a.s.r.
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management

Policy on Responsible Investments

ASR Vermogensbeheer N.V.

Version July 2024

Contents

1. Background

1.1. Purpose
This Policy outlines what ASR Vermogensbeheer N.V.'s does to give substance to its commitment to invest towards a better world. It starts with an introduction of ASR Vermogensbeheer N.V. and this Policy and continues with our vision and mission, investment beliefs and goals relating to sustainability. Furthermore, it details our process and the various tools we use as we aim to minimize negative impacts and maximise positive impacts related to material ESG topics resulting from our investment decisions. We also describe our expectations regarding external managers, which themes we focus on in our activities, and how we report on the results achieved in connection with this Policy.

1.2. ASR Vermogensbeheer N.V.
ASR Vermogensbeheer N.V. (AVB) is a wholly-owned subsidiary of ASR Nederland N.V. (a.s.r.) and specialises in managing investment funds and providing investment services to a.s.r. and third-party clients. AVB's investment services include:
- Collective asset management: We manage a range of investment funds that serve the needs of different groups of clients
- Individual asset management: We offer asset management services tailored to the requirements defined in investment mandates given to us by individual clients
- Order processing: We handle the receipt and transmission of orders on behalf of clients

1.3. Scope
This Policy governs all assets under the management of AVB, which include:
- Proprietary assets of a.s.r. and its subsidiaries
- Investment mandates managed for AVB's third-party clients
- Investment funds created and managed by AVB

Unless otherwise stated, this Policy applies to all assets managed by AVB. External investment managers appointed by AVB must comply with the requirements outlined in this Policy for externally managed assets. AVB selects external investment managers based on their ability to implement these requirements and monitors their compliance on an ongoing basis.

This Policy does not extend to investments made by a.s.r. and its subsidiaries in real estate or residential mortgages. Investments made in these specific asset classes fall under the management of ASR Real Estate B.V. (a.s.r. Real Estate) and ASR Hypotheken B.V. (a.s.r. Hypotheken), each governed by their own respective policies.

1.4. Governance
This Policy is owned by AVB, with AVB's Management Board ultimately responsible for its development and implementation. To ensure this Policy remains relevant and effective, it undergoes a review once per year, or sooner if changes are required. The review process is conducted by the AVB Management Board, with the assistance of the AVB ESG Team and the AVB ESG Committee. Further information on our internal governance arrangements in connection with this Policy can be found in Chapter 6.

1.5. Related documents
This document is part of a framework of documents that shape how we invest, ensuring alignment with our investment beliefs (see Section 2.2.) and contributing to our Sustainability Strategy. The framework includes several specific documents, which are summarised in the table below. These documents can be found here on the AVB website.

Document	Purpose
AVB Sustainability Strategy	This explains our Sustainability Strategy and defines our long-term strategic ambition. It defines a number of goals and focus themes that shape our approach to investing. These are referred to and expanded upon in the AVB Policy on Responsible Investments.
AVB Policy on Responsible Investments (this document)	This explains how we invest in a way that contributes to our Sustainability Strategy and our policy goals. It explains how we use different tools to achieve these goals and defines minimum requirements investments must meet. It also defines our expectations and requirements of external investment managers where we appoint them to manage a proportion of our clients' assets.
Exclusion List for Companies	This provides an overview of the companies we have excluded from our investible universe. These companies are selected based on exclusion rules and criteria defined in the AVB Policy on Responsible Investments.
Exclusion List for Countries	This provides an overview of the countries we have excluded from our investible universe. These countries are selected based on exclusion rules and criteria defined in the AVB Policy on Responsible Investments.
AVB Screening Guidelines	This explains in more detail how we analyse companies' ESG performance and practices using ESG data and overall ESG scores from external ESG research providers. Output from the screening process is used in a number of ways, such as determining which companies to exclude in line with AVB's exclusion rules or identifying which companies have the best ESG scores in their sectors.
Voting Policy	The explains how AVB exercises shareholder voting rights on behalf of its clients, including ASR Nederland.

2. Introduction

2.1. Our vision and mission

The solutions offered by a.s.r. aim to consider the interests of people, environment, society and future generations. As the asset manager of a.s.r., AVB shares the same commitment to creating sustainable value. Our dedication goes beyond merely generating financial returns; it encompasses the impact that our investment decisions have on people and the planet through different environmental, social and governance (ESG) issues.

When we talk about sustainable or responsible investing, we refer to making investment decisions that consider the interest of people, the environment, society, and future generations (as outlined in this Policy). Sustainable or responsible investing is more than an end goal for AVB; it serves as the vehicle through which we aim to help to create a better world and to generate value for our clients. Our society grapples with a multitude of sustainability-related challenges, ranging from the increasing threats of climate change and the loss of our planet's biodiversity to deep rooted social issues such as poverty and increasing inequality. These challenges are complex and often interconnected, and there are no easy solutions. Addressing them requires long-term dedication and support from all parts of society. We believe the financial sector can play a pivotal role here.

AVB wants to support and facilitate the transition to a more sustainable and inclusive world. When making investment decisions, we take the long-term perspective into account and aim to maximise positive impacts while minimising negative impacts resulting from our investment decisions.

2.2. Our investment beliefs

We believe that sustainability considerations should be taken into account for every investment decision we make. We do not treat sustainability considerations as optional add-ons for certain clients; instead, we see them as an integral part of the way we make investment decisions. That is why 100% of our investments need to be compliant with own Policy on Responsible Investments.

We believe that sustainable or responsible businesses will deliver more value over the longer term, both in economic and societal terms. These businesses are better equipped to navigate different sustainability transitions, identify and manage sustainability risks, and capitalise on potential opportunities.

We believe that sustainability risks can entail financial risks. Environmental, social, and governance issues can significantly impact on a company's financial performance, and consequently, its value. Therefore, we seek to manage these risks just like any other financial risk, taking action to identify and mitigate them in our investment decision-making processes. We believe that building a better world requires a more sustainable and responsible financial sector. As a financial company, we recognise that we have the opportunity to positively influence the financial sector to become more sustainable and responsible. We are committed to leading by example and driving change from within.

We acknowledge that our beliefs may not always hold over the short term, and that our investment approach may cause us to miss out on short-term outperformance. However, we believe that investing responsibly will deliver better risk-adjusted returns for our clients over the longer term and will positively contribute to society as a whole.

2.3. Our policy goals

Our approach is centred on three key policy goals that underline our commitment to contribute to a better world: reducing harm, driving change, or creating positive impact. These goals, along with our focus themes (see Section 2.4.), guide our investment decisions.

Our policy goals are summarised in the table below and are described in more detail in the AVB Sustainability Strategy.

Goal	Description
Reduce harm	We aim to minimize negative impacts on people and the planet from our investment decisions. We do this by setting clear boundaries and minimum standards that all investments must meet.
Drive change	We aim to be a positive force in the world, using our influence to drive positive change for people and the planet. We do this by investing on behalf of our clients in companies and countries that we consider have the potential to become more sustainable and demonstrate a commitment to doing so. We also engage with companies and policy makers, highlighting areas where they need to improve, and provide them with the capital they need to make the transition.
Create impact	Part of our AuM is allocated to impact investing. We aim to create positive impact by investing in companies and projects that are crucial for building a more sustainable world. This includes making investments in renewable energy, sustainable agriculture, accessible healthcare, or social housing. With these investments, we aim to generate positive and measurable environmental and social impacts.

2.4. Our focus themes

We aim to positively contribute to the world's sustainability challenges through our investment decisions. We understand that to truly make a difference, we need to focus our efforts and make conscious decisions on where to spend our time and resources. Therefore, we have selected the following four themes to focus on in our approach:

- **Climate change and the energy transition:** We are committed to taking action to mitigate the worst impacts of climate change and help our society become resilient to its effects.
- **Biodiversity and natural resources:** We aim to protect and restore our planet's biodiversity and to promote the sustainable use of it's natural resources.
- **Health and well-being:** We believe in supporting companies and projects that improve people's health and well-being, recognizing that these are fundamental to quality of life.
- **Human rights:** We stand for the protection and promotion of human rights, understanding that they are the foundation of a just and equitable society.

We selected these themes based on where we see the greatest potential to drive change (helping to reduce negative impacts) and create positive impact with our investment decisions. Additionally, these are themes that we believe will have the most significant (financial) impact on our business and our clients. More information on the activities we conduct in connection with our focus themes can be found in Chapter 4.

3. Our investment process

We make use of a variety of tools to help us reduce harm, drive change and create positive impact. These tools include exclusions, ESG integration, active ownership (engagement and voting), and impact investing. We often combine these tools in a mutually reinforcing manner.

This chapter provides insight into how we use each tool in practice. In instances where we appoint an external investment manager to manage a portion of our clients' money, this chapter outlines our expectations for them and the guidelines we use to monitor their compliance with this Policy.

3.1. Exclusions

We use exclusions to avoid investing our clients' money in activities that cause severe harm to people and the planet. We have defined exclusion rules in relation to various topics. These rules are non-negotiable and apply to all investments we manage on behalf of our clients. This includes investments made via the pooled funds we offer, as well as investments held in segregated accounts managed for clients on a bespoke basis. For segregated accounts, we are willing to apply stricter exclusion rules than those defined in this Policy if clients request it. However, we do not allow clients to opt for less strict exclusion rules.

