Quarterly ESG Update - Q2 2021

a.s.r. asset management

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Active ownership

We are an active, long term, investor. As part of our investment philosophy and approach we keep an active dialogue with the companies we invest in, on a wide range of salient societal issues. Climate change, biodiversity loss, human rights, good governance, transparency are just several topics for discussion between our teams and our investee companies, or as part of collaborative sector engagements (also see the story on *Satelligence* elsewhere in this Quarterly).

Another pillar underpinning our approach to being an active owner is our voting policy. As a shareholder we can exercise our voting right attached to our shares. And we do so on behalf of our beneficiaries (our policyholders and our clients).

Voting at annual shareholder meetings is seasonal and the 2021 AGM season ran from May until early August. Besides being the second year that all shareholder meetings were held virtually (due to Covid-19 restrictions) it can be noted that the number of shareholder proposals filed around environmental issues reached record highs.

The week following Pentecost saw stringent climate-related shareholder resolutions filed at ExxonMobil, Chevron and Total. Not to mention a court ruling for Shell. While not all resolutions made it through the vote, momentum keeps growing and the recent new assessment report by the IPCC[1] will surely give even more sense of urgency to engaged and concerned shareholders for next years' AGM season.

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

1 https://www.ipcc.ch/assessment-report/ar6/

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Impact

What qualifies as impact investing in real estate?

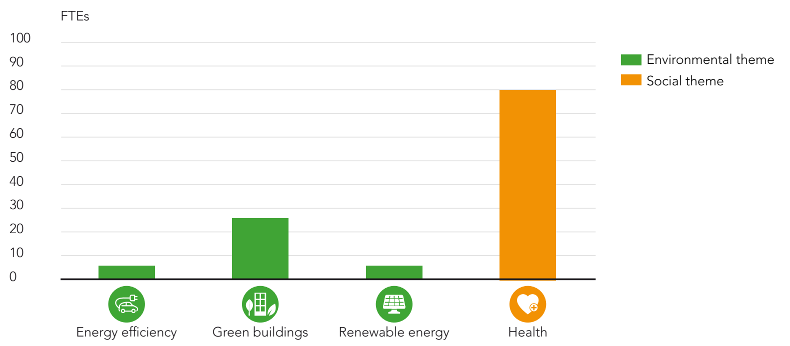
An important question on the minds of many institutional investors looking for impact investments is what these might look like when considering real estate investment opportunities. We know definitions on impact investments are continuously evolving – due to market dynamics and stakeholder expectations – which means investors need to remain alert with respect to what qualifies as an impact investment and what does not.

Fortunately, organizations such as INREV and GIIN provide guidelines on impact definitions, also for real estate investments. However, the crucial question remains on how to consistently measure the impact created (as also discussed in our previous Quarterly – See: The societal impact of our investments).

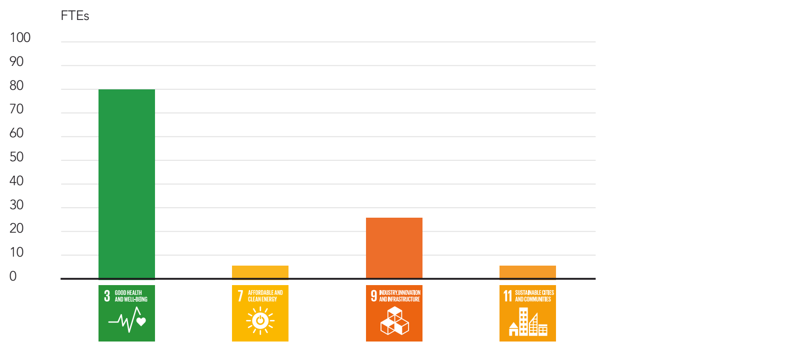
Our colleagues at a.s.r. real estate have expanded the strategies of their ASR Dutch Core Residential Fund and their ASR Dutch Science Park Fund with a clearly defined approach to impact investing, following the definitions set by INREV and GIIN. Both funds have been classified as an impact investment by anchor investor a.s.r. and received "reasonable assurance" from fund auditor KPMG.

