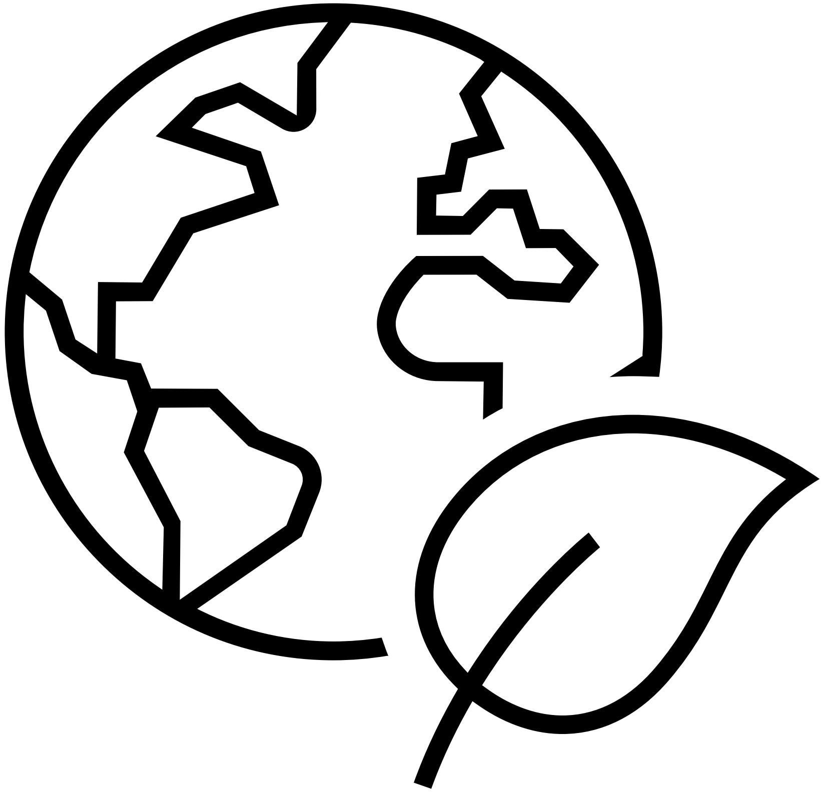
a.s.r.
asset
management



Quarterly ESG Update - Q1 2019

a.s.r. asset management

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Column: Drawdown

The first quarter of 2019 hit the top 3 of best quarterly returns for equity investors since 2000, thus compensating for the market drawdowns we saw in December 2018. And more good news for this quarter coming from the a.s.r. ESG strategies for European US equities. Both our products outperformed their benchmark and illustrated that financial return and sustainability go hand in hand. Another Drawdown was presented by Chad Frischmann at the a.s.r. offices in light of the a.s.r. permanent education program (PEP) for senior management. Project Drawdown provides solutions to reverse global warming and restore the natural carbon cycle. There's only 1 decade left to keep global warming limited to 1.5° Celsius and long term investors, like a.s.r. asset management, can accelerate a "just transition". And we do so, as shown by the significant lower carbon emissions in our credits and equity products compared to their universe. Also active ownership is an important tool to influence companies on their CSR strategy, as demonstrated in our engagement activities. With the voting season on its way, the a.s.r. voting will influence companies at the AGM, aligned to the a.s.r. SRI policy. Finally a.s.r. presented at two conferences on our work on impact investment. Enjoy reading!

Want to learn more about a.s.r.'s sustainable investing?
Visit our website.

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Drawdown

Chad Frishmann, co-author of the recently published book ‘Drawdown’ visited a.s.r in January. Drawdown is presented as the most comprehensive plan ever proposed to reverse global warming. It is a research project by a group of international scientists who have researched 80 – already existing– solutions to reverse climate change. a.s.r. senior management had a conversation with Frischmann on the role an insurance company and asset manager has to play in this transition.

‘Drawdown’ is the point in time when concentrations of greenhouse gases in the atmosphere begin to decline on a year-to-year basis. It is the prerequisite for reversing global warming and restoring the natural carbon cycle. Yet, as Frishmann emphasizes, it is more than a technical definition: Drawdown is a goal for humanity, a marker on the horizon pointing us towards the future we want. Reaching Drawdown and achieving the SDGs are therefore largely interlinked.

