



# Socially Responsible Investment (SRI) Policy

Revised and extended version, Q4 2021

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## a.s.r. SRI Policy development

a.s.r. is committed to ensuring that it makes investment decisions responsibly and with integrity. a.s.r. SRI Policy is based on international Conventions, Recommendations, Declarations and Guidelines formalised by referential international organisations as the United Nations (UN), International Labour Organization (ILO), UN Equator Principles (UNEP), UN Guiding Principles (UN GP), UN Global Compact (UN GC) and the Organisation for Economic Co-operation and Development (OECD). The a.s.r. SRI Policy has been extended over time to capture the progress of the market and changes in the society.

The first comprehensive SRI policy was agreed at Executive Board level at ASR (previously Fortis Insurance Nederland) in 2007. With the independence of a.s.r. Asset Management, the SRI policy became also applicable to all (external) clients. This SRI policy demonstrates a.s.r.'s ambition to preserve value for all its stakeholders through excluding certain 'non-sustainable' practices from its investments and identify best scoring ESG companies. It also describes the modus operandi for policy implementation. The goal is to have in place a fully compliant portfolio, which is screened on a semi-annual basis by Moody's ESG and MSCI ESG, two external Research and Screening SRI Agencies. Compliance with our SRI policy is audited and certified by Forum Ethibel.

In 2010, the SRI criteria were slightly amended following the criteria dictated by Forum Ethibel, and a.s.r. started to use their Excellence Register to identify best-in-class investments. In addition, a.s.r. expanded the semi-annual screening to include the constituents of the benchmarks used. This is how we can keep abreast of issues at play at non-sustainable companies in the first place and we can decide on the most appropriate way to proceed and whether not to invest in a company or become involved in 'engagement to influence'.

During 2011, a.s.r. became a signatory to the United Nations Principles for Responsible Investments ([UN PRI](#)) and the United Nations Global Compact ([UN GC](#)). The Dutch Association of Insurers (Verbond van Verzekeraars) issued a Code of Conduct for investment, asking affiliated insurers to adopt the UN PRI and the UN GC Principles (comply-or-explain principle) on 1 January 2012. a.s.r. has complied with the Code since it was introduced as one of the first insurers in the Netherlands.

In 2012, a.s.r. developed an official Engagement Policy, formalising the engagement practice that was already in place on ad hoc basis. a.s.r. believes in a constructive dialogue with companies to spread sustainable business practices. This dialogue may concern the monitoring of on-going sustainability or an effort to influence the behaviour of a company where we have identified conflicts with our SRI policy.

In 2013, a.s.r. became a signatory to the United Nations Principles for Sustainable Insurance ([UN PSI](#)) to demonstrate its commitment to integrating sustainability into its insurance operations, including its investment practice. In addition, the a.s.r. SRI policy was enhanced along the increasing requirements from the market and society.

In 2014, a.s.r. signed the [Anti-Corruption Call to Action and the Global Development Agenda](#), which urges governments to promote efficient and effective anti-corruption measures in all its forms, including extortion and bribery, and to implement robust policies that will foster good governance.

In 2015, a.s.r.'s real estate investment management division (a.s.r. Vastgoed Vermogensbeheer) developed and published an overarching CSR policy, including specific sustainable investment policies for the [Real Estate funds](#), covering the relevant aspects of the real estate segment in which they operate. These policies need to be read in conjunction with the a.s.r. SRI policy.

a.s.r. also signed the [Paris Pledge for Action](#), confirming its commitment to a safe and stable climate, in which the increase in temperature should be limited to well below 2 degrees and preferably to below 1.5 degrees Centigrade.

In order to expand and enhance its engagement activities, a.s.r. has embarked on a partnership with RobecoSAM's Governance & Active Ownership department with effect from 2016. The engagement program is based on remediating conflicts with the UN Global Compact (UNGC) in relation to human rights, labour rights, environment issues and ethical behaviour.

a.s.r. signed the investor statement of the Business Benchmark Farm Animal Welfare ([BBFAW](#)) published in May 2016 to contribute to creating greater awareness of animal welfare across the food sector and among investors.

a.s.r. also signed the [UN PRI ESG Statement on ESG in Credit Ratings](#) in May 2016, supporting the vision that ESG factors are relevant to the creditworthiness of issuers.

In July 2016, a.s.r. Financial Markets ESG committee approved several guidelines to advance a.s.r. SRI policy regarding environment and climate change, including:

- stricter engagement and/or exclusion policy for systematic and/or severe breaches to the environment
- exclusion policy for companies deriving 30% or more of their revenues related to coal and lignite.

