



# Quarterly ESG Update - Q2 2020

a.s.r. asset management

# Recovery

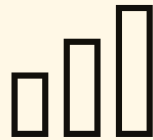
Governments and central banks supplied in 2020 Q2 unprecedented recovery programs to mitigate the impact of the Covid-19 pandemic and support the economy. And although Europe is more or less in control at the moment, the global rate of infections is still increasing, with the US, Brazil and India in the lead. The lockdowns caused a considerable decline in travelling, transportation and economic activity, which also resulted in a significant reduction of air and marine pollution. According to a statement on the 50th anniversary of World Earth Day on April 22, our planet is at its best condition in half a century. But Earth Overshoot Day shows us a different picture, shifting from late December back in 1970 to July 29th in 2019, the earliest ever, and in 2020 expected to land on August 22nd. We will need long term action plans for socioeconomic recovery from the pandemic and at the same time limit global warming and preserve biodiversity. Therefore we already had a long term approach in the a.s.r. sustainable investment policy, which is now expanded by setting ambitious environmental targets for 2030.

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



# In this update

## Climate

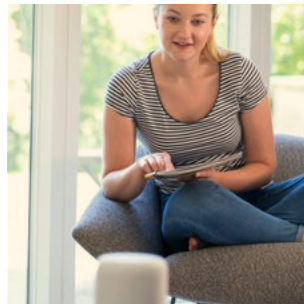


New carbon  
reduction  
targets



Portfolio  
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## Active ownership



Human Rights  
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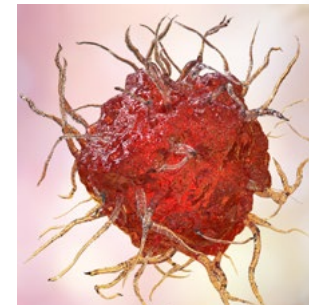


The value of  
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## Other news



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# Climate and Energy Transition

## Not all targets are created equal

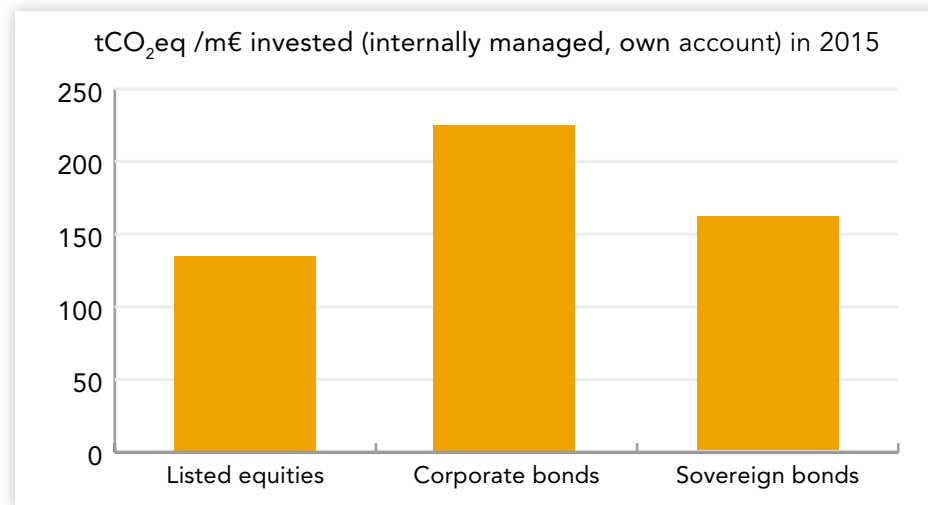
Emissions targets, alignment targets, reduction targets, Science-Based targets, absolute or intensity targets, focusing on absolute emissions, or also on avoided and/or sequestered, the sheer amount of options to set quantitative targets in line with reaching our ambitions under the Paris Agreement, can be bewildering. We know the end point, net zero emissions in 2050, but how to get there within the next 30 years is a source of great debate and (methodological) uncertainty – both within the real economy and in the financial sector meant to support (and at times push forward) that transition.