The strength of project Drawdown is the accessibility of the solutions: they all exist already. For each of these existing solutions, the Drawdown team describes how they work, the -positive- greenhouse gas impact they provide and the relative cost and savings compared to what needs to be done anyway. This leads to some interesting and factful insights. For example, the largest impact can be made by replacing the refrigerant in air conditioners with a more eco-friendly alternative. But also education of girls will have a huge positive impact as educated girls have fewer and healthier children and are key in economic development.

Even with conservative financial analyses, not taking into account a carbon price and the many costly negative externalities climate change will bring, the net financial benefit of implementing the Drawdown solutions is around US$44 trillion over the cost to implement this system of solutions over 30 years. Climate solutions simply make sense.

As Frishmann rightfully stated: *"Insurance companies, like a.s.r., are poised to be a leading agent for needed change while reaping the benefits of solid investments."*

CO_2-footprint of our investments

Measuring and reporting the carbon footprint of our investments is an essential first step to develop a climate change resilient portfolio. Together with 13 other Dutch financial institutions, united in PCAF, a.s.r. works at developing an open source methodology for carbon accounting.

For the 6th consecutive quarter a.s.r. has been able to reduce the overall carbon emissions, measured in ton CO_2 per million Euro invested. This is partly driven by lower greenhouse emissions of the companies in our investable universe. The largest absolute carbon emission reductions were seen in carbon intensive industries like Electricity and Gas Utilities. The overall footprint for the first quarter in 2019 is 98 tCO_2/mEUR: a 2% reduction with respect to Q4 2018[1].

