissions. Rio Tinto recently set a target to engage with 70% of their customers in the iron ore value chain to reduce their emissions. While undertaking these actions, which focusses on Rio's scope 3 emissions, they remain hesitant to formulate and commit to a concrete scope 3 target.

* Companies under engagement by Robeco on behalf of a.s.r.
** Companies under engagement by EOS Hermes on behalf of a.s.r.

Berkshire Hathaway*

Robeco, who engaged with Berkshire Hathaway on our behalf, has decided to close the engagement due to too little progress. Robeco uses a climate performance tool, where Berkshire Hathaway continues to score poorly. The assessment looks at the level of ambition of the company's targets as well as the supporting actions taken to qualify the company's decarbonization strategy.

Currently the company has not set any greenhouse gas targets at the organizational level, despite the fact that some of the highest emitting subsidiaries did set own targets. In addition to this there is very little disclosure on how the company manages climate-related risks and opportunities.

As part of an escalation of the engagement, Berkshire Hathaway will be placed in the enhanced engagement program, under the Acceleration to Paris theme.

* Companies under engagement by Robeco on behalf of a.s.r.
** Companies under engagement by EOS Hermes on behalf of a.s.r.

Biodiversity

Biodiversity loss is besides climate change one of the big challenges and systemic risks of our time. Land use change, deforestation and climate warming are all major drivers of biodiversity loss. a.s.r. has signed the Finance for Biodiversity Pledge, committing to measure the biodiversity impact of our investment portfolio and to set targets to minimize negative impact and maximize positive impact. We have entered several engagement initiatives with the aim of addressing biodiversity loss.

Bunge*

Bunge is an American agribusiness and food company and currently world's largest processor of oilseeds, such as soybeans. Engagement with Bunge therefore focuses on topics like Zero Deforestation, Biodiversity Impact Assessment, Biodiversity Restoration and Sustainability Reporting. We participated in a call with Bunge – in collaboration with other asset managers (Finance Sector Deforestation Action) - and spoke with the Chief Sustainability Officer about Bunge's goal to eliminate commodity-driven deforestation.

* Companies under engagement by Robeco on behalf of a.s.r.
** Companies under engagement by Hermes on behalf of a.s.r.

Bunge is signatory of the COP27 Agriculture Sector Roadmap laying out specific sector roadmaps to end deforestation by 2025. There has been criticism on the collaboration because of omitting conversion of non-forest ecosystems such as wetlands and savannahs. Bunge is one of the companies not having a conversion of native vegetation target. We expressed our discomfort on the lack of disclosure. We also discussed our concerns around the company's deforestation cut-off date (2025) because of the new adopted EU regulation on deforestation-free supply chains, which has 2020 as cut-off date. Currently Bunge is ahead of its peers, but there are still some important aspects in which we expect to see improvements.

Mondelez*

Mondelez has grown its share of cocoa sourced through third-party verification by the Cocoa Life program from 63% in 2020 to 80% in 2023. Although we support such verification programs, the current Cocoa Life's program of legal conversion is non-compliant with the current EU Deforestation Regulation. Mondelez is currently reviewing its supplier contracts to align with the EUDR.

The Carbon Disclosure Project forest questionnaire is a new questionnaire focusing on transparency and disclosures of forest-risk commodities. Mondelez has filled in the CPD forest questionnaire for the first time in 2021, scoring B on both its cocoa and palm oil disclosures. The questionnaire specifies the company has no deforestation efforts and provides insights into Mondelez' ongoing agroforestry projects. Some positive progress has been identified regarding increased biodiversity disclosures.

TNFD Framework published

In September 2023, the Task Force on Nature-related Financial Disclosures (TNFD) published its final Recommendations for nature-related risk management and disclosure. The TNFD is an international initiative aimed at promoting and standardizing the disclosure of financial information related to nature-related risks and opportunities. Similar to its climate-focused counterpart, the Task Force on Climate-related Financial Disclosures (TCFD), TNFD encourages businesses and financial institutions to assess and disclose their dependencies and impacts on nature. By providing clear guidelines and recommendations, TNFD helps organizations integrate nature-related considerations into their decision-making processes and financial disclosures. This initiative seeks to enhance transparency, enable informed investment decisions, and drive the transition towards a more sustainable and nature-positive global economy.

