

asn  impact investors

Impact Report



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Foreword

Welcome to the first Impact Report that we are presenting under our new name – ASN Impact Investors. We are already known as a driven sustainable investor. With this Impact Report we are raising the bar again, both for ourselves and hopefully for many others.

Achieving sustainable progress has been what drives us since we were founded in 1993. We focus on a positive impact in addition to a healthy financial return. For us, this means setting concrete goals, measuring the effect of our investments and reporting transparently to our investors. We are ambitious in that regard. We have set ourselves the goal of achieving a net positive effect on climate, biodiversity and human rights with all investments by 2030.

We are not there yet. In this Impact Report, we show where we are now and what steps we have been able to take in spite of the coronavirus pandemic. After all, 2020 was an unprecedented year – for everyone personally,

Research by De Nederlandsche Bank shows that Dutch financial institutions have loaned €510 billion worldwide to companies with a high or very high dependency on biodiversity. This means that these investments can be impacted enormously by biodiversity loss, leaving investors with great financial risks.

Through our investments, we can limit the damage to ecosystems and contribute to the protection and restoration of nature. This requires asset managers to measure their impact on biodiversity. Only then will you know what the negative impact of your investments is and are you able to determine what you need to do to redress the balance. This is what we have done at ASN Impact

The publication of our biodiversity footprint is a worldwide first

but also and once again for climate, biodiversity and human rights. They are under grave threat and influence each other. Disparities between rich and poor have widened again worldwide and societies have become more unstable, partly due to the coronavirus, climate change and biodiversity loss.

Biodiversity is rapidly declining worldwide. It is estimated that 50% of what we earn together worldwide depends on nature. There is a clear link with climate: biodiversity loss can lead to an acceleration of climate change and, vice versa, climate change causes further loss of biodiversity.

Investors. As a result, we know how many hectares of nature we have to restore in order to arrive at zero impact on balance and ultimately even at a positive impact.

In 2020, we also showed that you can achieve very good returns with this sustainable approach.

We are committed, as is reflected in our efforts to raise the bar. Our goal is to achieve an effective positive impact on people and the planet by 2030. Because only from a richer world you can continue to reap the benefits.

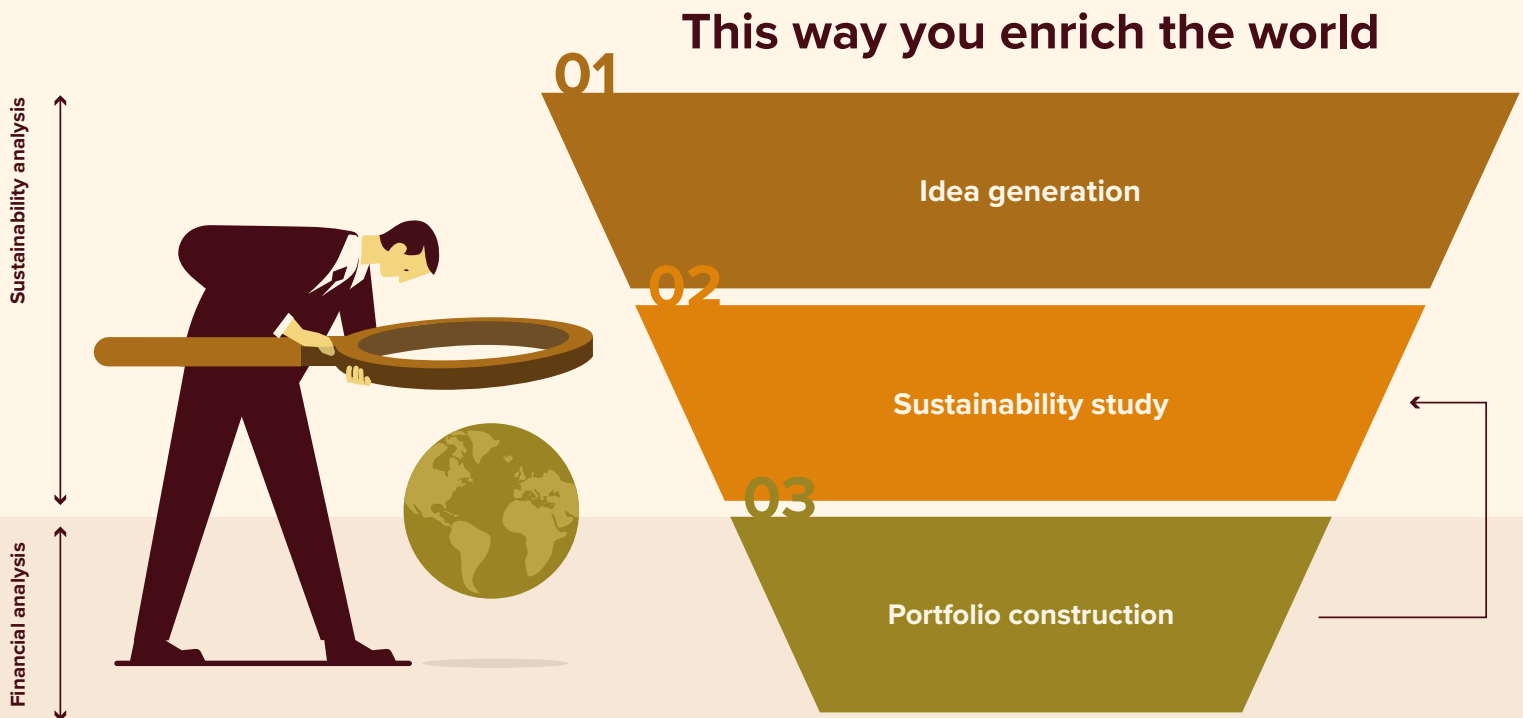
Bas-Jan Blom
Director

Marietta Smid
Senior Manager Sustainability



1. Sustainability is our starting point

Only from a richer world can you continue to reap the benefits. This is why we only invest in companies, institutions and projects that, in addition to financial returns, also aim to make a positive contribution in the areas of climate change, biodiversity and human rights. We have used this approach for 28 years and continue to raise the bar. We are not there yet either – but fortunately, we are already well on our way.