We want to be transparent on where we invest our clients' money and the activities and behaviours that we find unacceptable. To achieve this transparency, we include in this Policy a full list of the exclusion rules we apply as well as the screening criteria and guidelines we use. Additionally, we publish an Exclusion List on our website, clearly indicating which companies and countries we do not invest in and the reasons behind these exclusions. This list is updated at least twice per year following our screening process.

A. Companies

We avoid investing our clients' money in companies that do not meet our minimum standards or are involved in activities that cause significant harm to people and the planet. In connection with this, we have defined a number of exclusion rules relating to controversial behaviours and involvement in controversial activities. We may decide to engage with a company prior to deciding to exclude it from our investible universe

We screen our listed equity and corporate fixed income investments twice per year using internally agreed-upon criteria that allow us to identify companies breaching our exclusion rules. The output of the screening process also highlights which companies might benefit from us entering into an engagement dialogue with them.

We rely on data from third-party ESG data providers to screen a large number of companies globally. Determining whether a company breaches our exclusion rules can be somewhat subjective, so we try to account for this by considering data from at least two different ESG data providers in our approach.

Where the evidence is clear (i.e. where both of our ESG data providers are in agreement), we will add the company to our Exclusion List and sell any listed equity or corporate fixed income holdings we invest in on behalf of our clients. We aim to sell all listed investments as soon as possible, but at the very latest before the next screening process occurs. Fixed income investments with a maturity of one year or less may be held on a run-off basis. However, no additional investments may be made in an excluded name.

Where the evidence is unclear (i.e. where the opinions of our ESG data providers differ), we will carry out additional due diligence before deciding on whether to add it to our Exclusion List. This may include engaging bilaterally with the company to gain a clearer understanding of the situation.

If our screening process reveals that a company is no longer breaching our exclusion rules (i.e. because it is no longer non-compliant with our minimum behavioural standards or it has ceased involvement in a controversial activity), we will consider removing it from our Exclusion List and making it eligible for investment in our portfolios. Each case is reviewed and decided upon by the AVB ESG Committee (see Chapter 6).

Controversial behaviour

We expect all companies we invest in to adhere to the United Nations Global Compact Principles and not to be involved in severe controversies relating to human rights, labour rights, and the environment. In connection with this, we have defined a number of exclusion rules and screening criteria as set out in the following table.

Focus theme(s)	Exclusion rules	Screening criteria
Human Rights, Biodiversity & Natural Resources	Exclude companies that breach UN Global Compact Principles, meaning we: - Exclude companies with severe (and repeated) controversies relating to human rights - Exclude companies with severe (and repeated) controversies relating to labour rights - Exclude companies with severe (and repeated) controversies related to the environment - Exclude companies with severe (and repeated) controversies related to corruption	- Companies that are severely and repeatedly non-compliant with one or more UN Global Compact Principles regarding human rights, labour rights, environment and corruption - Companies that are complicit in severe and repeated violation of human rights conventions (the Universal Declaration of Human Rights, the International Covenant on Economic Social and Cultural Rights and the International Covenant on Civil and Political Rights) in accordance with the International Bill of Human Rights - Companies that are in severe and repeated violation of ILO fundamental principles and ILO conventions 29, 87, 98, 100, 105, 111, 138 and 182

Controversial activities

We have classified certain activities as controversial due to the severe harm they cause to people and the planet. In line with our goal of reducing harm, we avoid investing our clients' money in companies involved in these activities. The specific activities and exclusion rules and screening criteria we apply are detailed in the following table.

Focus theme	Exclusion rules	Screening criteria
Climate change & the energy transition	Exclude companies mining and producing thermal coal	Companies deriving >0% of revenues from mining and producing thermal coal
		Companies producing more than 10Mt of thermal coal per year
		Companies developing new thermal coal mines or extending existing mines
	Exclude companies burning thermal coal to generate electricity	Companies deriving >5% of revenues from coal-fired electricity production
		Companies developing new coal-fired power generation capacity of at least 100MW
	Exclude companies involved in conventional oil & gas production[1] that are not aligned with the Paris Agreement	Companies classified as "not aligned" according to AVB's internal scoring methodology[2]

1 Defined as companies classified under the following NACE codes: 0610: Extraction of crude petroleum; 0620: Extraction of natural gas; 1910: Manufacture of coke oven products; 1920: Manufacture of refined petroleum products; 3521: Manufacture of gas.
2 AVB's internal scoring methodology considers various indicators and makes use of data from a number of independent sources.

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Focus theme	Exclusion rules	Screening criteria
	Exclude companies involved in unconventional oil & gas production and transportation	Companies deriving >5% of revenues from unconventional oil & gas production and transportation
	Exclude investments in fossil fuel commodities	Commodity investments in all forms of oil, natural gas, and coal
	Exclude companies whose majority of business relates to nuclear energy	Companies deriving >50% of revenues from nuclear power generation, nuclear parts & services, and/or uranium mining
Biodiversity & natural resources	Exclude companies producing or distributing palm oil from unsustainable sources	Companies producing or distributing palm oil where <95% is certified to the most stringent RSPO standards
	Exclude companies managing forests in an unsustainable way	Companies managing forests with <60% FSC certification coverage (or an equivalent certification)[3]
Health & well-being	Exclude companies producing and distributing tobacco products	Companies deriving >0% of revenues from producing tobacco and tobacco products
		Companies deriving >10% of revenues from tobacco distribution
	Exclude companies that are active in the gambling industry	Companies that are active in the gambling industry [>0% of revenues]
Human rights	Exclude investments in weapons	Companies that produce and/or sell controversial weapons [>0% of revenues]
		Companies that produce and/or sell offensive weapons [>0% of revenues]
		Companies that produce and/or sell defensive, auxiliary and/or dual-use products when there is a risk that they will be used against humans or be delivered to questionable authorities (>10% of revenues for offensive weapons and >0% for controversial weapons)

In response to the Dutch government's call to strengthen the European defense industry following the Russian invasion of Ukraine, a.s.r. permits deviations from its exclusion policy concerning weapons under a number of specific and stringent conditions. These conditions are as follows:

- Investments may only be made in defense companies based in the Netherlands
- Investments may only be made in companies that are not involved in the production or distribution of controversial weapons or civilian firearms
- Investments may only be made in companies that do not supply high-risk countries (as defined in the IRBC Framework on Controversial Weapons and Trade in Weapons with High-Risk Countries)
- All investments are to be made at a.s.r.'s own account and risk
- Any investment proposal must be reviewed by a.s.r. Veiligheidszaken and approved by the Management Board of a.s.r., following the advice of the a.s.r. Sustainability Committee
- Compliance with the conditions related to controversial weapons, civilian firearms, or high-risk countries will be monitored annually

3 Exemptions are possible if companies, for example in Northern Europe or Northern America, can provide clear evidence that they implement sustainable forestry management practices that equal or exceed those of FSC and equivalent certifications.

B. Countries

We have established minimum environmental, social and governance (ESG) requirements that debt issued by governments and agencies must meet to qualify for investment in our funds and portfolios. We use these criteria to evaluate the performance of governmental issuers. If a governmental issuer fails to meet any one of the criteria, we exclude them, regardless of their performance in other areas. Our aim is to avoid investing our clients' money in debt issued by governments that cause significant harm to people and the planet.

We apply the exclusion criteria detailed below to debt, including green bonds, issued by governments and local governments. This includes quasi-government debt, where the issuer is classified as a 'government' based on ownership, control and influence. However, these criteria do not apply to debt issued by supranational bodies as we currently do not make use of exclusion criteria for these types of investments.

Topic	Exclusion rules
Environmental (E)	Governmental issuers from countries making insufficient progress in improving their environmental performance are excluded from investment. We refer to the progress individual countries are making towards achieving the four environment-related United Nations Sustainable Development Goals (SDGs) listed below. We use the SDG Index from the SDG Transformation Center to measures performance on each of these SDGs. Climate change & the energy transition: - SDG 7: Affordable and Clean Energy - SDG 13: Climate Action Biodiversity & natural resources: - SDG 14: Life Below Water - SDG 15: Life on Land Governmental issuers from countries with an average score of less than 50 across the four SDGs are excluded.
Social (S)	We exclude governmental issuers from countries where citizens have inadequate access to political rights and civil liberties. We utilize Freedom House research in our screening process, which classifies over 200 countries and territories as 'Free', 'Partly Free', or 'Not Free' based on their performance in areas like the electoral system, freedom of expression and belief, and rule of law. Governmental issuers from countries classified as 'Not Free' by Freedom House are excluded.
Governance (G)	Governmental issuers from countries with high corruption levels are excluded from investment. We use Transparency International research in our screening process, which rates around 180 countries on a scale from 0 (highly corrupt) to 100 (very clean) based on their perceived level of public sector corruption. Governmental issuers from countries scoring below 30 on the Transparency International Corruption Perception Index are excluded.

