



Overview engagements - H1 2021

a.s.r. asset management

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a.s.r. seeks a constructive dialogue and engagement with companies about relevant Environmental, Social and Governance (ESG) practices, in accordance with the standards outlined in the a.s.r. Socially Responsible Investment (SRI) Policy. This engagement dialogue knows three forms:

1. Engagement with the purpose of monitoring a company's on-going sustainability, which takes place regularly and especially with a.s.r.'s largest holdings;
2. Engagement with the purpose of influencing the behavior of a company or sector where ESG issues have been identified. Engagement for influencing focusses on specific and current environmental and social themes. The engagement can be focused on a sector, or on individual companies. Most often these engagements are started because of violations of international standards such as Global Compact or because of high ESG risk. International guidelines such as the UN Global Compact and the UN Guiding Principles (UNGPs) therefore always form the basis of our engagements;
3. Public engagements together with policymakers, government, regulatory bodies, sector organizations and/or other stakeholders to implement and enhance sustainability practices.

In this report an overview of current engagements in the first half of 2021 is presented.





In this update

Climate Action



Biodiversity



**Sustainable sourcing
of natural resources**



**Responsible use
of plastics**



**Challenges surround-
ing technical
development**



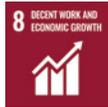
Human rights



Living wages



Climate Action



Climate change is one of the systemic risks facing our global economy and financial system. It is therefore one of the focus themes of the a.s.r. sustainable investing policy. We aim to reduce the carbon emissions of our investment portfolio amongst others by engaging high emitting investee companies on improving their governance on climate change, reduce emissions and improve climate related disclosures. As we have committed ourselves to the Paris Agreement and thereby to becoming a net-zero emitter in 2050, we also ask companies we invest in to commit to net-zero carbon emissions.

Climate action should always go hand in hand with social inclusion. Jobs will disappear because of the low-carbon transition, and new jobs will arise because of new economic opportunities. In many cases this will impact workers who might need new, more specialized skills. Or communities because of relocation of production processes. A just transition seeks to ensure that the substantial benefits of a low-carbon transition are shared widely, while also supporting those who stand to lose economically – be they countries, regions, industries, communities, workers or consumers. In short: making sure no one is left behind.

BASF*

With BASF we are having a dialogue on their actions to reduce GHG emissions; their climate risk management; governance framework on climate related issues and disclosures. The company has set CO2 targets and has committed to report according to TCFD guidelines. BASF is not yet willing to set net-zero targets for 2050. The largest source of emissions for BASF are their products. The company is working on reducing these emissions but is not yet disclosing what the exact impact will be. These topics will remain on the agenda the upcoming meetings.

Progress: positive





CEZ*

Czech utility company CEZ is a large carbon emitter. The objectives of the engagement are the company's decarbonization strategy, including alignment of capital expenditures with carbon reduction commitments and climate change governance; climate change policy advocacy; the just transition; net-zero ambition and targets and TCFD disclosures. CEZ has set the long term target of becoming net-zero in 2050, with intermediate reduction targets in 2030. Focus of the dialogue was how the company is planning to decarbonize and move away from its coal-based energy mix.

In its 2020 Sustainability Report, CEZ has committed reduce carbon emissions following the "Well Below 2 Degrees" Paris Agreement scenario, by 2030. Following the Czech Government target to phase out coal in 2038 and being aware of the fact that the profitability of coal plants is under pressure because of an increasing carbon price, the company is exploring possibilities to move away from coal prior to 2038.

Progress: neutral

Enel*

With Enel we also discuss their decarbonization strategy, including alignment of capital expenditures with carbon reduction commitments and climate change governance; climate change policy advocacy; the just transition; net-zero ambition and targets and TCFD disclosures. The company has set ambitious emissions reduction targets and has committed to be carbon neutral in 2050 and phase out coal by 2030. They have stated that scope 3 emissions are included in the 2050 target, but have not yet formulated short term scope 3 reduction targets.