1.1 START: CRITICAL SELECTION BASED ON SUSTAINABILITY

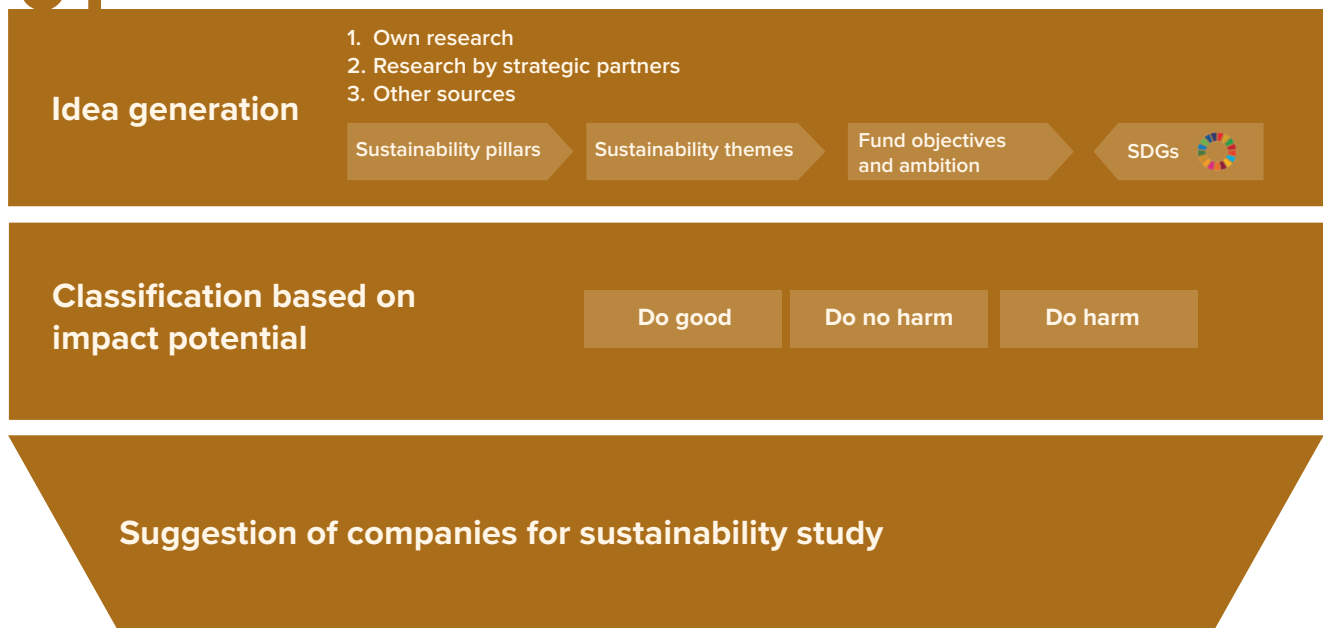
We are convinced that companies that act responsibly with regard to climate change, biodiversity and human rights will be more successful and better prepared for the future. For this reason, sustainability research and the contribution to sustainable progress are the key factors when we compile our investment portfolios. We call this ‘investing with impact’.

Investing with impact and financial return go hand in hand and reinforce each other, as an increasing amount of research confirms. Our investment process consists of three essential steps for all funds and fund structures. In the first two steps, the focus is on finding future-proof companies and projects, while the emphasis of step 3 lies on financial performance.



01 IDEA GENERATION

Investments in listed companies and bonds



During this phase, we are looking for companies that, in our view, will make a real contribution to a better world. In this context, we proceed from the investment policy adopted by ASN Impact Investors. Our own research and specialists and the expertise of our outsourcing partners provide input. Will names contribute to a sustainable transition, and to what extent? Portfolio Management decides which companies move on to an in-depth sustainability study, based on a risk approach.

Step 1: Idea generation

Based on our sustainability policy, we select companies and projects that meet our sustainability criteria. We identify companies with impact potential. Within our three pillars of climate change, biodiversity and human rights, we distinguish sub-themes per fund. Each fund has its own sustainability and return objectives. The investment strategies have been formulated in such a way that we can also relate them to the United Nations Sustainable Development Goals (SDGs) (discussed in more detail in Chapter 3).

The Portfolio Management team of ASN Impact Investors initiates, guides and decides during the first phase. It arranges the names that may be eligible for a sustainability study into three groups:

1. The ‘do good’ companies: these make a direct contribution to one of our themes.
2. The ‘do no harm’ companies: the impact can be assigned less unequivocally to a specific theme.
3. The ‘do harm’ companies: these do not meet the criteria of ASN Impact Investors.

This classification is performed both for newly-suggested companies and for ones already selected.

In selecting companies, we base our judgement on the information provided by the company concerned and by specialised research institutions, the media and non-governmental organisations. We use research by the following specialised research firms:

- Sustainalytics – collects data on companies’ sustainability performance.
- EIRIS Vigeo – helps us assess whether activities meet our weapons criterion.
- RepRisk – collects news reports about companies.
- Trucost – determines the impact of business activities on the environment and climate.

