a.s.r.
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management

Quarterly ESG Update – Q1 2023

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Introduction

Given the enormous consequences and risks that climate change and loss of biodiversity entail, we must speed up our efforts to achieve a climate-neutral society. a.s.r. is aware of this and, as an insurer, investor and property manager, wants to play a role in combating climate change and accelerating the energy transition. In doing so, we set ourselves four main goals listed on this page. In the first half of 2023, we will set targets for the climate impact of our insurance portfolio. And because of the strong link between climate change and biodiversity, we also want to set targets on halting biodiversity loss. We aim to set those targets in 2023 and report on them from 2024.

As a signatory to the Paris Climate Agreement, a.s.r. wants to help limit the global temperature increase to well below 2 degrees and preferably below 1.5 degrees Celsius. a.s.r. has also committed to the Dutch Climate Agreement to reduce CO2 emissions by 49% by 2030. By signing up to the Net-Zero Asset Managers Initiative, we set ourselves the target of reducing the CO2 emissions of our investments to zero by 2050. Through our reduction targets, a.s.r. commits to bringing its investment portfolio in line with the 1.5°C scenario.

In addition, a.s.r. is a member of the Net-Zero Insurance Alliance, a partnership of leading insurers and reinsurers who together aim to ensure that their insurance portfolios are climate-neutral by 2050. By becoming a member of this initiative, a.s.r. has committed itself to reducing CO2 emissions in its insurance portfolio and to set targets for this every five years. Besides committing to these targets, a.s.r. is also committed to developing methodologies to make targets measurable and manageable. To this end, a.s.r. supports the Partnership for Carbon Accounting Financials (PCAF), for example, so that we can measure the carbon footprint of our investments and, from 2023, also of our insurance products, and the progress and impact of our efforts can be closely monitored.

In this report you will find the initiatives we undertake to realize our ambitions and we also disclose the carbon performance of our ESG funds. We also included a new topic in our quarterly report, referring to developments related to biodiversity.

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In this update

Impact

Impact Investment Nomad Foods

Nomad Foods is a British-based packaged foods company that specializes in producing and distributing frozen foods. The company was founded in 2014 and is headquartered in Feltham, London. Nomad Foods owns several well-known frozen food brands including Birds Eye, Iglo, and Findus.x Nomad Foods operates in Europe, and its products are sold in over 17 countries. The company's products include frozen fish, vegetables, poultry, and ready-made meals. Nomad Foods is one of the largest frozen food companies in Europe and has a significant market share in several countries. The company's focus is on providing high-quality, convenient, and nutritious frozen foods to consumers at affordable prices.

From a sustainability point of view, there are some positive impacts of Nomad Foods. Frozen foods can have a lower carbon footprint than fresh foods as they require less energy for transportation and storage, and they can also help reduce food waste as they have a longer shelf life. Nomad Foods has also made commitments to reduce its greenhouse gas emissions and increase the use of sustainable packaging.

Impact Solasta Bio

The corn earworm (Helicoverpa zea) is a pest insect that is known for its damage to corn, cotton, tomato, and other crops in North and South America. The larvae of the corn earworm feed on the reproductive structures of plants, including the ear of corn, which can lead to significant yield losses and quality issues for farmers. The worm is polyphagous, which means that it can feed on a wide range of host plants. It is also capable of developing resistance to insecticides, which can make it difficult to control using traditional pest management strategies.

Trying to control insect populations can be very harmful, with the key issue being that insecticides also kill 'good' isnects like bees, which transfer the pollen that helps plants and crops reproduce. Solasta Bio, a Scotland-based bioinsecticides startup, recognized this problem and therefore created a unique proposition: insect control products that are nature-inspired. "Effectively targeting insect pests while preserving beneficial pollinators in an environmentally friendly and sustainable manner is extremely difficult," Solasta Bio explains.'

The University of Glasgow spin-out says it has developed a "world first" technology platform for creating insect control products based on neuro-peptides. These are molecules that regulate most major physiological and behavioural processes in insects. Using these neuropeptides, Solasta Bio can effectively 'programme' insecticides to target specific insects, while leaving others unharmed. This technology can be "mobilised to target any pest of interest while preserving beneficial species." Another benefit is that this kind of insect control agent can also lead to a reduction in pest species. a.s.r. is invested in Solasta Bio via Rubio Impact Ventures.

Climate

Carbon developments

End om March the IPCC published a new report providing a summary of the insights of the six previous reports[1]. The IPCC Synthesis Report is a summary of the key findings from the IPCC's latest Assessment Reports on climate change, which are produced every 5-7 years. The Synthesis Report brings together the most up-to-date scientific evidence on climate change from the three working groups of the IPCC, covering the physical science basis, impacts and adaptation, and mitigation of climate change.

