



SUSTAINABILITY-RELATED DISCLOSURE

ASN Duurzaam Mixfonds Zeer Defensief

SUMMARY

ASN Impact Investors strives for a sustainable and just society. The ASN Duurzaam Mixfonds Zeer Defensief (the fund) is one of five mix funds that have been constructed on financial risk return profiles of asset classes in ascending order of financial risk (VAR). For each asset class only funds that comply with the sustainable investment objectives and complete sustainable investment criteria of ASN Impact Investors are eligible for selection within each asset class (in practice only the ASN funds). Therefore, the sustainable investment objectives and measurements are derived from the underlying funds in which the fund is invested.

The fund's sustainable investment objectives are; decreasing CO₂ emissions (including the sovereign bond portfolio) per year in line with the Paris Agreement; avoiding CO₂ emissions of the green and social bond portfolio (measured in tons CO₂ per euro invested); decreasing negative impact on biodiversity per euro invested; stimulating the payment of living wages to factory workers in the clothing industry; and provide access to financial services for people with low incomes and micro- and small enterprises ("financial inclusion") in mostly low- and mid-income countries so that they can earn a larger income and strengthen their financial resilience.

The sustainability assessment process of the underlying funds assures that the investment universe is void of companies (including bond issuers) and Microfinance Institutions (MFIs) who do significant harm to the sustainable investment objectives. Only companies and MFIs that meet the Sustainability Policy of ASN Impact Investors (the policy) are admitted to the investment universe of the underlying funds. For the underlying Microkrediet fund, this process is done in consultation with the external project advisor Triple Jump, who selects and proposes MFIs (for approval by ASN Impact Investors). The policy of the underlying funds ensures that all the mandatory and optional principal adverse impacts (PAIs) are considered in the creation of the investment universe. For MFIs in low- and mid-income countries, where some of the mandatory and optional principal adverse impact indicators cannot be measured, the underlying Microkrediet fund collects this 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 listed companies and MFIs, and those 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 underlying funds' investment universe. The sustainability assessment process that ASN Impact Investors applies for the underlying funds is largely similar except for the additional sustainability criteria which relate to the MFIs' alignment with the Universal Standards for Social and Environmental Performance Management and adherence to Client Protection Principles.

The sustainability assessment of the underlying UCITS funds is part of the due diligence and research performed by ASN Impact Investors on behalf of the funds. The due diligence of the underlying Microkrediet fund includes the use of industry developed 'Alinus' tool, which is used to screen MFIs on their alignment with the Universal Standards for Social and Environmental Performance Management and commitment to the CP Pathway (described below).

The underlying UCITS funds invest in listed shares and bonds, while the underlying Microkrediet fund provides loans and equity to MFIs. The underlying funds have their own set of binding elements, and only invest in companies, bonds issuers and MFIs that have been admitted to the investment universe. Listed companies and



MFIs of the underlying funds are also expected to have a policy on good governance and ethical behaviour, and stringent “Know-your-customer” process (covering sanctions, signs of corruption, and presence of politically exposed persons) is also applied for the underlying Microkrediet fund.

Since the fund invests exclusively in underlying funds that pursue sustainable investment objectives, it has been classified by ASN Impact Investors as an Article 9 product under the SFDR. All sustainable investments in the underlying funds contribute to an environmental and/or social objective. The minimum proportion of investments in the underlying funds with an environmental objective is 77%, while the remainder of 23% has a social objective.

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 objectives in the underlying funds is continuously monitored by the Impact Committee. The underlying funds use well developed standards and methodologies to measure progress on the sustainable investment objectives. For the underlying UCITS funds, these methodologies are highly dependent on the availability of sustainability related data at investee level, and in many instances may use estimations for the relevant data. While the methodologies may have limitations, there is still sufficient information available with which progress on the sustainable investment objectives can be measured. For the underlying Microkrediet fund, progress on the sustainable investment objective is measured in collaboration with Triple Jump, which collects ESG data directly from the investees and in some cases external sources may be used for calculating and reporting impact.