After two years of design and development through an open innovation process, TNFD published its final Recommendations for nature-related risk management and disclosure in September. It consists of conceptual foundations for nature-related disclosures, a set of general requirements, a set of recommended disclosures structured around the four recommendation pillars of governance, strategy, risk and impact management, and metrics and targets. The Recommendations aim to inform better decision making by companies and capital providers, and ultimately contribute to a shift in global financial flows toward nature-positive outcomes and the goals of the Kunming-Montreal Global Biodiversity Framework.

* Companies under engagement by Robeco on behalf of a.s.r.
** Companies under engagement by EOS Hermes on behalf of a.s.r.

a.s.r. welcomes the publication of the TNFD Framework as it fits our ambitions with regards to biodiversity and transparency. a.s.r. is a signatory to the Finance for Biodiversity Pledge, a commitment to protect and restore biodiversity in the investment portfolio. To understand the impact of our investment portfolio on biodiversity, we participated in sector initiatives such as the Partnership for Biodiversity Accounting Financials (PBAF) and the biodiversity working group of the Dutch Central Bank's Platform for Sustainable Financing. a.s.r. also had the MSCI World – an important investment index - tested using the Biodiversity Footprint for Financial Institutions (BFFI) methodology.

In 2023, we gained a better understanding of different methodologies for measuring biodiversity impacts and created a tool. This tool enabled us to perform a first assessment of the impact and dependencies in our portfolios. We will publish the results in our combined climate and biodiversity report over 2023, using the TCFD and, for the first time, the TNFD Framework. The further development of the TNFD Framework will also be an important discussion point in our biodiversity engagement programs, where we can both focus on implementing the framework as discuss and aim to improve the outcomes of the framework.

a.s.r. amongst founding members of Nature Action 100

In September, Nature Action 100 published the list of companies it will start engaging with on the importance of nature and ecosystems restoration and preservation. Nature Action 100 is a global coalition of institutional investors dedicated to engaging with companies whose operations bear significant ecological consequences . This initiative focuses on tangible environmental issues, exemplified by challenges like deforestation. It assembles the collective influence of its members, who serve as responsible stewards of their investments, to foster positive change. Nature Action 100 orchestrates dialogue and engagement with targeted companies, inspiring them to undertake substantial measures. For instance, it prompts firms in the agricultural sector to implement sustainable land-use practices, thereby curbing deforestation risks. By leveraging this coordinated effort, Nature Action 100 endeavors to mitigate financial risks tied to unsustainable environmental practices and instill a culture of long-term sustainability in the corporate landscape.

In September, Nature Action 100 unveiled a list of 100 companies in key sectors in which the institutional investor participants will engage. The investors participating in Nature Action 100 have kicked off the initiative's engagement phase by sending letters to the 100 companies, calling for urgent and necessary actions to protect and restore nature and ecosystems and thereby mitigate financial risk. In June, Nature Action 100 published a set of expectations for companies regarding their ambitions for the protection of nature. The expectations outline six actions that investors will call on companies to take related to the areas of: Ambition, Assessment, Targets, Implementation, Governance, Engagement.

* Companies under engagement by Robeco on behalf of a.s.r.
** Companies under engagement by EOS Hermes on behalf of a.s.r.

a.s.r. was amongst the founding members of Nature Action 100. The approach fits the active approach to biodiversity that a.s.r. takes with regards to biodiversity. Within our investment portfolio, we favour companies that outperform sector peers on the biodiversity theme. Companies involved in major environmental disasters involving loss of biodiversity may be excluded. When we see risks in the areas of deforestation, agriculture and pollution, we engage with companies. And through impact investments, we try to make a positive contribution. For example, we invest in innovative techniques to counteract the use of pesticides in agriculture, we invest in biological agriculture and protection against soil erosion, but also in companies that develop plant-based meat substitutes and cultured meat and thus counteract deforestation caused by soy production.

AholdDelhaize**

AholdDelhaize recently announced for its products and all of its underlying brands to operate completely deforestation-free by 2025 at the latest. To date, AholdDelhaize's results are in line with this objective. AholdDelhaize has drawn up specific policies regarding the 'High Conservation Value' approach and 'No Deforestation, No Peat, and No Exploitation' principles for soy, palm oil and wood. There is currently no commitment for beef. This has been discussed with our engagement provider EOS. A new report will be published in March which will provide insight into the progress of the share of certified deforestation-free raw materials.

Adidas**

Adidas is a German multinational mainly known for producing shoes and clothing. Recently, Adidas announced ambitious sustainability goals with its new strategy 'Own the Game'. For example, 90% of its products must be sustainable by 2025. Adidas is also investigating which standard materials could possibly be replaced by recycled and natural materials. Through our engagement provider EOS, we continue to discuss these topics with the company. We recently communicated our expectations regarding biodiversity, deforestation, climate targets and the use of hazardous chemicals. Follow-up discussions will take place with EOS during this year.