C. Other asset classes

Our exclusion rules apply primarily to investments made in traditional asset classes, including listed equities, corporate bonds and sovereign bonds. However, we also invest in a wide range of other asset classes for return and diversification purpose. Below, we outline our approach to exclusions for the main alternative asset classes we invest in.

- **Insured Private Credit:** For investments in insured private credit, we assess the emerging market corporate/government issuing the debt against our exclusion rules for companies/countries and the financial institution providing the insurance against our exclusion rules for companies. Any party involved in the transition that is non-compliant with our exclusion rules renders the investment ineligible.
- **Government Guaranteed Loans:** For investments in government guaranteed loans, we assess the company issuing the loan against our exclusion rules for companies and the country providing the guarantee against our exclusion rules for countries. Should either the company or the government be non-compliant with our exclusion rules, then the investment is ineligible.
- **Listed Real Estate:** Our exclusion rules for companies extend to investments in listed real estate, including Real Estate Investment Trusts (REITs) and Real Estate Operating Companies (REOCs).
- **Securitizations:** We do not make use of exclusion criteria for investments in securitizations, such as asset-backed securities (ABS) and collateralised loan obligations (CLOs).[4]
- **Supranational Debt:** AVB invests in multilateral institutions that aim to contribute to sustainable economic development and social progress through project finance. While ESG risks can arise in such projects, they are managed by the ESG risk frameworks of these institutions, which consider geographical and cultural contexts. Consequently, we do not make use of exclusion criteria for debt issued by supranational bodies.

D. Collateral and ESG

AVB performs investment activities on behalf of its clients in which it temporarily delivers or receives cash and/or securities as collateral on financial contracts. This collateral is not an investment, with these instruments serving as collateral to mitigate counterparty risk. AVB aims to take account of ESG and sustainability considerations in its collateral management processes. However, what is possible depends on the specific collateral structure being used.

The received collateral is neither legally nor economically owned by our clients and is returned to the owner during or after a period of time (the contract period). This is the case for various instruments, including OTC derivative transactions (where the Credit Support Annex (CSA) specifies which types of securities can be delivered), securities lending contracts, and (cleared) repo trading. AVB must adopt a distinct ESG approach for these type of products due to their legal characteristics and associated restrictions.

For secured transactions made via a Central Clearing Platform (CCP), general and standardized agreements are mandatory in order to ensure an equal playing field among market participants. These agreements cover the type of collateral that can be obtained. Often the collateral basket consists of a standard basket of securities, making it impossible to select (or exclude) specific securities. If a borrower defaults and AVB seizes the collateral on behalf of its clients, our clients become the owners of these positions. From that moment onwards, these positions fall under scope of all requirements set out in this Policy and are treated like other investments.

For bilateral agreements, such as secured OTC transactions that do not use a CCP or securities lending contract, AVB can apply its own specific guidelines and restrictions. For these instruments, AVB adheres to the exclusion rules for countries and companies defined in this Policy.

E. External managers

We use the services of external investment managers, such as when we invest in an asset class that is not managed internally. When investing with external investment managers, we require that have a similar approach to investing and take sustainability considerations into account when making investment decisions. To ensure this, we have established a set of minimum requirements that they must meet in order for us to invest our clients' money with them. These specific requirements, detailed below, vary depending on whether the investment is through a pooled fund (where our influence over the investment strategy and underlying investments is limited) or a separately managed account (where we can shape the investment strategy and underlying investments).

4 Exclusions are not used here given the nature of the asset class and the difficulty in identifying and screening the underlying investments.

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We apply these requirements in our external manager selection process for choosing new managers and our ongoing external manager review process to monitor their performance.

Investments in pooled funds
As a minimum, all pooled funds managed by external investment managers must comply with the following exclusion rules in order to be eligible for investment:
- **Controversial Weapons:** The fund must have a clear exclusion policy that does not allow for investment in controversial weapons as defined by the Sustainable Investing Code of the Dutch Insurance Association[5]. Funds without this restriction are excluded from investment.

For investments made in pooled funds after 1 July 2024, and when relevant to the pooled fund in question, we will only invest in pooled funds that also have clear policies for each of the focus themes we have defined in this Policy.
- **Climate change and the energy transition:** Funds should have a policy that is consistent with the goals of the Paris Agreement and reaching net-zero greenhouse gas emissions by 2050 at the latest. As a minimum, this should include no investments in companies that extract or transport unconventional oil & gas, and a clear time-bound policy to phase out coal-related investments.
- **Natural resources and biodiversity:** Funds should have a policy that is consistent with the aims of reversing and halting the loss of our planet's biodiversity.
- **Health and well-being:** Funds should have a policy that is consistent with our goal of reducing harm by not investing in companies whose products have a severely negative impact on people's health and well-being. As a minimum, this should include no investments in companies producing tobacco or tobacco products.
- **Human rights:** Funds should have a policy and due diligence process that is consistent with our goal of reducing harm by avoiding investing in companies that violate human rights.

Investments in external mandates
When an external investment manager is appointed to manage a portion of our client's assets on a custom basis via a segregated account (termed "external mandate") or in a fund of one, the external mandate must comply with our Policy's exclusion requirements. The investment restrictions for the relevant asset class will be incorporated into the investment management agreement governing the external mandate, and the external investment manager will be sent the latest copy of the Exclusion List.

After the initial mandate is in place, the following shall apply in connection with updates to the Exclusion List:
- AVB will supply all external investment managers with an updated Exclusion List following the completion of the biannual screening process or when this Policy's exclusion rules are modified.
- External managers investing in liquid investments, such as listed equities, listed credits and government bonds, will be expected to align their mandate(s) with the revised Exclusion List within a pre-specified timeframe. Exemptions must be approved by AVB and will only be granted under a limited set of circumstances, such as when a legal block on market trading is in place or when there is no liquidity.
- External managers investing in illiquid investments, such as private debt or private equity, will be expected to align their mandate(s) with the revised Exclusion List on a best effort basis. This is because it may not be possible, given the illiquid nature of the underlying investments, to sell holdings in companies that were not excluded at the date of the mandate's inception. No additional investments will, however, be allowed in newly-excluded companies.

3.2. ESG integration and best in class investing

We believe it is essential to take account of ESG (Environmental, Social, and Governance) and sustainability considerations when making investment decisions. Doing so helps us to:
- Identify ESG risks that could negatively impact the value of our clients' investments;
- Determine if an investment causes or contributes to severe harm to people and the planet; and
- Assess if an investment contributes to a better, more sustainable world.

5 https://www.imvoconvenanten.nl/nl/verzekeringssector/nieuws/verzekeringen-wapens

By integrating ESG considerations, we can minimise exposure to companies that are not adequately managing their ESG risks. We can also increase investment in companies and countries that are adopting sustainable practices and align with our sustainability views. We put this into practice by using a "best in class" approach to identify suitable companies and countries for investment.

The subsequent sections detail our "best in class" investment approach for investments we manage internally. They also outline our expectations of other managers where we appoint them to manage a portion of our clients' assets.
Please note that we do not apply the approaches and requirements outlined in this section to passively managed strategies/funds. Instead, when using a passive approach to invest, we aim to select a suitable benchmark that ensures the investments align with our sustainability views and preferences.

A. Companies

For internally managed investments in listed equities and listed credits, we require that ESG considerations are taken into account when making an investment decision. The way we do this depends on the asset class in question. However, our overarching aim of doing so is to establish the following:

- **Which ESG (sustainability) risks a company faces:** We aim to identify the ESG issues that could harm the company's financial performance and the value of our clients' investment. Not all ESG issues are relevant to every company, so we focus on those that matter most to the company and its sector. Our analysis seeks to assess how likely these risks are to occur, how severe they might be, and how they could affect the company's operations, reputation, and competitiveness.
- **Whether the company sufficiently manages these risks:** We aim to evaluate how effectively the company is managing the ESG risks we have identified. We do this by considering its sustainability policies, practices, and performance. This allows us to calculate an ESG score that can be used to compare the company with other companies operating in similar sectors or regions.
- **How does the company impact people and the planet:** We aim to understand whether the company's impact on people and the planet is positive or negative. We do this by considering the impact of its business operations as well as the products and services it offers to its clients.

Listed credits

We use an in-house rating methodology to identify and invest in companies that are "best in class" in our listed credit strategies and funds. Our approach scores companies on how well they are managing ESG risks and whether they contribute to achievement of United Nations Sustainable Development Goals (SDGs) through their business operations, products, and services.

We use data from a third-party ESG data provider to score companies on the three E/S/G dimensions and their overall SDG alignment. The scores for individual companies are compared with those from peers in the same sector, allowing us to identify those which are "best in class".

We define "best in class" companies as those that outperform peers in terms of managing ESG risks whilst, at the same time, support the achievement of the SDGs through their behaviour and activities.

Our active credit strategies use of these ratings to invest more in companies that are "best in class" in their sector and avoid – or reduce exposure – to companies that are laggards.

Listed equities

The methodology for listed equities involves optimizing the benchmark based on, among other things, companies with "best-in-class" scores in areas such as CO2 intensity, CO2 emission management, the percentage of green revenues, and the overall ESG score.

B. Countries

We believe it is important to assess the sustainability profiles of countries and their governments, since governments are ultimately responsible for laying the groundwork for a sustainable and inclusive economy and enforcing the rules that facilitate it. We do this by integrating ESG considerations in the investment decision making process for different types of government-issued debt.