Carbon Footprint - Overall

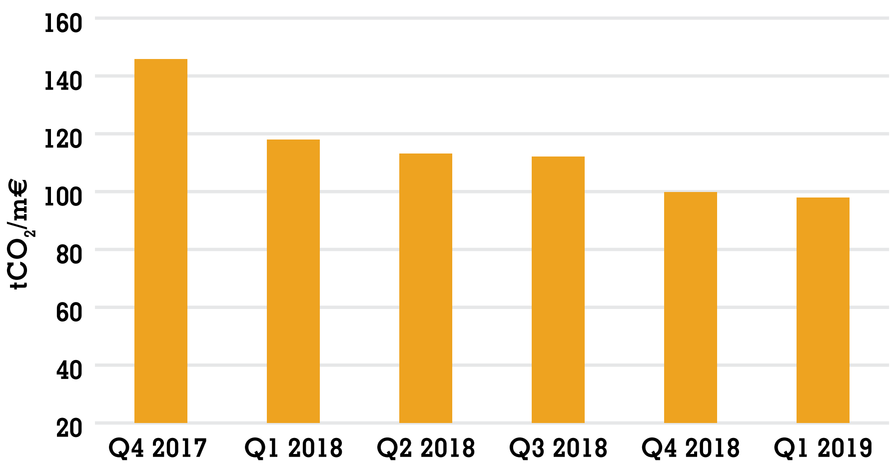
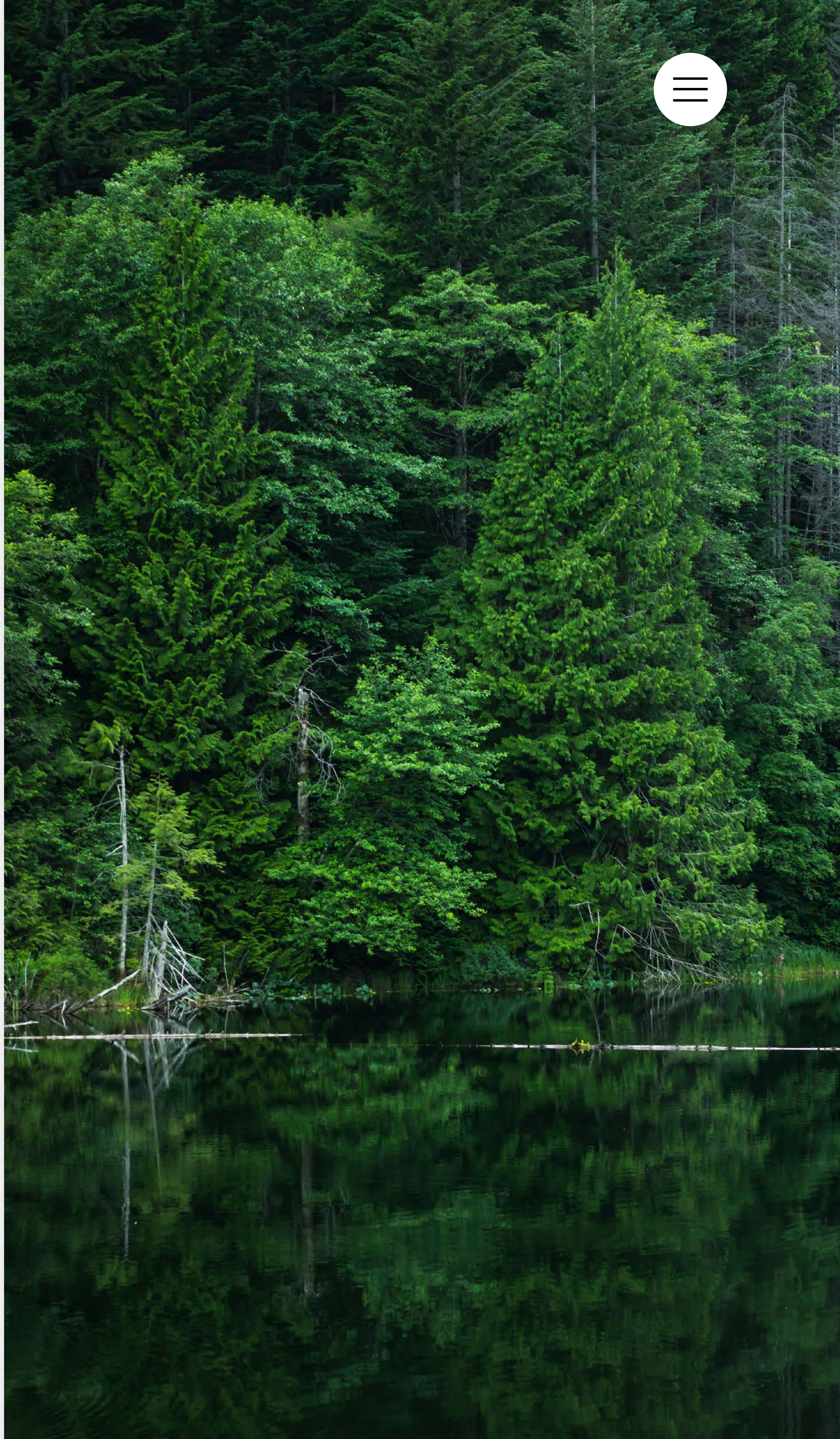


Figure 1: Carbon Footprint a.s.r. investments Q4 2017 - Q1 2019

[1] *PCAF methodology, with enhanced coverage by estimations through total assets.*



a.s.r. ESG fund range

In 2017, a.s.r. launched an ESG fund range including Euro sovereign bonds, Euro credits and European 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. As result we see that the ESG funds investing in companies already achieve a lower carbon footprint compared to their respective benchmark, see figure 2.

At the same time, we see a slight increase in the carbon emissions for both the funds as well as the benchmarks compared to last quarter, which can be attributed to strong market performance in heavy emitting sectors. Nonetheless, the emissions of ESG equity fund as well as the ESG credit fund were able to stay significantly below the emissions of their respective benchmarks.

The ESG sovereign fund remains to have a higher footprint than its benchmark. This can as in the last quarter of 2018 be attributed to an overweight in Germany and an underweight in France. France its energy production is highly based on nuclear energy. Nuclear energy production has a low carbon footprint, but is controversial as well. a.s.r. SRI policy therefore knows restrictions for investing in nuclear energy due to the environmental risks involved with the storage of nuclear waste and global impact of possible nuclear meltdowns.

