a.s.r.
de nederlandse
vermogens
beheerders

Climate-focused investing at a.s.r.

Our roadmap to net zero emissions

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Introduction

a.s.r. Asset Management is the in-house asset manager for ASR Nederland N.V., the Dutch insurer with its roots going back to 1720.

We became an independent entity capable of servicing external clients with investment services (dedicated asset management, investment advice and order processing) in 2016. However, our views on sustainable (or responsible) investing were formalized at Board Level already in 2007; when the first policy on the subject was adopted by the Board (of what was then known as Fortis Insurance Nederland).

We take our role as an asset manager for the pension- and insurance contributions of our clients seriously and have always invested for the long term. We consider ourselves stewards of capital – in the Dutch tradition – and invest accordingly to help our customers accumulate capital for later and reduce the risk profile of our investments.

It therefore made complete sense for us to support the Paris Agreement in 2015 and become an active participant and contributor to the various initiatives that grew out of this landmark treaty, such as the Partnership for Carbon Accounting Financials (PCAF), which aimed to develop a standardized method for accounting for carbon within various investment products. You cannot manage what you cannot measure.

We set our first climate-related exclusion thresholds in 2016; choosing not to invest in companies that derive 30 percent or more of their revenues from the mining of coal and lignite, and we added thresholds for unconventional oil and gas exploration such as tar sands and oil shale the following year.

We further tightened and expanded our exclusions with respect to the climate emergency, as the urgency became more apparent. The IPCC Special Report in 2018 led us to lower thresholds on coal and lignite mining and unconventional oil and gas exploration further and add a threshold for coal-fired electricity production.

We also became stricter in our active ownership practice; voting in line with the latest scientific insights, as interpreted by platforms such as Climate Action 100+ and engaging (either individually or collectively) with investee companies (and at times sovereign entities) on their approach to addressing climate risk and impacts.

Simultaneously, we started modeling climate risk within our annual strategic asset allocation processes to determine its impact on the solvability of our parent company, and we announced targets on carbon accounting and impact investing to further measure the footprint of our investments and finance the energy transition through the various instruments available (i.e. listed and private equity, listed and private debt, mortgages and real estate).

The three publications under the IPCC Sixth Assessment Report in 2021-2022 caused us to re-adjust our newly launched reduction targets and develop a formal strategy on climate change.

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Scope

This document sets out the climate strategy as applicable to all assets managed by a.s.r. Asset Management, including those of ASR Nederland N.V.

This includes all investments outside the real estate holdings of ASR Nederland N.V. (e.g. direct residential or commercial property, farmland or listed European real estate) – which are managed by a dedicated inhouse real estate asset manager[1].

Per ultimo 2021 this was 76bn EUR[2].

a.s.r. Asset Management also services other client mandates outside that of ASR Nederland N.V. and offers proprietary investment products to the wider market. Within this part of the AUM the thresholds, targets and guidelines detailed in this document also apply directly to our relevant proprietary investment products[3] -- and we expect our external managers, sourcing, and origination partners to demonstrate best effort in meeting our criteria. They are selected and monitored as such.

1 See https://asrrealestate.nl/

2 See a.s.r. FY21 analyst presentation (slides 13 and 30) available on www.asrnederland.nl/investor-relations/financiele-publicaties

3 An overview of these is provided on asrvermogensbeheer.nl/fondsinformatie. Special consideration applies to the ASR Mortgage Fund, which is an unfiltered securitization of mortgage loans originated by ASR. As such, it leverages the climate considerations included in the mortgage product offering of ASR. This includes a favorable loan component geared towards increasing the energy efficiency of the built environment. All ASR investment funds are classified as 'Article 8' products under the EU SFDR, while we also offer 'Article 9' strategies in listed (European, American, or Global) equities with specific carbon reduction objectives.

Real world impact

Anthropogenic (i.e. man-made) climate change is a systemic risk. Caused by the greenhouse effect and fueled by increased emissions of greenhouse (GHG) gases into the atmosphere. It is a result of human actions, specifically through the industrial use of hydrocarbons (coal, petroleum, and natural gas) in anything from electricity generation, transportation, and agriculture, but also in the production of everyday items such as shampoo, clothing, solar panels, and aspirin.