At a.s.r. we have always supported, and will continue to support, ambitious sector-wide initiatives that make apples-to-apples comparisons possible. Look at our involvement in PCAF or our support for SBTi. But this being the decade of climate action, where rapid decarbonization is needed if we are to stay within a 1.5-degree trajectory, we cannot waste much time. We have therefore set ourselves a 50 percent carbon reduction target by 2030, using a 2015 baseline, applying to all our internally managed portfolios (for our own account) in listed equities, corporate bonds and government bonds<sup>1</sup>.

We feel this target signals our ambition, while also leaving room for improvement in the first part of this decade. We all know robust and reliable carbon data is required to set meaningful reduction targets, and as such we welcome the EU Green Deal and its associated Sustainable Finance Action Plan and hope that its implementation will lead to better and more comparable reporting on all carbon emissions, both within Europe but also outside the continent.

<sup>1</sup> We have chosen 2015 as this was the year of the landmark Paris Agreement, as well as the first year where (in our analysis) enough reliable corporate Scope 1 and 2 carbon data was available to give meaningful insights into the footprint of our portfolio (calculated as the carbon intensity per million Euro invested, using PCAF guidance on methodology).

As a final note. A reduction target such as this must be seen within its appropriate context. We have chosen 2015 as our baseline, but a.s.r. was an early supporter of responsible investing (our first SRI policy was adopted in 2007) and as such we start at a comparatively low base. The table below shows our calculated footprints in 2015, per asset class.

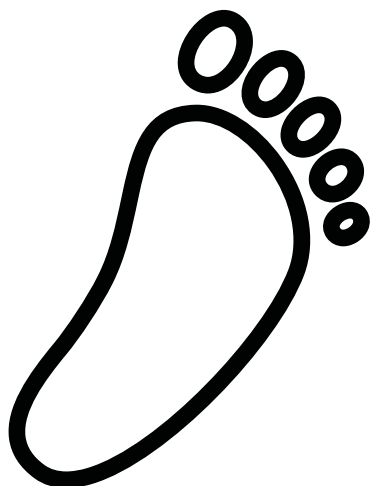


But already in July 2016 we tightened our exclusion criteria on high emitting sectors such as coal and lignite, with additional climate-related restrictions (as well as engagement and investment objectives) put in place in 2017 and 2019.

Our footprint has continuously gone down over the past five years, in step with our policy adjustments and investment practices, meaning additional reductions over the benchmark will become more difficult to achieve. Regardless, we feel it is our responsibility to continue to push forward, both as a prudent long-term investor and as a signatory to the Paris Pledge and the Dutch Climate Agreement.

## CO2-footprint of our investments

At the end of the second quarter of 2020 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 again were able to increase the scope of the carbon footprint calculation. In the third quarter of 2020 we will continue to integrate the carbon calculations into our systems.



## a.s.r. ESG fund range

For our ESG fund range including euro sovereign bonds, euro credits and European equities, we have additional guidelines on ESG indicators on top of the strict overall a.s.r. ESG policy. These guidelines resulted in ESG funds with a lower absolute carbon footprint compared to their respective benchmarks for credits and equities. Here we see that relatively small investments or divestments in high emitters can have a large impact on the footprint of the fund. The emissions of the ESG Sovereign fund has decreased in the last 6 months due to increased investments in lower carbon countries such as France and Italy.

