Quarterly ESG Update - Q4 2020

a.s.r. asset management

39869_0421

Outlook

Although headlines are still dominated by the Covid-19 pandemic, financial markets performed strong in the last quarter of 2020 due to the approval of the first vaccines. There's a big dispersion in the returns between countries, asset classes and sectors, but overall performance was positive for the full year in well diversified investment portfolios. The economic activity can further recover to pre-pandemic levels with the increase of the vaccination rate, monetary support by central banks and fiscal programs from governments. This will stimulate employment and real GDP growth, so the outlook of a.s.r. asset management for 2021 is moderately bullish.

Definitely the financial sector plays an important role to help its clients in these uncertain times and provide financial support to the global economy. And as part of its fiduciary duties also environmental and societal outcomes are more and more included in the flow of capital from asset owners.
We see this reflected in commitments and target setting from financial institutions for a green economic recovery, like the progress of the EU Sustainable Finance Action Plan and the PCAF global standards for carbon accounting. Or in a new impact investment by a.s.r. to fight dementia.
And more good news will be published in the upcoming annual reports and shareholder meetings, with an increasing number of resolutions in the agenda addressing environmental, social or governance issues. With this change towards purpose, also the outlook for positive impact on the UN Sustainable Development Goals is moderately bullish.

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

In this update

2020 in facts and figures

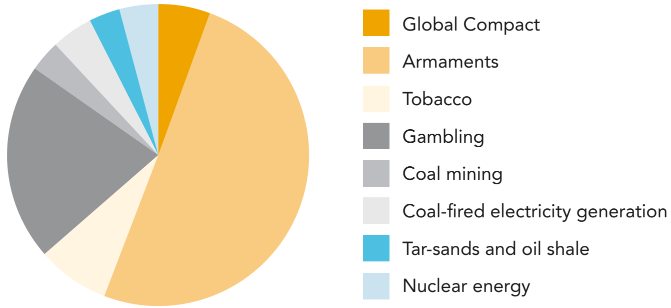
Again nr 1 in Fair Insurance Guide

1

Active engagement dialogues

29

Exclusions 2020



50%

Carbon reduction targets:
50% in 2030
with 2015 baseline

Voted at

97%

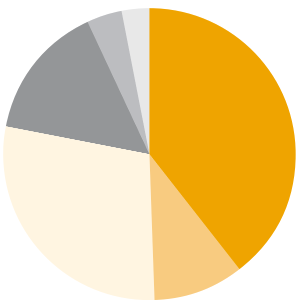
of the AGMs

Score from UN PRI

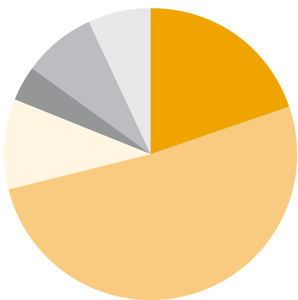
A+

Sectors*

Equity



Corporate Bonds



- Consumer Goods, Services and Healthcare
- Financials
- Industrials, Materials and Energy
- Other
- Media, Technology & Telecoms
- Utilities

Mentioned as **best practice** for intergration climate in SAA by PRI

* Own account, internally managed

Climate and Energy Transition

a.s.r. asset management has joined the Net Zero Asset Manager Initiative

a.s.r. asset management is one of the 30 founding investor signatories of the Net Zero Asset Manager Alliance. The Alliance is an initiative of the Institutional Investors Group on Climate Change (IIGCC) and brings together investors that are committed to have net zero portfolio's in 2050, with a clear sub-target in 2030.

Goal of the collaboration is to bring investments in line with global efforts to limit warming to 1.5°C, which a.s.r. has endorsed in 2015. Priority will be given to achieving real economy emissions reductions within the sectors and companies in which the asset managers invest.

a.s.r. asset management sees the urgent need to accelerate the transition towards global net zero emissions and wants to play our part to help deliver the goals of the Paris Agreement and ensure a just transition.

A full version of the commitment statement adopted by signatories can found here.

Carbon Accounting for investment portfolios

The Partnership for Carbon Accounting Financials (PCAF) started in 2015 during the Paris climate summit and 11 Dutch financial institutions immediately joined. Since then, PCAF has grown into a worldwide initiative and has launched the first global standard to measure and report financed emissions in November 2020. This framework gives banks, asset owners and asset managers a tool for measuring and reporting greenhouse gas (GHG) emissions associated with loans and investments. With the "Built on Greenhouse Gas Protocol" mark, the PCAF Standard becomes the global reference for GHG accounting for financials.