The amount of carbon that can still be emitted before global temperatures exceed 1.5 degrees Celsius above pre-industrial levels is not a fixed number, as it depends on various factors such as the rate of emissions, the warming potential of the greenhouse gases emitted, and the level of uncertainty in climate models.

However, the Intergovernmental Panel on Climate Change (IPCC) has estimated that to have a 50% chance of limiting global warming to 1.5 degrees Celsius above pre-industrial levels, the remaining carbon budget (in terms of carbon dioxide equivalent, or CO2e) would be about 500 gigatons. This is the total amount of CO2e emissions that can still be released into the atmosphere from the year 2018 onwards to stay within the 1.5°C limit.

1 https://www.ipcc.ch/report/sixth-assessment-report-cycle/

A new report to governments performed by the United Nations says that, even if governments meet their current climate targets (NDCs), they will produce about 430 gigatonnes by 2030[2]. That would leave only 70 gigatonnes left for after 2030 – which would be burned in 2 years with current emission levels. If all climate plans are implemented in full, emissions are likely to peak in 2025.

2 https://www.climatechangenews.com/2023/04/19/un-world-set-to-blow-through-1-5c-carbon-budget-in-10-years/

Water issues

Water shortage is a growing concern in many parts of the world, including Europe. While Europe as a whole is not considered to be a water-scarce region, there are several areas within the continent where water scarcity is a serious problem. The southern part of Europe is experiencing its second major drought in less than a year. France experienced 32 consecutive days without any rain anywhere in France, the longest dry spell in winter since monitoring began, Spain broke heat records in March and in Italy the river Po is carrying 61% less water than usual at this time of the year[3].

When looking at Europe, the Alps can be seen as Europe's water tower, providing between 25 and 50% of water through the continent's main rivers, Danube, Po, Rhine and the Rhône. The lack of snow on the Alp mountains mostly led to discussions about how ski holidays were affected, but another more essential aspect is how low snow levels lead to significant lower melting water levels and therefore unusually low river levels, and with them water supplies for the people and plants along their banks.

But also countries not relying on the Alps are experiencing low rainfall levels. Spain's country is both high and dry and has experienced multiple droughts throughout history. Most of its water is in the north, but Spain's southern parts the reservoirs are running low. Looking at country level, reservoirs are generally well filled in Spain, as well as France and Switzer-land. But a dry spring may lead to problems in agriculture and the dependence on Europe's hydroelectric plants.

3 https://www.economist.com/europe/2023/04/13/a-winter-drought-grips-southern-europe

These problems underpin the necessity of well organized water management. Water management in Europe is a complex and multifaceted issue that involves a wide range of stakeholders, including government agencies, NGOs, industry, and local communities. The management of water resources in Europe is influenced by a variety of factors, including climate change, population growth, urbanization, and changing patterns of land use.

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To address these challenges, European countries have developed a range of policies, laws, and management strategies to promote sustainable water use and protect water resources. The European Union has also established several directives and frameworks that set common standards for water quality, water use efficiency, and water resource management across the member states[4].

4 https://www.eea.europa.eu/themes/water/european-waters/water-management

Some of the key strategies and initiatives for water management in Europe include:

- Water conservation and efficiency measures: European countries are promoting water conservation and efficiency measures to reduce water consumption in households, industry, and agriculture. This includes water pricing policies, water-efficient technologies, and awareness-raising campaigns.
- Water reuse and recycling: Many European countries are investing in water reuse and recycling technologies to reduce the demand for fresh-water resources and increase water availability. This includes the use of treated wastewater for irrigation, industrial processes, and urban uses.
- Integrated water resource management: European countries are adopting integrated water resource management approaches that take into account the social, economic, and environmental aspects of water use. This includes stakeholder engagement, basin-wide planning, and eco-system-based management.
- Flood and drought management: European countries are developing strategies and plans to mitigate the impacts of floods and droughts on water resources, infrastructure, and communities. This includes flood risk mapping, early warning systems, and drought contingency planning.

At a.s.r. we acknowledge the risk of water stress and therefore we also started a collaborative engagement with Ceres, the Valuing Water Finance Initiative.

Carbon Footprint

The a.s.r. ESG fund range includes euro sovereign bonds, euro credits, European and American equities. While already having a strict ESG policy for the overall investment process within a.s.r. asset management, these ESG funds have additional guidelines on ESG indicators.

At the end of the first quarter of 2023 the carbon emissions of the credit fund are still well below the benchmark. The carbon emissions per million euro showed an increase compared to the Q4 2022 figures – the benchmark decreased.

