



Quarterly ESG Update - Q3 2019

a.s.r. asset management

No dull season

Hopefully you have enjoyed the summer holidays, which is typically a period where the flow of press releases dries up. Still we have got a lot of good news to share with you in this quarterly newsletter.

First of all the strong a.s.r. financial results for 2019 H1, which can be found at www.asnederland.nl. We are well on track, including a significant growth of our asset management business for third parties, due to the combination of market consistent returns with strict sustainability guidelines in all a.s.r. investment strategies. And we continue to further develop these guidelines, where the input from the a.s.r. stakeholders is very helpful. a.s.r. asset management decided to implement additional restrictions for fossil fuels, which is another step in our long term ambitions towards a zero emission investment portfolio. Interesting findings regarding the risks and opportunities of climate change were published in the AODP leading practice guide, including a contribution by a.s.r. with best practices. In this quarter a.s.r. also joined the FAIRR initiative, addressing the environmental impact of meat sourcing.

We've also co-founded a new platform to assess how the (Dutch) financial sector can minimize its impact on biodiversity, from a national and international perspective. And again a.s.r. hit the spotlights, entering the stage at the annual UN PRI in Person conference in Paris twice.

Enjoy reading!

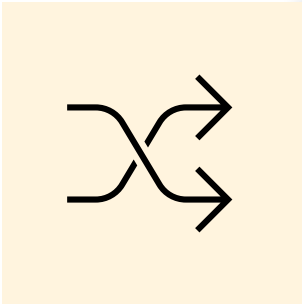
Want to learn more about a.s.r.'s sustainable investing? Visit our [website](#).





In this update

Climate



New steps fossil fuel policy

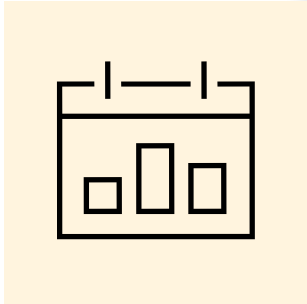


Launch PCAF international

Active ownership

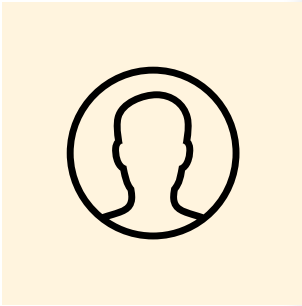


Award for work on living wages



New EU Directive Active Ownership

Other news



Biodiversity related risks and opportunities



a.s.r. UN PRI Industry Leader on Manager Selection

Climate and Energy Transition

New step in fossil fuel policy

Since 2016, a.s.r. excludes companies that derive a large proportion of their revenue from mining coal, tar sands and oil shale. We aim to move the energy sector towards generation of renewable energy. This takes time and often asks of companies to change the strategy on which they have built their company for many years.

3 years after setting our first fossil exclusion thresholds, it is time to take a next step in our exclusion policy. Companies that have failed to start the energy transition will be identified as well as those that have moved towards renewable energy sources. From now on, a.s.r. excludes companies that derive more than 20% of their revenue from coal mining, tars sands and oil shale. Also, from now on we will exclude companies that derive the majority of their revenue from coal-fired electricity production.

In the coming years we will continue to identify those companies that do not anticipate on the energy transition and low carbon economy. Exclusion is only one of the tools available in our responsible investment policy. We will simultaneously engage companies on their forward looking policy and carbon emission activities.



Launch PCAF International

In September, the international expansion of the Platform Carbon Accounting Financials (PCAF) was launched in New York. It is the first global initiative ever created that allows financial institutions to measure their carbon emissions across all lending and investment portfolios in order to reduce their climate impact. Over 50 global financial institutions, representing 2.9 trillion euro in assets, have committed to measure and disclose the carbon emissions of their loans and investments.

a.s.r. is an active member of PCAF and we are proud to see international financial institutions commit to use the methodology. This will help to set a global standard to measure and report on emissions, and thereby make informed decisions to reduce negative impact and reach the Paris climate goals.

Practical guide for insurers on managing climate-related risks and opportunities

a.s.r. is proud to have contributed to a leading practice guide by ShareAction and AODP on how insurers can manage the risks and opportunities of climate change. The guide maps the climate leading practice landscape across underwriting, investment, and group-wide risk management practices, supported by over 60 short case studies. Both barriers and building blocks are identified for insurers at early stages, and wider recommendations are offered for key stakeholders (insurers, customers, policymakers, investors) to help drive the industry forward.

