



SUSTAINABILITY-RELATED DISCLOSURE

ASN Biodiversiteitsfonds

SUMMARY

ASN Impact Investors strives for a sustainable and just society. ASN Biodiversiteitsfonds (the fund) contributes to this by aligning its sustainability indicators to the following United Nations Sustainable Development Goals: Decent Work and Economic Growth (SDG 8), Climate Action (SDG 13), Life Below Water (SDG 14), and Life on Land (SDG 15). The fund's sustainable investment objective is to protect, restore and enrich biodiversity (expressed as the number of hectares of protected and restored nature on land and at sea). The fund focuses primarily on the following sectors that contribute positively to biodiversity: sustainable forestry, agroforestry/regenerative agriculture, sustainable seas and fisheries, and ecotourism.

The sustainability assessment process assures that the investment universe is void of projects who do significant harm to the sustainable investment objective. Only projects that meet the Sustainability Policy of ASN Impact Investors (the policy) are admitted to the investment universe. The policy ensures that all the mandatory and optional principal adverse impacts (PAIs) are considered in the creation of the investment universe. Where some of the mandatory and optional principal adverse impact indicators cannot be measured, the fund collects the data as part of the monitoring and due diligence process. A list of exclusion criteria based on ASN Impact Investors' pillars of climate change, biodiversity and human rights are applied to all projects. Projects that are known to be in breach of the OECD Guidelines for Multinational Enterprises, the United Nations Guiding Principles on Business and Human Rights, the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work, and the International Bill of Human Rights are excluded from the investment universe. The sustainability assessment is part of the due diligence and research performed by ASN Impact Investors on behalf of the fund, which takes into account the fund's investment strategy and ASN Impact Investors' sustainability criteria.

The fund invests solely in projects that contribute directly to the sustainable investment objective with regards to biodiversity. The fund only invests in projects that have been admitted to the investment universe and has strict binding elements in line with the investment strategy which also require the projects to adhere to Equator Principles and local biodiversity laws and regulations. As part of the policy, projects are assessed on good governance and ethical behaviour; a stringent KYC process which focuses on sanctions, signs of corruption, and presence of politically exposed persons (PEPs).

Due to the strict sustainability criteria of ASN Impact Investors and the sustainable investment objective, the fund has been classified by ASN Impact Investors as an Article 9 product under the SFDR. Therefore, the investment selection criteria only include investments which qualify as sustainable as defined by SFDR. All sustainable investments in the fund contribute to an environmental and/or social objective. The minimum proportion of investments with an environmental objective is 100%. Since the fund only has environmental objectives, all investments and projects in the portfolio are categorized as "Environmental". Even though the fund has an environmental objective, social criteria (including local communities) are taken into account in the investment strategy in order to realize a positive impact on biodiversity.

ASN Impact Investors believes that the EU Taxonomy, the EU list of sustainable economic activities, can potentially be an important instrument to determine which investments are sustainable. However, ASN Impact Investors cannot endorse the inclusion of nuclear energy and fossil gas as sustainable investments under the current EU Taxonomy. This is not in accordance with the convictions, vision, and mission of ASN Impact Investors, and as such no taxonomy alignment target has been set for the fund.



The attainment of the sustainable investment objective is continuously monitored by the Impact Committee. The fund uses the BFFI methodology (described below) to measure progress on the sustainable investment objective. The chosen methodology is highly dependent on the availability of sustainability related data at project level. While the methodology may have limitations, there is still sufficient information available with which progress on the sustainable investment objective can be measured.

The fund uses ESG data obtained from external sources who provide wide coverage for ESG topics relating to biodiversity, CO₂ emissions, PAIs and EU taxonomy alignment. ASN Impact Investors has adequate data quality processes in place, and also collaborates with external advisors and research organizations where data is not easily available. Estimated impact results may be used, where actual data is not yet available.

Engagement is used in the form of dialogue with the projects to engage on areas of ESG compliance and social impact.

No reference benchmark has been designated for the purpose of measuring attainment of the sustainable investment objective, however, the fund uses the BFFI methodology to measure progress on increasing positive impact on biodiversity.