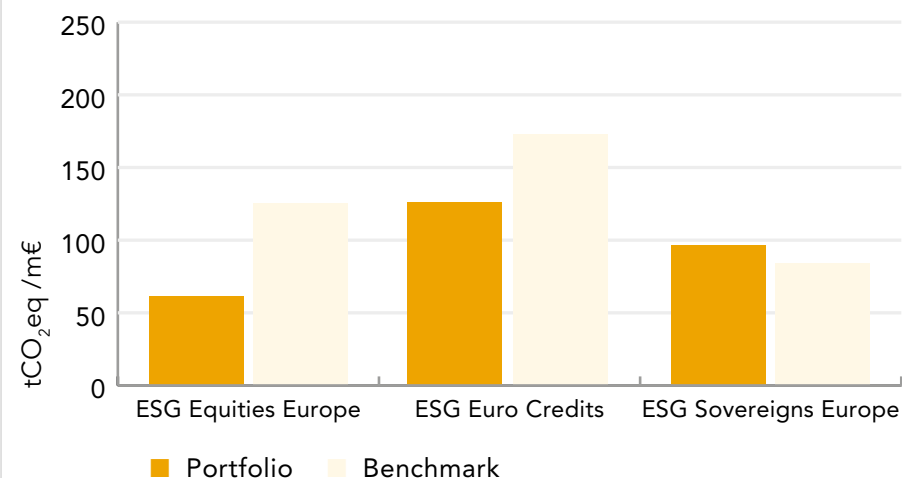


Figure 2: Carbon emissions for ESG credit, ESG equity and ESG sovereign fund end of June 2020. The carbon footprint is calculated on a "best effort" basis with the available and most recent data from reliable sources, including Vigeo Eiris. The results may show a changing course because the portfolio data, carbon data and market data are subject to change. The methodology for calculating the carbon footprint is in line with the PCAF methodology.



# Active Ownership

## Human Rights and the tech sector

The possibilities of new tech developments are endless; we are more connected and informed than ever. This makes technology a powerful tool, also for the advancement of human rights. Developments such as Artificial Intelligence (AI) will create even more opportunities and increase efficiency in unprecedented ways. At the same time, these developments may have serious implications for human rights violations. One of them being violations of the right to privacy due to large-scale collection of data. The exact impact of this, and other similar risks, are still unknown.

Tech companies are among the largest in the world and part of many investment portfolios. We believe that sound social management is an important aspect of building long-term stakeholder value. Over the last years we have engaged tech companies such as Facebook on these risks, asking the question whether they and their peers have effective risk management processes in place? We also have recently started an engagement with Apple and Alphabet (Google) on the challenges related to AI and its societal impact. In the coming year we will report on progress through our bi-annual engagement report.

Also during the recent 'AGM season' we saw many shareholder proposals related to human rights risks being filed. For example, we have voted in favor of requests for Human Rights Risks assessment at Amazon and Facebook, to make sure the companies know and report material human rights risks. When relevant, we also voted in favor of request to include material sustainability indicators into senior management remuneration, as was the case with Apple.



## Opportunities and risks related to biodiversity

There is growing awareness that rapid action must be taken to limit the loss of biodiversity. As financial sector, we have a fiduciary duty to act in the best long-term interests of our beneficiaries. In order to address the relevance of biodiversity for financial institutions, a.s.r. is part of the working group set up under the auspices of the Sustainable Finance Platform of the Dutch Central Bank (DNB). Together with seven other financial institutions and the Dutch Ministry of Nature and Food Quality and the Erasmus Platform for Sustainable Value Creation we have been working on 2 papers, the first published in June.

In this paper 'Biodiversity; Opportunities & Risks for the Financial Sector', we address two important questions: how financial institutions can be affected by risks arising from the loss of biodiversity, and how they can have a positive impact on the preservation and restoration of biodiversity. You can find the report [here](#).



At a.s.r. we recognize the crucial role that tropical forests play in tackling climate change, protecting biodiversity and ensuring ecosystem services. The escalation of deforestation in Brazil and the recent developments of adjusting environmental protection laws in favour of those involved in deforestation, are alarming. Therefore together with other investors, we have called on the Brazilian Government to protect the country's natural capital summarized in the following 5 issues:

1. Significant reduction in deforestation rates, i.e. showing credible efforts to comply with the commitment set down in Brazil's Climate Law, article 19.
2. Enforcement of Brazil's Forest Code.
3. The ability of Brazil's agencies tasked with enforcing environmental and human rights legislation to carry out their mandates effectively, and any legislative developments that may impact forest protection.
4. Prevention of fires in or near forest areas, in order to avoid a repetition of fires like in 2019
5. Public access to data on deforestation, forest cover, tenure and traceability of commodity supply chains.