ESG data for the underlying UCITS funds is mainly obtained from external data 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. The underlying UCITS funds engage with investees in relation to their sustainability performance and assist companies in the clothing industry to improve their living wage score. The underlying Microkrediet fund relies on the expertise and skills of the Triple Jump to engage with MFIs on areas of ESG compliance and social impact.

In the absence of a benchmark to measure progress on the attainment of the environmental objectives, the underlying UCITS funds use the ITR, PCAF, BFFI methodologies (all described below), and a 7% decreasing trend line for the underlying bond fund. Progress on the attainment of the social objectives is measured using the PLWF (described below) for the underlying UCITS funds and the underlying Microkrediet fund uses impact reports from Triple Jump on the MFIs performance (based on the SDG indicators).

NO SIGNIFICANT HARM TO THE SUSTAINABLE INVESTMENT OBJECTIVE

All investments of the underlying funds must meet the Sustainability Policy of ASN Impact Investors 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 investee’s governance 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)



- Investee's governance (companies or MFIs 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 on animal welfare are excluded).

Furthermore, the policy consists of a list of sustainability criteria. These criteria assess the companies and MFIs with regards to, amongst others, their environmental policy, pollution, overexploitation, equal treatment, and discrimination, forced labour and a healthy and safe working environment.

In addition to the policy mentioned above, for the investments of the underlying Microkrediet fund the selection process starts with the fund's external project advisor (Triple Jump) proposing investments for the fund, following a due diligence process that is based on financial and sustainability criteria.

For MFIs the criteria assess ratio of average loan size of the clients of the investees to gross domestic product per capita and the percentage of loans provided to female borrowers; and whether the MFI focuses on borrowers in rural areas and/or on market segments that are difficult to serve.

For the ASN Microkrediet fund, and therefore the underlying ASN Microkrediet pool, investees are admitted to the investment universe based on their sustainability performance, which takes into account:

A score on alignment with the Universal Standards for Social and Environmental Performance Management. This is an industry standard of best practices to help MFIs put clients and the environment at the center of all strategic and operational decisions and align their policies and procedures with responsible business practices. These standards cover the following topics: social strategy, committed leadership, client-centered products and services, client protection, responsible human resource development, responsible growth and returns and environmental performance management.

A score on the Client Protection Principles. A set of basic principles, set by the industry, for treating clients of MFIs regarding to appropriate product and delivery; prevention of over-indebtedness; transparency; responsible pricing; fair and respectful treatment of clients; privacy of client data; and complaint handling mechanisms. The exclusion criteria are applied to all companies and MFIs. The sustainability criteria are applied proportionally, taking into account the size of the company or MFI.

The investment universe is ultimately determined by ASN Impact Investors' investment committee. Every investee is discussed in ASN Impact Investors' investment committee as part of the sustainability assessment. The investment committee decides to approve, disapprove, or engage with a company or MFI, and that results in the investment universe. After approval the investment universe is periodically reviewed by ECD. Based on the above sustainability assessment process, it is assured that the investment universe is void of companies or MFIs who do significant harm to any sustainable investment objectives.

The underlying funds take into account adverse impacts on sustainability factors. The underlying funds' policies ensure 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 the underlying Microkrediet fund invests in MFIs in low- and mid-income-countries, some of the mandatory principal adverse impact indicators cannot be measured. The other indicators are tracked during the monitoring and due diligence process of the fund. ASN Impact Investors uses the Joint Impact Model tool and the information that is collected during the analysis of Universal Standards for Social and Environmental Performance Management as input indicators to take the adverse impact on sustainability factors into account.