The report can be found [here](#).



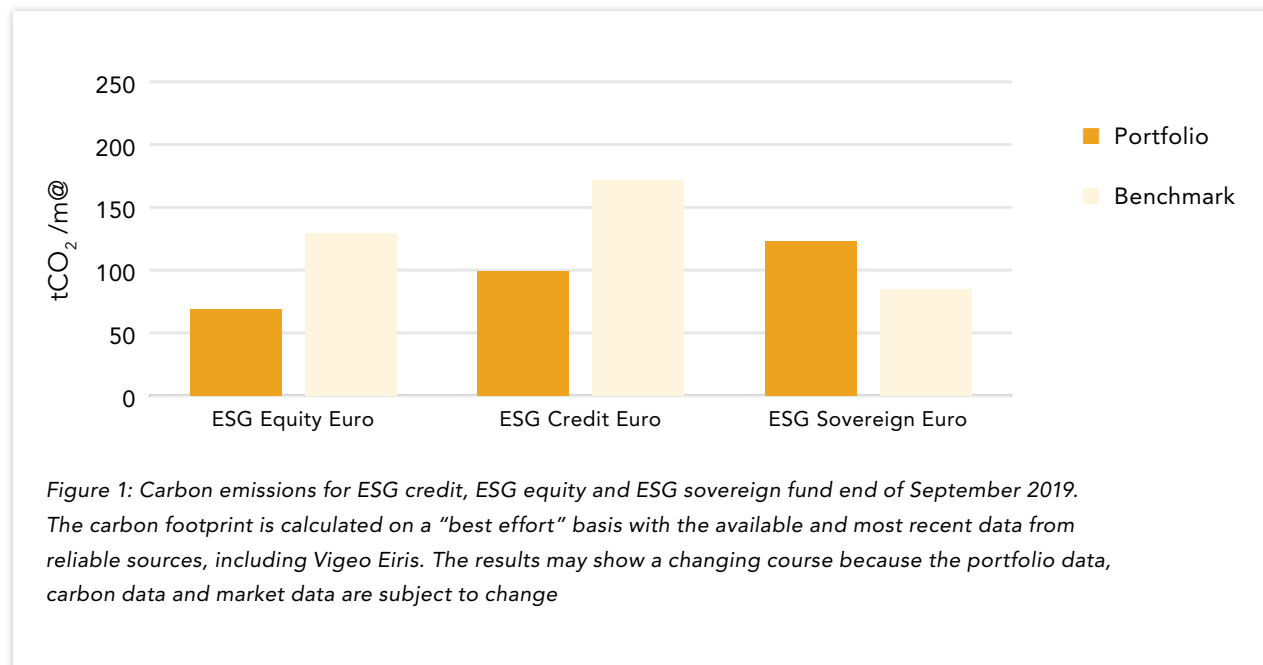
CO₂-footprint of our investments

In the third quarter of this year we were able to increase the carbon footprint calculation of the a.s.r. investment portfolio by calculating a significant amount of our Dutch mortgage loans and Real Estate portfolios. With these additional steps we are well on track for our target of measuring the carbon emissions for at least 95% of the a.s.r. investment portfolio (for own account) by 2021. The calculations for our Dutch mortgage loans portfolio were made with PCAF methodology in a pilot with CBS. This will give us a better insight into the actual consumption of gas and electricity (conventional 'grey' or green) per calendar year and associated CO₂ emissions. The calculations were made with data from end 2015 and 2016, the most recent available at the moment. We are still evaluating the results within PCAF.

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. These guidelines resulted in ESG funds with a lower absolute carbon footprint.

The emissions of the ESG Credit Fund decreased further in the third quarter. The lower emissions were caused by, among other things, less capital invested in the basic materials sector and updated emission figures from companies. The emissions of the fund are lower than the benchmark. The ESG Equity Fund emissions decreased slightly in the third quarter. The portfolio is now optimized according to a best-in-class method based on the scores that companies achieve on carbon intensity, energy transition and total ESG policy. The emissions of the ESG Sovereign Fund fell during the quarter as less capital was invested in countries with relative higher emissions.



Active Ownership

Award for work in Living Wages

Platform Living Wage Financials (PLWF) has won the international PRI-award (Principles for Responsible Investments) for best initiative in the field of socially responsible investing and active ownership. The award has been presented during the PRI in Person 2019 event in Paris.