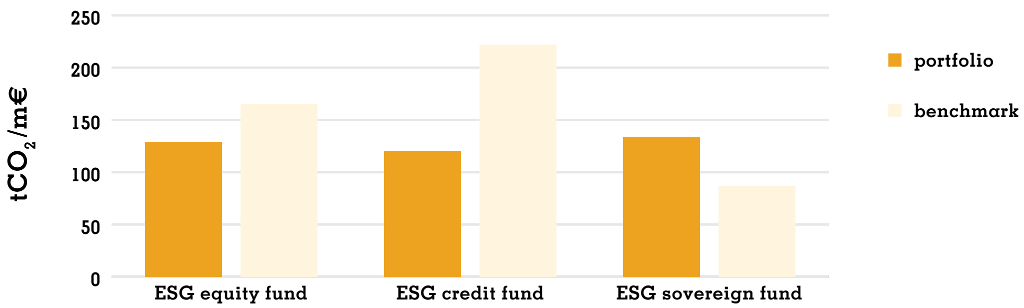


Figure 2: Carbon emissions for ESG credit and ESG equity fund and ESG sovereign fund end March 2019.

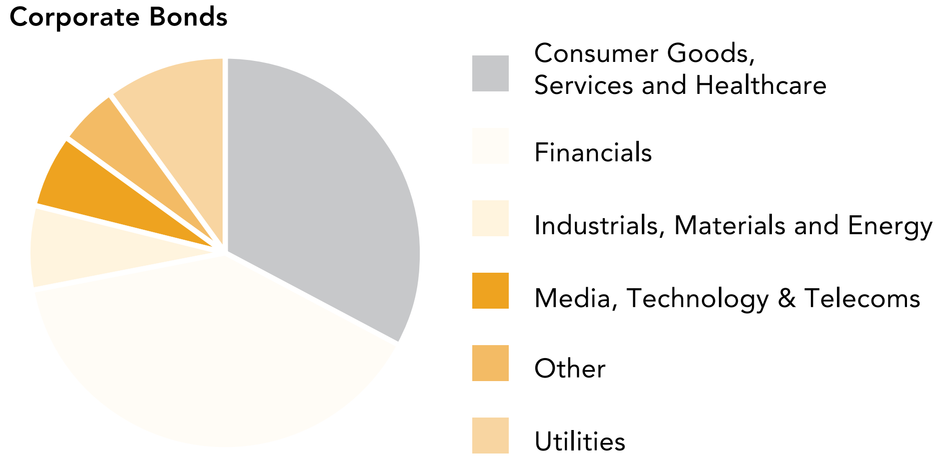
Next steps in Science Based Target setting

In 2015 a.s.r. has committed to the Paris Agreement; aiming to limit global warming to 1,5-2 °C. Climate change and Energy transition have been focus themes in our responsible investment policy since and are integrated in our strategic asset allocation.

Recently, a.s.r. has been roadtesting methods for setting Science-Based Targets (SBTs). SBTs are greenhouse gas emissions reduction targets that are consistent with the level of decarbonization that is required to keep global temperature rise within 1,5-2°C according to scientific research, compared to pre-industrial levels.

Setting SBTs can be approached in different ways; looking at carbon budgets for sectors or the global economy or by looking at absolute emissions. For a sectoral approach, we have been looking at what sectors in our portfolio are most vulnerable to the effects of climate change and what sectors have the greatest (potential) impact, both negative and positive. A breakdown of sectors for both our corporate bonds and equity investments can be seen in the graphs on the right. Next step is to determine what targets should be set to stay well within the 1,5-2 °C pathway.

We aim to accelerate the energy transition. Insight in sectors and related carbon emissions in our investment portfolio will also help us to keep track of changes in the energy mix of companies in high carbon emitting sectors. Furthermore, it enables us to enter dialogue with the companies we invest in, to encourage them to change their energy mix away from fossil fuels.