The optional principal adverse impacts considered by the underlying funds (subject to data availability) are:



ASN Duurzaam Small & Midcapfonds ASN Duurzaam Aandelenfonds	ASN Milieu & Waterfonds	ASN Duurzaam Obligatiefonds	ASN Microkredietfonds
<p>Natural species and protected areas.</p> <p>Lack of supplier code of conduct.</p> <p>Lack of human rights policy.</p> <p>Operations and suppliers at significant risk of incidents of child labour.</p> <p>Operations and suppliers at significant risk of incidents of forced or compulsory labour.</p> <p>Number of identified cases of severe human rights issues and incidents.</p> <p>Lack of anti-corruption and anti-bribery policies.</p>	<p>Water usage and recycling.</p> <p>Lack of supplier code of conduct.</p> <p>Lack of human rights policy.</p> <p>Operations and suppliers at significant risk of incidents of child labour.</p> <p>Operations and suppliers at significant risk of incidents of forced or compulsory labour.</p> <p>Number of identified cases of severe human rights issues and incidents.</p> <p>Lack of anti-corruption and anti-bribery policies.</p>	<p>Share of bonds not certified as green under a future EU act setting up an EU Green Bond Standard.</p> <p>Lack of anti-corruption and anti-bribery policies.</p> <p>Average corruption score.</p>	<p>Investments in companies without sustainable land/agriculture practices.</p> <p>Deforestation.</p> <p>Excessive CEO pay ratio.</p> <p>Lack of human rights policy.</p> <p>Lack of due diligence.</p> <p>Lack of anti-corruption and anti-bribery policies.</p>

SUSTAINABLE INVESTMENT OBJECTIVES OF THE FINANCIAL PRODUCT

The fund invests in the following underlying funds:

- ASN Duurzaam Aandelen Fonds
- ASN Small & Midcapfonds
- ASN Milieu & Waterfonds
- ASN Duurzaam Obligatiefonds
- ASN Microcreditfonds

The underlying funds have the following sustainable investment objectives:

ASN Duurzaam Small & Midcapfonds ASN Duurzaam Aandelenfonds	ASN Milieu & Waterfonds	ASN Duurzaam Obligatiefonds	ASN Microkredietfonds
<p>Decreasing CO₂ emissions per year in line with the Paris Agreement (expressed as the fund's contribution to keeping the temperature rise at a maximum of 1.5 degrees in 2050).</p> <p>Decreasing the negative impact on biodiversity per euro invested (relative to base year 2019).</p> <p>Stimulating the payment of living wages to factory workers in the clothing industry (relative to base year 2022).</p>	<p>Decreasing CO₂ emissions per year in line with the Paris Agreement (expressed as the fund's contribution to keeping the temperature rise at a maximum of 1.5 degrees in 2050).</p> <p>Decreasing the negative impact on biodiversity per euro invested (relative to base year 2019).</p>	<p>Decreasing CO₂ emissions of the sovereign bond portfolio per year in line with the Paris Agreement expressed as the fund's contribution to keeping the temperature rise at a maximum of 1.5 degrees in 2050 (measured in tons CO₂ per euro invested).</p> <p>Avoiding CO₂ emissions of the green and social bond portfolio (measured in tons CO₂ per euro invested).</p>	<p>Provide access to financial services for people, with low incomes and micro- and small enterprises ("financial inclusion") in mostly low and mid-income countries so that they can earn a larger income and strengthen their financial resilience.</p>

77% (in practice the percentage will fluctuate within a bandwidth of +/- 5%) of the assets under management (AuM) contribute to environmental objectives:

- Decreasing CO₂ emissions (including the sovereign bond portfolio) per year in line with the Paris Agreement (expressed as the fund's contribution to keeping the temperature rise at a maximum of 1.5 degrees in 2050).
- Avoiding CO₂ emissions of the green and social bond portfolio (measured in tons CO₂ per euro invested).
- Decreasing the negative impact on biodiversity per euro invested (relative to base year 2019).

23% (in practice the percentage will fluctuate within a bandwidth of +/- 5%) of the assets under management (AuM) contribute to social objectives:

- Stimulating the payment of living wages to factory workers in the clothing industry (by 2030 all garment companies in the portfolio need to have a living wage).



- Provide access to financial services for people, with low incomes and micro- and small enterprises (“financial inclusion”) in mostly low- and mid-income countries so that they can earn a larger income and strengthen their financial resilience.