Decarbonizing the global economy (i.e. replacing hydrocarbons) touches all aspects of economic and social life and is linked to issues such as equity and justice. Those hardest hit by the physical impacts of climate change have contributed the least to its emergence as a global threat (e.g. future generations and developing nations).

Climate targets for a long-term steward of capital should take this into account. Too narrow a focus on reduction percentages and carbon causes tunnel vision, forgetting the broader agenda of the UN Sustainable Development Goals and a just transition to a more sustainable economy and society.

It is therefore important to define asset class specific approaches and definitions on how to realize real world decarbonization impacts (as opposed to 'simply' decarbonizing the balance sheet). We go into more detail elsewhere in this document; but it entails finding a workable balance between exclusions and positive selection, active ownership and opting for measures that fit our investment approach, our funds and our investments in both public and private markets.

Climate investing and carbon reductions

Nevertheless, to achieve net zero emissions by 2050 (which is what is needed to keep average global temperature rise to within 1.5 degrees by 2100) a rapid transition away from hydrocarbons is needed; and thus also investments in these (potentially) stranded assets (i.e. an asset hit by an unanticipated or premature write-down, devaluation or even a conversion to a liability).

Our commitment to the Paris Pledge for Action at COP21 already meant we support the goals of the Paris Agreement, but we have reiterated this several more times (Spitsbergen Ambition in 2018 and the Commitment of the Dutch Financial Sector in 2019) and most recently through the global Net Zero Asset Manager initiative (2020) in the lead up to COP26.

a.s.r. invests in fixed income, meaning we finance the debt of companies and countries, but also in listed equities (i.e. stocks), private equity funds, structured investments, and private loans.

On the road to reaching net zero emissions in 2050, we see our role as:

1. Reducing the footprint of our investment portfolios by excluding those sectors, countries and/or companies inconsistent with the goals (and the science) of the Paris Agreement; and
2. Continue engagement with those high emitting sectors, countries and/or companies not yet aligned with the goals of the Paris Agreement, but who have credible transition plans and opportunities; and
3. Investing in climate adaptation and mitigation solutions, with a focus on low carbon energy, increasing energy efficiency, and/or commercializing credible negative emissions technologies.

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As such we have two targets, applicable to all our assets under management (AUM):
- Reduce the carbon intensity - covering scope 1 and 2 - of our combined investment portfolio (in government and corporate debt and listed equities) by 70 percent in 2030, compared to a 2015 baseline (which is a carve out of the ASR Nederland N.V. target of 65 percent reduction in 2030 – which includes assets in real estate and mortgages not managed by a.s.r. Asset Management)[4]: and
- Invest 4.5 billion EUR by the end of 2024 in impact investing: with a focus on climate change and the energy transition[5].

We measure the carbon footprint (scope 1 and 2) for 98% of our portfolio which covers all sectors, among which Energy, Utilities, Basic Materials and Chemicals, Agriculture, Waste, Transport and Commercial and Residential Property.
We measure scope 3 emissions of our portfolio when data is available and we monitor this data coverage.

These targets are additional to our active ownership policy and practice and are subject to our regular periodic review, monitoring and compliance measures.

Mining and extracting fossil fuels
From science the evidence is abundantly clear that a massive shift away from hydrocarbons is required if the world aims to reach the goals of the Paris Agreement. The mining, exploration and burning of hydrocarbons is the single largest contributor to greenhouse gas emissions causing the climate emergency.

Phasing out fossil fuels – and decoupling growth from negative societal impacts[6] – is a necessary condition for transitioning to a climate neutral economy. The science on climate change, as interpreted and communicated by the IPCC, is quite clear on the prioritization of phasing out coal, oil, and gas products; and the speed required.

We have committed ourselves to three phases, to be implemented over the course of three years (2022-2024).