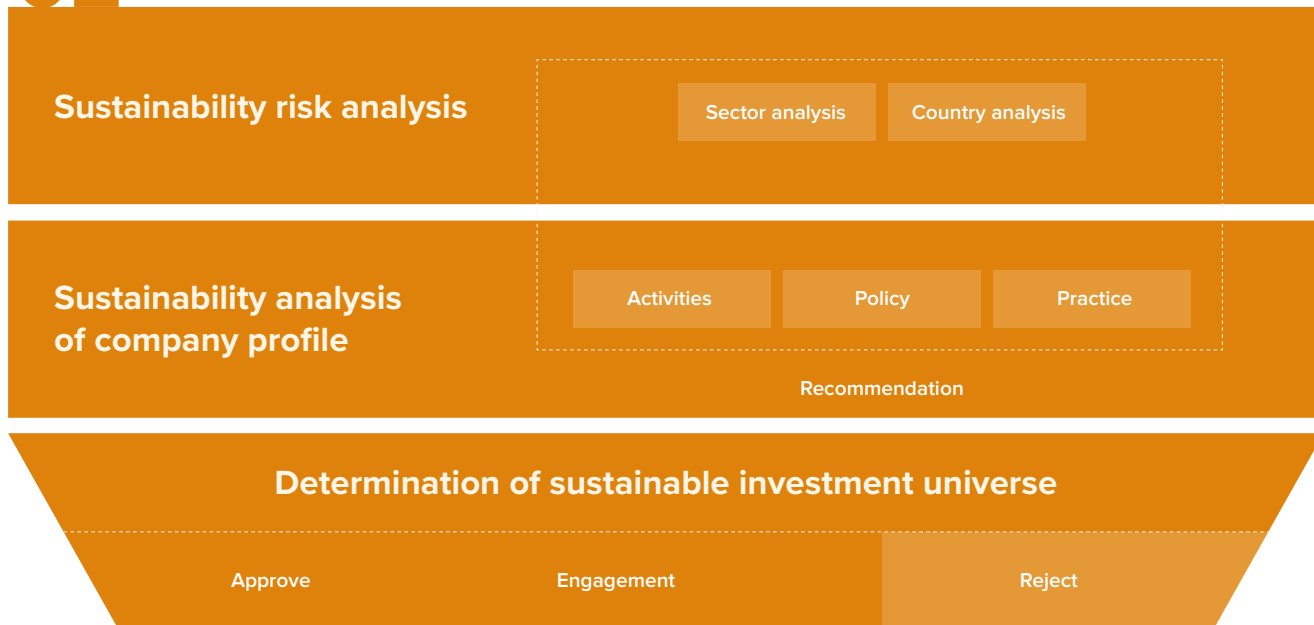
Companies that are rated as ‘interesting’ by the Portfolio Management team are recommended for step 2: the sustainability study.

‘The truly sustainable companies of today determine the future of tomorrow. These are the companies with both a positive impact on our environment and a financially interesting outlook. That’s what I’m convinced of.’

Stephan Langen, fund manager of the ASN Duurzaam Aandelenfonds



02 SUSTAINABILITY STUDY



During these two steps, ASN Bank's Expertise Centre for Sustainability (ECD) performs a very extensive and in-depth sustainability study on the instructions of ASN Impact Investors. The Investment Committee of ASN Impact Investors decides which companies are admitted to or removed from the sustainable investment universe.

Step 2: Sustainability study

In step 2, the suggested companies are subjected to an extensive sustainability study, carried out by ASN Bank's Expertise Centre for Sustainability (Expertise Centrum Duurzaamheid, ECD) on the instructions of ASN Impact Investors. Based on a number of steps, a recommendation is issued as to whether a company should be added to or removed from the investment universe. The final decision on this point is taken by the Investment Committee of ASN Impact Investors.

Sustainability risk analysis

First, the ECD Department identifies the risks of the relevant sector and the relevant company. The basis for this is formed by our three sustainability pillars: climate change, biodiversity and human rights. In addition, the ECD assesses the company's governance and, where applicable, its animal welfare policy. In doing so, it answers the following questions: in which sector does the company operate and in which activities is it involved? These risks are laid down in a sector profile, with the outcome being a low, average or high risk score. Next, the ECD establishes whether the company operates in low-risk countries, risk countries or high-risk countries. Together, these factors determine the level of investigation of this company.

Sustainability analysis of company profile

This is followed by an analysis of the company. In this context, a clear distinction is made between a company's