INVESTMENT STRATEGY

The fund invests in four underlying UCITS funds and the ASN Microkrediet fund. The UCITS funds invest in listed shares and bonds, while the ASN Microkrediet fund provides loans to and invests in equity of microfinance institutions. The underlying funds have their own sustainable investment objectives and all investments in these funds meet the sustainability policy. Each underlying fund invested in, has its own set of binding elements in order to attain its sustainable investment objectives. The portfolio of each of the underlying funds is constructed within the investment universe, in such a way that it creates a maximum contribution to the sustainable investment objectives, whilst also keeping in mind the financial objective of the fund.

The underlying funds adhere to ASN Impact Investors policy to assess good governance practices of investee companies. For investee companies, 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 underlying funds requires the investees to have a policy regulating the ethical conduct of its employees, regardless of where it operates. The fund applies stricter criteria with regards to the policy’s substance and quality if the investee is active in risk countries or high-risk countries and/or activities. Finally, an assessment is made whether there has been any misconduct.

Specific to MFIs the sustainability assessment also covers prevention of over-indebtedness; pricing of financial products; fair and respectful treatment of clients; privacy of client data; social policies; and complaint handling mechanisms. 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

By investing exclusively in underlying funds that pursue sustainable investment objectives, ASN Duurzaam Mixfonds Zeer Defensief is an Article 9 product within the meaning of the SFDR. Therefore, the investment selection criteria only include investments which qualify as sustainable as defined by SFDR.

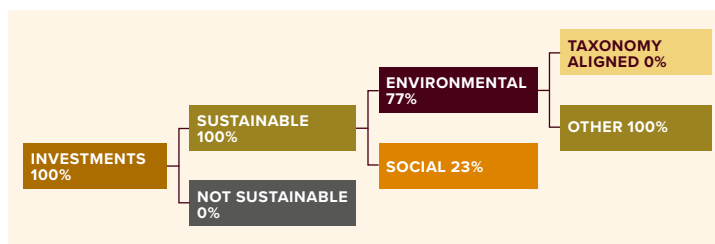
For the underlying UCITS funds, cash held in the funds is not considered an investment. Cash is meant to facilitate liquidity of the funds on the exchange where they are traded.

For the underlying Microkrediet fund, 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 article 3.63 of the Financial Supervision Act (*Wet op het financieel toezicht - Wft*).

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.

Of the underlying funds, 23% of the assets under management has a social objective; therefore, the same percentage is regarded as social. The remaining amount is regarded as environmental.





MONITORING OF THE SUSTAINABLE INVESTMENT OBJECTIVE

ASN Impact Investors continuously monitors the composition of the underlying funds; the individual names in the portfolio; and the services and performance of the asset managers to which it has outsourced the management of the fund portfolio (including the external project Advisors, Triple Jump). 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 following: the sustainable investment objectives; the voting policy that has been implemented; 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

The underlying funds use different methodologies to measure the sustainable investment objectives.

Methodology used to measure the reduction of CO₂ emissions – listed equities

To measure CO₂ emissions, the fund uses both the Partnership for Carbon Accounting Financials methodology (PCAF) (for current measurement) and the MSCI Implied Temperature Rise methodology (ITR) (for management towards the Paris aligned objective).

The PCAF methodology focuses on measuring financed emissions. This means measuring the investees' absolute scope 1, 2 and 3 emissions (as defined in [Overview of GHG Protocol scopes and emissions](#)). To calculate the financed emissions of an investee the PCAF methodology multiplies the investee's emissions by the attribution factor. The attribution factor is calculated by dividing the outstanding amount (numerator; the actual outstanding amount in listed equity) by the investee's value (denominator; the enterprise value including cash (EVIC) of the respective investee).

For management towards the Paris aligned objective, the fund uses the MSCI ITR methodology. ITR is an intuitive, forward-looking metric, expressed in degrees Celsius, designed to show the temperature alignment of investees, portfolios, and funds with global temperature goals. A portfolio's ITR measures, in aggregate, a portfolio's temperature alignment (in °C) towards the Paris aligned objective. The calculation uses an aggregated budget approach that compares at investee level the sum of projected emissions against the sum of carbon emission budgets also taking into account the aggregated portfolio weighting. The total portfolio carbon



emission over/undershoot is then converted to a degree of temperature rise using the science-based ratio approach of Transient Climate Response to cumulative Emissions (TCRE).