Over the last weeks, there have been talks with the Brazilian Central Bank, Government and several representatives of Parliament. We will continue to monitor and discuss our concerns about the risks that deforestation pose to our long-term financial interests and those of our clients. We believe this engagement is a good and necessary addition to earlier calls upon companies to take their responsibility in preventing the large scale forest fires in Brazil and Bolivia and to the responsible sourcing of meat – meat production being one of the largest drivers for deforestation in the Amazon.



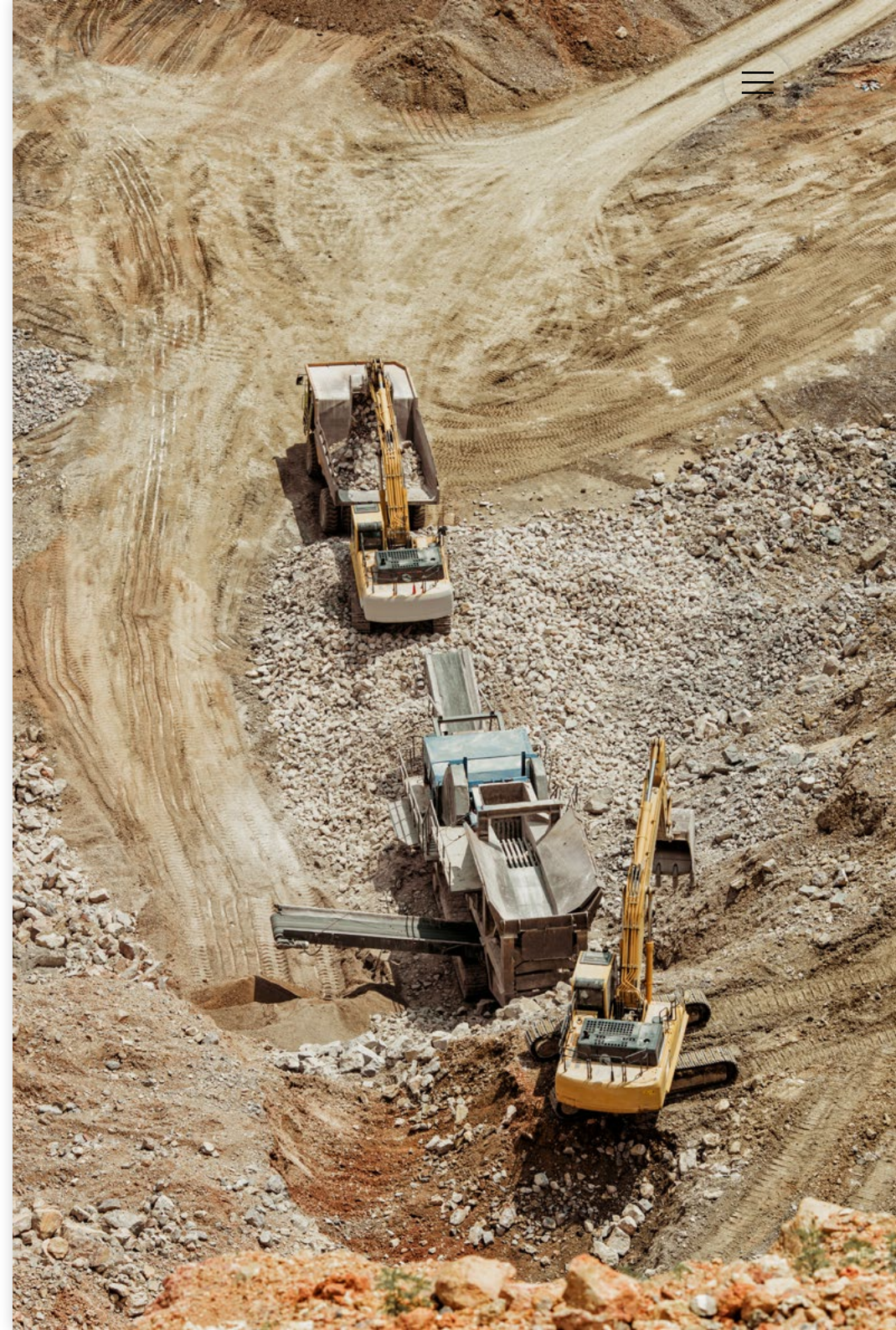
## Covid-19 in supply chains

The Covid-19 crisis is having huge social and economic impact worldwide. Workers in some international production chains are extra vulnerable, for example in the textile- and meat processing industries, where risks of forced labour and additional health hazards are high. a.s.r. has started conversations with companies in these sectors to discuss these social risks and urges companies to keep take their social responsibility, even in the midst of a crisis. Also in the regular engagement dialogues the impact of Covid-19 in supply chains is discussed.