- In the **first phase** (already completed), we have sold and excluded all securities of companies generating any revenue from the mining of coal. This includes all types of coal (anthracite, bituminous, subbituminous or lignite) used for any purpose (thermal or metallurgical) mined through any method (mountaintop removal, open surface or open pit, or strip mining).
- We have also minimized our investments in companies generating revenue from the exploration and extraction of unconventional oil and gas to a threshold of 5 percent. This means shale oil and gas, oil shale, tar sands and arctic oil[7]. We feel that the extraction techniques required for producing unconventional oil and gas (e.g. fracking or oil sands) pose too great an environmental burden (e.g. the amount of water required, the toxicity in tailing ponds, or impacts on sensitive ecosystems) for unlocking resources which should be left unburnt when looking at the climate science.
  The reason we have not (yet) implemented a zero tolerance is because most – if not all – companies that are a little involved with unconventionals are also involved with conventionals, and we are therefore including those companies in our second phase.
- To that end, under our **second phase**, we are reviewing the transition plans and strategies of companies currently still generating revenues from the extraction, manufacturing or refining of conventional oil and gas[8] – and are assessing whether their planned transition leverages the core competencies of the organization. When such an assessment and subsequent dialogue (which will need to be conducted before the end of 2024) does not result in sufficient comfort that their 2050 net zero ambitions are met with robust 2030 actions – and we are of the opinion that an exclusion does not jeopardize the energy security of the Netherlands and Europe – will also exclude these companies from our investable universe and re-invest in companies aligned to the goals of the Paris Agreement.
- We have also defined a **third phase**, which we explain in more detail below, which looks beyond the Energy and Mining sectors.

4 This target follows a 7 percent year-on-year decarbonization rate, which is based on the P2 emissions pathway of the IPCC 1.5-degree report (2018). We measure the carbon intensity (covering scope 1 and 2) of our investments using a portfolio approach, through emissions per million Euro invested.

5 This is a target for ASR Nederland N.V. This target is broken down into asset class specific sub targets, of which a.s.r. Asset Management is responsible for impact investments in listed (Green) bonds, listed equities, listed equity funds, private equity, private debt, and structured investments

6 Including directly financing non-democratic regimes and their expansionary ambitions

7 We follow the Febelfin definition, a market standard on sustainable finance and asset management. See www.febelfin.be

8 Phase 2 consists of 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.

Paris-aligned

There are several methodologies available for investors to assess whether an organization is 'in line with the objectives of the Paris Agreement'.

Transition Pathway Initiative (TPI)
TPI assesses companies' preparedness for the transition to a low-carbon society. It focuses on the quality of management and the carbon performance of a company.

MSCI ESG Implied Temperature Rise (ITR)
The ITR metric provides an indication of how companies and investment portfolios align to global climate targets. This is expressed in an estimated temperature rise in 2100.

Moody's Energy Transition Assessment score (ETS)
The ETS is a comprehensive and forward-looking score performed by Moody's which gives insight into the company's strategy towards a low-carbon society transition.

MSCI ESG Carbon Management score (CMS)
The CMS takes into consideration the risks and opportunities related to carbon developments and the preparedness of the company based on governance and policies.

Science-Based Targets initiative (SBTi)
SB targets provide a clearly defined pathway for companies to reduce GHG emissions and help prevent the worst impacts of climate change.

We have developed a dashboard based, among others, on these five methodologies, which allows us to assess whether the organization is already aligned with the Paris Agreement, or still needs nudging through engagement. We will continuously seek to improve our approach to ensure it delivers the desired outcomes.

Nuclear energy
Although the full lifecycle carbon emissions profile of modern nuclear reactors is favorable, compared to fossil fuels and even other methods of renewable energy generation (e.g. solar, wind or geothermal) – we have long held an exclusion on nuclear energy due to its risk to the environment, specifically with regards to safely storing radioactive waste.
Our policy position is that we do not invest in companies when their revenue is derived for more than 50 percent from nuclear energy-related activities.