Methodology used to measure biodiversity performance – listed equities

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. This 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 lost or gained for each investee in the portfolio. The calculated hectares are then divided by the enterprise value of this investee, resulting in a negative or positive impact (in ha) per euro invested per year ((ha/€)/yr). These impact factors are then multiplied by the fund's percentage shareholding in the investee. In the end the results of all investees are added up. The final result is expressed in an expected negative or positive impact on biodiversity (in ha) per euro invested per year ((ha/€)/yr).

Methodology used to measure living wage in the clothing industry – listed equities

The Platform Living Wage Financials (PLWF) methodology used to assess the clothing companies centers around a list of questions divided into seven overarching positions (concerning the company's policy, engagement, assessing impacts, integrating findings, tracking performance, remedy, and transparency with regards to living wage). Each overarching position has one question, except for engagement, which has two. Five answers are formulated for each of the eight questions. Each answer is rated from 0 to 5 points. The higher the score the better the company performs with regards to a living wage. Each question is equally weighted at 12,5%. Eventually all the evaluated companies are ranked based on their overall score in five categories, ranging from worst to best: Embryonic (0-10 points), Developing (11-20 points), Maturing (21-30 points), Advanced (31-35 points) and Leader (36-40 points).

The methodology applied is based on an annual review of the living wage score which gives cause to maintain, monitor, or divest an investment. ASN Impact Investors recognizes that the PLWF methodology still has a narrow focus and is currently investigating a broader indicator, preferably with coverage over a larger number of human rights related themes and industries. Development of a broader indicator is subject to data availability on sustainable social objectives. The assessment and review of the methodology is subject to an independent annual external assurance process.

Methodology used to measure the reduction of CO₂ emissions – sovereign, green and social bond portfolio

For the current measurement of both the reduced and avoided CO₂ emissions, the fund uses the Partnership for Carbon Accounting Financials (PCAF) methodology. For the measurement towards the Paris aligned objective a 7% decreasing trend line starting from the base year 2022.

To calculate the financed emissions of a sovereign bond the PCAF methodology multiplies the sovereign production emissions (emissions attributable to domestic production (consumption and exports)) by the attribution factor. The attribution factor is calculated by dividing the fund's exposure to the sovereign bond by the total debt of the country.

To calculate the financed emissions of a green bond the PCAF methodology multiplies the project's emissions by the attribution factor. The attribution factor is calculated by dividing the outstanding amount of the fund by the green bond par value.

Methodology used to measure the financial inclusion objective

The underlying fund works with the external project advisor (Triple Jump), who collects impact data from investees in order to measure the sustainable investment objective



DATA SOURCES AND PROCESSING

The underlying UCITS funds use external data providers for their 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:

- Investee's CO₂ emissions data
- CO₂ emissions data of a country or issuer of green and social bonds.
- News reports on investees.
- ESG information.
- Biodiversity.
- PAI and EU Taxonomy data.

The underlying Microkrediet fund relies on Triple Jump to collect all sustainability related data from the investees on a monthly or quarterly basis and, in some cases may use external sources for data on calculating and reporting impact. External sources are also used in the screening process of the MFIs as part of the sustainability assessment by ASN Impact Investors.

Measure taken to ensure data quality

As part of the ASN Impact Investors investment process that applies to the underlying UCITS funds, 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 funds.

On the underlying Microkrediet fund, Triple Jump checks the impact data provided by the investees and approves them when complete and correct. The ESG & Impact team or Triple Jump reviews such impact data and aggregates them at portfolio level. In case of inconsistencies, Triple Jump follows up with the investee to get the most accurate data available.

Estimation of data

Where there is no externally published data to measure progress towards achieving the sustainable investment objectives, the underlying UCITS funds, through ASN Bank's Expertise Centre for Sustainability (ECD), work with other fund managers, external advisors and research organizations who analyze environmental and climate impact of business activities. More often, ESG data from the external sources includes estimates for investees.