Progress: positive

Call on Governments for Climate Action

a.s.r. has signed the Global Investor Statement to Governments on the Climate Crisis – 2021. This statement, signed by 457 investors representing over USD \$41 trillion in assets, calls on all world governments to start a global race-to-the-top on climate policy. Laggards are warned to miss out on trillions of dollars in investment if they aim too low and move too slow. The statement also sets out five actions governments need to urgently undertake:

1. Strengthen Nationally Determined Contributions for 2030 in line with limiting warming to 1.5°C.
2. Commit to a mid-century net zero emissions target with clear sectoral decarbonisation roadmaps.
3. Ensure ambitious pre-2030 policy action including strengthened carbon pricing, phasing out fossil fuel subsidies and thermal coal-based power, avoiding new carbon-intensive infrastructure (no new coal power plants) and developing just transition plans.
4. Ensure COVID-19 economic recovery plans support the transition to net zero emissions.
5. Commit to implementing mandatory climate risk disclosure requirements.

Biodiversity



Biodiversity loss is besides climate change one of the big challenges and systemic risks of our time. Land use change, deforestation and climate warming are all major drivers of biodiversity loss. a.s.r. has signed the Finance for Biodiversity Pledge, committing to measure the biodiversity impact of our investment portfolio and to set targets to minimize negative impact and maximize positive impact. We have entered several engagement initiatives with the aim of addressing biodiversity loss.

Mondelez*

Mondelez is a large player in the cocoa industry, one of the key commodities prone to deforestation. Deforestation in cocoa producing countries is often directly linked to farmers livelihoods. By focusing on income diversification for farmers and paying a living income, there is less need to convert forest areas in new cocoa plantations. This engagement is therefore much aligned with our work within the Platform Living Wages Financials. The engagement with Mondelez will focus on a zero deforestation commitment; biodiversity restoration and impact assessment; circular economy; social management and sustainability reporting.

Land-use change is the main source of Mondelez' CO2 emissions. The company has committed to achieve zero-deforestation in 2025. As most deforestation is caused by indirect suppliers, the company works towards full transparency in the supply chain by 2025 as well. With these targets, the company is taking positive steps towards the zero deforestation engagement objective.

Progress: neutral



Satellite images for monitoring deforestation

Johnson & Johnson, Costco, McDonalds, ADM

To help put a stop to deforestation, a.s.r. is participating in an engagement program, with the support of Satelligence, with a focus on deforestation-free supply chains. This initiative allows us to gain more transparency in the supply chains of companies such as Costco, McDonalds and Archer Daniels Midland.

Satelligence is an Utrecht-based start-up that uses satellite technology to shed a light on if and where in the companies' supply chain deforestation occurs and which concrete actions investees take to prevent it. Radar and optical satellite images provided by Satelligence enable us to detect, validate and quantify changes in the vegetation cover of nature areas, which are then connected to companies through public data on supply chains. The images provide us investors with an overview of progress made by these companies.

a.s.r is taking the lead on the engagement with Johnson and Johnson, with its cosmetics section a large consumer of palm oil. By ensuring deforestation-free supply chains, companies like Johnson & Johnson can mitigate risks and address increasingly stringent regulatory environments, while also benefitting from long-term supply chain resilience, improved stakeholder relationships and reputational status in the market. In this context, companies are increasingly targeted by consumers, investors and regulators concerned about negative environmental impacts resulting from sourcing soft commodities such as palm oil.

Johnson & Johnson has been invited for a (digital) meeting in Q3.



Sourcing of soy and alternative protein

Nestlé, Danone, Unilever

Within the International RBC Agreement for the Insurance sector (IMVO covenant), the insurance sector has, together with two NGOs, the Dutch Government and started an engagement with 3 soy processing companies: Unilever, Nestlé and Danone. a.s.r. is taking the lead on the engagement with Nestlé, with the first call being planned in Q3 2021.