However, we do support the ongoing research into, and development of, nuclear fusion technologies and reactors which do not produce any high activity, long-lived radioactive waste. Additionally, we do not exclude uranium mining from our investable universe due to its wide use in producing isotopes for medical purposes.

Down the (energy) value chain
Although the Energy and Mining sectors have an outsized climate impact through the mining and production of hydrocarbons, other economic activities also contribute to greenhouse gas emissions.

We have therefore set ourselves a **third** commitment during 2022-2024.

We will review the decarbonization plans and strategies of companies generating revenue from other greenhouse gas intensive sectors; namely Utilities (through the generation of electricity, when that is done through non-renewable means), Basic Materials and Chemicals (e.g. steel, cement, paper, timber), Agriculture (e.g. meat and dairy production), Waste, Transport and Commercial and Residential Property.

We believe companies in these sectors can provide climate solutions through innovation (e.g. plant-based protein, biological cement, green hydrogen) and we will use science-based frameworks to assess their merit[9].

We will not exclude these sectors – although can exclude poor performing companies – from our investable universe, given their importance to social development and employment – and their role in providing diversified and balanced investment solutions to our clients. As such, we will continue to use a combination of positive screening, active ownership and engagement, and impact investing to scale solutions within these sectors.

Carbon capture and storage

The unabated burning of fossil fuels is almost impossible under a 1.5-degree ambition. Emissions continue to rise year on year, and the physical effects of a changing climate can be read daily in quality newspapers. However, the demand for fossil fuels does not yet seem to show the steep decline needed or expected – even after an unprecedented global pandemic during 2020-2021 temporarily – but significantly – slowed down economic life.

As such, at minimum, if we accept that conventional oil and gas will remain necessary for at least another decade, it mustn't be mined or combusted without carbon capture. This means the 'P1 pathway' as first formulated in the 2018 IPCC Special Report does not seem feasible[10] and we would expect the 'P3 pathway'[11] to present a more realistic scenario of how we would reach the goals of the Paris Agreement. We have however based our carbon reduction targets on the P2 pathway, because of its relatively low dependence of CCS.

However, although sequestering carbon before it enters the atmosphere is a useful technique in reducing emissions, we do not support high emitting companies whose transition strategy is built solely on such an 'end of pipe' solution.

Similarly, the production of bioenergy from biomass remains controversial (BECCS). The timescale on which certain trees and crops (but also mangroves and sea grasses) can absorb carbon from the atmosphere does not necessarily match its release after combustion. Moreover, supply chain emissions from production, processing, transporting and use of bioenergy needs to be considered before claiming it a carbon neutral, renewable resource. Additionally, the amount of land that would need to be converted to 'bioenergy plantations' would pose a serious risk to biodiversity, therefore – as the most recent IPCC Assessment Report on Impacts, Adaptation and Vulnerability also states11[12] – any of BECCS would need to be carefully targeted and minimized.

We thus recognize the risk that current transition strategies place an overreliance on carbon capture and the use of bioenergy to continue business-as-usual and 'offset' emissions. Within our review and company assessments we will remain critical of such overreliance as we seek to identify and invest in transition leaders.

Our premise is that CCS can provide an interim solution to industry (chemicals, steel, cement, fertilizer) while more permanent low carbon technologies mature (e.g. green hydrogen for decarbonizing steel production), energy efficiency measures are deployed at scale, and renewable electricity generation capacity builds up further.

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9 For example the EU Taxonomy Climate Delegated Act or the standards and thresholds communicated through Project Drawdown. We do not support the standards set in the EU Taxonomy Complementary Climate Delegated Act. The Transition Pathway Initiative (TPI) has developed decarbonization pathways for Electricity Utilities, Oil and Gas, Automobiles, Aviation, Shipping, Aluminum, Cement, Diversified Mining, Pulp and Paper, Steel. The Science-Based Targets Initiative has developed sector guidance for Apparel and Footwear, Aviation, Financial Institutions, Information and Communication Technology, Power (with several others in development). The Working Group III report, part of the IPCC AR6 reporting cycle, also details mitigation options available for the Energy, Agriculture, Forestry and Other Land Use (AFOLU), Buildings, Transport, Industry and Waste sectors – with their respective abatement curves and associated costs.