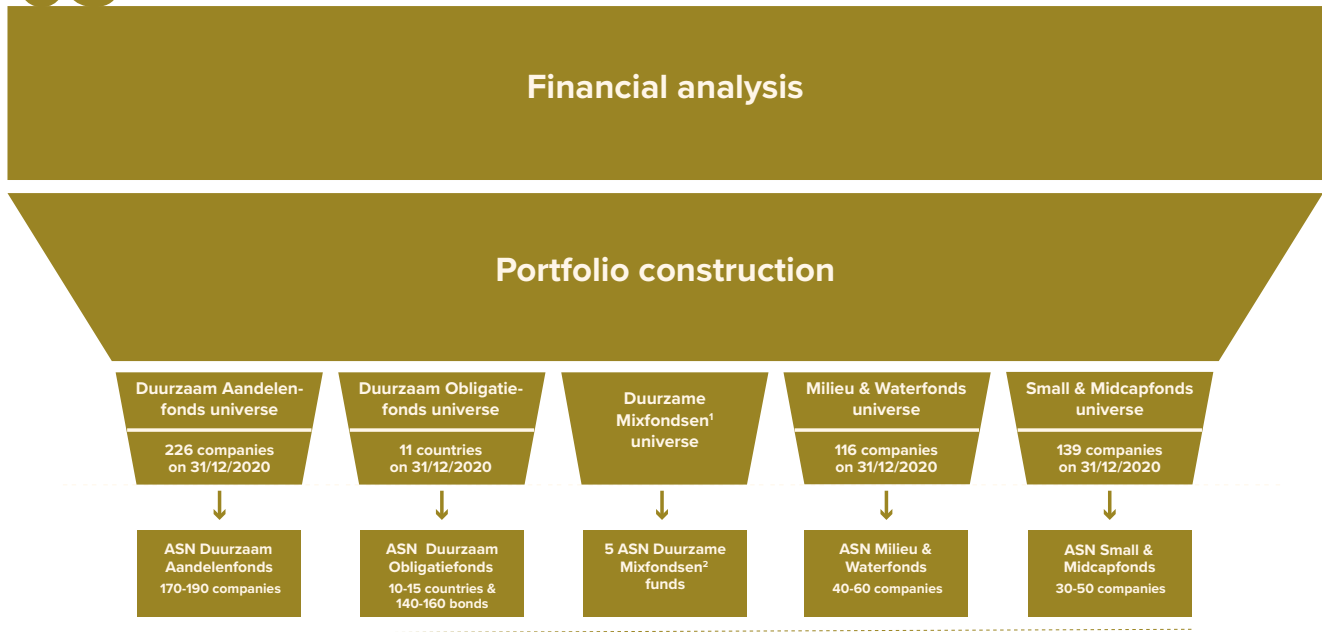
activities, the policies it may or may not have adopted and its conduct in practice. Is the company engaged in activities that we avoid or exclude? Is the company active in risk countries and/or high-risk countries? Does the company have risk-mitigating policies in the areas of human rights, climate change, biodiversity and governance, and, where applicable, animal welfare? What is the quality of the company's policies? How does the company perform in practice? Is there any misconduct? Based on these questions, the ECD analysts draw up the company profile, which contains their final assessment. In this process, actions carry more weight than words. We look for companies that actively contribute to a transition to a sustainable world.

Determination of sustainable investment universe

Based on the company profiles, our Investment Committee (IC) receives recommendations in respect of the investigated companies. The IC meets at least six times per year in order to determine the composition of the investment universes of our funds. The IC's assessment may be 'approve', 'reject' or 'engagement'. Each fund investing in listed titles has its own investment universe, which is the guiding principle in portfolio construction.



03 PORTFOLIO CONSTRUCTION



Monitoring

The carefully selected outsourcing partners perform financial analyses of the companies in the sustainable universes. The funds are put together in accordance with the guidelines formulated by ASN Impact Investors. The Portfolio Management team continuously monitors the composition of the funds and the individual names in the portfolios.

- 1 ASN Duurzame Mixfondsen funds have been put together out of ASN Duurzame Aandelenfonds, ASN Duurzaam Obligatiefonds, ASN Small & Midcapfonds, ASN Milieu & Waterfonds and ASN-Novib Microkredietfonds.
- 2 ASN Duurzaam Mixfonds Zeer Defensief, ASN Duurzaam Mixfonds Defensief, ASN Duurzaam Mixfonds Neutraal, ASN Duurzaam Mixfonds Offensief and ASN Duurzaam Mixfonds Zeer Offensief

Step 3: Portfolio construction

Step 3 comprises assessing the companies in the investment universe against financial criteria and compiling the portfolio. These steps have been outsourced to carefully selected asset managers who are specialised in the investment segment concerned.

Based on the sustainable investment criterion, the delegated asset managers carry out financial analyses. In these analyses, the emphasis is on valuations and specific business risks of the companies involved. Companies qualifying as financially attractive are eligible for inclusion in the relevant portfolios. Subsequently, a fund is constructed from these qualified companies. In this context, consideration is given to aspects such as concentration and the risk guidelines formulated by ASN Impact Investors.

Monitoring

The Portfolio Management team of ASN Impact Investors continuously monitors the composition of the funds and the individual names in the portfolios. This team also monitors the services and performance of the delegated asset managers.

All the investment funds of ASN Impact Investors have sustainable objectives, which makes them an Article 9 Product within the meaning of the SFDR



Non-listed investments

In addition to the listed investments, we have two funds with non-listed investments. These are the ASN Groenprojectenfonds and the ASN-Novib Microkredietfonds. Broadly speaking, the investment process of these two funds is similarly structured as that of the funds investing in listed [1]companies. Project advisors suggest potential investment candidates on the basis of the fund objectives and the fund impact target. The investment decisions are taken by the Investment Committee of ASN Impact Investors.

Idea generation

The portfolio is compiled in accordance with the fund strategy. We look for investments that contribute to the sustainability and return objectives of our funds. In this context, we use our own research and specialists and the expertise of our project advisors.

Project advisors' input

Proceeding from the fund strategy and the implementation of that strategy envisaged by the Portfolio Management team, the project advisors Triple Jump, FMO and the department ADF of ASN Bank issue investment proposals.

Selecting investment candidates for sustainability study

The Portfolio Management team decides which investment opportunities move on to the sustainability study and financial analysis.

Sustainability and exclusion criteria & Social Performance Review

The sustainability study is carried out by our specialised partners Triple Jump, FMO and ADF on the basis of assessment criteria set by ASN Impact Investors. These criteria are frequently updated and expanded.

Financial analysis and field study

Potential investments that have passed the sustainability test are subjected to a financial analysis and field study. Because of the nature of the investments of the ASN-Novib Microkredietfonds, some of these analyses may be performed simultaneously. The sustainability study, the financial analysis and the field study together constitute the due diligence review we conduct in respect of this type of investments.