In 2017, these guidelines were followed up with additional criteria to reduce the CO2 footprint and contribute positively to the energy transition within a.s.r. investment portfolios:

- exclusion policy for companies deriving 33% or more of their revenues related to tar sands and oil shale
- exclusion policy for countries scoring poorly on environmental performance
- best in class policy according to the [SDG country ranking](#) published by the Sustainable Development Solutions Network (SDSN) and the Bertelsmann Stiftung. The weighted average score of a.s.r. sovereign portfolios will be positioned within the first quartile of the SDG Index. Herewith a.s.r. wants to reward countries that are developing policies and progress in broadly recognised sustainability issues next to climate/environment such as health, gender equality and education.

Additionally, a.s.r. has strengthened a number of its SRI themes by [signing the UN PRI Investor Statement](#) for the World No Tobacco Day, the UN PRI Investor engagement to remediate child labour in the cocoa industry and the UNPRI Investor expectations on deforestation in the cattle supply chains, which expectedly shall be followed by subsequent engagements on soy and timber/pulp and paper.

In the process to centralize all the related SRI information in the same sites, this document has expanded the disclosure of current SRI criteria as for example on environment or animal welfare. Furthermore a.s.r. has published 2 papers in 2017 regarding 'carbon bubble' and 'positioning paper on climate and energy transition, which deal in detail over these specific topics and are complementary to a.s.r. SRI policy.

In 2018, a.s.r. actively expanded its engagement practices on both environmental and social topics. Besides the engagement for influencing based on UN Global Compact violations, a.s.r. has started specific engagement trajectories on living wages in the supply chain within the Platform Living Wages Financials (PLWF), on methane emissions and cyber security.

The SRI policy for countries with poor environmental performance has been reviewed. In order to enhance consistency in the overall SRI policy and in our methodology for the coming years, the decision has been made to use the SDG Index underlying data to determine environmental performance. The SDG index is already used by a.s.r. to determine best-in-class performing countries. This index works in close cooperation with the previously used EPI index.

In June 2018, the Dutch Association of Insurers signed the Dutch Insurance Covenant for International Responsible Business Conduct, also on behalf of a.s.r. Nederland. The covenant promotes international socially responsible investment in the insurance sector.

a.s.r. signed an investor letter to RSPO (Roundtable on Sustainable Palm Oil), asking to strengthen the standard for certified sustainable palm oil production – such as strengthening the standard to prevent deforestation, peatland clearance and protect human and labour rights. And as of July 2018, a.s.r. is signatory of the [Access to Medicine Index](#).

In 2019, a.s.r. has taken next steps in stimulating the transition to a low carbon economy by lowering the exclusion criteria for fossil fuels (coal and lignite, tar sands and oil shale and coal-fired production)

In **2020** a.s.r. signed the Net Zero Asset Managers initiative. This initiative contains an international group of asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5 degrees Celsius; and to support investing aligned with net zero emissions by 2050 or sooner. Also, a.s.r. has signed the Finance for Biodiversity Pledge, committing to measure the biodiversity impact of our investment portfolio's and to set biodiversity targets by 2024 latest.

In **2021**, a.s.r. announced its exit and phase out strategy with respect the investments in fossil fuels. This includes an immediate zero tolerance for companies deriving any revenue from the mining and production of thermal coal. For unconventional oil and gas we drastically reduced our threshold to 5% of revenue. A further phase down and phase out is included for metallurgical coal mining and the production of conventional oil and gas, as well as companies further down the energy value chain (i.e., electricity generation, transmission, and distribution) and companies in non-energy related sectors with large GHG footprints (e.g., agriculture and land use, waste, industrials such as chemicals and cement).

For the following activities, classified as unconventional oil and gas, we now apply a 5% threshold of revenues:

- Shale gas, shale gas and oil shale
- Arctic oil
- Tar sands

a.s.r. takes ownership as an active shareholder in its associates and exercises its voting rights with due care in accordance with the a.s.r. Voting Policy, which is aligned to the a.s.r. SRI policy.

This policy and related documents are fully applicable to ASR Nederland N.V. and all its subsidiaries.

## **α.s.r. SRI Policy**

A distinction is made between investments, whether internal or external, where a.s.r. has the capacity to influence the guidelines of the investment portfolio, and investments in funds or other vehicles from external providers where a.s.r. does not have this power.