For the underlying Microkrediet fund, impact measurement data is based on actual results. In case actual results are not available, proxies are used.

LIMITATIONS TO METHODOLOGIES AND DATA

The methodology used by the underlying funds to measure the attainment of the sustainable investment objectives on CO₂ emissions and biodiversity is highly dependent on the availability of sustainability related data at investee level. Although the availability of sustainability related data has improved over recent years, it is still limited.

The PCAF and ITR methodology are subject to use of estimations where investee information has not yet been published. This may lead to the CO₂ emissions performance calculation not being representative of the portfolio performance.

The BFFI methodology is also subject to estimations, as it relies on external databases for biodiversity data as opposed to using environmental investee data, due to minimal data in the market. This makes the process of calculating biodiversity footprint more complex.



PCAF and ITR Rise Methodology (CO₂ emissions)

The PCAF methodology is subject to a couple of limitations:

- Market price fluctuations: When using EVIC in the denominator, the reduction objective by a certain percentage becomes a moving target, because of fluctuating market prices.
- Side effects: Lower emissions would typically be achieved by encouraging investees to reduce their absolute emissions (numerator), the recommended calculation methods imply that a similar effect could be achieved by increasing the denominator (either the investee's equity or debt position).
- Double counting when calculating the emissions of sovereign bonds beyond the emissions of the governmental organizations.
- Limited data availability when calculating the emissions of green and social bonds.

The ITR is a forward-looking metric, calculated based on model, which is dependent upon multiple assumptions. This leads to limitations with the data inputs to the model, the meaningfulness of the ITR metric vary across data providers due to different methodologies used (e.g., differences in time horizons, the scope of emissions included, portfolio aggregation calculations).

Known limitations of the ITR include:

- There is not a universally accepted way to calculate an ITR.
- There is not a universally agreed upon set of inputs for the calculation.
- Currently, input data availability varies across asset classes and markets.
- Estimation methods tend to vary and might change, specifically investee's future emissions related data.

BFFI Methodology (Biodiversity)

For the measurement of the biodiversity footprint, the fund relies on data retrieved from external databases (e.g., World Food LCA, Ecoinvent, Exiobase).

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 investee or supplier. Therefore, the best practices of individual investees 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.

Living wage methodology

To calculate the living wage across the listed equities portfolio, the PLWF methodology is used. The biggest shortcoming of this methodology is that reporting on living wages is in its infancy. This means that there's little comparison material, as there is inconsistency in existing approaches to calculating living wages. More emphasis on using living wage benchmark research would enhance the impact of the PLWF further, as it would be easier to compare the results with other benchmarks and living wage schemes in the field.

Moreover, it is difficult to access accurate and reliable living wage estimates in certain countries or regions within countries (e.g. urban/rural areas) and sectors. The assessment is conducted based on information that is available in the public domain as well as any additional insight gained from direct engagement with the companies.



Methodology used for MFIs to measure financial inclusion

For the underlying Microkrediet fund, data limitations relate to:

- Lack of ESG data for microfinancing sector.
- Incomplete data provided by MFIs.

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 underlying funds, and 2) on a continuous basis once investments are included in the portfolio.

The Investment Committee has the authority to approve or reject entities for the investment universe, based on advice from ECD.

For the underlying UCITS funds, the process is:

ASN Impact Investors conduct due diligence procedures on behalf of the underlying funds, taking into account the requirements of ASN Impact Investors’ sustainability policy, funds’ sustainability sub-themes and objectives. The due diligence process covers:

- Categorizing investees based on their positive contribution to ASN Impact Investors’ three pillars, i.e., climate change, biodiversity, and human rights (e.g. ‘do good’, ‘do no harm’, ‘do harm’).
- Sustainability assessment of the ‘do good and ‘do no harm’ using sustainability information from external data providers (e.g., RepRisk, Moody’s (Vigeo Eiris), Sustainalytics, and MSCI).
- Sustainability risk analysis.