Our approach focuses on the United Nations Sustainable Development Goals (SDGs) since they provide a comprehensive and globally recognized blueprint for measuring sustainable development. The SDGs consist of 17 goals and 169 targets that cover a range of environmental, social, and economic issues. By focusing on the SDGs, we can evaluate countries on a broad range of sustainability issues and identify areas where they need to improve. This helps us to make informed investment decisions and align our investments in government-issued debt with our sustainable investing goals.

We use the SDG Index as an objective, third-party data source when measuring the performance of countries on the SDGs. The SDG Index is published by the Sustainable Development Solutions Network (SDSN) and the Bertelsmann Stiftung. The SDG Index ranks countries based on their overall score, which measures the total progress towards achieving all 17 SDGs.

Our actively managed government bond strategies use the SDG Index to invest more in countries with higher SDG scores.

C. External managers

When investing our clients' money with external investment managers, we only invest in their funds or select them to manage a segregated account on behalf of our clients if it is clear that the investment manager has a process in place for ESG integration.

For all investments made after 1 July 2024 in actively managed funds or investment strategies, we expect investment managers to be able to clearly explain and evidence the following:

- How are ESG considerations taken into account during the investment decision-making process, including the extent to which ESG risks/opportunities and positive/negative environmental and social impacts are assessed
- What ESG data and research is used as part of the investment decision-making process and where it is sourced from
- What approach is used to evaluate investments where limited ESG data is available

If investment managers are unable to clearly explain and evidence their approach to ESG integration, we do not invest with them.

In addition, we only invest with external managers that are PRI signatories and have committed to support the UN Global Compact Principles.

Additional requirements for funds subject to EU SFDR

For funds offered in the EU and subject to the EU Sustainable Finance Disclosure Regulation (SFDR), we exclude all 'Article 6' funds from our investible universe. We do this because these funds, by definition, do not integrate ESG considerations in their investment decision-making processes. This means that we only invest our clients' money in funds if they fall under 'Article 8' or 'Article 9' of the SFDR.

For eligible funds, we expect investment managers to comply with the SFDR disclosure obligations, and to provide us with relevant and reliable information on the ESG performance and impact of their funds. Should an 'Article 8' or 'Article 9' fund be re-classified by an investment manager as 'Article 6' subsequent to our investment, we will engage with the external investment manager to understand why the re-classification has happened and to understand if they intend to make changes to the fund's investment strategy in order to re-classify it as 'Article 8' or 'Article 9'. Where there is no intention to bring the fund back in line with our requirements within a reasonable period of time, we will divest our clients' holdings in the fund as soon as reasonably possible.

3.3. Active ownership

Active ownership involves using our influence to encourage the companies in which we invest in behalf of our clients to adopt sustainable business practices. We do this by entering into a dialogue with them to highlight our concerns and expectations. Our aim is to be a constructive partner that can contribute to their long-term success, while at the same time stimulating the transition to a more sustainable and inclusive world. Where we have voting rights, we exercise them in a way that reinforces our engagement activities.

In addition to engaging with companies, we also believe in the power of public engagement. We actively participate in public policy consultations, leveraging our knowledge to help shape regulations and standards so that they promote sustainable business practices. We engage with industry bodies and the broader financial sector to drive change from within, fostering a collective commitment to sustainability, thereby amplifying our impact and accelerating the transition to a more sustainable and inclusive world.

We believe being active owners of our clients' investments is one of the most significant ways we can reduce harm and can drive change. This belief is deeply rooted in our commitment to responsible stewardship.

A. Engagement

Engagement is a key part of our active ownership strategy. Through engagement, we aim to achieve positive real-world outcomes by using our influence to encourage companies to adopt more sustainable business practices and manage their sustainability risks.

We engage with companies in three different ways:
- Bilaterally (or directly)
- Collaboratively with other like-minded investors
- Via third-party engagement service providers

Our engagement activities are monitored by the AVB ESG Committee. The committee receives regular reporting on ongoing bilateral and collaborative engagements, allowing it to assess progress and determine if any changes to our approach or strategy are required.

Bilateral engagements

Bilateral engagement is a direct and focused approach to active ownership that enables investors to influence positive change in the companies they invest in. It is a core part of our active ownership, and one of the main ways that we aim to achieve our policy goals.

We regularly have calls and hold meetings with companies as part of our ongoing review and monitoring of our processes. These discussions provide opportunities to gain insights into a company's business practices and strategy, and to request the disclosure of additional information that can be useful in our investment decision-making process.

We also engage bilaterally with companies on a more proactive basis in connection with our focus themes. Our aim with these engagements is to have meaningful discussions with companies on the risks and opportunities we see in connection to these themes. Further information is provided in Chapter 4.

For each bilateral engagement, we formulate specific goals and objectives that aim to drive real-world change.
We typically engage bilaterally with companies for around three years, recognizing that the issues we discuss with them are often complex, and that companies often require time to implement the changes we request. The exact duration of our bilateral engagements depends on the specific goals and objectives in question.

We track progress on our bilateral engagements using an internal milestone approach. This approach provides a clear framework for accountability and helps us communicate our progress to stakeholders, such as our clients. Our milestone approach consists of four stages:
- Stage 1: Initial contact and information request
- Stage 2: Dialogue and feedback
- Stage 3: Commitment and action
- Stage 4: Verification and evaluation

We believe that constructive and collaborative engagement is the most effective way to drive positive change in the companies we invest in on behalf of our clients, but we are also prepared to take stronger actions if necessary.

Where we encounter insufficient progress with our engagements, we can make use of a number of tools that collectively form our engagement escalation framework. In order of increasing strength, these tools include:

- **Voting in support of our engagements:** We exercise our clients' shareholder voting rights in ways that reinforce and support our engagement activities. This includes voting against management proposals that are not aligned with AVB's sustainability views and supporting shareholder resolutions where there is clear alignment.
  We can also use our voting rights to signal our unhappiness to management by voting against the (re-)election of company directors, audited accounts, and management compensation proposals. Any decision to do so will be approved by the AVB Voting Policy Committee.
- **Pre-disclosing our voting intentions:** We can pre-disclose our voting intentions to publicly signal our expectations to companies and provide them with an opportunity to address our concerns before the shareholder meeting takes place. As a minority shareholder, pre-disclosing our voting intentions can be helpful in building support from other investors who share our views, increasing the likelihood of an outcome that is aligned with our views.
- **(Co-)filing shareholder resolutions:** We can (co-)file shareholder resolutions that require companies to undertake specific actions that are aligned with AVB's engagement objectives. Although these resolutions are not legally binding in all jurisdictions, they can still help to drive change and create pressure on companies.
- **Divesting our holdings:** As a last resort, we can divest our clients' holdings in companies that fail to take our engagement requests seriously and do not demonstrate that they are committed to sustainable business practices. We consider doing so as a last resource after all other options have failed to yield the desired outcome.

These escalation options are designed to be used in a strategic and proportionate manner, depending on the circumstances of each case. As part of our active ownership strategy, we may link them with specific time-bound engagement objectives. For example, as part of AVB's fossil fuel exit strategy (see Chapter 4), we defined a three-year period for the oil and gas companies we invest in to become Paris-aligned. We stated up-front that we would divest from any oil and gas company that at the end of the engagement period was not Paris-aligned.

Collaborative engagements

Collaborative engagement involves working with other investors to engage with investee companies on topics of mutual interest. Through these collaborations, we pool our resources and engage with companies as a united front. This helps each of us to amplify our voice and increases our leverage companies to adopt sustainable business practices.

We actively look for opportunities to collaborate with other like-minded investors as part of our active ownership strategy. When making a decision on whether to join a collaborative engagement, we prioritize those initiatives that are aligned with AVB's focus themes. Our role in these engagements can vary depending on the level of involvement and responsibility we choose to take. We can act as:

- lead investor, who initiates, coordinates, and communicates the engagement;
- support investor, who participates in the engagement and provides input and feedback; or
- signatory investor, who endorses the engagement and its objectives, but does not actively engage with the companies.

Engagement service providers

We currently make use of a third-party engagement service provider to engage with a large number of investee companies (and therefore higher volume of assets) on a wide range of ESG topics (i.e. not limited to our four focus themes). This approach allows us to engage with many more companies than would be possible if we only engaged with them bilaterally or through collaborative engagement initiatives. During engagement calls carried out by the engagement service provider, the engagement service provider represents us, on behalf of our clients, alongside all other investors who have signed up to their. This serves to amplify the voice of each individual investor.

The engagement service provider makes use of extensive in-house research to evaluate companies and identify the ESG topics and issues that are most material to a company's long-term sustainability or its impact on the world. Based on this research, engagement objectives are tailored for each company. Regular reporting is provided by the service provider, allowing us to track progress on individual engagements and incorporate the outcomes in our investment decision-making processes.

B. Voting

We believe that voting is a crucial tool for influencing the corporate governance and sustainability practices of companies. We, therefore, exercise our clients' shareholder voting rights in a way that reinforces AVB's engagement activities and supports our policy goals.