10 The IPCC P1 pathway is a scenario in which social, business and technological innovations result in lower energy demand up to 2050 while living standards rise, especially in the global South. A downsized energy system enables rapid decarbonization of energy supply. Afforestation is the only CDR option considered; neither fossil fuels with CCS nor BECCS are used.

11 The IPCC P3 pathway A middle-of-the-road scenario in which societal as well as technological development follows historical patterns. Emissions reductions are mainly achieved by changing the way in which energy and products are produced, and to a lesser degree by reductions in demand.

12 https://www-technologyreview-com.cdn.ampproject.org/c/s/www.technologyreview.com/2022/02/28/1046599/the-uns-climate-report-highlights-the-dangers-of-natural-solutions/amp/

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Biodiversity, soil, and water

As indicated earlier, it is important to keep sight of the interconnected nature of certain sustainability themes and crises. We know climate change is already heavily impacting the Earth's ecosystems, amongst others through rising sea-levels, temperature shifts leading to acidification and extreme weather. We are developing more insights into the consequences of reaching certain 'tipping points' in the climate system (e.g. the melting of permafrost, the dieback of the Amazonas rainforest, or the disintegration of the Greenland and West Antarctic ice sheets) and similar insights are being developed relating to the impacts of biodiversity loss.

A global average temperature increase of more than 2 degrees will put up to 40 percent of species at risk of extinction. Limiting temperature rise to 1.5 degrees could halve this amount. However, the energy transition currently underway attempting to limit temperature rise, is dependent on the availability of already scarce resources such as silica, lithium, uranium, and water. Increased demand for these key components could exacerbate human rights' violations and inequality, and negatively impact biodiversity and land use.

We will need to manage our ecosystems in ways that allows them to capture carbon in the soil, protect and restore biodiversity, and provide for sufficient food and water.

We have pledged to gain insight in the biodiversity footprint of our investments and set targets to minimize negative impact and maximize positive impact; for example through investing in nature-based solutions[13]. We are also actively working towards developing standards and methodologies to facilitate this[14] and have included these thematics in our engagement strategy and targets[15].

Just transition

The systemic risks and challenges caused by climate change and biodiversity loss will impact everyone, but vulnerable regions and communities first, and more severe. The call for a just transition was therefore already part of the Paris Agreement and has been a special focus for us.

A just transition aims for climate action to keep social inclusion in mind (the basic principle of 'leave no one behind'). Fragile and poor countries are facing disproportionate costs dealing with climate adaptation. Traditional jobs in the fossil fuel industry will be lost and new jobs in renewable energy will emerge. This calls for education, good governance, and community development and to improve the capacity to adapt to these changes in social-ecological systems, in other words social-ecological resilience.

13 Finance for Biodiversity Pledge, signed by ASR in 2020: www.financeforbiodiversity.org

14 For instance through the Partnership for Biodiversity Accounting Financials and the Biodiversity Working Group under the Dutch Central Bank (DNB)

15 Our latest engagement report is available on our website at asrvermogensbeheer.nl/duurzaam-beleggen/active-ownership

Tools

As a large institutional investor we have several tools and methods available to align our investment portfolio to the goals of the Paris Agreement and influence our investee companies and debtors to do the same. First and foremost we can exclude countries, sectors, and companies from our investable universe – as we have done with other non-sustainable activities such as the production of tobacco products or the manufacture and distribution of weapons.

This is the easiest to do. Recent research (Ross, 2019) shows that for large, differentiated investment portfolios exclusions do not fundamentally change the risk and return profile of the portfolio, if the exclusions remain below ~2 percent of the portfolio. Our own analysis shows that passive equity investors can reduce the carbon emissions of their share portfolio (based on the European market) up to 60 percent, over a period of ten years, before they start to breach the limits of their tracking error restrictions (partially because the underlying companies also reduce their carbon footprint, in line with the Paris agreement, and partially due to excluding high emission companies within a sector)[16]. For higher reductions however, the tracking error increases exponentially.