The methodology is being launched as the global financial industry is increasing its focus on climate change impacts and as shareholders, regulators and stakeholders are pressuring the sector to take a more proactive role in supporting solutions in partnership with governments and civil society. At the same time, financial institutions have a significant opportunity, as trillions in capital will be required in the shift towards a low-carbon economy. As part of the PCAF initiative, 86 financial institutions, including a.s.r., representing $ 17.5 trillion in total assets, have committed to measuring and reporting the greenhouse gas emissions associated with loans and investments.

The number of Dutch banks, insurers and pension funds working on calculating the climate impact of their loans and investments is also growing. Twenty Dutch financial institutions with total assets under management of € 3.1 trillion are now part of PCAF. This is evidenced by the most recent report by PCAF's Dutch member financial institutions, which was presented in December 2020 during the digital Round Table of Parliament on the Climate Commitment of the Financial Sector. By making their GHG emissions transparent, financial institutions can give concrete form to the commitment that virtually the entire Dutch financial industry has made to the Dutch climate agreement. Among other things, the industry committed to measure the climate impact of its loans and investments, to report on them and to develop concrete reduction targets.

In the latest report, the twenty PCAF Netherlands participants provide an update on the progress made in implementing the PCAF Standard. This has led to a collaboration with CBS, the Dutch Central Bureau of Statistics, to gain an even more accurate insight into energy consumption and GHG emissions linked to the mortgage portfolios of the participating banks and insurers. With this improved insight, financial institutions can more effectively help consumers to make their homes more sustainable.

In the Netherlands, financial institutions are working on an important next step: Science-based targets. Insights from climate science is used to set emission reduction targets that are demonstrably in line with the Paris Climate Agreement. These goals ensure that financial institutions can actively steer towards maintaining the global temperature rise to well below two degrees Celsius.

You'll find more information on PCAF
https://carbonaccountingfinancials.com/

CO_2-footprint of our investments

At the end of 2020 we were 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. During the year of 2020 we were able to increase the coverage of the carbon footprint calculation to almost 93%, due to a higher Real Estate, Equity and Credits coverage.

The a.s.r. ESG fund range includes 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. For our credit fund, the carbon footprint decreased in Q4 due to underweighting the utilities and industrial sectors. For the ESG Equity fund the decrease in carbon was due to the optimization process for best-in-class companies on criteria such as carbon intensity, energy transition and ESG policy. The emissions of the sovereign bond fund showed a slight increase due to an overweight in Germany and the Netherlands, relatively high emitting countries in the portfolio.

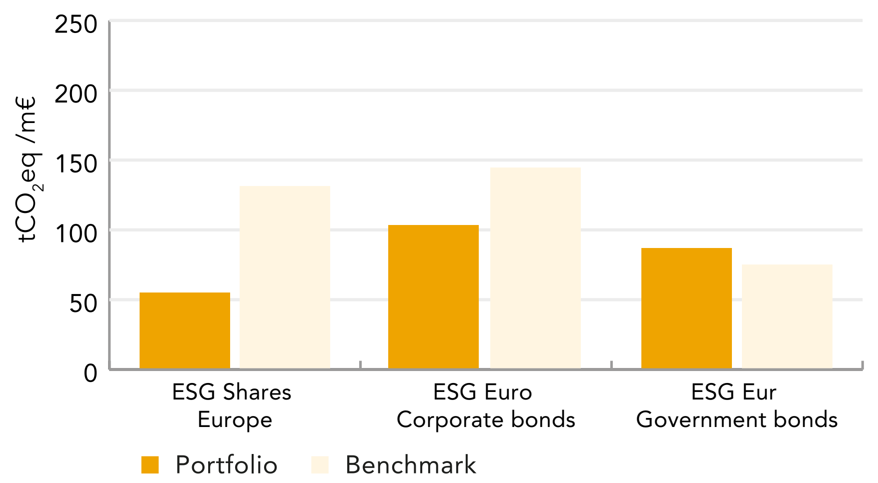


Figure: Carbon emissions for ESG credit, ESG equity and ESG sovereign fund end of 2020. The carbon footprint is calculated on a "best effort" basis with the available and most recent data from reliable sources, including Vigeo Eiris. The results may show a changing course because the portfolio data, carbon data and market data are subject to change. The methodology for calculating the carbon footprint is in line with the PCAF methodology.