We make use of a proxy voting service provider, Institutional Shareholder Services (ISS), to vote on our behalf at shareholder meetings. This is because of the large number of companies we invest in on behalf of our clients, and the complexity and diversity of the voting issues.

In addition to assisting us in casting votes promptly and in a manner that is consistent AVB's Voting Policy, ISS also provides us with voting recommendations. These recommendations stem from their in-house research and analysis. We have opted for ISS proxy voting guidelines that are consistent with the dual objectives of socially responsible shareholders: financial returns and social considerations. Using these ensures that votes are cast in a way that considers not only economic gain, but also requires companies to conduct their business in a socially and environmentally responsible manner.

AVB's Voting Policy Committee (VPC), which oversees our voting activities and determines how individual votes are cast, takes into account ISS's voting recommendations. The VPC comprises our CEO and representatives from our equity team, our ESG team, legal team, compliance team and corporate communications.

We reserve the right to override ISS's voting recommendations on a case-by-case basis if we deem it necessary or appropriate. This may occur, for instance, when we possess specific knowledge or insights about a company or an issue that we believe are not reflected in the ISS analysis.

We report on our voting activities annually and disclose our voting records on our website in real time. We may also communicate our voting rationales and expectations to the companies as part of our ongoing dialogue and engagement with them.

C. Active Ownership Plan

We create an Active Ownership Plan in the final quarter of each year, which is subsequently approved by the AVB ESG Committee. The Active Ownership Plan defines clear goals and priorities for our active ownership activities in the forthcoming year. This includes, for example, where to prioritise resources when engaging with companies on a bilateral basis.

We set active ownership goals and priorities by taking into account various considerations, including:
- The anticipated minimum standards of Dutch investors, such as those outlined in the International Responsible Business Conduct Agreement for the Dutch insurance sector;
- Our Sustainability Strategy;
- Our human rights risk assessment; and
- The demands and expectations of various stakeholders, including clients, employees, regulators, and non-governmental organizations.

D. External managers

Where we invest our clients' money in funds or segregated mandates managed by an external investment manager, the investment manager must demonstrate the same commitment to active ownership that we do.

For all investments made after 1 July 2024, we use the following criteria to select and monitor external investment managers based on their active ownership practices:
- **Policy and strategy:** They should have a clear and comprehensive policy and strategy on active ownership that covers engagement, voting and public engagement. Their approach should be aligned with the UN PRI principles, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles, and other relevant standards and frameworks.
- **Implementation:** They should implement their active ownership strategy using different tools and methods. In doing so, they should be able to demonstrate how the outcomes of their active ownership activities are integrated in their investment decision-making process. For example, they should engage with companies on a range of ESG topics and make use of other tools, such as voting and divestment, as escalation mechanisms.
- **Monitoring:** They should have appropriate internal governance and processes in place to monitor the progress and effectiveness of their active ownership activities in a clear and objective way. For example, they should use indicators or methods such as milestones to measure their active ownership performance and impact.
- **Transparency:** They should be transparent on their approach and provide regular reporting on their active ownership activities, such as by implementing the UN PRI's disclosure recommendations. Relevant policies and practices should be publicly available and disclosed on their website.

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- **Communication:** They should be open to communicating with us and other relevant stakeholders on their active ownership activities and the outcomes that they achieve. In doing so, they should seek feedback on their approach and the outcomes they have achieved, and incorporate this feedback into their active ownership strategy and policy.

Based on these expectations, we review and evaluate the active ownership policy and practices of external investment managers on a regular basis. We also engage with them to provide feedback and suggestions, and to address any issues or concerns that we may have. We may terminate our relationship with them if they do not meet our expectations or standards on active ownership.

3.4. Impact investing

We define impact investing as an investment approach that seeks to generate positive, measurable social and investment impact alongside financial returns, as per the Global Impact Investment Network (GIIN) definition. This approach forms the foundation of our impact investment framework. Unlike 'best in class' investing, where we focus on identifying companies leading on various ESG criteria within their sector, with impact investing we aim to identify and finance organisations that make a (superior) positive environmental or social real-world impact, regardless of their industry. Impact investing allows our clients to contribute to the various sustainability challenges facing the world by investing in a way that has positive and intentional impact. This can be achieved by investing in sectors or categories where, for example, capital is scarce or where underserved or vulnerable groups are targeted. AVB has set an ambitious target to allocate part of its AuM to impact investments by the end of 2027. Further information on this can be found in our Sustainability Strategy.

When making impact investments, AVB aims to select companies and investments that deliver intentional positive real-world outcomes. As the in-house asset manager of a Dutch insurance company, we believe we can also create impact 'close to home' (The Netherlands or Europe).

A. Principles for selecting impact investments

When assessing the real-world impact of an investment, we focus on the outputs of a company (products and services) rather than on the inputs (e.g. ESG policies and risk management). We acknowledge that all companies can have both positive and negative impact on people and the planet, and we consider both types of impact in our selection process. When assessing companies, there must be a credible 'theory of change' underlying the investment. A theory of change is a strategic framework that outlines how investments are expected to create positive social or environmental output, outcomes, and impact. It describes how companies create positive impact through their activities and how our invested capital generates sustainable outcomes.

Our impact assessment process considers several angles:

- **Intentionality:** The investment must intend to generate positive social or environmental impact without causing harm.
  - **Positive social or environmental impact:** We prefer investments that have positive impact in connection with one or more of our focus themes (see Chapter 4).
  - **No significant harm:** In addition to having a positive contribution to one or more of our focus themes, the investment should not cause substantial negative impacts or harm to society and the environment. The impact investment should strive to avoid or minimize negative consequences and instead aim to generate positive outcomes while mitigating potential risks.
- **Measurability:** The social and environmental performance and progress of the investment must be measurable and reportable, ensuring transparency and accountability.

All potential impact investments must also be permitted within the broader requirements of this policy. As such, it is not possible to make an impact investment in an excluded company or company even if the impact case is positive.

B. Selection criteria for impact investments

For many years, impact investing has been strongly associated with private markets. However, a financial ecosystem that only includes private markets is incomplete, and public markets are an important part of the life cycle of companies that aspire to reach a certain scale[6]. Therefore, we define a number of impact investing categories across public and private markets, applying the selection criteria defined in the following table.

6 GIIN Guidance for pursuing impact in listed equities, March 2023

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<table>
<tr><th>Asset class[7]</th><th>Selection criteria</th></tr>
<tr><td>Listed fixed income</td><td>Eligible investments include bonds issued by sovereign states, local governments and companies where the proceeds are used for specific environmental or social purposes (so-called “labelled” bonds). Various standards have been created that define requirements for labelled bonds, which include green bonds, social bonds and climate bonds. The issuing entity commits to adhere to the requirements of these standards and to reporting on the use of proceeds.

Labelled bonds must meet the following requirements in order to be eligible for classification as an impact investment by AVB:
- Issuers must be eligible for investment and cannot be on our Exclusion List
- Bonds issued must comply with the ICMA Principles for Green Bonds, Social Bonds or Climate Bonds
- Bonds must be verified by an independent auditor at issuance and must have a certified SPO (Second Party Opinion)</td></tr>
<tr><td>Listed equity</td><td>For listed equity, we use the UN PRI Market Map[8] to help us identify investments in companies that make a positive contribution to one or more of our focus themes. The UN PRI Market Map defines ten environmental and social impact themes linked to the UN SDGs, and provides clear thematic and financial criteria on which companies can be assessed under each theme.

The UN PRI Market Map’s themes can be mapped to our focus themes as follows:

<table>
<tr><th>Climate change & the energy transition</th><th>Biodiversity & natural resources</th><th>Health & well-being</th><th>Human rights</th></tr>
<tr><td>Energy efficiency</td><td>Sustainable agriculture</td><td>Health</td><td>Affordable housing</td></tr>
<tr><td>Green buildings</td><td>Sustainable forestry</td><td></td><td>Education</td></tr>
<tr><td>Renewable energy</td><td>Water</td><td></td><td>Inclusive finance</td></tr>
<tr><td></td><td>Circularity[9]</td><td></td><td></td></tr>
</table></td></tr>
<tr><td>Private debt</td><td>We make use of external managers when investing in private debt and follow a thorough selection process. Considerations when selecting a private debt manager can include specialised knowledge of the manager, alignment of the target investments with our focus themes, and the degree of local impact

For funds marketed in the EU, we have a preference for products labelled as ‘Article 9’ under the SFDR given the greater transparency requirements for these products.</td></tr>
</table>

7 Mortgages and real estate (both direct and indirect) are also part of the a.s.r. impact portfolio. However, these investments are managed by a.s.r. Hypotheken and a.s.r. Vastgoed, and, therefore, do not fall in scope of this Policy.
8 https://www.unpri.org/thematic-and-impact-investing/impact-investing-market-map/3537.article
9 This theme is a proprietary addition to the UN PRI Market Map. We added this theme as we consider companies that improve recycling and reuse of materials to be an important driver of positive impact in the area of a.s.r.’s focus theme Nature and it is in line with the theme’s described by the EU Green Taxonomy.