The equity funds are optimized based on the scores that companies achieve on carbon intensity, energy transition and total ESG policy. The carbon emissions remain well below the benchmark. Both the equity funds showed a decrease in carbon emissions per million euro.

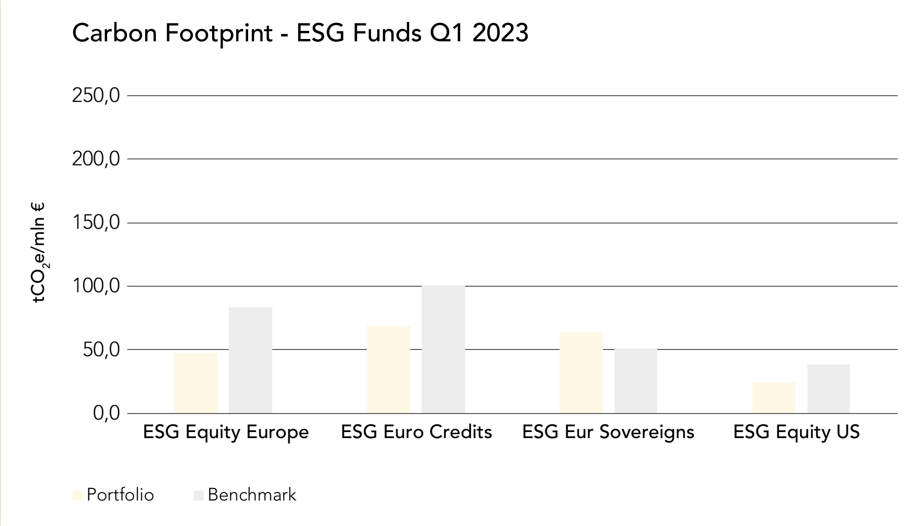


Figure: Carbon emissions for ESG equity (Europe and US), ESG Credits and Sovereigns funds at the end of March 2023. The carbon footprint is calculated on a “best effort” basis with the available and most recent data from reliable sources, including Vigeo Eiris. The results may show a changing course because the portfolio data, carbon data and market data are subject to change. The methodology for calculating the carbon footprint is in line with the PCAF methodology.

Biodiversity

Biodiversity Risk Framework

Biodiversity investment risk refers to the financial and non-financial risks that are associated with the loss of biodiversity or the degradation of ecosystems. Biodiversity refers to the variety of life on earth, including all living organisms and the habitats they live in. The loss of biodiversity and the degradation of ecosystems can have significant impacts on businesses and investments. For example, the decline in pollinator populations can affect agricultural production, and the loss of natural habitats can increase the risk of flooding or erosion. These impacts can have direct financial consequences, such as reduced crop yields, increased insurance costs, or decreased property values.

Biodiversity investment risk can also have non-financial impacts, including reputational damage and regulatory risks. Companies that are associated with the loss of biodiversity may face negative public perception and may be subject to increased scrutiny from regulators.

At a.s.r. asset management, we recognize the critical importance of biodiversity and are committed to taking it into account in our investment decisions. As a part of this commitment, we are planning to incorporate biodiversity factors into our investment framework this year.

Our approach is planning to align with the Sustainable Finance Disclosure Regulation (SFDR), the Corporate Sustainability Reporting Directive (CSRD), and the Task Force on Nature-related Financial Disclosures (TNFD). These initiatives aim to promote greater transparency and accountability in the financial sector with regards to sustainability issues, including biodiversity. To achieve this, we are in the process of developing a robust framework that will allow us to measure the impact and dependencies of our investments on biodiversity. This framework will enable us to identify areas where we can have less negative impact on biodiversity, as well as areas where we as an asset manager face risks resulting from biodiversity loss.

Under the SFDR, we will disclose information about our biodiversity-related policies, the extent to which biodiversity risks are integrated into our investment decisions, and the impact of our investments on biodiversity. The CSRD requires us to disclose similar information, but on a more detailed and standardized basis. Several weeks ago, the last draft of the TNFD framework was released. The TNFD provides guidance on how to assess and disclose dependencies and impacts on biodiversity.

We believe that these initiatives will help us to better understand our impact on biodiversity and enable us to make more informed investment decisions that align with our commitment to sustainability. As we continue to develop our framework, we will seek out new ways to incorporate biodiversity into our investment decisions, ensuring that we are doing our part to protect the planet for future generations.