NO SIGNIFICANT HARM TO THE SUSTAINABLE INVESTMENT OBJECTIVE

All investments of the fund must meet the the policy to be considered eligible for the investment universe. The policy consists of a selection process, conducted by ASN Bank's Sustainability Expertise Centre (ECD). Embedded in this process is the risk analysis which leads to the investment universe's exclusion criteria. The basis of the exclusion criteria is formed by ASN Impact Investors' three pillars, i.e., climate change, biodiversity, and human rights, plus the governance of the projects and where relevant animal welfare. The list of exclusion criteria covers details relating, but not limited, to:

- Climate change (activities relating to fossil fuels and nuclear energy are excluded).
- Biodiversity (activities relating to deforestation and waste dumping are excluded).
- Human rights (activities relating to crimes against humanity, genocide, war crimes and the weapons industry are excluded).
- Projects' governance (projects that do not have a policy regulating the ethical conduct of its employees are excluded).
- Animal welfare (activities relating to animal testing and breach of the five freedoms of on animal welfare are excluded).

ASN Impact Investors approves all the projects based on the sustainability criteria, which also covers the exclusion criteria for the projects, thereby ensuring that any serious detrimental effects of the underlying investments to society and the environment are limited as much as possible. These criteria assess the companies with regards to, amongst others, their environmental policy, pollution, overexploitation, equal treatment, and discrimination, forced labour and a healthy and safe working environment.

The exclusion criteria are applied to all projects. The sustainability criteria are applied, taking into account the size of the project.

The investment universe is ultimately determined by ASN Impact Investors' investment committees. Every project is discussed in ASN Impact Investors' investment committee as part of the sustainability assessment. Reviewing individual investments is an ongoing process.

The above sustainability assessment process assures that the universe is void of projects that do significant harm to any sustainable investment objectives.



The policy ensures that all the mandatory principal adverse impacts (regarding greenhouse gas emissions, biodiversity, water, and waste and all the social and employee matters) are considered when creating the investment universe. Since this fund also invests in projects in low- and mid-income-countries data regarding adverse indicators like biodiversity, water and waste is currently difficult to provide. The other indicators are tracked during the monitoring and due diligence process of the fund. The optional principal adverse impacts considered are (subject to data availability):

- Natural species and protected areas.
- Deforestation.
- Share of bonds not certified as green under a future EU act setting up an EU Green Bond Standard.
- Lack of a human rights policy.
- Operations and suppliers at significant risk of incidents of child labour.
- Lack of anti-corruption and anti-bribery policies.
- Average corruption score.

The fund excludes investments that are known to be in breach of the OECD Guidelines for Multinational Enterprises, the United Nations Guiding Principles on Business and Human Rights, the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights. When a breach is identified at a project in the investment universe, an engagement process is started. When the project is not willing or able to handle the situation in line with the guidelines, the fund will work towards a plan to exit the project.

The OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights apply to all projects admitted to the universe. All projects in the universe are expected to always be in compliance, however in determining compliance, the methods applied can vary per project.

SUSTAINABLE INVESTMENT OBJECTIVE OF THE FINANCIAL PRODUCT

The fund has the following sustainable investment objective:

- To protect, restore, and enrich biodiversity (expressed as the number of hectares of protected and restored nature on land and at sea).

To fund aims to achieve the sustainable investment objective, by investing in a socially responsible manner worldwide, in projects that have an expected positive effect on biodiversity. These are projects that, in the interest of improving biodiversity, protect and restore areas. Biodiversity is understood to be the variety of living organisms and the variety of relationships they have with one another in ecosystems.

The fund's sustainable investment objective concerns biodiversity, for which the environmental objectives mentioned in the EU Taxonomy are currently in development. However, the improvement of biodiversity is linked (either directly or indirectly) with the climate mitigation and climate adaptation objectives, as defined in the EU Taxonomy.

INVESTMENT STRATEGY

The fund invests solely in projects that contribute directly to the sustainable investment objective with regards to biodiversity. The fund allocates the assets under management in sustainable forestry, agroforestry/regenerative agriculture, sustainable seas and fisheries, and eco-tourism. The fund only invests in projects that have been admitted to the investment universe.

The fund selects projects with an expected positive impact on biodiversity measured by hectares of protected land and sea areas.



For project finance activities the fund adheres to the Equator Principles, which provides a framework for determining, assessing, and managing the environmental and social risks associated with project finance. Regarding biodiversity, the principles prescribe that projects must meet IFC Performance Standard 6: Biodiversity Conservation and Sustainable Natural Resource Management. Finally, investment and project finance activities must comply with local biodiversity laws and regulations, such as the European Habitat and Bird Directive.

As part of the policy, an assessment on good governance and ethical behaviour of projects is made. The policy incorporates requirements with regards to, amongst others, the compositions and remuneration of the Board; (anti-)corruption; transparency; supply chain, adherence to local legal and tax regulations.