Portfolio composition

After a successful due diligence review, the Investment Committee (IC) decides which investments will be added to the portfolio. In compiling the portfolio, consideration is given to factors such as the current allocation of the portfolio, investment guidelines, the risk/return profile and investment criteria.

Monitoring

The Portfolio Management team continuously monitors the composition of the funds and the portfolio holdings.



1.2 SUSTAINABLE SELECTION 2020

211

Number of companies reviewed in 2020 because they were due for re-examination or were new.



In 2020, we assessed 161 companies for the ASN Duurzaam Aandelenfonds. This resulted in a net increase of the investment universe by 27 companies.



The number of companies removed from the universe due to mergers and acquisitions, because they became illiquid or had grown too large for a specific investment universe.



In 2020, we assessed 41 companies for the ASN Milieu & Waterfonds. We admitted 9 new companies to the ASN Investment Universe, retained 22 companies, refused 9 companies and rejected and removed 1 company.



In 2020, we assessed 38 companies for the ASN Duurzaam Small & Midcapfonds. We admitted 6 new companies to the investment universe. We retained 26 companies, refused 5 companies and rejected and removed 1 company from the investment universe.

347

A total of 347 listed companies met our sustainability criteria as at 31 December 2020, 15 more than as at 31 December 2019.

47

In 2020, the ASN Groenprojectenfonds invested in 47 loans in 25 projects, of which 23 in the Netherlands and 2 in emerging markets.



For the selection of green bonds, the ECD's analysts assessed bonds against our criteria for green bonds. We admitted one green bond during the reporting period.

1.3 ASSESSMENT OF COUNTRIES IN 2020



In 2020, we carried out the biannual assessment of countries based on our sustainability policy. Altogether, we reviewed 199 countries, of which 41 met the exclusion criteria. We subsequently assessed these countries against our sustainability criteria, resulting in 38 countries that received a sufficient score for inclusion in the investment universe of the ASN Duurzaam Obligatiefonds. Ultimately, we invested in 11 countries that meet our sustainability criteria, issue euro loans and are sufficiently liquid.



2. Developments in our sustainability policy

Good policy is always in a state of development. This is because the world around us is changing all the time. As a consequence, our insights sometimes change as well. ASN Impact Investors' sustainability policy has been laid down in policy documents. These provide practical points of reference that help us take our investment and financing decisions. Each pillar (climate change, biodiversity and human rights) has its own policy document. We have elaborated these policies for various sectors as well. In 2020, we adjusted or reformulated eight aspects of our sustainability policy:

Human rights

Gender equality, and equality between men and women in particular, was already part of our non-discrimination policy. Because we consider this an important issue, we decided to include this as a separate aspect. Companies must have a policy to combat gender discrimination, including violence and harassment. We also approve companies that take steps to reduce the pay gap between men and women and offer development opportunities so as to promote equal access to senior positions. An ambitious target of at least 40% women in senior positions is in line with this.

In addition, we have added a new paragraph to the section on forced labour in view of the potentially dubious role of job placement agencies. The International Labour Organization (ILO) is concerned about the growing role of intermediaries that act outside laws and regulations and sometimes take advantage of low-skilled labour migrants. For example, they force these vulnerable workers to pay back high recruitment costs and/or hand over their passports.

Finally, we have extended the supply chain policy in the Human Rights policy to include healthy and safe working conditions, following the salience risk analysis performed for the purpose of [the Human Rights Report of 2018](#).

Biodiversity

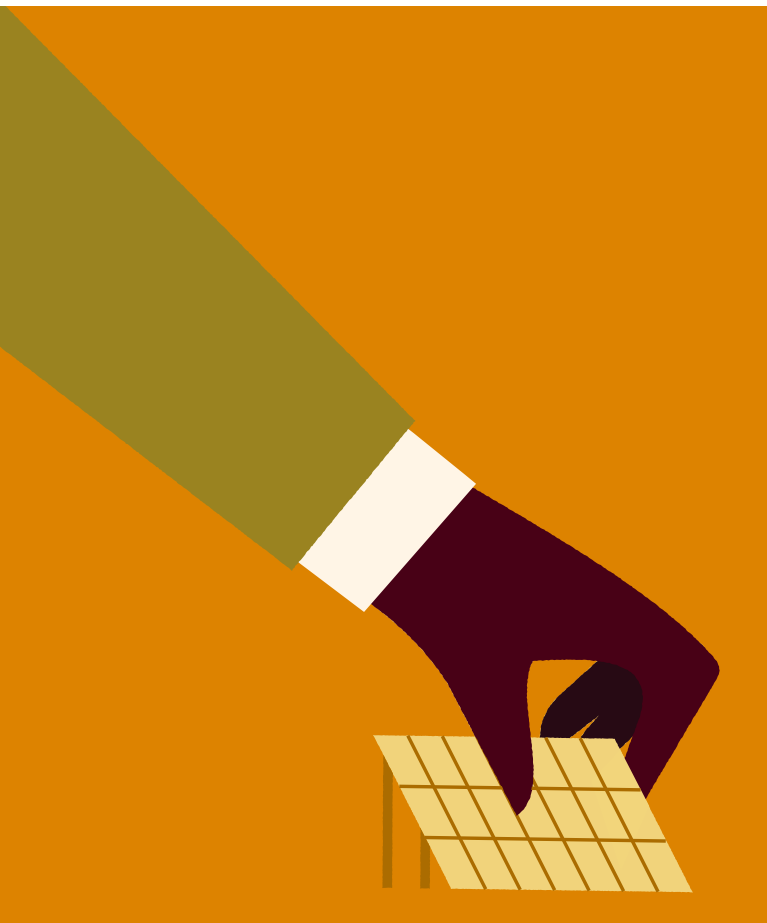
We have updated the biodiversity policy on the basis of new reports, such as the report published in 2019 by the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES), the principal independent body of the United Nations in the area of biodiversity. This report is the first report since 2005 that charts the status of biodiversity at global level.