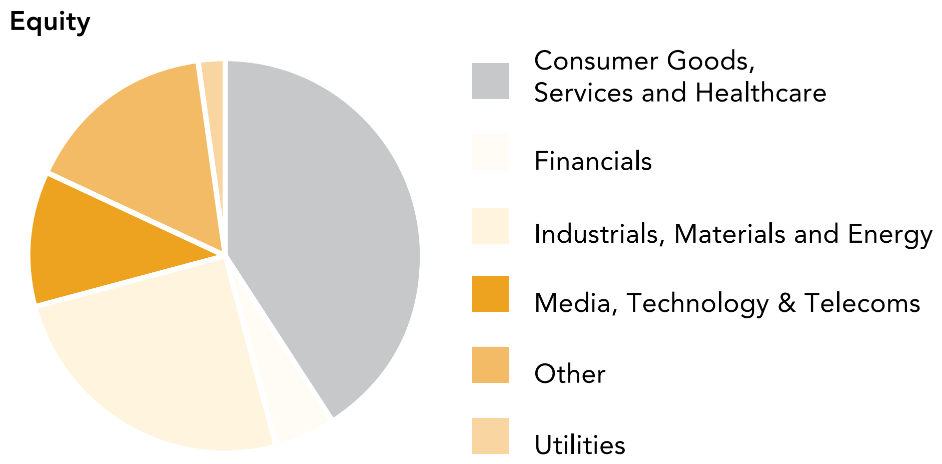


Figure 3. Overview of sectors investments in corporate bonds and equities.

Active Ownership

Engagement: environmental impact of meat sourcing

The way we produce and consume our food has a huge impact on the climate. Therefore, a.s.r. has joined forces with other investors to start a dialogue with large fastfood companies such as McDonalds. The initiative, coordinated and based on research by FAIRR and Ceres, asks the fastfood companies to be transparent on and subsequently reduce the environmental impact and CO_2 emissions of their meat-production chain.

Engagement: forced labor in the clothing industry

a.s.r. has joined the KnowtheChain engagement with companies in the footwear and apparel sector to bring forced labor issues in the supply chain under attention. The initiative complements the work a.s.r. is already doing to engage apparel producers, retailers and the agri-food sector to take steps in paying living wages through the Platform Living Wages Financials.

For a more detailed of our engagements visit our website.

Voting

a.s.r. equity team invests in developed countries in the European & North American region and exercised its voting rights as a shareholder on 92 (90%) meetings in Q1 2019. At these meetings, a.s.r. voted against management in 7% of the votable items.