The selection of investees and countries is driven by the investment strategies of the underlying funds, which includes:

- Contribution to sustainable developments by the investee.
- Ethics and good governance structures (integrity and track record of the management, board structure, transparency, supply chains).
- Anti-corruption and anti-bribery policies.
- Current CO₂ emissions data.
- Compliance with OECD Guidelines for MNE, UNGP Principles on B&HR, local environmental and tax regulations.

For the underlying Microkrediet fund, the process is:

The underlying fund uses an industry developed ‘Alinus’ tool in its due diligence process for each MFI. The tool screens how aligned the MFIs are with the Universal Standards for Social and Environmental Performance Management. Based on this a minimum average score of 50 is required for an MFI to be considered for inclusion in the investment universe. As part of this screening, each due diligence closely examines how the MFI deals with its end customers. Based on the screening tool, a Client Protection Principles score for each MFI is obtained.

In addition to a score on the Universal Standards, it is of paramount importance to ASN Impact Investors that the clients are treated fairly. MFIs are expected to commit to the Client Protection Pathway (CP Pathway). The CP Pathway monitors the MFI’s commitment to improve its processes and activities related to the Client Protection Principles.

ASN Impact Investors additionally screens for the risk of over indebtedness of the clients of the MFIs and checks how MFIs calculate the client’s repayment capacity.



ENGAGEMENT POLICIES

For the underlying UCITS funds that invest in listed equities, ASN Impact Investors uses engagement to enter in a dialogue with the investees for the purpose of making them more aware of their sustainability performance and urge them to improve it.

The decision on engagement is taken either when an investee no longer meets ASN sustainability criteria or when misconduct has been identified or to help the clothing industry companies in the portfolio to improve their living wage score.

ASN Impact Investors conducts engagement in several ways either with individual investees or with all investees in a sector (strategic engagement). In some cases, ASN Impact Investors conducts collective engagement. This means engagement with other investors for example through a network such as the UN PRI.

For the underlying UCITS fund that invests in bonds, engagement is not included as part of the sustainable investment objective.

For the underlying Microkrediet fund, ASN Impact Investors uses the knowledge and expertise of project consultant Triple Jump to engage with MFIs in the portfolio. Triple Jump aims to improve the capacity of the MFIs in the fund's portfolio. This is specifically when it comes to areas of ESG compliance and social impact by the MFI.

ATTAINMENT OF THE SUSTAINABLE INVESTMENT OBJECTIVE

In the absence of a benchmark to measure the attainment of the environmental objectives, the following is used by the underlying funds from which the sustainable investment objectives are derived:

- For listed equities: the attainment of the CO₂ emissions reduction objective in view of achieving the Paris Agreement goal is ensured by using the MSCI Implied Temperature Rise (ITR) methodology.
- For listed equities: the attainment of the reduction in negative impact on biodiversity is measured using the Biodiversity Footprint for Financial Institutions (BFFI) methodology. This methodology measures, in hectares, a fund's (negative) biodiversity impact (in ha) per euro invested.
- For sovereign bonds: the attainment of the CO₂ emissions reduction objective in view of achieving the Paris Agreement goal is ensured by aiming for an average of 7% decarbonization per annum, provided this is realistically achievable.
- For green and social bonds: the attainment of the attainment of the CO₂ emission avoidance objective in view of achieving the Paris Agreement goal is measured using the Partnership for Carbon Accounting Financials (PCAF) methodology.

In the absence of a benchmark to measure the attainment of the social objectives, the following is used by the underlying funds from which the objectives are derived:

- For listed equities: the attainment of the stimulation of living wages to factory workers in the clothing industry is measured using the average living wage score based on the PLWF methodology. The PLWF methodology evaluates the clothing companies based on their policy, engagement, assessing impacts, integrating findings, tracking performance, remedy, and transparency with regards to living wage.
- For MFIs: the attainment of the financial inclusion objective, is measured using impact reports provided by Triple Jump on the investee performance (based on the SDG indicators). Key financial and social data is collected directly from investees on a monthly or quarterly basis.