## New engagements

a.s.r. has started a new engagement process with Enel during Q2, concerning its climate policy and its alignment to our portfolio carbon reduction targets. We expect large emitters to actively work on reducing their carbon footprint and implement strong climate governance, risk management and reporting.

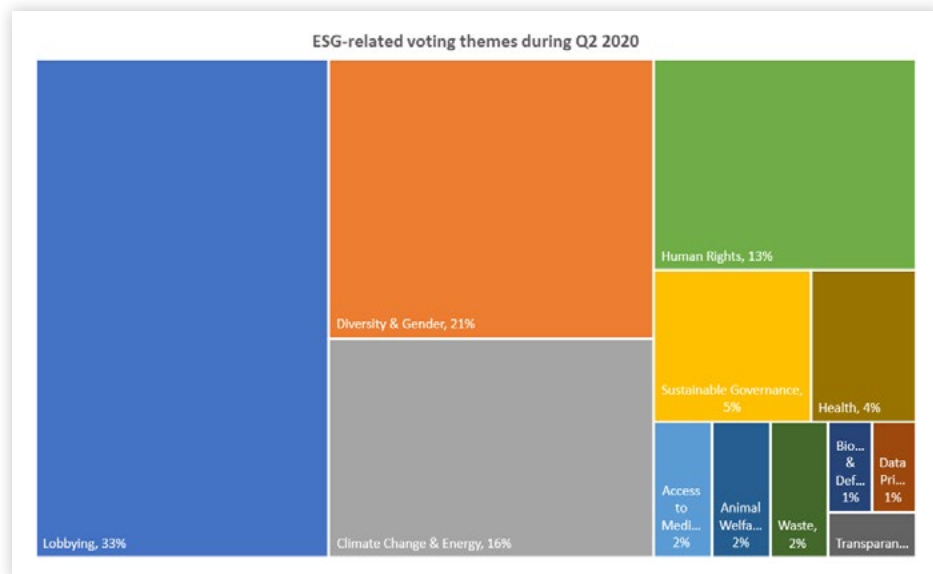
Similarly, we are engaging with Rio Tinto on the environmental and social risks involved in mining. We understand the demand for raw materials to support the energy transition will likely increase, but also point out that environmental disasters (such as the 2019 Brumadinho dam disaster) need to be prevented and managed in a transparent way.





## Voting

a.s.r. exercised its voting rights as a shareholder at 795 Annual General Meetings in Q2 2020. At 73 of these meetings specific ESG related proposals were on the agenda. For these proposals, a.s.r. voted against management in two thirds of the cases. In the graph below you find a breakdown of ESG-related shareholder proposals in the quarter. Most proposals (33%) concerned an ask for increased transparency on lobbying practices and political contributions. Also, many shareholder proposals addressed gender equality (21%) and climate change & energy (16%).