The ASR Dutch Core Residential Fund is focused on affordable and sustainable housing since affordability of rental residential dwellings – in the non-regulated segment – in the Netherlands is under serious pressure.
To make a positive impact, the fund focuses on dwellings with monthly rents between 737 EUR (liberalized rental threshold) and 1250 EUR.
In this range the middle-income tenant category is served, based on our allocation criteria and the definitions formulated by Statistics Netherlands. Currently, about 87 percent of the portfolio falls within the defined rental range. The fund aims to add at least 1,200 affordable dwellings to the portfolio during the 2021-2023 period and takes affordability into account in its rental policy.

ASR DSPF's tenants' match with UN PRI Impact Markers



ASR DSPF's tenants' match with UN SDGs



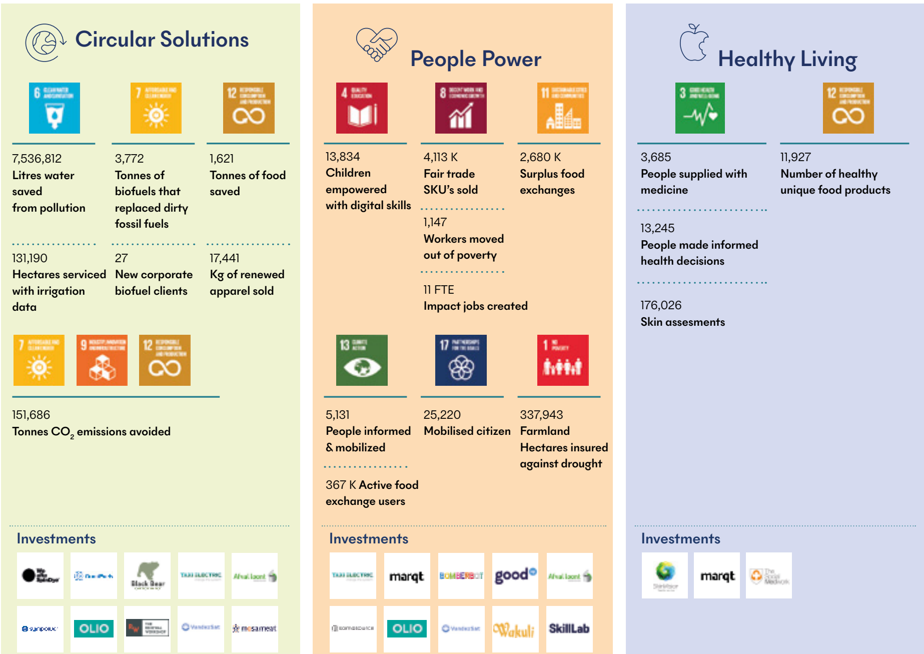
The ASR Dutch Science Park Fund invests in sustainable commercial real estate located on science parks throughout the Netherlands. This allows the fund to not only positively impact the ecosystems of these locations, but to also create an ideal environment for companies that make positive contributions to the UN Sustainable Development Goals. Through its reporting – which follows the UN PRI Impact Investing Market Map – insights are given on the fund's direct impact on the ecosystems of science parks, and the impact of users on the UN SDG's. Measured per 31 December 2020, 72 percent of the fund's portfolio makes a clearly defined impact on its local ecosystem.

More information about the ASR Dutch Science Park Fund's impact policy and ASR Dutch Core Residential Fund can be found on the website of ASR real estate. <link>

Rubio Impact Ventures

We are a Limited Partner ("LP") in several of Rubio's Impact Funds (previously known as Social Impact Ventures) and play an active role through advising on investments and impact measurement.

In April, Rubio released its 2020 Impact Report[2] (its third) in which it gives account of its impact performance during the first full Covid-19 year.



Rubio grew its portfolio with five new investments in 2020 (VanderSat, Skinvision, Wakuli, Mosa Meat and Skillab) and is working across Europe to co-invest in scalable impact ventures and standardize impact management and measurement frameworks.

Wakuli, for instance, is a young Dutch coffee company that aims to decommoditize coffee and boost smallholder farmer income. It sells high quality coffee direct-to-consumer with a subscription model in weekly to monthly deliveries through your mailbox.

Mosa Meat is another new investment, one which is aimed at dramatically reducing the impact of meat consumption (which has a catastrophic effect on the environment, with consumption of beef from cows alone responsible for a staggering 8% of GHG-emissions). Mosa develops the technology and facilities to produce cultivated cow meat that is identical to conventionally raised meat. Cultivated meat is produced by taking a small sample of cells from a live animal, and growing meat from these cells in a controlled environment, replicating the growth process that happens inside an animal. The result is real meat without slaughtering animals, and a dramatically reduced environmental impact with 80-90% less greenhouse gas emissions and 95% less land use.