We have adjusted the sustainability criteria in respect of

palm oil. The 'old' policy on palm oil focused on two aspects: membership of the Roundtable for Sustainable Palm Oil (RSPO) and policy on purchasing palm oil. In alignment with the new policy, we avoid making financial or other investments in palm oil producers and refineries. We permit financial or other investments in purchasers of palm oil or companies processing palm oil in their products, provided that the palm oil is obtained in a sustainable manner. We not only demand RSPO membership, but now also impose requirements in respect of transparency.

Companies receive a higher score if they publish an up-to-date list of both customers/complaints as well as suppliers. A new theme in our biodiversity policy is *water scarcity*. In this context, we impose requirements on companies with factories in areas experiencing water scarcity. We expect these companies to use the available water in a responsible way: they must limit and control their water consumption and keep the impact of their water consumption to a minimum. In areas where water is scarce, they can do so by implementing measures resulting from an impact assessment, for example. These companies must also consider the water needs of the local population and ecosystems. In addition, they must prevent pollution, for instance by using a water management system. Such a system may promote water recycling and prevent the discharge of polluted water.





We have adjusted the policy on dams and hydroelectric power plants. For example, the size of the dam is no longer a criterion. We now check in particular whether a strategy is in place that protects biodiversity at every stage of the life cycle of the dam or dams. If the company constructing or managing the dam has no such strategy, the project will not be suitable for financing or investment.

We have also added IFC Performance Standards 5 and 6 as a criterion. Under these standards, consideration is given to aspects such as land acquisition, biodiversity and sustainable management of living natural resources. Another new element, finally, is the chapter on energy infrastructure, which discusses energy networks and energy carriers such as electricity and hydrogen.

Consumer safety

The new Consumer Safety policy document has been compiled on the basis of existing policy. Because we consider this an important theme, we decided to formulate a separate policy on consumer safety. This policy provides that we do not invest in companies that manufacture alcohol or tobacco products or operate games of chance. It also emphasises our view that consumers should be able to use products safely. Companies are responsible for marketing safe products and providing honest information.

Circular business

We want to foster the circular economy. We have therefore adopted a new policy, which not only replaces the 2009 policy on waste processing, but also has a much wider scope. The aim is to use and reuse raw materials in the best possible way. This applies to renewable raw materials (such as wood and agricultural products) as well as non-renewable raw materials (such as metals and minerals). There is no such thing as waste, because raw materials are recycled.

Renewable energy

In December 2020, we published a new policy document: Renewable Energy. This document sets out our policies regarding solar energy, wind energy, biomass energy, geothermal heat and nuclear energy. Our position on nuclear energy has remained unchanged: we are still not investing in nuclear energy because of the sustainability risks, waste and safety. The policy document largely comprises an amalgamation of existing policy, which has been rewritten on certain points and supplemented by criteria for projects outside the Netherlands, while some sections are an elaboration and substantiation of existing policy.





Tax avoidance

Our policy on tax has been in place for a number of years, and also includes criteria relating to tax avoidance. We will not invest in companies involved in serious and/or systematic controversies in respect of paying taxes. When analysing companies, it was difficult in practice to draw a clear line between what does and does not constitute serious tax avoidance.

The Tax Avoidance policy update now defines the gradations of tax avoidance. In this context, we use the ‘four red flags’ of the Principles for Responsible Investment (PRI): has the company been convicted of tax avoidance, does it withhold information on tax payment, does it have subsidiaries in tax havens without actually performing activities there, or is there a large difference between the expected tax burden and the actual tax burden? If the answer to these four questions is ‘yes’, the company will have four red flags and will not be welcome in our investment universe. This policy is part of the policy document on Governance and Policy.

Transport

The Transport Policy has been updated significantly. A number of criteria have remained the same: we will not make financial or other investments in manufacturers of

means of transport powered by combustion engines.

We have added several investment criteria, for example in respect of hydrogen, hybrid cars and electric aircraft. We also give consideration to promising developments, such as the growing role of public transport and the worldwide attention for bicycles.

Plastics policy

We have updated the plastics policy introduced in 2019. Although the basis has largely remained the same, the new policy document looks quite different. For example, we have placed greater emphasis on our circularity-based vision, explained our considerations in more detail and added new information. In addition, we have formulated the absolute and relative criteria in more general terms; they now apply worldwide and to all sectors.

You can view our policy documents on the [Sustainable Choices page of our website](#).



3. SDGs

The United Nations Sustainable Development Goals (SDGs) are of vital importance to a global sustainable development agenda. We endorse their importance and see many similarities with our own policies. We even go a step further.

The SDGs aim to reduce global poverty, reduce inequalities, address climate change and protect natural resources by 2030. ASN Impact Investors endorses the importance of these goals. Because we have been using international standards as the basis of our sustainability policy for over a quarter of a century, there are many similarities between our policy and the SDGs.

3.1 HOW WE FOCUS ON THE SUSTAINABLE DEVELOPMENT GOALS

We have identified the similarities and differences between the SDGs and the sustainability policy of ASN Impact Investors by examining the 17 goals and the 169 sub-goals. Although the SDGs were developed for countries, we created a link to our investment funds. Nevertheless, our own policies remain our starting point.