Asset class[7]	Selection criteria
Private equity	We make use of external managers when investing in private equity and follow a thorough selection process. Considerations when selecting a private equity manager can include impact-linked compensation, specialised knowledge of the manager, alignment of the target investments with our focus themes, and the degree of local impact. For funds marketed in the EU, we have a preference for products labelled as 'Article 9' under the SFDR given the greater transparency requirements for these products.

When selecting these investments, there must be demonstrable environmental or social objectives and indicators linked to the impact that is being made. We monitor and report annually on the real-world impact on a best-effort basis.

We are aware that the definition of what classifies as an impact investment can change and that our approach may need to be refined over time. What is considered impactful now may later become mainstream. Therefore, our criteria for impact investing will be re-evaluated as part of our periodic review of this Policy.

C. Governance

All potential impact investments must be approved from both a financial perspective and an impact perspective. We recognize that there is always a level of subjectively in deciding whether or not an investment qualifies as an impact investment. This is why we require that the AVB ESG Committee substantiates the 'theory of change' for each new potential impact investment. Individual decisions are recorded by the secretary of the AVB ESG Committee in the Committee's minutes.

4. Our focus themes

As much as we would like to make a positive contribution to all sustainability challenges facing the world, we recognise we must focus our efforts if we are to maximise our impact. This means making conscious decisions on where to spend our time and resources.

We have selected the following themes based on where we see the greatest potential to drive change (helping reduce negative impacts) and create positive impact through our investing activities. Additionally, we believe these will have the greatest impact on our business and our clients. As an insurer, these themes are also equally important and relevant to a.s.r., and they align well with the key sustainability themes a.s.r. has defined in its Strategic Framework Sustainability.
- Climate change and the energy transition
- Natural resources and biodiversity
- Health and well-being
- Human rights

In this chapter, we explain why each of the focus themes is relevant to AVB and its clients. We provide an overview of the key policy requirements for each theme and the actions we have undertaken in connection with them. Additionally, we highlight relevant commitments made by AVB or a.s.r. related to each theme, and detail how we aim to reduce harm, drive change, and create positive impact. Where available, links are included to in-depth Position Papers.

It is important to note that these themes are not the only ones we consider. We also take account of other ESG and sustainability-related themes and issues, such as animal welfare, tax practices, transparency inclusion & diversity. These play a role in our biannual screening process and in the creation of our in-house ESG ratings (see Chapter 3).

4.1. Climate change and the energy transition

Climate change, characterised by shifts in the Earth's long-term weather patterns, poses a significant threat to our society. The primary driver of climate change is the increase in greenhouse gas emissions, particularly carbon dioxide (CO_2), in our atmosphere. These gases trap heat, leading to a gradual rise in global temperatures.

The impacts of global warming are profound and far-reaching. These impacts are not merely theoretical; they are unfolding before our eyes. Climate change isn't just an environmental concern; it's a financial imperative. Companies that fail to adapt to a low-carbon economy face significant risks.

The scientific consensus is clear: to avoid the worst impacts of climate change, we must reach net-zero greenhouse gas emissions by around the middle of this century. This necessitates urgent action from all parts of society, including phasing out fossil fuels, reducing demand for energy by making our buildings, transportation, and industry more energy-efficient, and protecting and restoring our planet's natural carbon sinks.

We believe we have a role to play in facilitating the transition to a net-zero world and enhancing our society's resilience to the effects of climate change. As a long-term investor, we aim to leverage our influence by engaging with companies, encouraging them to reduce their greenhouse gas emissions and align their business with a low-carbon world. We can also directly invest in areas critical to the transition, such as renewable power generation and energy storage solutions.

A. External commitments

The main commitments that a.s.r. and/or AVB have signed up to support in connection with this theme are set out below. Further information on these commitments and their requirements can be found on our website.
- Spitsbergen Ambition
- Dutch Climate Agreement
- Net Zero Asset Managers Initiative

B. Reduce harm
We have agreed a number of exclusion rules to avoid investing our clients' money in companies and activities that significantly contribute to climate change. The exclusion rules and the screening criteria we use to implement them are set out in Chapter 3.

C. Drive change
Our active ownership activities form a crucial part of our overall climate strategy and serve as one of the main ways through which we aim to support the net-zero transition. These activities include the engagements we undertake with companies and policy makers, as well as how we exercise our voting rights at company meetings.

In our engagements with companies, our goal is to emphasise the importance of managing climate-related risks, and to underscore the potential opportunities arising from the transition. We urge companies to develop comprehensive climate strategies to align their business with a net-zero world. We expect that these strategies include ambitious decarbonisation targets that are aligned with the latest climate science and encompass emissions sources across their value chain.

We believe the transition is likely to be successful only if the legal and regulatory backdrop is supportive. Hence, we also engage with regulators and policymakers to advocate for climate policies and regulations that incentivise emissions reduction and encourage the adoption of renewable energy sources. We believe that the transition should be 'just', and advocate for policies to be designed in such a way that the benefits of the green transition are widely shared, and negative impacts on vulnerable communities are minimised.

D. Create impact
Achieving net-zero greenhouse gas emissions requires our society to phase out fossil fuels as the primary source of energy. This will involve electrification of the broader economy and a switch to renewable power sources. In cases where electrification is not feasible or practical, alternative fuel sources will be required. Energy efficiency will gain increasing importance, and there will be a need in many parts of the world to upgrade the existing, ageing electrical infrastructure. We aim to contribute directly to the transition with the impact investments we make. We focus on investing in three areas: energy efficiency, green buildings, and renewable energy. Some examples of the types of investments we consider under these aeras include:
- Power distribution and storage solutions, such as smart grids and battery storage
- Renewable energy power generation, such as wind, solar and tidal
- Alternative fuels, such as green hydrogen

Our fossil fuel exit strategy
A key part of our climate commitment to addressing climate change and facilitating the energy transition is our fossil fuel exit strategy. This is guided by the scientific consensus that to avoid the worst impacts of climate change, we must phase out fossil fuels and reach net-zero greenhouse gas emissions by around the middle of this century.

Phase 1: Thermal Coal and Unconventional Oil & Gas
During Phase 1, we divested from and excluded companies involved in mining and producing thermal coal. We also divested from and excluded companies engaged in the exploration and production of unconventional oil and gas. This includes activities such as Arctic exploration and drilling, shale gas and oil, and oil tar sands. We excluded these companies due to their outsized negative impacts on climate change and the environment.

Phase 2: Conventional Oil & Gas
The second phase focuses on companies involved in the production (extraction and refining) of conventional oil and gas. As part of this phase, we have been engaging with a number of companies to better understand their climate strategies and targets. We have also agreed upon internal criteria to objectively measure and assess whether these companies are Paris-aligned. We have been using these measure individual company's progress on becoming Paris-aligned and will conduct a final measurement at the end of 2024. If any company in scope of Phase 2 does not meet our requirements for Paris-alignment at this point, we will divest our holdings and add it to our Exclusion List.

Phase 3: Carbon-intensive Companies and the Energy Value Chain
In the third phase, we turn our attention to companies further down in the energy value chain, such as those involved in electricity generation, transmission, and distribution. We also focus on companies in non-energy related sectors that have large greenhouse gas footprints, such as those in the mining, chemical and cement sectors. Between 2024 and 2027, we will intensively engage with these companies to evaluate their climate strategies and targets and outline the steps we believe they need to take to become Paris-aligned.

4.2. Biodiversity & natural resources

Our planet is currently facing a critical issue: the rapid depletion of natural resources and loss of its biodiversity. In the 2023 update published by the Stockholm Resilience Centre, it was indicated that six out of nine planetary boundaries that regulate the stability and resilience of the Earth system have already been crossed as a result of human activities, such as deforestation, overfishing, and pollution[10]. Crossing these boundaries increases the risk of causing irreversible environmental tipping points.

Climate change, which is strongly interconnected, can amplify these risks and exacerbate the pace of biodiversity loss. At the same time, the loss of our planet's biodiversity and its natural carbon sinks exacerbates climate change. From an investment perspective, these issues can pose significant financial risks. Companies reliant on certain natural resources may face shortages and increased costs, while those contributing to biodiversity loss may be subject to regulatory penalties or reputational damage.

The financial industry's ability to measure and monitor the impact of our investment decisions on our planet's biodiversity and natural resources is still at an early stage. Although there is currently no international agreement on a measurement methodology, the 2022 UN Conference Of Parties of the Convention for Biological Diversity (COP15 – Kunming Agreement) has approved a set of targets to halt and reverse loss of biodiversity in 2030[11].

AVB aims to use its influence as a long-term investor to avoid risks and drive change by investing in a way that positively impacts the environment and contributes to achieving the Kunming agreement. We therefore perform regular analysis to understand the main biodiversity impacts and dependencies of our investment portfolio.

10 https://www.stockholmresilience.org/research/planetary-boundaries.html
11 COP15 final text: https://www.cbd.int/article/cop15-final-text-kunming-montreal-gbf-221222

A. External commitments
The main commitment that a.s.r./AVB has signed up to support in connection with this theme is the Finance for Biodiversity Pledge. Further information on this commitment and its requirements can be found on our website.

B. Reduce harm
We have agreed a number of exclusion rules to avoid investing our clients' money in companies and activities that are significant contributors to the loss of our planet's biodiversity. The exclusion rules and the screening criteria we use to implement them are set out in Chapter 3.