Active ownership

Dutch Climate Coalition Update

In the first quarter we participated in multiple engagement dialogues with oil & gas companies which are targeted by the Dutch Climate Coalition. These engagement procedures aim to assure these fossil fuel companies are Paris-aligned and undertake sufficient action to stimulate a low-carbon economy. In the first three months of 2023 we had engagement meetings with the following companies:

1-3-2023 Galp Energia
2-3-2023 Repsol
3-3-2023 ENI
9-3-2023 Aker BP (a.s.r. in the lead)

For some brief notes on the topics discussed see the summaries below:

Galp Energia

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

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

ENI

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

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

Repsol

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

Aker BP

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

Aker BP does currently has the lowest emissions intensity of all big oil and gas companies. For that reason they believe it's better to keep providing oil and gas – as the world keeps demanding significant amounts of oil and gas for at least this decennium – from Aker, than from companies with higher emission intensity figures.

TotalEnergies

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

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

April 19 2023, the Netherlands – Over the course of the last year, we, a group of Dutch institutional investors representing EUR 800 billion of assets and collaborating in the Dutch Climate Coalition (DCC)[5], have had constructive dialogues with TotalEnergies regarding Tilenga and the East African Crude Oil Pipeline Project (EACOP).

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

5 The Dutch Climate Coalition also includes investors which do not have investments in TotalEnergies.

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

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

1) Climate
DCC has unequivocally committed to the Paris Agreement and to limiting global warming to 1.5oc. Although we expect Paris alignment from all our investee companies, we believe the oil and gas sector has an elevated role in making a just energy transition possible. Furthermore, the International Energy Agency's (IEA) NZE scenario requires a significant reduction of the proportion of oil in the global energy mix by 2050 . As a result, energy companies need to re-evaluate their capital allocation.

To that effect, we will review Tilenga & EACOP projects' impact on the company's decarbonisation strategy and Paris alignment. To safeguard the long-term value of the funds we manage on behalf of our clients, we will also look at the physical and transition climate risks.

2) Biodiversity
DCC members are committed to preserving biodiversity and we expect the same from our investee companies. Oil production from Tilenga in the Lake Albert basin and development of the 1,443 km EACOP pipeline are potential threats to biodiversity and the rare and endangered species in the Murchison Falls National Park and other affected regions in Uganda and Tanzania.

Therefore, we will examine the projects' impact on protected wildlife habitats and Total's claim to deliver a positive net impact on biodiversity in the context of the Tilenga project.

3) Socio-economic impact
As responsible investors, we adhere to the UN Declaration on Human Rights, the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, and expect our investee companies to do the same. Investors forming part of the DCC have maintained dialogue with TotalEnergies to voice this expectation and express

our concerns. We have, in parallel, maintained dialogue with civil society organisations who have continued to voice issues surrounding the violation of human rights and the absence of well-communicated and adequately-implemented grievance mechanisms by TotalEnergies.

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

Next Steps

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

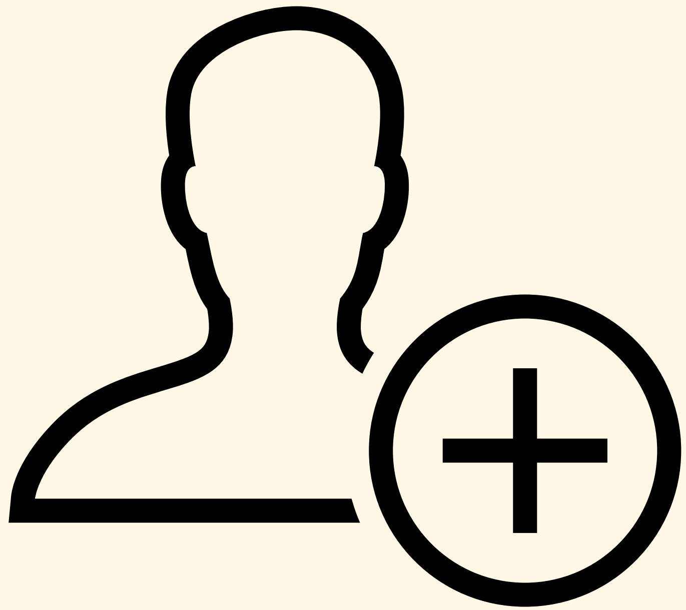
Following this phase, DCC members will discuss whether we see a realistic change potential, and decide whether we will continue to engage with TotalEnergies on Tilenga & EACOP collaboratively or independently, or defer to our individual escalation strategies.

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

Other news

New colleague

Stan Beckers recently joined our ESG team as part of his traineeship. Within this traineeship, a total period of 1,5 years is divided into multiple rotation periods at different teams. During his academic career, he developed an interest in sustainable finance. In the four month period at the ESG team, he will assess the impact and dependencies on biodiversity of our investments. He has a financial background and is familiar with this topic, as he wrote his Master's thesis about the existence of a biodiversity premium in stock returns.



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