Overall, this seems to make the case for exclusions, although it also highlights the trade-off that investors face between excluding large parts of their portfolio and keeping the portfolio's risk and return profile intact. For active investors, large exclusions could also make it more challenging to adhere to a certain style (such as value, quality, or size).

We have also found that engagement can work – especially for those companies with high emissions – when done collectively and structured[17]. The effect on emissions' reductions is small and we are at a point where we would need to weigh the benefits in investing in small incremental reductions or disruptive technologies and business models[18].
For those companies and sectors in which we will remain invested we will continue to engage (and vote) in line with industry recommendations and guidance (e.g. through CA100+ and the UN PRI).

Where we do see more room for engagement is with sovereign debt. We hold a significant amount in this asset class, and we feel we can do more to hold governments of countries we are debtee to, to account. The Paris Agreement has been signed by 194 parties but there is no country currently compatible with the 1.5-degree ambition[19]. This poses a risk to our portfolio if physical or transition climate risks are not fully reflected in the valuations or sovereign credit ratings of our sovereign debt investments.

Lastly, we have set targets with respect to impact investing. These are investments which we are mandated to make in companies or assets that demonstrate intentional and measurable commitment to achieving a societal objective. Mitigating or adapting to climate change and contributing to the energy transition are such objectives.

16 This finding is in line with that of MSCI (2020), which suggests that 89 percent of emissions of a typical Global Developed Markets share portfolio are driven by just a handful of companies. Research by Rohleder et al. (2022) also suggests that the carbon footprint of investment fund portfolios is concentrated just a few companies.

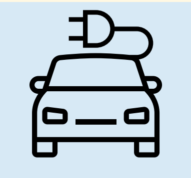
17 See: risk.edhec.edu/publications/institutional-investors-and-corporate-carbon

18 "The time for action is now" was the tagline of the WG III report under the AR6 reporting cycle of the IPCC (April 2022)

19 climateactiontracker.org/countries/

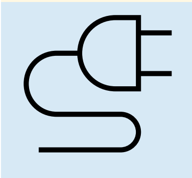
Within this set of investments we make investments in listed companies (through buying their shares or debt) but also, we make more direct investments, in real assets (such as wind or solar farms) or subscribing to debt finance for private companies (mainly small and medium sized European enterprises) or through acquiring the equity of an innovative start- or scale-up (through a dedicated impact fund). Within this field we have identified five areas where we see investment opportunities.

Electrification

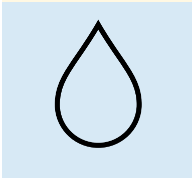


Agriculture

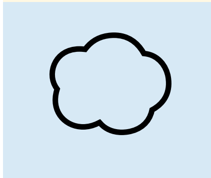
Electrical grid



Hydrogen



"Carbon capture"



Dashboard

Based on the public methodologies and third-party data described above, we have developed a dashboard. This is used to monitor whether our second and third phase companies are Paris-aligned, or not. For each output we have drafted thresholds, which we check on a periodic basis – at least once a year. Based on this process, the dashboard will provide – based on our thresholds and assumptions – one out of three outcomes:

Green: The company is Paris-aligned and we are allowed to continue to invest in its securities. We will still engage the company on climate-related issues to keep the company Paris-aligned.

Orange: The company is currently not Paris-aligned, but there are clear indicators the company has the intention, and capability, to become Paris-aligned within a reasonable timeframe (2022-2024). Engagement procedures will be started to nudge the company in the right direction.

Red: The company is not Paris-aligned and there are no or little indications the company can become Paris-aligned before 2024. Intensive engagement procedures will be started. In case of insufficient progress we will exclude the company from our investable universe.