1. Do no harm

We exclude all activities that, due to the nature of the activity, can be harmful to people, climate and nature. We mitigate any harmful influences in order to minimise a possible adverse impact. This forms the basis of our policy. After all, positive impact starts with the reduction of the negative impact. Our sustainability policy therefore contains exclusion criteria for, among other things, the arms trade, deforestation, activities that go against animal welfare, and fossil fuels.

“The SDGs pay little or no attention to animal welfare”



2. Effective positive impact with our long-term goals

With our long-term goals for climate, biodiversity and human rights, we focus on an effective positive impact. We measure our impact on climate and biodiversity; we strive to minimise our negative impact on climate and biodiversity, and by means of strategic engagement on a living wage in the garment industry, we actively contribute to better human rights worldwide.

Contribution of long-term goals to SDGs

Contribution of the long-term climate goal



Contribution of the long-term biodiversity goal



Contribution of the long-term living wage goal in the clothing industry



3.2 THE SDGS TO WHICH THE INVESTMENT FUNDS CONTRIBUTE

ASN Duurzaam Aandelenfonds

The ASN Duurzaam Aandelenfonds contributes in particular to SDGs 8, 9, 12 and 13. Within these, it focuses on sub-goals 8.8, 9.4, 12.6 and 13.2. This means, for example, that the fund encourages companies to integrate sustainability information into decision making, promotes equal – safe – access to a healthy working environment, and deals effectively with resources and environmentally friendly technologies.



The fund invests in listed companies that apply clean, environmentally friendly technologies. We exclude and avoid non-sustainable activities. For example, the fund does not invest in the fossil fuel sector, waste processors that primarily dump waste and manufacturers of combustion engines. It does invest in public transport, telecommunications and software companies.

We assess the risks, policies and performance of companies in areas such as the environment, deforestation and land use change, introduction of exotic species, overexploitation, and pollution. We also check whether companies meet our sustainability criteria concerning human rights: equal treatment and non-discrimination, child labour, forced labour, freedom to belong to a trade union, a safe and secure working environment and a living wage. In addition, our portfolio contains relatively large positions in companies with relatively low CO₂ emissions.

ASN Duurzaam Obligatiefonds

The ASN Duurzaam Obligatiefonds contributes in particular to SDGs 10, 13, 15 and 16. Within these, it focuses on sub-goals 10.4, 13.2, 15.5 and 16.10. This means, among other things, that the fund assesses, selects and weighs countries in terms of income inequality, the risk of corruption, the share in development funds, the risk of discrimination, greenhouse gas emissions, the share of sustainably generated electricity, the amount of nuclear energy produced, the areas set aside for nature conservation, sulphur oxide emissions and the amount of landfill. When selecting countries, we apply the following exclusion criteria in relation to human rights: crimes against humanity, genocide, capital punishment and war crimes, ratification of the Paris Agreement, and non-endorsement of international conventions that contribute to the protection of biodiversity. The sustainability score of



the countries in the fund also depends on the risk of forced labour and child labour, freedom of speech and freedom of association. Furthermore, the fund invests in social bonds, with projects in social housing and micro-credits. These bonds help to reduce inequality. In addition, the fund invests in green bonds, which finance projects in renewable energy and energy efficiency in particular. By doing so, these bonds help to fight climate change.

The fund's impact on biodiversity is very small (PRé Sustainability, 2019, see 5.2). In addition, the green bonds in which the fund invests help preserve biodiversity.

ASN Milieu & Waterfonds

The ASN Milieu & Waterfonds contributes in particular to SDGs 6, 7, 9 and 12. Within these, it focuses on sub-goals 6.3, 7.2 and 12.5. This includes improving water quality by reducing pollution, stopping discharges, increasing the share of renewable energy, promoting effective environmentally friendly technologies in industrial processes, sustainable food and agriculture, and reducing waste production.



ASN Duurzaam Small & Midcapfonds

The ASN Duurzaam Small & Midcapfonds contributes in particular to SDGs 8, 9, 12 and 13. Within these, it focuses on sub-goals 8.8, 9.4, 12.6 and 13.2. This means, for example, that the fund encourages companies to integrate sustainability information into decision making, promotes equal – safe – access to a healthy working environment, and deals effectively with resources and environmentally friendly technologies.

The fund invests in listed companies that apply clean and environmentally friendly technologies. We exclude and avoid non-sustainable activities. For example, the fund does not invest in the fossil fuel sector, waste processors that primarily dump waste and manufacturers of combustion engines. It does invest in public transport, telecommunications and software companies.

We assess the risks, policies and performance of companies in areas such as the environment, deforestation and



land use change, introduction of exotic species, overexploitation, and pollution. We also check whether companies meet our sustainability criteria concerning human rights in general: equal treatment and non-discrimination, child labour, forced labour, freedom to belong to a trade union, a safe and secure working environment and a living wage.

The fund avoids sectors that entail a high risk of poor labour conditions, such as agriculture, mining and the sex industry. In addition, we check whether companies meet the sustainability criteria concerning human rights in general: equal treatment and non-discrimination, child



labour, forced labour, freedom to belong to a trade union, a safe and secure working environment and a living wage. We exclude polluting sectors. We assess the policy and performance of companies in areas such as deforestation and change of land use.

ASN Groenprojectenfonds

The ASN Groenprojectenfonds contributes in particular to SDGs 6, 7, 11 and 13. Within these, it focuses on sub-goals 7.2, 11.6 and 13.2. This means that the fund contributes to increasing the share of renewable energy and decentralised energy supplies, reducing adverse environmental impacts for city dwellers and integrating measures related to climate change into national and international policies, strategies and planning.