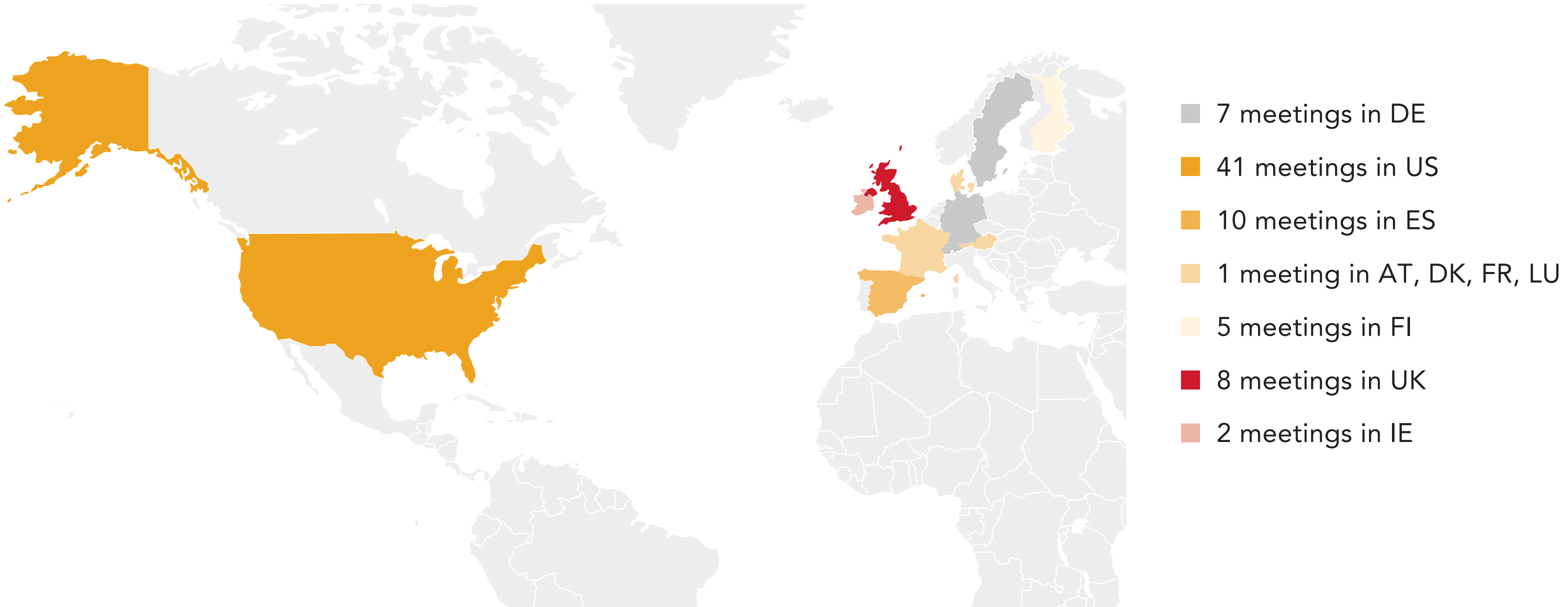


Figure 4: Number of AGMs voted in Q1 2019 and their geographical distribution

The 2019 AGM season has started. a.s.r. keeps track of all proposals to make sure voting is always aligned with our SRI policy. Shareholders increasingly submit proposals up for voting that address sustainability issues. One of the topics we see getting more and more attention is transparency on the gender pay gap. Equal pay statistics address whether people get paid equally for similar jobs. Research has shown that gender diverse leadership in companies generally leads to better company performance. Increasing regulatory requirements to increase transparency on pay disparities, make that in addition to reputational and operational risks, regulatory risks become more material. Proxy voting agency ISS sees companies responding to both these new regulatory requirements and shareholder proposals. a.s.r. always aims to address the issue of gender pay disparity by voting in favor of proposals to increase transparancy.

For a more detailed of our voting visit our website.

Impact investing

In Q1, a.s.r. took part in 2 panel sessions on impact investing, sharing our experiences and lessons learned over the years. We participated in the dialogue with other investors on the different definitions on impact investing and challenges in measuring impact.

Impact investments are investments that aim to generate social and environmental as well as financial return. a.s.r. looks at three characteristics to determine whether an investment classifies as an impact investment: intentionality; measurability; and additionality. Furthermore, we assess whether the products or services the company provides fall in one of the 10 impact investment themes as defined by the UNPRI, based on the UN Sustainable Development Goals (SDGs).

Since a.s.r. started with impact investing, we have witnessed great developments, like in 2015, when the United Nations approved the 17 and 169 individual targets. The SDGs represent a major driver for impact investing. Having said that, the estimated investment gap in key SDG sectors between 2015 and 2030 is still around USD 2.5trn (annual average).

Other news

a.s.r receives Dow Jones Industry Mover Sustainability Award

a.s.r. has received the Dow Jones Industry Mover Sustainability Award, indicating that a.s.r. is the fastest rising company in the corporate sustainability index within the financial sector, and underlines the advancement made by a.s.r. within the field of sustainability. a.s.r. has ended up in the top 15% of the insurance industry.

SAM | Sustainability Award Industry mover 2019

a.s.r. 100% compliant with SRI policy

a.s.r. asset management has again received the certificate from Forum Ethibel that we are 100% compliant with our SRI policy.

CERTIFIED BY FORUM ETHIBEL

a.s.r. wins 4 Lipper awards

a.s.r. has won 4 Lipper awards and is winner of the Group Award Overall Small award for small asset managers for the 3rd time in a row. Jack Julicher, CEO of a.s.r. asset management:

"We are proud that our teams have received these awards in a very competing market. For us it once again confirms that our sustainable investing policy with small deviations from the index can be a winning strategy."

More information?

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