In sectors that employ and rely much on manual labor, such as the garment and footwear, food and beverage, consumer electronics or retail sectors, wages are often insufficient to cover workers' basic living expenses such as food, clothing, housing, health care, and education. Research shows these wages are often on the poverty line and well-below living wage estimates.

Under the umbrella of the PLWF, Dutch financial institutions collaborate to encourage, support, assess, and monitor investee companies with regard to their commitment to pay a living wage to the workers in their supply chains.

Jack Julicher, CEO a.s.r. asset management: 'As a partner of the PLWF platform, that makes efforts worldwide to promote 'Living Wages', a.s.r. asset management is proud that this initiative has received the UN PRI Active Ownership Project of the Year award. A living wage is a universal human right. It is important that we continue to work together towards improving a living income for employees and farmers in different industries and supply chains. This award means a lot to us.'

For a more detailed of our engagements and voting visit our [website](#).



New EU shareholder Directive

On June 10, the new EU Shareholder Directive (Directive 2017/828/EU) has come into practice. The Directive has the goal to bring about more long-term focus in corporate governance of listed companies. By increasing involvement of shareholders and transparency of listed companies, short-termism should be reduced.

As of the end of 2019, institutional investors will have to report on how they implement this 'active ownership'. Active ownership includes amongst others voting at AGMs and engagement with investee companies. Also, investors have to disclose how their investment strategy is matched to the profile and duration of their liabilities and how these elements contribute to the medium to long term performance of their assets. Finally, the main elements of discretionary mandates have to be disclosed.

a.s.r. already discloses its activities with regard to active ownership on a quarterly and annual basis. We will continue to do so, with any extra additions that may be necessary to comply with the new EU Shareholder Directive.

Voting

a.s.r. exercised its voting rights as a shareholder at 78 Annual General Meetings (97,5%) in Q3 2019.

At these meetings, a.s.r. voted against management in 6% of the votable items.

a.s.r. joins FAIRR

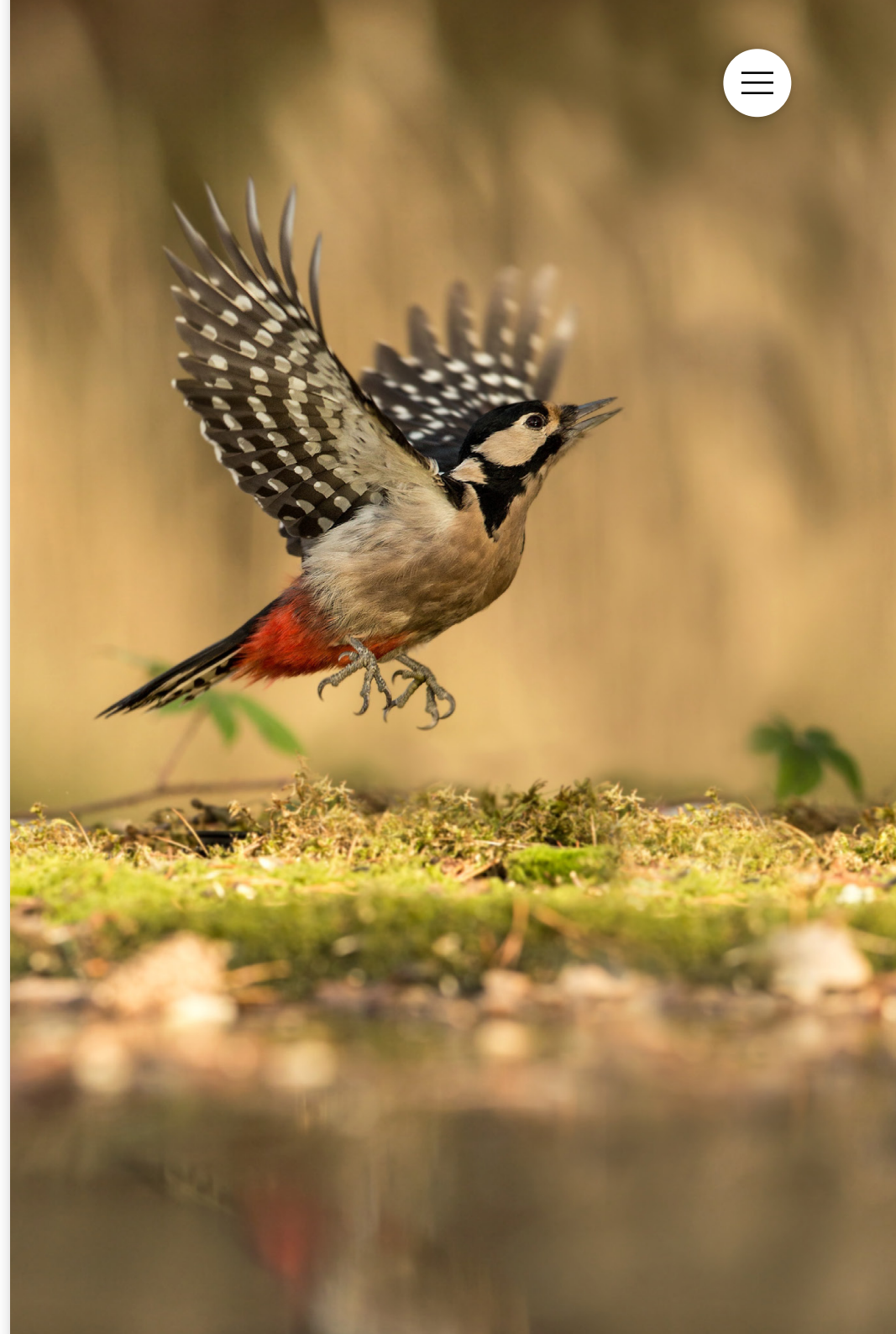
a.s.r. has joined the FAIRR Initiative. FAIRR is a global network of investors addressing ESG issues in protein supply chains. By joining FAIRR we aim to ensure that the material investment risks from intensive farming are better recognized, measured and managed throughout the global food industry. FAIRR actively researches these supply chains, in collaboration with NGOs and knowledge institutes. Also, they take the lead in engagements addressing prominent issues, such as the environmental impact of meat sourcing.