In the last few decades, soy cultivation has become a driver of large-scale deforestation in the Brazilian Amazon and Cerrado. In addition, the primary use of soy as animal feed in European (factory) farms contributes to a system that, through its intensive production of meat and dairy, is one of the major contributors to GHG and nitrogen emissions, thus impeding the preservation of biodiversity and the countering of climate change. Furthermore, the current animal protein production system based on soy for animal feed is increasingly contested. Alternative sources for animal feed already exist or are expected to emerge by innovations.

The dialogue focusses on the direct and indirect deforestation impact of (Brazilian) soy used as feedstock in (industrial) animal farming. Also, the transition towards nature-inclusive circular farming, for instance through the use of local animal food sourcing, and the transition towards a more balanced plant-animal based food productions and consumption system are on the agenda.



Sustainable sourcing of natural resources



The mining sector is prone to many ESG challenges. At the same time, we are increasingly dependent on the mining of minerals and other natural resources to speed up the energy transition. Resources such as cobalt and lithium are used for the production of electric vehicles, but mining of these and other materials is at the same time prone to human rights and environmental risks. We have several engagements ongoing to discuss these challenges with important players.

Lifecycle management of mining

Rio Tinto*

The mining sector faces systemic risks related to water management. Also, as several accidents over the last years have highlighted that tailing dams used to store the byproducts of mining, are prone to failure with massive consequences for surrounding communities and nature. In discussions with Rio Tinto, these topics are addressed: water risk management; tailings safety management and public reporting and global monitoring of tailings storage facilities; phase out of high risk tailing dams and reduce the use of tailing dams; enhance water efficiency and quality; asset retirement planning; effective implementation of water risks; financial surety of mine closures and liquidity and accessibility of financial surety. Recently, Rio Tinto has faced allegation concerning the destruction of the Juukan Gorge caves, important historical sites for indigenous people. The focus of the engagement in the first half of 2021 was therefore remediation of the Juukan Cave incident. The company has been responsive and taken different actions with relevant stakeholders, both internally and externally.





This will be continued in the coming months. As the engagement on the other objectives was shortly put on hold in light of the incident, the progress is neutral.

a.s.r. has voted against two remuneration reports because in our opinion the events in the Juukan Gorge do not justify the proposed remuneration by Rio Tinto.

Progress: neutral

Sourcing of Cobalt

Tesla

a.s.r. has taken the lead in the engagement with Tesla, within the UN PRI-led engagement program on the responsible sourcing of cobalt in the production chains of car manufacturers. While a frontrunner in the sector when it comes to phasing out the use of cobalt, the company still sources the material. A follow up call will be planned in the second half of 2021.

Progress: engagement will continue in H2 2021

Fair Cobalt Alliance

a.s.r. has organised a presentation by the Fair Cobalt Alliance to the members of the PRI Collaborative engagement on responsible sourcing of cobalt group. The presentation informed participants about main challenges in the cobalt supply chain, including how to prevent child labour.

Water management and Biodiversity

Besides human rights risks, mining companies are facing many environmental risks as well. In a newly launched engagement program, together with IUCN and VBDO, we will call on mining companies to improve their water management practices. Bad water management leads to loss of biodiversity and other ecological disasters, often with disastrous consequences for local people. In the coming years, other environmental challenges will be addressed as well.

Anglo American and Newmont

In the first half of 2021, we have spoken with Anglo American and Newmont. The objectives of the engagement were introduced and discussed, such as their water management strategy and risk management. How do the companies progress towards water-less mining and how do the companies with local stakeholders and initiatives such as the Initiative for Responsible Mining Assurance (IRMA).

The dialogue will be continued in the coming months.



Responsible use of plastics



Plastics are everywhere: it is a resource that is being used to make some of the most durable products and has many advantages. At the same time, single use plastics have become one of the largest environmental challenges. Single use plastics end up on the landfill and are difficult to recycle. Or even worse, they are disposed directly into the environment.

PepsiCo*

Addressing the problem of single use plastics requires addressing the full chain from raw material to consumer. With PepsiCo, we engage a company up the chain with a large impact because of their packaging. We ask PepsiCo to take the lead in industry collaborations, public-private partnerships and responsible lobbying towards governments. Also, we discuss improved packaging and recycling, and innovation management. PepsiCo has set a target for 100% recyclable, compostable or biodegradable packaging in 2025 and is well under way to reach this target. They take an active role in several industry initiatives on the topic and in informing costumers. At time of the call with PepsiCo, new 2030 targets were yet to be published.