* Companies under engagement by Robeco on behalf of a.s.r.
** Companies under engagement by EOS Hermes on behalf of a.s.r.

Plastic

Plastic pollution has become a crucial consideration for investors due to its far-reaching implications across environmental, social, and economic dimensions. From an environmental standpoint, the proliferation of plastic waste poses a threat to ecosystems, marine life, and overall biodiversity. Investors recognize that companies with unsustainable plastic practices may face increased scrutiny and potential regulatory actions, impacting their long-term operational and financial performance. Consequently, investors are incorporating plastic pollution into their assessments of environmental, social, and governance (ESG) criteria to gauge a company's sustainability and resilience in the face of evolving global environmental concerns.

On the social front, growing public awareness and concern about plastic pollution have heightened the reputational risks associated with unsustainable practices. Investors are attuned to the potential negative impact on brand value and customer loyalty for companies that are perceived as contributors to environmental degradation. As consumers increasingly favor environmentally conscious products and services, investors are considering the social license to operate as a critical factor in evaluating a company's long-term growth potential.

From an economic perspective, the rise of regulations aimed at curbing plastic usage and promoting recycling initiatives introduces financial risks and opportunities for investors. Companies that proactively adopt sustainable practices may be better positioned to navigate regulatory changes, capitalize on emerging markets for eco-friendly alternatives, and mitigate potential legal liabilities. Conversely, those lagging in sustainability efforts may face financial repercussions, ranging from compliance costs to market access restrictions.

a.s.r. has therefore decided to focus more on the issue of plastics, and a first concrete step has been the signing of the VBDO Plastics Declaration. In the coming period, we will consider whether and how to develop a commitment procedure on plastics.

VBDO Statement:
Investors with US$10 trillion call on corporates to drastically ramp up action on plastics

- 185 investors with US$10 trillion in combined assets under management, have signed a statement demanding companies adopt a more radical approach to reduce their reliance on plastics.
- They are calling for intensive users of plastic packaging – such as FMCGs and grocery retailers – to act more swiftly to address the plastics crisis.
- Companies should drastically reduce their consumption of single-use plastic packaging whilst implementing re-use systems for packaging, phase out hazardous chemicals in plastics and advocate for – not against – policies supporting these actions.

185 investors with US$10 trillion in combined assets and coordinated by the Dutch Association of Investors for Sustainable Development (VBDO), are joining forces to call for more action to address the plastics crisis.

In a joint statement, they warn that the whole plastics lifecycle poses a serious and growing threat to the environment, climate, biodiversity, human rights and public health. The estimated costs to society from plastic pollution – including environmental clean-up, ecosystem degradation, shorter life expectancy and medical treatment – exceed US$ 100 billion per year.

The signatories argue that failing to address these impacts exposes companies to financial risks that threaten value creation and investment returns, given the wave of action to tighten legislation around the world, the increasing number of lawsuits against companies, and potential threat to brand value.

AXA IM: “With increasing concerns and rising awareness on biodiversity loss and nature degradation, the food industry must transition to more sustainable production and consumption. An important element of this transition is reducing the industry’s reliance on plastics. As intensive users of plastic packaging, food retail and consumer goods companies have a key role to play to make a scalable change and increase financial resilience of their business models by tackling the plastics crisis.”

The investors are asking companies to significantly step up their efforts to deal with the plastics crisis. According to the Ellen MacArthur Foundation – an organisation that convenes major corporate plastic producers and users around common targets – companies will ‘almost certainly’ miss existing targets, increasing – rather than decreasing – their use of single-use plastic packaging overall and failing to demonstrate credible and ambitious plans for reuse.

VBDO executive director Angélique Laskewitz said: “It’s worrying to see most companies in the FMCG and grocery retail sectors are taking limited action to mitigate the financial risks posed by plastics. Today investors are sending a clear signal to these companies they will face ever-increasing pressure if they don’t act soon to substantially reduce their plastic foot-print.”

There are between 75 and 199 million tonnes of plastics in the ocean but the problem goes far beyond impacts to the marine environment. Cradle-to-grave greenhouse gas emissions from single-use plastics in 2021 were equivalent to the total annual emissions of the United Kingdom. The plastics lifecycle is also inextricably linked to growing concern about exposure to toxic chemicals. Over 3,000 potentially harmful chemicals have been identified in food packaging.