Assessing 'Paris alignment' of organizations is a complicated process and is – firstly – dependent on these organizations to rigorously assess, measure and report their greenhouse gas emissions in line with industry standards. We use third party data vendors to provide us with Scope 1, 2 and 3 emissions data of our investee companies, and urge companies to mature their carbon accounting to account for their full value chain emissions, in line with regulatory developments (e.g. the proposed SEC rules on Climate-Related Disclosures or the EU Corporate Sustainability Reporting Directive).

Our investment portfolio

The abovementioned targets apply to all our asset under management, which we manage on behalf of ASR Nederland N.V. or hold for another client through our investment offerings. Several of our products have additional, or specific, investment guidelines – or have defined their own sustainable investment objective.

ASR Listed Equities Funds
ASR is a shareholder of large and medium-sized European and American listed companies. We have one investment strategy for all our shareholdings, which is aimed at sustainability and the long term. We invest in companies that can generate sustained – and above average – profits.

ASR has developed several funds in listed equities – with a European focus, a US-one and a Global one. All three products have a specific carbon reduction objective; namely to halve the CO2-intensity of the portfolio in 2030 compared to a 2017 baseline (which was the year that the first fund in this suite was launched). The portfolio managers achieve this by building on the general exclusions posed by ASR Nederland N.V. (which sets the guidelines on, for instance, carbon-intensive sectors) and building an investment strategy through selecting securities which demonstrate above-average carbon management scores, ESG performance and levels of green revenues; without losing sight of the financial performance and the quality of the organization.

ASR Mortgage Fund
ASR Nederland N.V. originates mortgage loans in the Dutch residential market and the ASR Mortgage Fund securitizes these loans (or receivables) and offers them to institutional investors. Within the mortgage product of ASR Nederland N.V. a standard sustainability deposit is offered to borrowers, to be used to finance energy efficiency measures to their home (e.g. installation of solar panels, HR++ glass, roof insulation, heat pump or heat recovery). The aim is to steer the Dutch housing market, for which mortgage credit is provided, towards sustainability.

ASR Listed Corporate Debt Fund
This fund (ISIN NL0012294110) invests predominantly in investment-grade Euro-denominated corporate debt and uses externally-sourced ESG-scores (from Moody's ESG) to apply a tilt towards 'Best-in-Class' companies. As such, it can guarantee that at least 70 percent of investee companies have an ESG-score which is higher than the entire investable universe.

ASR Private Debt Fund
This fund (ISIN NL00150006H7) invests in third-party sourced private loans to companies, projects and regional governments. We have set up exclusive partnerships with well-known national banks (Triodos, Rabobank and NIBC) active in the mid-market segment. They provide us with co-financing opportunities, which we – upon screening according to our sustainable investing policy and its criteria – provide to our institutional clients.

ASR Sovereign Debt Fund
This fund (ISIN NL0012294185) invests predominantly in investment-grade Euro-denominated sovereign debt and has a mandate to invest, at minimum, 10 percent of its assets in Green Bonds – which comply with the available standards (i.e. Climate Bonds Initiative, Green Bond Principles, and the EU Green Bonds Principles). Furthermore, the entire fund is managed to be invested in the top 10 percent of the SDG-Index from the Bertelsmann Stiftung[20] -- which provides a country ranking based on the UN Sustainable Development Goals.

20 www.sdgindex.org

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Asset classes

Debt or equity in public companies
We invest the insurance and pension premiums of ASR Nederland and our other clients, through line-by-line investments, our own investment funds, or those of third parties. We are applying the three phases detailed above to those assets we manage inhouse.

For this scope, we sold our remaining holdings in public companies captured under our exclusion criteria for coal mining and unconventional oil and gas, in December 2021. This totaled roughly 80m EUR in public shares and listed bonds of 150 companies -- which have now been added to our exclusion list[21].

During 2022-2024 we are reviewing the strategies of 11 public companies currently active in the conventional oil and gas sector, of which we still hold securities – and assess whether these are in line with the goals of the Paris Agreement. We have built an internal dashboard that uses several classification methods and external data to give us insight into the transition potential and practice of these companies (as detailed above).

We held roughly 310m EUR of public shares (115m EUR) and listed bonds (195m EUR) in these 11 companies, per year-end 2021.