Progress: positive



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.

In the first months of 2021, the engagement expanded to NGOs, ESG research providers and trade associations for manufacturers as well.



Challenges surrounding technical development



Social impact of Artificial Intelligence

Facebook, Apple, Alphabet, Amazon*

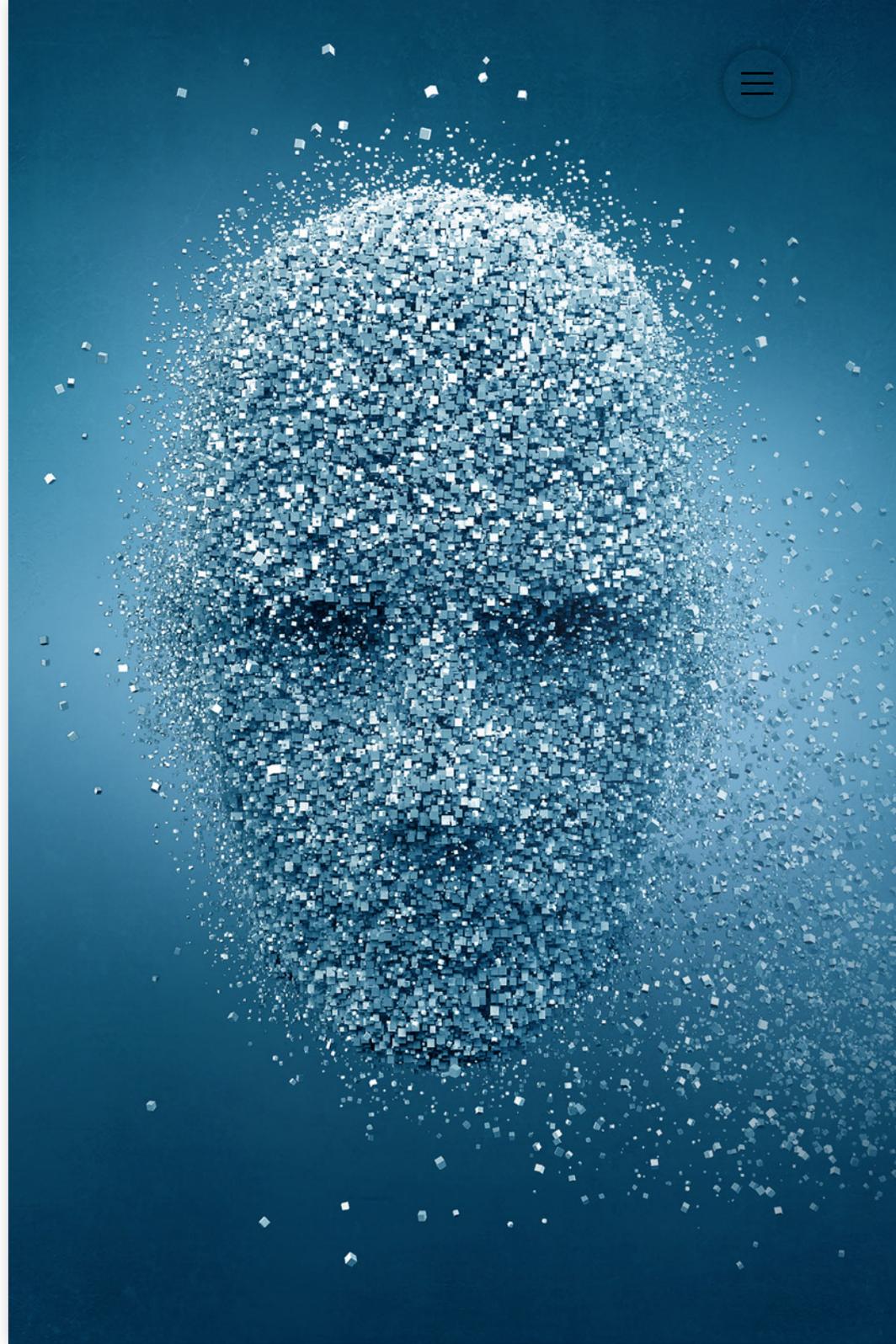
Artificial Intelligence is becoming more and more important in many sectors, including the tech sector. While its opportunities seem endless, there are also specific social and ethical challenges related to the implementation. We engage four companies on these challenges: Facebook, Apple, Alphabet and newly added Amazon. Objective of the engagements is sound governance on social and human rights impacts of new developments in the tech sector, such as Artificial Intelligence (AI).