Getting the private equity – and perhaps more specifically the venture capital – markets to move quicker and at scale on impact or sustainable investing, is where increasingly the value is found.

Especially around the climate thematics (e.g. energy efficiency, power generation, storage) recent research – from, among others, Manulife IM[3], PwC[4] and ERM[5] – shows again that LP's increasingly look for opportunities that combine sustainability performance with financial returns.

2 https://www.rubio.vc/wp-content/uploads/2021/04/Rubio-Impactreport-2020.pdf

3 https://www.manulifeim.com/institutional/global/en/global-intelligence/2h-2021

4 https://www.pwc.com/gx/en/services/sustainability/publications/private-equity-and--the-responsible-investment-survey.html

5 https://www.ceres.org/resources/reports/changing-climate-private-equity

Climate

EU Green Deal

During the summer the European Commission published a series of legislative proposals to give further substance to its ambition to become the world's first climate-neutral continent by 2050.

The Green Deal was presented as an ambitious package to holistically tackle climate change risk and capture its opportunities. Reforms are imminent for existing pieces of legislation (e.g. the EU ETS, various transport, energy and land use acts) while new strategies were presented or announced to link climate action to environmental emergencies such as biodiversity loss and pollution, and incorporate climate action into the broader operating environment, e.g. through the carbon border adjustment tax and the new sustainable finance strategy[6].

As we know a centerpiece in the push for more private capital flowing to climate action is the EU Taxonomy for Sustainable Activities, and its Climate Delegated Act which contains criteria for economic activities contributing (substantially) to climate change mitigation and adaption[7]. We as investors will be providing insights into the 'Taxonomy alignment' of our investment products, next to the carbon footprint of those products.

Following the EC announcements, we saw the publication of (the first part of) the Sixth Assessment Report by the IPCC a few weeks later. Drafts had already leaked but it is clear that this assessment – seven years after the previous one – caused quite a stir and crystalized the urgent need for climate action given the danger of reaching various tipping points as early as 2030 (e.g. the loss of permafrost in the subarctic leading to the abrupt release of carbon and methane, or the disintegration of the Greenland ice sheet).

We expect the recommendations of the report to inform policymakers ahead of COP26 in early November, with more ambitious regional and national climate commitments as its consequence.

6 https://ec.europa.eu/info/publications/210706-sustainable-finance-strategy_en
7 The Platform on Sustainable Finance (PSF) recently released a report containing its recommendations for the four non-climate environmental objectives (water, circular economy, pollution prevention and biodiversity & ecosystems). Feedback on its recommendations can be provided until September 24. https://ec.europa.eu/info/publications/210803-sustainable-finance-platform-technical-screening-criteria-taxonomy-report_en

Carbon footprint of our investments

At the end of the second quarter of 2021 we continued progressing on our year end target of measuring at least 95% of the carbon emissions of the a.s.r. investment portfolio (for our own account).

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.

At the end of the second quarter of 2021 the carbon emissions of the credit fund are still well below the benchmark. The carbon emissions per million euros of invested capital slightly decreased again for the ESG Equity fund. The fund is 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 carbon emissions remain well below the benchmark. The emissions of the sovereign bond fund showed a slight increase in carbon emissions.

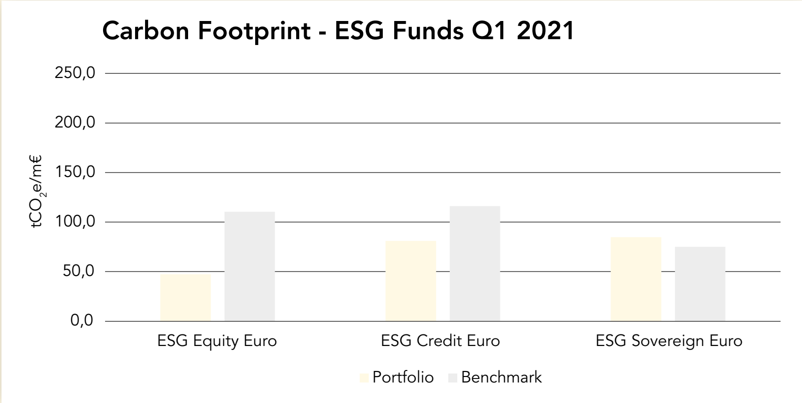


Figure: Carbon emissions for ESG equity, ESG credit and ESG sovereign fund at the end of July 2021. The carbon footprint is calculated on a "best effort" basis with the available and most recent data from reliable sources, including Vigeo Eiris.
The results may show a changing course because the portfolio 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