Active Ownership

Sea of (micro) plastics

The Ellen McArthur Foundation has calculated that yearly half a million ton of plastic microfibres are flushed into the ocean only because of the simple act of doing laundry. This equals more than 50 billion plastic bottles. These microfibres can subsequently be found everywhere: in algae and fish, in the air and in our food. Synthetic fibers make up 14% of global plastics production and are considered a type of microplastic. Scientific evidence of the significant harm to marine biodiversity and ecosystems is emerging, as well as public awareness and support for action in tackling plastic pollution in the marine environment.

Microfibre filters in washing machines have been shown to be the most effective solution to reducing the flow of microfibres into the ocean. There are however currently few companies offering washing machines with a built in internal filter. Filter technology is currently available but systematically used across the industry.

In early 2020 France passed legislation that will require all new domestic and commercial machines to be fitted with a microfibre filter by 1 january 2025. This legislation is expected to become an example followed by other countries across Europe and globally.

In collaboration with the Marine Conservation Society, a group of institutional investors including a.s.r. have started an engagement with manufacturers of domestic and commercial washing machines to fit, as a standard feature, filters to their products to prevent microfibers entering the world's marine ecosystems. The primary objective of the collaborative engagement program is:

- To urge target companies to have factory fitted plastic microfibre filters as standard in all new machines by the end of 2023;
- To influence policy makers to implement legislation prohibiting the sale of new machines without filter mechanisms built in.

The engagement is focused on SDG14 and fits in our biodiversity commitments For a more detailed of our engagements and voting visit our website.

More news

Impact Investing – LSP Dementia Fund

Dementia is the greatest healthcare challenge of our time. A staggering 50 million patients suffer from dementia worldwide and predicted to triple to 150 million before the year 2050. The burden to our healthcare system is equally large; global costs are currently estimated to amount to over $ 800 billion – or 1.1% of global GDP – and will rise exponentially if no treatment is found. Yet, investments in R&D to find novel treatments are lagging behind. Life Science Partners (LSP), one of the largest European investment firms providing financing for life sciences and health care companies, announced the launch of the LSP Dementia Fund, a fund dedicated to fight neurodegenerative diseases. The fund will be managed by Professor Philip Scheltens, a world-renowned dementia scientist and thought leader. Philip has been dedicating his career to improving the diagnosis and care of patients with dementia. His next challenge is to find breakthrough therapies for patients with dementia, together with LSP.

The LSP Dementia Fund focuses on all stages of dementia drug and MedTech development and as such is the first of its kind in the world. It offers the combination of LSP's deep investment experience with Philip Scheltens' impressive scientific acumen and extensive network of dementia experts and research institutions across the globe. The focus will be on finding novel treatments to battle the different neurodegenerative diseases, such as Alzheimer's disease, that cause dementia. This makes the LSP Dementia Fund a true impact investment. In just a few months, LSP raised € 50 million from strategic parties, including a commitment from a.s.r., and already made its first investment in clinical stage company NewAmsterdam Pharma.

Dr. René Kuijten, Managing Partner of LSP and founder of the LSP Dementia Fund, comments: "LSP is very honored that Philip has joined our firm to lead this new and unique fund. In the past two decades, venture capital has proven to play an essential role in advancing biotech companies, but dementia opportunities remained largely unfunded. Together with Philip and his network, we now have a truly unique expertise in-house to identify and develop breakthrough ideas in the dementia field, ultimately leading to solutions for patients suffering from this terrible disease".

New research PAX on controversial arms trade

PAX together with the Fair Insurance Guide have published a new research on 'Controversial arms trade and investments of insurers'. The study shows that some insurers stull invest in companies that provide weapons to countries at war. a.s.r. is mentioned as a positive example as we have stopped investing in weapon companies years ago and have a strict exclusion policy.

More information?

Contact us at:
raquel.criado.larrea@asr.nl
marjolein.meulensteen@asr.nl
joost.notenboom@asr.nl
jos.gijsbers@asr.nl

Disclaimer

---

a.s.r. asset management
Archimedeslaan 10
3584 BA Utrecht

www.asrvermogensbeheer.nl