The signatories are urging companies to adopt a more radical approach. To deal with the scale of the plastics crisis, they want companies to significantly reduce material consumption, eliminate single-use packaging and upscale reusable packaging systems. Companies need to show an action plan with clearly defined timescales and make progress reporting subject to external verification.

Additionally, they are calling for companies to publicly support – rather than lobby against – ambitious policy on plastic reduction including the Global Plastics Treaty and the EU’s Packaging and Packaging Waste Regulation (PPWR), which is currently being overhauled. A recent analysis showed that lobbying efforts by industry associations on the PPWR already managed to considerably weaken some of the measures.

Arthur van Mansvelt, Senior Engagement Specialist at Achmea Investment Management, said: “Most companies are not acting fast enough in the face of the unfolding plastics crisis. The Global Plastics Treaty offers a unique and historic opportunity to tackle the problem at the source – we need companies supporting its ambition on prevention and reuse, not lobby against it. It’s their chance to be part of the solution.”

Finally, investors expect companies to commit to identifying and eliminating the use of hazardous substances contained in plastics, given the significant risks these pose to human health and related risks to financial value.

Ceres Valuing Finance Water Initiative

We are facing an existential and multi-faceted threat to our freshwater resources, even in the Netherlands we are confronted with shortages of drinking water. In addition to the danger this poses to human and ecosystem health, the global water crisis is also a systemic, far-reaching, financial risk to nearly all economies. The water crisis is exacerbated by climate change, making it even more urgent to drive capital market actors – including large institutional investors and major corporations – to address water issues.

In June 2022 a.s.r. signed the Valuing Water Finance Initiative, which is a new global investor-led effort to engage corporate water users and polluters to value and act on water as a financial risk and drive the necessary large-scale change to better protect water systems. The initiative calls on companies to better protect water systems and to meet a set of soon-to-be released Corporate Expectations for Valuing Water that align with the United Nation's 2030 Sustainable Development Goal for Water (SDG 6) and the actions laid out in the Ceres Roadmap 2030.

The Valuing Water Finance Initiative will drive large-scale change in corporate water practices via key partnerships, first-of-its-kind research, and institutional investor engagement. Using new research and analysis as a foundation, Ceres co-developed— with members of the Valuing Water Finance Task Force, and other investor and NGO partners — a set of clear action steps that companies should take to improve water stewardship. In 2022, the Valuing Water Finance Initiative launched an investor-led campaign shaped by these action steps to move companies on their water use via investor engagement. a.s.r. is taking the lead on the engagement of two companies out of a targeting group of 100 companies.

Constellation Brands

During the first half year of 2023, we met with Constellation Brands through the Ceres Valuing Water Finance Initiative. Constellation is an international producer of beer, wine and spirits in the premium segment. The use and management of water are important issues for such a company, especially in times of climate change and increasing water scarcity. The company also operates and generates its revenues in areas facing higher levels of water scarcity (e.g. California and Mexico), these were therefore also important topics in our conversation. The company has now implemented water efficiency targets and conducts operational risk assessments on water quality. We continue to engage with Constellation Brands with a coalition of investors to monitor progress on water stress.

Social impact

Social impact – which includes amongst others respect for human rights, is one of the main pillars of our Socially Responsible Investment Policy. All companies in which a.s.r. invests are screened against international conventions in the field of human rights that are aimed at, among other things, the equal treatment of men and women, trade union freedom and the exclusion of child labour. This applies to both the company itself and the chain in which it operates. We strive for a constructive dialogue with the companies in which we invest, including on social impact and human rights. If we discover controversial activities and the dialogue with the company concerned does not lead to a positive change, this company is excluded from our investment portfolio(s).

HEAL – Health Engagement Initiative

Health is a cornerstone of a good quality of life, a good functioning society and a healthy economy. A healthy diet is essential for overall good health. Unhealthy diets are, however, a growing challenge worldwide. Generally, dietary habits are changing, and people are consuming too much sugar, salt and fat. Over half of the world population is expected to be overweight or even obese by 2035. It is estimated that unhealthy eating habits are responsible for 11 million deaths globally per year. Unhealthy diets therefore come with an incredible cost for society.

In an era characterized by an increasing awareness on health and wellness, the incorporation of more nutritious (and thus, healthier) options in fast-food restaurants is not only a strategic business move but also a crucial step towards meeting evolving consumer preferences, minimizing environmental damage and improve the general health of the population.