Voting is based on our SRI policy. An example of a case where we voted against management is when we supported the proposal to request PayPal to adopt a Human and Indigenous People's Rights Policy. The company is expanding its activities into more countries, including countries where human rights violations take place on a structural basis, and we believe companies have the responsibility to prevent human rights violations related to their operations and products where possible. PayPal is, for example, active in 25 countries where homosexuality is illegal and there have been controversies in the past where PayPal's services were used to finance human rights violations. As PayPal currently only has a voluntary, non-binding ethical code, we found it appropriate to vote in favour of a formal Human Rights Policy.

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

# Other news

## Green recovery

a.s.r. has signed the Green Recovery Statement as a call to the government to take sustainability and inclusiveness as basis for Covid-19 recovery plans.

a.s.r. CEO Jos Baeten: 'Covid-19 has disrupted the world and has exposed the vulnerabilities of our current economic system and society. With the Green Recovery Statement we are looking at the future, at recovery. As businesses we are taking responsibility and make choices to build a sustainable and inclusive Netherlands, a Netherlands with a durable economy and a society where everybody counts and has the freedom to participate.'

## EU Sustainability Taxonomy Regulation

On 18 June, the European Parliament officially adopted the EU Taxonomy for environmentally sustainable economic activities. As a key pillar in the EU's Green Deal, and its Sustainable Finance Action Plan, the framework will provide detailed criteria on whether an economic activity is 'green' or not – focusing initially on climate adaption and mitigation criteria but intended to expand into areas such as circularity, pollution, protection of water and marine resources and biodiversity and ecosystems.

The Taxonomy is part of an elaborate package of EU regulation and guidance being drafted and implemented that aims to galvanize the private sector, and specifically also the financial sector, towards meeting the targets of the Paris climate agreement and the Sustainable Development Goals.

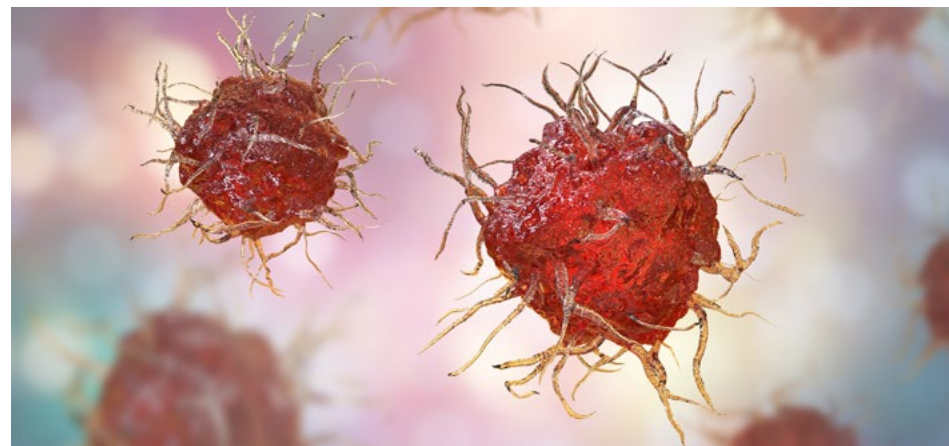
a.s.r. is actively involved in discussions and consultations through the various Dutch and European asset management and insurance sector organizations.

## Covid-19 bonds

In the first half of 2020, the sustainability bond market saw a strong expansion. However, this time not because of increased issuance of green bonds – on the contrary, the amount of green bonds issued slowed down – but because of the increase in social bonds targeted at Covid-19.

The proceeds of these Covid-19 bonds can go to social projects such as increasing capacity and efficiency of healthcare services, medical research, or alleviating unemployment caused by the pandemic by for example supporting SMEs.

a.s.r. has participated in several Covid-19 bonds such as the social bond issued by Spanish bank BBVA. The BBVA bond proceeds will be allocated to mitigating the severe economic and social impact caused directly and indirectly by the Covid-19 pandemic supporting SMEs, Corporates and funding eligible projects in Healthcare, Education and Affordable Housing.



## More information?

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