Biodiversity

Biodiversity is one of the world's largest environmental challenges. Biodiversity loss is identified as one of the top 10 risks in terms of impact (rank 6) and likelihood (rank 8) by the World Economic Forum in their latest annual Global Risks Report. Species abundance is down by 60% since 1970. Biodiversity loss is amongst others affecting food security, climate adaptation ability and the absorbing capacity of carbon emissions. The UN Sustainable Development Goals therefore promote a minimal 'no net loss' in terms of marine and terrestrial biodiversity (SDG 14 & 15).

In managing business risks and opportunities, biodiversity should not be overlooked. Many companies depend on biodiversity for their core operations such as agriculture, forestry and bioscience. Clean water supply and the availability of raw materials are both closely interlinked with healthy ecosystems. As with climate change, companies face different risks regarding biodiversity loss: physical risks (such as forest fires and extreme weather events), regulatory risks (changes to national and international law) and reputational and market risks (increased stakeholder and consumer concern). But opportunities arise at the same time: companies that minimize their negative impact on biodiversity and find innovative sustainable ways to use natural resources, will most likely thrive in the long run.

a.s.r. has started a collaboration with 6 other financial institutions to assess how the Dutch financial sector can minimize its negative impact on biodiversity, both national and international. The coming year, this working group under the Dutch Central Bank (DNB) Sustainable Finance Platform, will work on defining impact and actions. From an international perspective, the focus will be on deforestation as a main driver of biodiversity loss.



Other news

a.s.r. recognised as part of the PRI Leaders' Group 2019

UN PRI has qualified ASR Nederland as 2019 Group Leader. The title is awarded for the first time this year, to the top 10% members of the UN PRI, for their efforts in selecting external asset managers.

The global leaders in sustainable manager selection for shares and private equity were announced in September in Paris, at the annual UN PRI in Person congress. a.s.r. manages many portfolios itself, but we outsource this for markets where we don't have the internal knowledge, for example in Asia or private equity markets.

PRI: 'The PRI Leaders' Group 2019 showcases PRI signatories that demonstrate both a breadth of responsible investment excellence, and that excel specifically in this year's theme: selection, appointment and monitoring of external managers. Our evaluation focused specifically on listed equity and private equity, as these are the asset classes where we have the most developed work on identifying good industry practice, and are most able to support signatories. The group of leading signatories is roughly equivalent to 10% of all asset owner signatories.' Read the full report [here](#).



More information?

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a.s.r. asset management

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