Fast-food establishments that proactively introduce and promote nutritious menu options position themselves as responsible contributors to public health. Embracing this idealistic perspective, these restaurants not only cater to the changing needs of their customers but also play a pivotal role in fostering a culture of wellness. By offering diverse and wholesome choices, fast-food outlets can contribute positively to community health, establishing a reputation as socially responsible entities that prioritize the well-being of their consumers.

Moreover, the integration of healthier options aligns with the global trend towards sustainable business practices. By sourcing and promoting ingredients that prioritize health and sustainability, fast-food restaurants can enhance their brand image and appeal to an increasingly environmentally conscious consumer base. The idealistic vision lies in creating a harmonious synergy between business success and societal well-being, where fast-food establishments serve as agents of positive change, offering not only convenience but also choices that nourish both individuals and the planet. This approach not only reflects a commitment to corporate responsibility but also positions such enterprises as leaders in the evolving landscape of conscious consumerism, contributing to a healthier and more sustainable future for the industry.

Heathy diets on the other hand, can contribute to positive societal impacts as well as reduce negative externalities with poor diets contributing to the growing costs of public health services . As responsible investors, we also believe that food companies who provide healthier options and make consumer health a priority will be able to better mitigate legal, reputational and financial risks as well as benefit from the growing demand for products and services which support consumers' well-being.

During the first half of 2023, we explored the possibility of creating a working group with other investors to start engagement processes on the topic of nutrition. The target companies will be selected based on the sector, i.e. fast food or out-of-home, and the engagement objectives would focus on the following areas:
- Governance:
- Product portfolio:
- Marketing:
- Advocacy:

In the next year we will start to identify target companies, draft engagement letters and approach selected companies.

Rio Tinto**

Juukan Gorge is a cave which is mainly known as the only inland location in Australia with evidence of continuous habitation for more than 46,000 years. In 2020, this cave was blown up by Rio Tinto in its search for iron ore - despite warnings from locals. There was much outrage worldwide around this incident, and a parliamentary enquiry was also launched from which the

* Companies under engagement by Robeco on behalf of a.s.r.
** Companies under engagement by EOS Hermes on behalf of a.s.r.

conclusion was drawn that Australia's heritage should be better protected (the Native Title Act). The incident underlines Rio Tinto's relatively poor relationship with external communities. Currently, restoration work at Juukan Gorge has begun and Rio Tinto has acknowledged responsibility. A recovery agreement has also been drawn up and a foundation has been set up to promote the cultural, social, educational and economic aspirations of local people. Our engagement provider EOS has been discussing the issue with Rio Tinto to ensure this kind of incident does not happen in the future.

Platform Living Wage Financials

As recognized by, amongst others, the ILO and OECD, living wage is a fundamental human right. Under the Platform Living Wage Financials (PLWF) a.s.r., together with other financials assesses and engages investee companies on the topic of living wage and living income. The methodology for assessment (developed by Mazars) focusses on policies and mitigation measures in place to identify and act on living wage gaps in the supply and production chain.

What is a living wage and living income? It is a wage that allows workers to afford a decent standard of living for him- or herself and his or her family. It is not the same as a statutory minimum wage. The concept knows many definitions (such as the widely accepted one by the Global Wage Coalition) but all agree that a living wage should be enough to provide for food, water, housing, education health care, transportation, clothing and other essential needs, including provision for unexpected events. A living wage is locally specific as it depends on the costs of living in a particular place and should be earned in a regular work week.

The concept of living wage applies to hired workers (for example in the garment industry) and the concept of living income applies to self-employed workers (for example smallholder farmers).

A full overview of companies under engagement by PLWF is given below:

Platform Living Wages Financials			
Garment and Footwear			
Adidas	The GAP	Gildan	ABF/Primark
M&S	Esprit	Asos	Anta
H&M	Puma	Asics	PVH
Nike	Lojas Renner	Abercombie & Fitch	VF Corp
Inditex	Zalando	Burberry	Hanesbrands
LVMH	Home Depot	TJX Companies	Boohoo
Hugo Boss	Ralph Lauren	Moncler	American Eagle
Coats Group	Kering	Fast Retailing	Next Retail
Kontoor			
Retail			
Ahold Delhaize	Casino Guichard-Perrachon	Dollar General	Carrefour
Tesco	Walmart		
Food & Agri			
Barry Callebaut	Nestle	Mondelez	The Coca Cola Company
Unilever	Olam	The Hershey Company	Starbucks
J.M Schmucker Co	Lindt & Spruengli	Kraft Heinz	Orkla
Bonsucro			

SDG Engagement

In 2015 the United Nations adopted 17 Sustainable Development Goals, which should be the layout to achieve a better and more sustainable world for all by 2030. a.s.r. has identified six Sustainable Development Goals (SDGs) in connection to its integrated business strategy, to which it has most to contribute as a sustainable insurer, investor, employer and socially engaged business partner. Our activities are not only focused on the 6 different SDG's below.