C. Drive change
Our approach includes engaging with companies to make them aware of biodiversity-related risks and highlighting the steps we believe they need to take to develop and implement a comprehensive strategy to manage them. We prioritise the following sectors based on the results of an impact analysis we conducted to identify the main impacts and dependencies of our listed investment portfolio (listed credits and equity).
- Forest and agricultural products: sustainable food production: The way we produce food and consume agricultural products impacts all drivers for biodiversity loss to at least some extend. We aim our active ownership efforts at limiting negative impact such as asking for zero-deforestation supply chains, ensuring animal welfare and accelerating the protein transition.
- Materials: circular economy: Another key factor in positively influencing the planetary boundaries is reducing waste. We aim our active ownership efforts on topics such as sustainable extraction of natural resources, accelerating a circular economy and reducing pollution. Reducing waste and more specifically (single use) plastics is a specific focus in our active ownership efforts.
- Energy and utilities: energy transition: The extraction and use of fossil fuels pose a large negative impact on nature. Also, the way renewable energy is produced can have a large impact on natural resources such as water supply, extraction of minerals and production of biofuels.

D. Create impact
We do not only want to reduce negative impacts resulting from our investment decisions. We also want to actively contribute to preventing the loss of biodiversity, and even reverse biodiversity it, through our investment decisions where possible. Within our impact investment portfolio, we aim to invest in companies and projects that target solutions in areas such as water technology, sustainable food chains and sustainable agriculture.

4.3. Health and well-being

Good health and well-being are the cornerstones of a good quality of life. They are fundamental to our ability to engage in daily activities, pursue our passions, and contribute to society. Moreover, they have a profound impact on the economy. A healthy population is more productive, leading to increased economic output. Conversely, poor health can lead to decreased productivity, increased healthcare costs, and a reduced quality of life.

Despite the importance of health and well-being, our society faces significant challenges in these areas. As a health and income insurer, a.s.r. has an outspoken commitment to improve the health and well-being of its clients, and to contributing to solving societal challenges regarding health and access to health. That is why, for example, a.s.r. started a programme (a.s.r. Vitality) in 2020 to encourage its customers to make healthier choice.

We invest in many companies on behalf of our clients that operate in sectors with a direct effect on people's health. These includes companies in the pharmaceutical industry and the food and beverage industry.

A. External commitments
The main commitment that a.s.r. and/or AVB have signed up to support in connection with this theme the Access to Medicine Foundation Investor Statement. Further information on this commitment and its requirements can be found on our website.

B. Reduce harm
We have established a set of exclusion rules to prevent investing our clients' money in companies and activities that have a severely negative impact on people's health and well-being (see Chapter 3).

C. Drive change

Being an asset manager with a diverse portfolio, we need to make choices and focus our efforts in order to be effective. In our Health and Well-being Strategy we focus on the impact of companies through the good or service they produce and/or sell. We conducted a prioritization process in which we used external research and guidance, combined with data from our portfolio, in order to identify priority sectors and issues in our portfolio to focus on. These priority sectors (and issues within these sectors) are summarized below:

- Consumer staples: Healthy and nutritious food: Companies who manufacture, market, retail and serve food and beverages have a significant impact on people's diets and health. Our engagement with these companies focuses on the development of, and transparency around, a strategy to minimize the negative (future) health impacts of food products produced or sold by these companies.
- Pharmaceutical companies: Access to medicines (including vaccines): Pharmaceutical companies manufacture almost all medicines available today. They play a key role in increasing the access the medicines by researching and developing new medicines (including those targeting children or neglected diseases) and determining the pricing and therefore the accessibility of medicines. Our engagements with these companies focus on improving access to these medicines.

D. Create impact

Impact investing is another way we deliver on our health and well-being ambitions. AVB has a long history of investing in biotech companies, and finances the development of new medicines, therapies and other healthcare innovations through specialized fund managers that have technical expertise on health. We also seek to invest in companies that improve access to healthcare or medicines, companies that develop new medicines, medical equipment or facilities at lower costs and available to lower income groups. As a health insurer, a.s.r. is also committed to the prevention of health problems as the costs for health care are rapidly increasing because of an ageing population. Focusing solely on providing cures is hence not seen as durable in the long term. Therefore, AVB also seeks to invest in prevention, e.g. in companies that support healthy aging.

4.4. Human rights

Human rights, the inherent rights of all individuals, form the bedrock of a just and equitable society. They encompass a broad spectrum of socio-economic, cultural, civil, and political rights, and are the foundation upon which a fair society is built. Upholding them ensures dignity, freedom, equality, and justice for all. As stated in its Human Rights Policy Commitment a.s.r. respects and subscribes to the fundamental human rights as laid down internationally in the Universal Declaration of Human Rights. Furthermore, we respect and subscribe to the UN Global Compact, the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises, not only to the letter but also in spirit, and we expect the same from our employees and our business partners.

From an investment perspective, human rights are of paramount importance. Companies that fail to respect human rights can face significant legal, reputational, and operational risks. Conversely, companies that proactively uphold human rights can unlock opportunities, fostering a positive corporate image, enhancing stakeholder relationships, and driving sustainable growth. We recognise that through our investment decisions, we could be indirectly connected to human rights violations. We are committed to preventing such violations from occurring and using our influence to encourage companies to respect human rights. In instances where violations occur, we use our influence as a long-term investor encourage our investee companies that steps should be taken to mitigate the harm being caused and, if necessary, that appropriate remediation is provided.

Our approach is guided by internationally recognised standards, including the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. These frameworks impose requirements on businesses to respect human rights throughout their operations and supply chains. We have developed and implemented a due diligence process that is aligned with the six stages of the due diligence cycle outlined in the OECD guidelines.
As part of this process, we carry out a regular human rights risk analysis to identify and prioritize potential human rights risks across our portfolios, next to the semi-annual screening. We use the output of this assessment to determine the best mitigating actions.

A. External commitments
The main commitments that a.s.r. and/or AVB have signed up to support in connection with this theme are set out below. Further information on these commitments and their requirements can be found on our website.
- Investor Alliance for Human Rights
- Platform Living Wage Financials (PLWF)

B. Reduce harm
We have established a set of exclusion rules to avoid investing our clients' money in companies and activities that contribute to the violation of internationally recognised human rights (see Chapter 3).

C. Drive change
Based on the results from our latest human rights risk analysis, we have identified three sectors to prioritise in our active ownership activities. These sectors and the specific issues we focus on are summarised below.
- Living wages and living income in the consumer discretionary and consumer staples sector: Living wage and income are seen as fundamental or enabling human rights. Against this backdrop, we champion the principles of a living wage and living income, especially in the consumer discretionary and consumer staples sector (including sub-sectors such as garment, food production and retail), being sectors where living wage and living income are lacking in supply chains as well as in companies' own operations.
- Improving labour rights in the supply chain of the Information Technology sector: IT supply chains are widely regarded as a high-risk area for forced labour, given the industry's reliance on metal and mineral mining and on the chemicals sector. Many supply chains are located in high-risk countries and complex which makes transparency and the enforcement of standards a challenge.
- Anti-discrimination and respecting land rights in the financial sector: Many human rights risks within the financial sector are linked to the right to be treated equally. This reflects in issues such as discrimination on the work floor, but also in the lending practice of banks, resulting in unequal access to finance. Another large part of human rights risks in the financial sector are linked to project financing. Project finance is often linked to issues involving land rights, for example displacement and forced relocations.

D. Create impact
Human Rights have historically been considered a topic that is not investable, and therefore better fitting for reducing harm rather than for creating positive impact. At a.s.r. asset management, we want to challenge this idea and aim to seek ways to use our impact investment to improve respect for human rights. Examples may include micro-finance (providing access to finance and therefore enabling people to exercise their rights and strengthening their rights to an adequate living); social housing (providing underserved communities with adequate housing); or education (making sure people have access to quality learning). Furthermore, companies with outspoken focus to employ a workforce with disadvantages on the labour market (facilitating the right to decent work) or companies producing goods or services for underserved groups, e.g. mobility solutions for disabled people (facilitating their right to live independently, participate in cultural life, recreation, leisure and sport) may be included in our impact investment portfolio.

5. Ensuring good governance

Good corporate governance is essential to long-term success and ensuring that companies deliver value for all stakeholders, including shareholders. When we talk about corporate governance, we mean a company's internal policies and practices, leadership structure, compliance mechanisms, and overall decision-making processes. These elements are critical in maintaining accountability, fairness, and transparency in a company's relationship with all its stakeholders. Poor corporate governance practices, such as inadequate anti-corruption measures, perverse incentive structures, or ill-equipped leadership, can often lead to poor short-term management of environmental and social issues. This can result in negative financial consequences for companies. In extreme cases, it can even result in severe harm being caused to people and the planet. For these reasons, we believe it is essential to ensure that the companies we invest in follow good corporate governance practices.