The fund requires projects to have a policy regulating the ethical conduct of its employees, regardless of where the project is located. The policy's substance and quality are applied at a higher standard if the project is located in risk countries or high-risk countries and/or activities. Finally, an assessment is made whether there has been any misconduct.

Additionally, the "Know-your-customer" process within ASN Impact Investor pays attention to sanctions, signals of corruption, presence of political exposed persons (PEPs) in the investees and/or other bad press.

PROPORTION OF INVESTMENTS

Due to its sustainable investment objective, the fund has been classified by ASN Impact Investors as an Article 9 product under the SFDR. Therefore, the investment selection criteria only include investments which qualify as sustainable as defined by SFDR.

Cash held in the fund is not considered an investment. As the investments in the fund are not traded on an exchange, they have limited liquidity. Cash is held in relation to liquidity management as per section 4 of the delegated regulation on alternative investment fund managers.

As the fund only has an environmental objective, all projects are categorized under "Environmental." However, in order to realize a positive impact on biodiversity the fund also includes local communities. Contribution to sustainable jobs is needed in order for local communities to be able to preserve nature. The local population needs a sustainable source of income so that they are and continue to be able to protect nature, instead of having to resort to poaching, illegal logging, or deforestation. This is part of the fund's investment strategy.

ASN Impact Investors believes that the EU Taxonomy, the EU list of sustainable economic activities, can potentially be an important instrument to determine which investments are sustainable. It could promote transparency, counter greenwashing, and drive the shift of capital to the sustainable economy of the future. However, ASN Impact Investors cannot endorse the inclusion of nuclear energy and fossil gas as sustainable investments under the current EU Taxonomy. This is not in accordance with the convictions, vision, and mission of ASN Impact Investors. Considering this and the fact that still so much of the taxonomy is unclear, no specific target alignment for the EU taxonomy has been set so far.

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MONITORING OF SUSTAINABLE INVESTMENT OBJECTIVE

ASN Impact Investors continuously monitors the composition of the fund and the individual names in the portfolio. With regards to the monitoring of the sustainable investment objective, ASN Impact Investors has set up the Impact Committee. The Impact Committee frequently monitors the sustainable investment objectives and the engagements that have been carried out. In addition to monitoring the realization of the sustainable investment objectives, the Impact Committee supervises adjustments by the relevant fund manager to achieve the objectives.

ASN Impact Investors is also responsible for the risk management and related internal controls of the fund. ASN Impact Investors' risk management is based on the 'three-lines-of-defense' model. In this model, different parts of the organisation have their own tasks and responsibilities. The three lines of defense support and strengthen one another:

- First line is responsible for the operational management of the fund and in that sense is responsible for risk and managing the risk.
- Second line is formed by risk management and compliance department, who ensure that internal control measures are implemented and complied with as stated in the ASN Impact Investors policy principles.
- Third line is the audit department, which is an independent function that tests and verifies compliance with ASN Impact Investors' internal controls relating to the portfolio compliance of the fund.

METHODOLOGIES

Methodology used to measure biodiversity performance

Biodiversity impact is calculated using the Biodiversity Footprint Financial Institutions (BFFI) methodology. Currently, ASN Impact Investors is the only party who uses this methodology and reports on the results. The methodology is based on life cycle assessments (LCA).

An LCA calculates the environmental impact of products and services over their entire life cycle. Using the BFFI methodology, the total biodiversity impact is calculated in expected hectares (ha) of biodiversity gained for each project in the portfolio. The calculated hectares are then divided by the enterprise value of the project, resulting in a positive impact (in ha) per euro invested per year ((ha/€)/yr). The impact factors are then multiplied by the fund's percentage shareholding in the project. In the end the results of all projects are added up. The final result is expressed in an expected positive impact on biodiversity (in ha) per euro invested per year ((ha/€)/yr).

Please note that the methodology is under development as ASN Impact Investors is constantly improving the way impact is measured for the fund. Nevertheless, there is sufficient scientific research available to select the projects that will contribute to biodiversity.

DATA SOURCES AND PROCESSING

The fund uses external data providers for its data requirements. An extensive due diligence is performed on all potential providers to be used for the data requirements, taking into account both qualitative and quantitative factors. The process involves: screening of the data providers' universe based on the information requirements of the fund, the availability of data from each provider, and completeness of the data provided.

Data providers are used by the fund for collecting data for the following:

- News reports on projects' management.
- ESG information.
- Biodiversity data.
- PAI and EU Taxonomy data.