Any investments where a.s.r. has the power to exercise influence on the investment portfolio or guidelines are governed by the SRI Policy for Companies and the SRI Policy for Countries. The SRI policy has been approved by the a.s.r. Executive Board. Any interpretations of, or exceptions to, the policy as well as the decision to invest, engage or exclude a company are taken by the a.s.r. ESG Committee. For further details of our SRI policy we also refer to the our SRI document 'Detailed criteria for positive screening'.

The applicable SRI criteria depend on the different types of investments:

1. a.s.r. SRI Policy for Companies
2. a.s.r. SRI Policy for Countries
2. a.s.r. SRI Policy for External Providers (without influence on the investment guidelines)

## 1. a.s.r. SRI Policy for Companies

Investment decisions include the company's score on ESG criteria (Environmental, Social and Governance) and an assessment of controversial activities. This is how a.s.r. avoids non-financial risk, especially reputational risk, and complies with legislation, i.e. the UN PRI, UN Global Compact, UN Guiding Principles, OECD Guidelines and the Dutch Association of Insurer's Sustainable Investing Code. a.s.r. SRI guidelines follow the standards as defined by Forum Ethibel and SRI research is performed by Vigeo Eiris and MSCI ESG.

The SRI Policy for Companies is implemented as follows:

### 1. Selection of companies by their relative ESG score

All our portfolios are at minimum characterized by above average ESG scores. Companies are analyzed on numerous ESG criteria taking into account materiality for the respective sector/industry sector. The overall ESG score allows us to identify the best ESG scoring companies on the sector. The ESG screening is carried out by our external data suppliers where ESG domains such as the following ones are integrated:

- Environment
  - Strategic incorporation of environmental issues
  - Incorporation of environmental issues into the manufacturing and distribution of products/services
  - Incorporation of environmental issues into the use and disposal of products/services
  - (Forward looking) Carbon data
- Labor Rights / Human Resources
- Human Rights & Community Involvement
- Corporate Governance & Business Behavior

These domains include several hundred indicators including the companies' involvement in the following activities:

- Animal welfare violations
 

Animal testing should comply with the Helsinki Declaration and EU Directives, i.e. it is permitted for the development of medicines only. This includes companies (sub-)contracting production to third parties. Regarding animal farming, hunting, fishing and captivity, companies should respect the relevant EU Directives and the CITES Convention (list of endangered species). Violations of animal welfare include: cruel treatment of animals in factory farming; farming or trading of animals grown for their fur or skin; cruel practices and the capture of endangered species in fishing and hunting; keeping captive wild animals if they were born in the wild or if they are kept in conditions that are not comparable to their natural habitat and inflict serious damage on them.
- Sex industry
 

Companies should follow the UN Beijing Platform for Action (1995) framework for advancing women's rights, especially regarding the sex industry such as pornography and prostitution.
- GMOs in food and feeds Genetically Modified Organisms should comply with EU Directives (1139/98 and 49/2000) to ensure global food safety.
- Hazardous chemicals Companies should not be involved in the production and distribution/sales of hazardous chemicals, defined by the UNEP 12 Chemicals: POPs (Persistent Organic Pollutants), the OSPAR List (prevention of pollution of the marine environment in the North East Atlantic) and ODCs (ozone-depleting chemicals) in accordance with the Convention of Vienna (1995) and the Montreal Protocol (1997).
- Alcohol Production and distribution/sales of alcohol, especially to certain target audiences, should include product safety and appropriate measures against illicit production and sale. The relative ranking of companies according to these criteria is taken into account as part of the portfolio management process, in which 'traditional' criteria such as financial outlook, dividend yield and quality of management are considered as well.

Different methods of positive selection are used to further increase the ESG profile of our portfolio's, which can vary per asset class. The ESG profile of companies is taken into account as part of the portfolio management process, in which 'fundamental' criteria such as financial outlook, industry structure, sustainable competitive advantage, a discount to intrinsic value of the company and quality of management are considered as well.

## Good Governance

All our investments in public companies are screened on whether companies follow 'good governance' practices. To assess good governance, we screen on the following topics:

- **Sound management structures**, such as; independence board, responsibility CRS issues, diversity and background of the board, evaluation of board's performance and functioning.
- **Employee relations**, such as; commitments regards to labour relations, coverage of employee representative bodies, employee participation and employee satisfaction.
- **Staff remuneration**, such as; the promotion of employability, availability of trainings, number of employees covered by pension and health care plans.
- **Tax compliance**, such as; the transparency of the company's reporting on income taxes and the presence of companies in offshore financial centers.