We evaluate a company's corporate governance practices through our biannual screening process and in our investment decision-making processes (see Chapter 3). We consider a range of corporate governance issues, including:
- Balance between powers and effectiveness of the board of directors
- Audits and control mechanisms
- Shareholder rights
- Remuneration of top managers
- Prevention of corruption
- Prevention of anti-competitive practices
- Integrity and transparency in terms of strategy and influencing tactics
- Tax compliance
- Animal welfare[12]

Good governance is also an important consideration when investing in sovereign bonds and other forms of governmental debt. We take account of this in our approach by defining minimum standards that countries must meet in connection to corruption. In order to do this, we use the Corruption Perception Index (CPI) of Transparency International. The CPI ranks 180 countries and territories around the world by their perceived levels of public sector corruption, scoring on a scale of 0 (highly corrupt) to 100 (very clean). The data sources used to compile the CPI specifically cover the following manifestations of public sector corruption:
1. Bribery
2. Diversion of public funds
3. Officials using their public office for private gain without facing consequences
4. Ability of governments to contain corruption in the public sector
5. Excessive red tape in the public sector which may increase opportunities for corruption
6. Nepotistic appointments in the civil service
7. Laws ensuring that public officials must disclose their finances and potential conflicts of interest
8. Legal protection for people who report cases of bribery and corruption
9. State capture by narrow vested interests
10. Access to information on public affairs/government activities

Any country scoring lower than 30 points is ineligible for investment and is added to our Exclusion List for Countries (see also Chapter 3).

12 Animal welfare has historically been an important topic in our approach and policy. With the introduction the European Corporate Sustainability Reporting Disclosure (CSRD) which places the topic of animal welfare alongside the regulation's disclosure requirements concerning governance, we now include the topic both as part of our policy requirements on ensuring good governance and within our focus theme Biodiversity and Natural Resources.

6. Internal governance arrangements and risk management

This chapter provides an overview of the internal governance arrangements we have put in place and the risk management approach we follow at a.s.r. and AVB in connection with this Policy.

6.1. Roles and responsibilities

The following provides an overview of the main decision-making bodies and teams within a.s.r. and AVB that are involved in decisions regarding this Policy.

- The a.s.r. Supervisory Board has an ESG Committee that advises the Supervisory Board in connection with ESG developments and a.s.r.'s sustainability strategy.
- The a.s.r. Management Board is ultimately responsible for determining the sustainability strategy and policies of a.s.r. and its underlying business units, including AVB.
- The a.s.r Executive Board (RvB) is "medebeleidsbepaler", and in this capacity it approves material changes in this Policy.
- The a.s.r. Sustainability Committee discusses and advises the a.s.r. Management Board o sustainability-related policies, dilemmas and conflicts of interest.
- The ESG Committee decides on ESG and sustainability-related matters within the investment portfolios of a.s.r. (and its OTSOs) and external clients.
- The AVB Regulatory Board (RB) monitors and advises on AVB's compliance with relevant laws and regulations.
- The AVB Voting Policy Committee (VPC) is responsible for the Voting Policy and its implementation.

6.2. Risk management

We see that sustainability risks[13] can be financial risks, and that we should take steps to identify and mitigate them. In line with this, AVB developed a Sustainability Risk Management approach that sets out how we identify sustainability risks and the risk management framework we have put in place to manage them. The Sustainability Risk Management approach also provides information on the internal governance arrangements we have implemented to appropriately monitor and manage sustainability risks and our approach to reporting and communicating on them. Our Sustainability Risk Management approach can be summarised as follows:

- AVB is organized by a range of oversight lines in order to minimize ESG related risks:
- The first AVB line of defence are the portfolio managers and the implemented pre- (and post) compliance rules.
- The second line of defence is formed by the Non-Financial Risk Committee, for which quarterly risk reports on non-financial risks, incising ESG risks are developed. These reports are discussed in the Committee meetings.
- a.s.r.'s Internal Audit department is the third line of defence. It provides an independent opinion on governance, risk and management processes, with the goal of supporting the Management Board and other management of a.s.r. in achieving the corporate objectives, including those related to ESG.

13 We provide further information on specific sustainability risks related to our focus themes (e.g., physical and transition risks in connection with climate change) in our focus theme strategy papers.

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7. Transparency

In recognition of the potential positive and negative impacts that our investment decisions have on people and the planet, we firmly believe in being transparent on our approach and investment decisions. To that end, we not only fully comply with sustainability-related regulatory disclosure requirements but often voluntarily choose to publish additional information to ensure our stakeholders are well-informed about our investing activities.

This chapter provides an overview of the ways that are communicate and report on our approach and the impact of our investment decisions on people and the planet.

7.1. Periodic reporting

We want our stakeholders to be well-informed and publish a range of reports on different frequencies. The main reports we publish on a periodic basis are detailed below.

Frequency	Report	Description
Quarterly	ESG Update	This report provides an overview of the different sustainability-related activities AVB has undertaken during the quarter. Highlights include key engagements with companies, new impact investments, and other activities we have undertaken in connection with our focus themes.
Biannually	Engagement Report	This report provides an overview of our engagement activities, including the progress we are making with individual company engagements and the collaborative engagements that we are a part of.
Annually	Annex III Reports	We publish 'Annex III' reports on an annual basis for all AVB funds in scope of the EU Sustainable Finance Disclosure Regulation (SFDR) and classified as 'Article 9' funds under the regulation. These reports provide clients with information on the ESG characteristics of the funds and how they are achieving their sustainable investing objectives.
	Annex IV Reports	We publish 'Annex IV' reports on an annual basis for all AVB funds in scope of the EU Sustainable Finance Disclosure Regulation (SFDR) and classified as 'Article 8' funds under the regulation. These reports provide clients with information on the ESG characteristics of the funds and how they are meeting the environmental and social characteristics that they promote.
	Principal Adverse Impacts (PAI) Statement	We publish an annual PAI Statement for AVB in line with the EU Sustainable Finance Disclosure Regulation (SFDR) requirements. This report provides an overview of how AVB identifies and mitigates negative (adverse) impacts on people and the planet from its investment decisions.
	a.s.r. Annual Report	a.s.r. issues an annual, integrated report which gives a broad overview of its performance, financially and non-financially, including material ESG and sustainability topics.
	a.s.r. Climate and Nature Report	a.s.r. issues a separate annual report, in which it is applying the TCFD and TNFD recommendations to disclose its impacts and dependencies on climate and nature.
Without specified frequency	White papers on current issues	AVB regularly issues white papers on sustainability related topics or matters that it finds relevant to its clients.

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7.2. Website

We publish and maintain a range of documents on our website that provide stakeholders with insights into our approach and our investment decisions. These include the following:

- AVB Policy on Responsible Investments (this Policy)
- AVB Exclusion List for Companies
- AVB Exclusion List for Countries
- AVB Screening Criteria
- Periodic reports (see above)

8. Collaborating with other like-minded parties

We cooperate with other financial institutions, civil society organisations and government bodies to develop joint views and policies on sustainability issues and to promote their thorough implementation.
This chapter provides a list of the main initiatives that AVB has signed up to or endorses that have an impact on our investment approach or shape this Policy's requirements. It also provides a list of the main collaborative engagement initiatives that AVB participates in and investor statements that AVB as part of its execution of this Policy. For more information, please visit https://asrassetmanagement.com/library/covenants.

8.1. Financial sector initiatives

- Partnership for Carbon Accounting Financials (PCAF)
- Partnership for Biodiversity Accounting Financials (PBAF)
- The Net Zero Asset Managers (NZAM)
- Institutional Investors Group on Climate Change (IIGCC)
- Netherlands Advisory Board on impact investing (NAB)
- Dutch Association of Investors for Sustainable Development (VBDO)
- Eumedion
- Dutch association of insurers (het Verbond)
- Dutch Fund and Asset Management Association (DUFAS)
- Sustainable Finance Platform of De Nederlandsche Bank (DNB)
- Finance for Biodiversity Foundation
- Access to Medicine Foundation
- The Investor Alliance for Human Rights

8.2. Collaborative engagement initiatives

- Climate Action 100+
- Nature Action 100+
- The Dutch Climate Coalition (DCC)
- The Platform Living Wage Financials (PLWF)
- FAIRR
- Valuing Water Finance Initiative
- Health Engagement Initiative (HEAL)
- Deforestation monitoring

8.3. Investor Statements (non-exhaustive)

We regularly sign investor statements that align with our policy and priorities. Some examples below:
- Investor Statement for sustainable palm oil
- Investor Statement on the use of plastic by companies
- Global Financial Institutions Statement to Governments on Deep Seabed Mining

The Research Centre for Sustainable Investments & Insurance (RCSII)
Apart from the sectoral collaboration and initiatives mentioned in this chapter, AVB is also partnering with the Faculty of Economics and Business (FEB) of the University of Amsterdam (UvA). The centre aims to answer questions related to sustainable investment and insurance. Among other things, the research focuses on quantifying climate risks for investors and insurers and on possibilities for detecting 'green washing'. The centre also focuses on better ESG data, as this data is often still too unstructured and the amount of ESG data available is increasing rapidly. Alternative and innovative solutions are needed to process and analyse this data. The collaboration with the UvA aims to contribute to solving these kinds of sustainability issues, enriching the knowledge and opportunities of companies operating in the industry. The RCSII is an independent scientific centre and the findings are made publicly available.

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