While the companies are not always very accessible, the dialogue is starting. Both Facebook and Alphabet is acknowledging the challenges surrounding AI and has established board oversight. Also Apple is further embedding its human rights policy into the company governance.

Robeco has submitted a shareholder proposal for a Report on Customers' Use of its Surveillance and Computer Vision Products Capabilities or Cloud Products Contribute to Human Rights Violations at the Amazon AGM. 35.3% voted in favour of the shareholder proposal, including a.s.r. asset management.

In March, Facebook published its first ever Human Rights Policy. Robeco, who takes the lead in this engagement was given the opportunity to make recommendations on the draft document. Upon request, Facebook has committed to report on human rights issues on an annual basis.

Progress: neutral

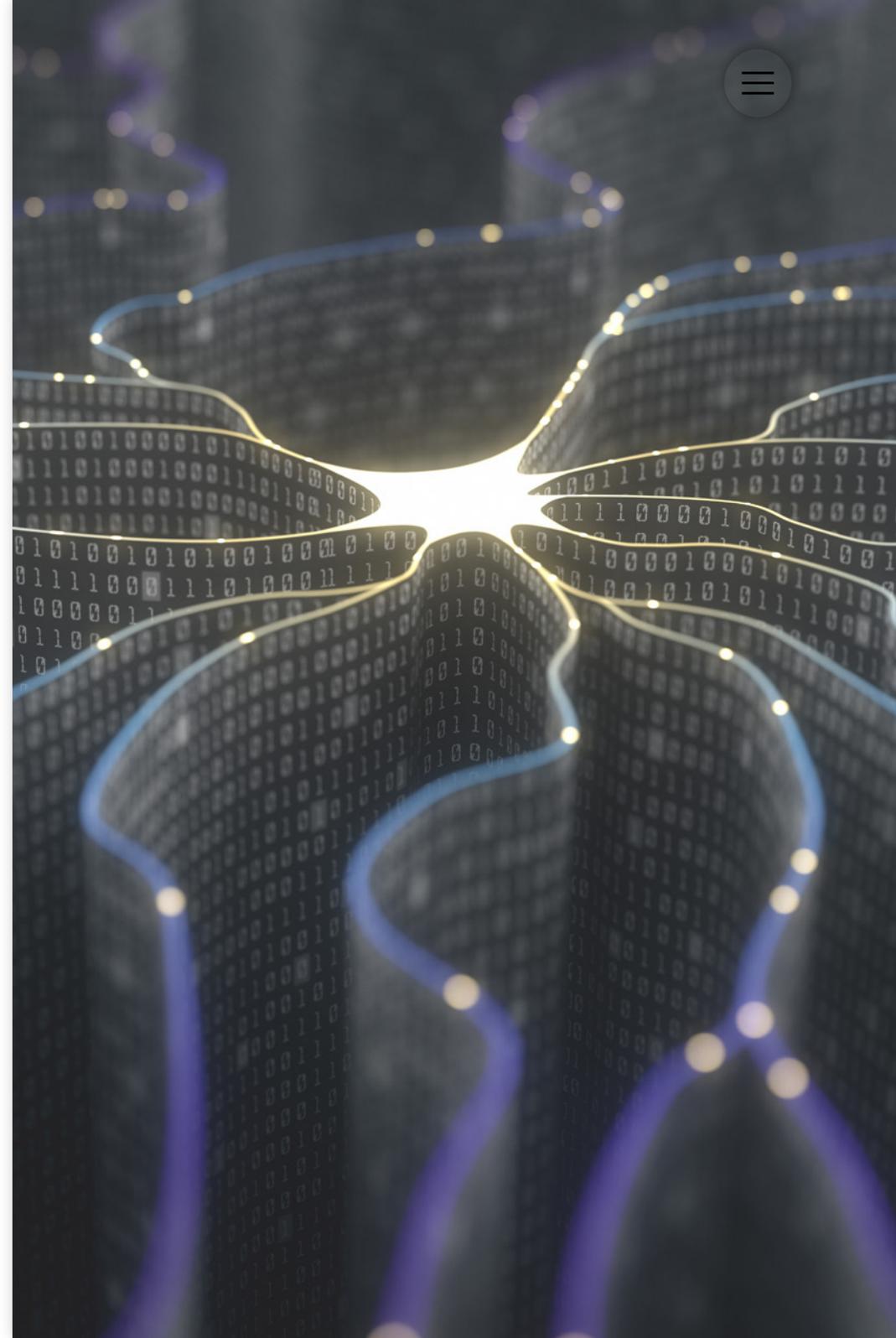


Cybersecurity

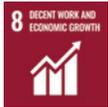
Vodafone*

Also Cybersecurity is a risk for companies operating in the tech and telecommunication sectors. The number of cyberattacks is growing each year and data privacy has become a salient issue. As a major player in the mobile phone market, a.s.r. engages with Vodafone on their company policies to address cybersecurity risks. Objectives of the engagement are: increased transparency and disclosure; risk and contract management; governance and oversight; policy and procedure and privacy by design. The company is well performing on the topic of cybersecurity and has proven to be a good example among its peers. Also during the Covid-19 lockdowns, the company was able to anticipate well across all markets.

Progress: positive



Human rights



JA Solar

It is estimated that the Chinese 'poverty alleviation and resettlement programmes' relocated at least 80,000 Uighur workers from Xinjiang to 27 factories in eastern China between 2017 and 2019. And research suggests that more than half a million people from Uighur and other Turkic Muslim minority groups in Xinjiang have been coerced into picking cotton. This could imply that the supply chains of more than 80 global brands in the basic materials, consumer goods, industrials and technology sectors may be involved in human rights violations.