These aspects of 'Good Governance' will result in an ESG score, which we use in portfolio construction. All our portfolios are at minimum characterized by above average ESG scores.

## 2. Controversial activities that can start an engagement process or lead to exclusion

As an institutional investor, a.s.r. can influence companies through engagement rather than by excluding them from its investment portfolio. When a.s.r. does not achieve adequate improvement in a constructive dialogue, it can exclude a company from its investment portfolio. The engagement and exclusion process looks at the following controversial activities:

### - Human Rights

Complicity in systematic and/or gross violation of human rights conventions, in accordance with the International Bill of Human Rights, with respect to civil, political, economic, social and cultural human rights.

### - Labour Rights

Violation of the following fundamental ILO conventions: 29, 87, 98, 100, 105, 111, 138 and 182 ([www.ilo.org](http://www.ilo.org)). This includes labour conditions, child labour, equal treatment, freedom of union and other essential labour rights.

### - Armament

a.s.r. screens companies for involvement in offensive products, defensive and auxiliary military products and dual-use products or services. a.s.r always excludes companies that produce and/or sell controversial weapons: anti-personnel landmines, cluster munition, nuclear and chemical weapons, and bacteriological weapons. a.s.r always excludes companies that produce and/or sell offensive weapons. It excludes 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 (such as those in power in corrupt or fragile countries, or as defined in the EU common rules governing the control of exports of military technology and equipment). a.s.r. also observes the United Nations Arms Trade Treaty.

### - Nuclear energy

Although, from a carbon emissions point of view, nuclear energy is one of the cleanest forms of energy, it comes with risks to the environment, especially with regard to waste. a.s.r takes a relatively neutral stance in this debate: if more than 50% of a company's revenues are generated by nuclear energy-related activities, a.s.r. considers it controversial. This stance was confirmed by the Executive Board in 2010.

### - Gambling

Taking into account the risks of gambling addiction and possible links to criminal networks (including money laundering), companies that are active in the gambling industry are under special scrutiny.

### - Tobacco

The production and distribution of tobacco products.

### - Fossil fuels

a.s.r. has an exit strategy with respect the investments in fossil fuels . Within the energy value chain, different activities can be identified when considering their contribution to anthropogenic climate change. Based on this view we distinguished three different categories and approaches;

- A zero tolerance has been implemented for companies deriving any revenue from the mining and production of thermal coal.
- Companies deriving 5% or more of their revenues from unconventional oil and gas (i.e., shale gas, shale oil, oil shale, arctic oil and tar sands) are excluded.

- A timebound phase down and phase out is developed for companies involved in metallurgical coal mining and the production of conventional oil and gas. We will determine, during the period 2022-2024, whether the strategies and targets of these companies are in line with the goals of the Paris Agreement – using a combination of tools and approaches. We will continue engagement with companies under review and report on progress. If no sufficient progress is made, we will divest and redeploy funds in alternative (green) investments.
- We believe companies further down in the energy value chain (i.e. electricity generation, transmission, and distribution) and companies in non-energy related sectors with large GHG footprints (e.g., agriculture and land use, waste, industrials such as chemicals and cement) can play an important role in the transition to a climate-neutral economy and therefore we will take an active role as responsible investor. In 2022-2024 we will perform periodic reviews to determine whether the strategies and targets of these companies are in line with the goals of the Paris Agreement.
- Companies deriving 20% or more of their revenues related to coal-fired electricity production are also excluded.

a.s.r. always excludes companies that are engaged in the production or trade of controversial weapons. For all other criteria, it may use the instrument of engagement or it may decide to exclude a company from the investment portfolio.

All a.s.r. investments managed by a.s.r. are governed by this SRI policy. a.s.r. does not have in place separate SRI policies for specific industries or sectors

## 2. a.s.r. SRI Policy for Countries

1. Exclusion of countries considered lacking basic political freedoms and civil rights.
 

Indicator:  
'Freedom in the World' published by Freedom House. Countries are classified as 'Free', 'Partly Free' and 'Not Free'.

Exclusion level:  
countries classified as 'Not Free' by Freedom House.
2. Exclusion of countries considered highly corrupt.
 

Indicator:  
Corruption Perception Index published by Transparency International. The Corruption Perception Index (CPI) by Transparency International (TI) ranks countries from 100 (very little corruption) to 0 (very high level of corruption).

Exclusion level:  
countries with a CPI of less than 30.
3. Exclusion of countries with poor environmental performance to achieve the climate agreement and the SDGs.
 