Financial self reliance and inclusiveness

Economic growth must be inclusive to provide sustainable jobs and promote equality

Promote inclusive and sustainable economic growth, employment and decent work for all

Vitality and (sustainable) employment

Ensure healthy lives and promote wellbeing at all ages

Promote inclusive and sustainable economic growth, employment and decent work for all

Climate change and energy transitions

Ensure access to affordable, reliable, sustainable and modern energy

Take urgent action to combat climate change and its impacts

We believe it is important that companies improve their measurement procedures regarding their SDG contribution. Therefore, we are discussing their SDG contribution, which needs to be improved in the following three to five years. This engagement program focuses on encouraging companies to align their business strategy with the SDGs. Different milestones are drafted to monitor the progress of the companies Alphabet, Apple, Amazon, Rio Tinto and Facebook*.

1. Impact Plan: Companies are encouraged to define their priorities based on an assessment of their positive and negative, current and potential impact on the SDGs across their value chains.
2. SDG Mapping: Companies need to report relevant impact indicator metrics on the SDGs that can be assessed and quantified, whilst mapping their offerings to the goals they support.
3. Target Setting: Concrete time-bound milestones should be defined to ensure that their products and services make a clear contribution to relevant SDGs.
4. Stakeholder Management: Companies should establish a formal procedure to convene with these stakeholders and incorporate insights from these interactions in their decision-making process.

Alphabet*

With Alphabet discussions have focused mainly on an independent Human Rights Impact Assessment (HRIA) to assess the company's approach to misinformation and disinformation. Some follow-up questions have been submitted, mostly referring to the type of Human Rights assessment, the scope, time and expected disclosures. In addition to this, Robeco reached out via a new investor collaboration to address operational and human rights risks pertaining to their products and business model.

Amazon*

Our engagement supplier Robeco discussed the implementation of Amazon's policy on freedom of association and collective bargaining. During the discussions Robeco encouraged the company to show awareness that their current stance on collective bargaining is more critically assessed in other markets where Amazon is active.

Apple*

A collaborative investor group signed an engagement letter to Apple asking the company to set up a call to discuss Apple's effort to protect children. The investor group focuses on the development of a robust and systematic human rights due diligence approach and improved reporting on human rights. The group also reiterated earlier requests for a Child Rights Impact Assessment (CRIA) which will assist the company in identifying and mitigating the risks that Apple's product and services may pose to minors.

Meta Platforms (Facebook)*

During the first half year of 2023 engagement had taken place to discuss human right risks and reporting about these activities. It's essential to have insight into the way Meta is building human right considerations into their business model and how the compan is addressing concerns about product impacts on mental health of users, particularly children and teenagers.
Our engagement provider Robeco had a call with the Oversight Board of Meta. Since the US elections of 2016 there have been concerns regarding

* Companies under engagement by Robeco on behalf of a.s.r.
** Companies under engagement by EOS Hermes on behalf of a.s.r.

Meta's content moderation strategy, therefore the Oversight Board can play a vital role in resolving these issues. The Board elaborated on their recommendations – which are binding -, relating to improvements in the accessibility of community standards, the development of new crisis protocols and the addition of a satire exception.

Overview of previously closed engagements

Closed engagements		
Novartis*	Corruption	Successfully closed H1 2020
Enel*	Environment	Successfully closed H1 2021
BASF*	Environment	Successfully closed H1 2021
PepsiCo*	Health	Successfully closed H1 2021
Vodafone	Cybersecurity	Successfully closed H2 2021
PepsiCo*	Use of Plastic	Successfully closed H1 2022

* Companies under engagement by Robeco on behalf of a.s.r.

More information?

Contact us at:

raquel.criado.larrea@asr.nl

marjolein.meulensteen@asr.nl

mies.ligtenberg@asr.nl

jos.gijsbers@asr.nl

a.s.r. asset management

Archimedeslaan 10

3584 BA Utrecht

www.asrvermogensbeheer.nl

ASR Vermogensbeheer N.V., K.v.K. Utrecht 30227237

39869_0124