Furthermore, we also hold roughly 180m EUR of public shares (45m EUR) and listed bonds (135m EUR) in 15 companies with downstream activities (through distribution or providing affiliated services). The strategies of these companies will also be reviewed and complemented with additional engagement activities[22].

Debt or equity in private companies
We have limited investments in private equity markets. We do this exclusively through external fund managers, which we select based on their experience in impact investing.

On the debt side, we co-finance private loans to (mainly) European companies. We do not source these ourselves, but have set up partnerships with banks (Triodos, NIBC and Rabobank) which we have selected based on their approach to ESG integration.

In both these two asset classes we do not invest in excluded sectors. One of the focus themes for these asset classes is investing in climate technology and pioneering companies.

Sovereign debt
Most of our investments are in sovereign debt. In fact, 75 percent of investments in government bonds we manage on behalf of ASR Nederland N.V. are held in seven (European) countries, namely the Netherlands, Germany, Belgium, France, Austria, Spain, and Ireland[23]. All these countries have ratified the Paris Agreement through their national parliaments and are also covered through the European Union ratification of the Agreement. All countries are also part of the EU's plan to reduce greenhouse gas emissions by 55 percent by 2030 ("Fit for 55") and reach carbon neutrality by 2050.

They score quite high in the environmentally focus SDG's (the UN agenda for 2030), measured by the SDG index. However, none of these countries are currently on track to meet their stated 1.5-degree ambition. We have a role as a long term sustainable investor, but also as a participant in the public debate, to push for rhetoric and ambition to translate into action and results.

21 Available at asrvermogensbeheer.nl/duurzaam-beleggen/duurzaam-beleggingsbeleid

22 We conduct company engagements ourselves (through a combination of ESG team members and portfolio managers) and we use third party engagement services where we feel a collective approach is more suitable and impactful

23 See a.s.r. FY21 analyst presentation (slides 31) available on www.asrnederland.nl/investor-relations/financiele-publicaties

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As such, we seek to engage countries and national governments on climate where we can, with a focus on pushing EU-issuer ambitions to action and align the ambitions of non-EU issuers (with large physical or transition risks[24]) more in line with the Paris Agreement.

Structured investments
We are increasingly investing in structured investments for our own account, following three distinct strategies (Government & Multilateral Guaranteed Debt, Renewable Infrastructure Debt, Solvency 2 optimized multi credit). Each of the strategies aims to generate attractive investment income and return on capital through monetizing alternative return drivers like liquidity and complexity premia. In many cases, the strategies offer scalable investment opportunities with clear contribution to one or more Sustainable Development Goals.

Our position in this market started in 2020 and is growing quickly, broadening our investment universe to – for instance – large scale European renewable energy projects or sub-Saharan African light rail projects.

Carbon credits
a.s.r. currently does not invest directly in commodity markets. We do monitor the development of global regulated carbon markets with interest, as they are a frequently used tool for policymakers and companies to meet their stated greenhouse gas reduction objectives.

The recent completion of the Article 6 negotiations at COP26 in Glasgow has now opened the door for global carbon trading to be implemented: tying together current regional markets and Emissions Trading Systems (ETS). Additionally, the revision and strengthening of the EU ETS (Phase 4; applicable for the period 2021-2030) will provide more certainty and clarity to market participants.

24 For example, the Long-Term Emissions Reduction Plan of the Australian Federal Government (2021) mentions the possibility of an increase in sovereign (and sub-sovereign) debt costs by 100 basis points

Monitoring and reporting

This document sets out the climate strategy for ASR's investments; and as such we will provide regular insights into our progress on our targets through our regular periodic performance reporting.
This includes;

- Climate-related content in the annual report of ASR Nederland;
- Inclusion of climate-related content in our Quarterly ESG Updates;
- Semi-annual updates to our Excluded Companies list;
- Annual updates to our Excluded Countries list;
- Semi-annual updates to our Engagement Report;
- Continuous insight to our Voting Record.

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