Indicator:  
SDG Index, published by the Sustainable Development Solutions Network (SDSN) and the Bertelsmann Stiftung. The SDG Index ranks countries' performance on results and policy on the 17 SDGs. For the environmental performance, the average score for SDG 7 (Affordable and Clean Energy), SDG 13 (Climate Action), SDG 14 (Life below Water) and SDG 15 (Life on Land) are calculated.

Exclusion level:  
countries with an average score for SDGs 7,13,14 and 15 of less than 50.
4. Best in class approach to high performing countries to contribute to the Sustainable Development Goals Agenda
 

Indicator: SDG Index, which presents where each country stands with regard to achieving the SDG 2030 Agenda throughout 99 indicators.

Best in Class approach:  
The weighted average score of a.s.r. sovereign portfolio will be positioned within the first quartile of the SDG Index.

**Good Governance**

The abovementioned criteria capture democratic freedom, corruption and environmental policy implementation. Together, these annually updated indicators give an overview of good governance practices by country governments. Countries scoring below these thresholds are not considered to have good governance practices and are therefore excluded.

### 3. a.s.r. SRI Policy for External Providers

a.s.r. requests its External Providers to make the best possible effort to become signatories of the UN PRI and the UN Global Compact. Furthermore, a.s.r. engages its External Providers to comply as much as possible with a.s.r. SRI policy. ESG criteria are always taken into account in the selection process of External providers. Good governance considerations are included as part of the selection process.

There are certain providers (e.g. smaller boutiques or private equity houses) that do not have the internal capabilities to comply with the provisions of both sets of UN principles. With them, a.s.r. discusses their internal SRI practices and codes of conduct to make its own assessment.

Exclusion of controversial weapons according to the Sustainable Investing Code of the Dutch Insurance Association is always a minimum requirement.

## Engagement Policy

**Objective of engagement**

a.s.r. seeks a constructive dialogue and engagement with the companies it invests in about relevant Environmental, Social and Governance (ESG) practices, in accordance with the standards outlined in the a.s.r. Socially Responsible Investment Policy (SRI Policy). The main objective of this engagement is to contribute to the responsibility and identity of a.s.r. as an insurance company with a focus on the enhancement of ESG issues. With this Engagement Policy, a.s.r. further expresses its commitment to being a responsible investor.

Every engagement project has concrete objectives and timelines. This allows for adequate assessment of whether the objectives have been achieved. The effectiveness of the activities is reviewed every six months.

**Engagement types**

a.s.r. is in a position to influence the ESG performance of the market and companies by actively participating in market consultations through discussions with company management and through exercising proxy votes (see a.s.r. Voting Policy).

Following the classification laid down by the UNPRI, to which a.s.r. became a signatory in 2011, a.s.r. distinguishes between:

1. Engagement for monitoring purposes

a.s.r. seeks contact with companies for the purpose of gathering ESG information and uses this input in the decision-making process or to trigger engagement for influence.

2. Engagement for influencing purposes

a.s.r. engages in a dialogue with company management to discuss concerns on ESG issues. The selection of companies is decided based on the following criteria:

- the relevancy of the controversy versus the a.s.r. SRI policy;
- the expected impact on the ESG issue due to a.s.r.'s efforts;

3. Public policy ESG engagements

This concerns a.s.r. initiatives to enhance ESG (best) practices or to put specific ESG issues on the agenda of policymakers, government, regulatory bodies and/or sector organizations.

### Important considerations

- **SRI assessment**

a.s.r. is aware that there are many shades of opinion on what constitutes good and bad practices. As a result, a.s.r. seeks to safeguard the objectivity of its assessment by using an external SRI screening agency.

- **External communication**

Confidentiality may play an important role in an engagement process. External communication may not be welcome or even have an opposite effect. That said, whenever desirable or necessary, a.s.r. may choose to express its views to the public in order to meet its engagement objectives. When engaging with individual companies, a.s.r. takes a cautious approach in broadcasting its actions concerning these companies.

- **Active positions / Exclusions**

The success of engaging with companies is often difficult to measure and processes can carry on over a longer period of time. Nevertheless, a.s.r. believes that engagement can contribute to the enhancement of ESG rather than leading to the exclusion of companies from funds and portfolios. The specific objectives and planning of an engagement project are described at the beginning of such a project. If companies do not respond to an engagement request or fail to respond adequately, a.s.r. will exclude the company from its investment portfolio.