Currently the fund has limited data processing capabilities in place, but ASN Impact Investors is working on the creation of a data warehouse to further automate existing processes and expand data processing capabilities.

Measure taken to ensure data quality

As part of the ASN Impact Investors investment process, ASN Impact Investors assesses the quality of the ESG data available on a regular basis. Where needed ASN Impact Investors will engage with external data providers to verify the quality of the data available for the fund.

Estimation of data

When actual performance for a year is not yet available, estimated impact results may be used.

LIMITATIONS TO METHODOLOGIES AND DATA

The methodology used to measure the attainment of the sustainable investment objectives on biodiversity is highly dependent on the availability of sustainability related data at project level. Although for projects, the availability of sustainability related data has improved over recent years, it is still limited. Part of the role as an investor is to help the fund's projects to improve their data by providing guidance on which data the fund needs. The BFFI methodology is also subject to estimations, as it relies on external databases (e.g., World Food LCA, Ecoinvent, Exiobase) for biodiversity data as opposed to using the projects' environmental data, due to minimal data in the market. This makes the process of calculating biodiversity footprint more complex.

The biodiversity footprint methodology has the following limitations:

- There is no consensus on what needs to be measured. The methodology uses the species richness as an indicator for the health of a ecosystems, other methods use species abundance, or another indicator of ecosystem quality, as there is no CO₂ equivalent for biodiversity yet.
- There are many drivers that have an impact on biodiversity, there are multiple environmental problems leading to a loss on biodiversity and the effects are local instead of the global impacts of a relatively small number of different greenhouse gases.
- Data is scattered over many sources and often incomplete. That is why a large part of the footprint calculation is still based on what's available on external databases, not on the environmental data of a specific project or supplier. Therefore, the best practices of individual projects are not yet reflected in the footprint (only in the sector average). The introduction of invasive species cannot yet be included in the footprint calculations, even though it is regarded as a major cause of the loss of biodiversity.

These limitations mean that care must be exercised when interpreting biodiversity footprint calculations.

However, the data gives a clear indication of the direction the fund is going and the work that has to be done in order to achieve the sustainable investment objective.

DUE DILIGENCE

Due diligence and research are conducted 1) at the beginning of the investment process to arrive at the eligible investment universe for the fund, and 2) on a continuous basis once investments are included in the portfolio.

ASN Impact Investors conducts due diligence procedures on behalf of the fund. During due diligence the sustainability screening is conducted by the ECD, taking into account the requirements of ASN Impact Investors' sustainability policy, fund sustainability sub-themes and objectives. The due diligence process covers:

- Categorizing projects based on their positive contribution to ASN Impact Investors' three pillars, i.e., climate change, biodiversity, and human rights. Sustainability assessment of the investments using sustainability information from projects and external data providers.
- The sustainability assessment of the "do good and do no harm" using sustainability information from external data suppliers (like RepRisk, Moody's (Vigeo Eiris), Sustainalytics en MSCI).
- Sustainability risk analysis specific to type of project.



The selection of projects is driven by the investment strategy of the fund, which includes:

- Objective of the project to protect, restore and/or enrich biodiversity.
- Estimated of protected and/or restored hectares of biodiversity once the project is operational.
- Ethics and good governance structures (integrity and track record of the management, board structure, and transparency).
- Setting of clear targets on biodiversity and social impact.
- Compliance with OECD Guidelines for MNE, UNGP Principles on B&HR, local environmental and tax regulations.

The Investment Committee has the authority to approve or reject entities for the investment universe. After approval the projects in the investment universe are periodically reviewed by ASN Impact Investors.

ENGAGEMENT POLICIES

ASN Impact Investors uses engagement to enter in a dialogue with the projects for the purpose of making them more aware of their sustainability performance and urge them to improve it.

Engagement may be required when it comes to areas of ESG compliance and social impact measurement by the projects.

ATTAINMENT OF THE SUSTAINABLE INVESTMENT OBJECTIVES

The fund does not make use of a reference benchmark to monitor progress towards the sustainable investment objective, because no suitable benchmark is currently available.

The attainment of the objective relating to increasing the positive impact on biodiversity, is ensured by measuring hectares of land and sea areas for the projects, based on the BFFI methodology. As described above ('methodologies') this methodology measures the fund's positive biodiversity impact (in ha) per euro invested. By actively selecting projects with expected high positive biodiversity impacts per euro invested, the fund aims to attain its biodiversity objective.