Especially Xinjiang's cotton industry and rising solar energy technology sector is connected to a broad program of assigned labour in China, including methods that fit well-documented patterns of forced labour.

In light of expansion of solar energy capacity by a.s.r. real estate, a.s.r. has spoken to Chinese solar panel producer JA Solar. Goal was to get more insight in the company operation, their relation to XPCC and potential involvement with human rights violations in the Xinjiang region.



Modern Slavery

Modern slavery is a widespread problem which has a significant economic impact globally. The exploitation of people through forced labour and sexual slavery has been fueled by a growing number of global migrants in search of prosperity, more complex supply chains (brought about by globalisation) and weak enforcement by regulators.

We believe that businesses have a key role to play in tackling this issue by making their own supply chains more robust. Not only do investors have a responsibility to do their best to prevent human rights violations in their investment portfolios from a responsible business conduct perspective, investee companies may suffer significant brand and reputational damage if human trafficking is found in their business and no effort has been made by the company to provide remediation.

In the UK, The 2015 Modern Slavery Act was a landmark piece of legislation, requiring all companies over a certain size operating in the UK to report in detail on their approach to finding and eliminating modern slavery within their supply chains. Given the systemic nature of modern slavery and the serious risk it poses to businesses and investors, we expect all UK businesses covered by the Act to meet the reporting requirements of the Modern Slavery Act. The quality of reporting under the Act can serve as an important marker for how seriously senior management are taking this risk. a.s.r. has therefore signed and supported the engagement with non-compliant FTSE 350 companies who have failed to meet the reporting requirements of section 54 of the Modern Slavery Act 2015.