Company engagements

During the first six months of 2021 we continued our engagement program, through which we aim to positively influence the ESG performance of our investee companies (and in some cases countries).

We engage companies ourselves, but also frequently join or lead collaborative efforts with peers. We also use the active ownership capabilities of specialized firms who then conduct the dialogue on our behalf based on our chosen thematics.

In April we closed two engagements, with BASF and ENEL, which followed this approach. Both were on climate action and had started three years prior. The engagements aimed to improve both companies' climate governance, risk management, strategy and target setting – in line with TCFD recommendations – and were heavily informed by the Net Zero Company Benchmark assessments provided through the Climate Action 100+ initiative[8] (which also informs our voting positions on climate-related shareholder resolutions). Both engagements were positively closed.

A success in the ENEL engagement was the election of a new director to the Board with a long track record on clean energy and strategic transformation in the energy industry. We will continue the dialogue with ENEL with a slightly adjusted set of objectives focusing more on setting net zero targets and a Just Transition Plan.

The most recent publication in which we provide further information on these – and our other ongoing engagements – can be found through our website.

8 https://www.climateaction100.org/progress/net-zero-company-benchmark/

Satellite images for monitoring deforestation

In June we started a second phase of this joint engagement program, which aims to curb deforestation and biodiversity loss through using satellite imagery which highlights changes in vegetation cover associated with plantation expansions or forest fires in the supply chains of soft commodities such as palm oil.

This first phase of this engagement program ran from August 2020 until early 2021, and subsequently won the ESG engagement initiative of the year at the 2021 Sustainable Investment Awards[9]. This second phase has not only expanded the number of investors participating in the program, but also doubled the number of companies under engagement.

9 https://www.environmental-finance.com/content/awards/sustainable-investment--awards-2021/winners/esg-engagement-initiative-of-the-year-actiam.html

More news

New colleague

Julia Noothout recently joined our team as an ESG data scientist and junior portfolio manager. She has a background in the application of Artificial Intelligence for medical image analysis, for instance to automatically detect cardiovascular disease in CT scans of the heart. However, the financial sector has always intrigued her, and the combination of sustainable investments and asset management caused her to start a new adventure at a.s.r. asset management. Julia will work on data analysis to further integrate ESG considerations in the investment process.

a.s.r. ranks first in global ESG Risk Rating

Sustainalytics, a Morningstar company, has assessed a.s.r. as the most sustainable insurer globally in their recent July update. The assessment measures how well a company manages its financially material ESG-risks relative to its peers, considering our sustainability policy and how this is applied in practice and integrated into our service provision. In total 282 insurance companies were considered. More information can be found on the Sustainalytics website.

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Biodiversity measurements for financial institutions

In September 2020 we signed the Finance for Biodiversity Pledge[10], committing ourselves – among others – to co-develop methodologies to measure and manage the impacts of our investments on biodiversity. In July 2021 – under the auspices of the Netherlands Enterprise Agency (RVO) – the Biodiversity Footprint for Financial Institutions (BFFI) tool and application report[11] was launched. We participated in the development of the report, which will now be used as input in the development of a PBAF measurement and accounting standard[12].

10 https://www.financeforbiodiversity.org
11 https://www.government.nl/documents/reports/2021/07/29/biodiversity-footprint--for-financial-institutions
12 https://pbafglobal.com

UN Treaty on plastic pollution

In July we became signatory to an initiative led by the WWF to demand UN member states to commit to the development of a global treaty on plastic pollution[13]. Being a key theme in our company engagement approach, the need to tackle this issue through harmonized regulatory standards, infrastructure development and supporting alternatives through reuse or different packaging models, is clear.

13 https://www.plasticpollutiontreaty.org

More information?

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Disclaimer

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