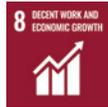
Human rights violations in Myanmar

On February 1, 2021, a coup took place in Myanmar and the military seized power from Myanmar's democratically-elected government. The coup has been followed by a widespread and violent suppression of civilians. Total has a longstanding partnership with the state-owned Myanmar Oil and Gas Enterprise (MOGE) to develop and operate the Yadana project. As a result of the coup, MOGE is now under control of the military regime and as widely reported, provides significant financing used in support of its anti-democratic and rights-violating conduct.

Together with other investors and NGOs such as Amnesty International, a.s.r. has signed a letter to Total asking how the company is managing its human rights obligations during the current conflict. Total should take action to ensure the rights and safety of its workforce and that its business decisions are not enabling the military regime from repressing democratic institutions, suffocating civic space, violating fundamental human rights, and overturning the results of the country's November 2020 election.



Living wages



As recognized by, amongst others, the ILO and OECD, living wage is a fundamental human right. Under the Platform Living Wage Financials (PLWF) a.s.r., together with other financials assesses and engages investee companies on the topic of living wage and living income. The methodology for assessment (developed by Mazars) focusses on policies and mitigation measures in place to identify and act on living wage gaps in the supply and production chain.

Unilever

a.s.r. has the lead in the engagement with Unilever, one of the frontrunners on the topic of living income. We have spoken in June with the company, on their new Sustainability Compass. In the Compass a set of new sustainability targets is presented for the coming decade, including a target on living wage:

“ensure that everyone who directly provides goods and services to Unilever will earn at least a living wage or income by 2030”

Unilever is at the start of identifying the full living wage gap for their supply chains, focusing first on most material commodities and countries and on creating awareness within and outside the organization.

Together with CVN International, we have started to engage Bonsucro on including living wage in its standards. Besides the focus commodities cocoa and coffee, the sugar production chain is vulnerable regarding living wages as well. The working group is currently developing a position paper on the topic together with CNV International, which will be published in the second half of 2021.





A full overview of companies under engagement by PLWF is given below:

Platform Living Wages Financials			
Garment and Footwear			
Adidas	The GAP	Gildan	ABF/Primark
M&S	Esprit	Asos	Anta
H&M	Puma	Asics	PVH
Nike	Lojas Renner	Abercombie & Fitch	VF Corp
Inditex	Zalando	Burberry	Hanesbrands
LVMH	Home Depot	TJX Companies	Hermes
Hugo Boss	Ralph Lauren	Li & Fung limited	American Eagle
Coats Group	Kering	Fast Retailing	Next Retail
Kontoor			
Retail			
Ahold Delhaize	Casino Guichard-Perrachon	Metro A.G.	Carrefour
Tesco			
Food & Agri			
Barry Callebaut	Nestle	Mondelez	The Coca Cola Company
Unilever	Olam	The Hershey Company	Starbucks
J.M Schmucker Company	Lindt & Spruengli	Kraft Heinz	

Overview of previously closed engagements

Closed engagements		
Glencore*	Human rights	Successfully closed in 2017
Anglo American*	Human Rights and related Labour Rights	Successfully closed in 2016
ENI SpA	Human Rights and Environment	Engagement closed in 2016 / Positions sold
GlaxoSmithKline*	Corruption	Successfully closed in 2016
Rio Tinto*	Human Rights and related Labour Rights	Successfully closed in 2016
VINCI SA*	Labour Rights	Successfully closed in 2016
Total SA	Human Rights	Successfully closed in 2014
China Petroleum & Chemical*	Human Rights	Successfully closed in H1 2018
General Motors*	Human Rights	Successfully closed in H1 2018
G4S*	Human Rights	Unsuccessfully closed in H1 2019/ Positions sold
BHP Billiton*	Environment	Successfully closed in H1 2019
Volkswagen*	Environment	Successfully closed H1 2019
Novartis*		Successfully closed H1 2020

* Companies under engagement by Robeco on behalf of a.s.r.

More information?

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