ASN-Novib Microkredietfonds

The ASN-Novib Microkredietfonds contributes in particular to SDGs 1, 5, 8 and 10. Within these, it focuses on sub-goals 1.4, 5.a, 8.3 and 10.b. This includes equal rights for men and women and especially the poorest, promoting growth in vulnerable areas, reducing inequality between countries, and stimulating financial flows where the need is greatest.



ASN Duurzaam Mixfonds

With its investments, the ASN Duurzaam Mixfonds also contributes to the SDGs. This fund contributes to the same SDGs as the ASN Duurzaam Aandelenfonds and the ASN Duurzaam Obligatiefonds. This is because the ASN Duurzaam Mixfonds invests in these funds.

ASN Duurzaam Mixfonds Zeer Defensief to Zeer Offensief

By means of their investments, the following ASN investment funds contribute to the SDGs:

- ASN Duurzaam Mixfonds Zeer Defensief
- ASN Duurzaam Mixfonds Defensief
- ASN Duurzaam Mixfonds Neutraal
- ASN Duurzaam Mixfonds Offensief
- ASN Duurzaam Mixfonds Zeer Offensief

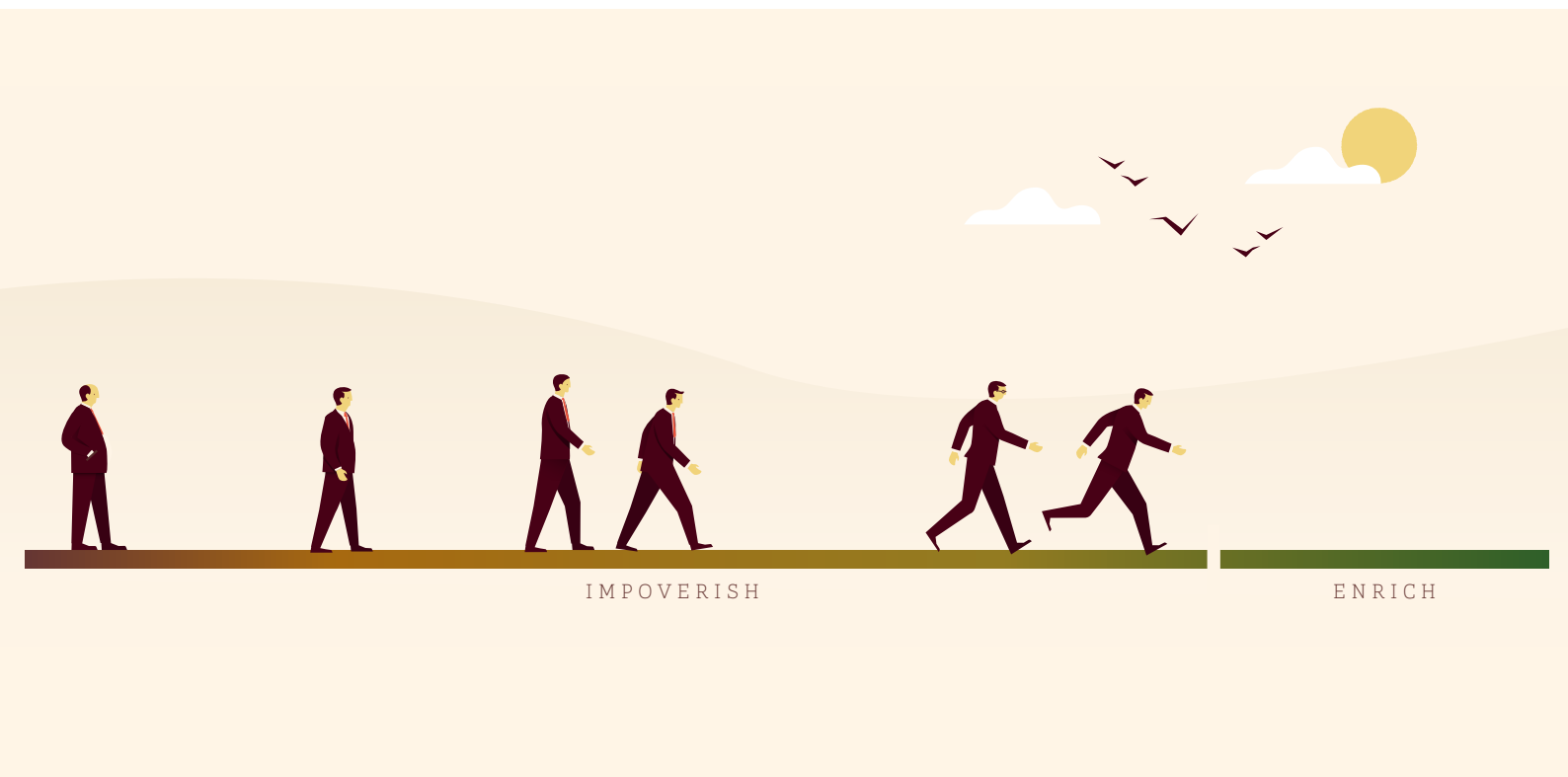
These funds contribute to the same SDGs as ASN Duurzaam Aandelenfonds, ASN Duurzaam Obligatiefonds, ASN Small & Midcapfonds, ASN Milieu & Waterfondsen and ASN-Novib Microkredietfonds. This is because these sustainable mixed funds already invest in these funds.



4. Goals

4.1 OUR MISSION

‘Our economic conduct is aimed at promoting sustainability in society. We help to secure changes that are intended to put an end to processes whose harmful effects are shifted to future generations or foisted onto the environment, nature and vulnerable communities. In doing so, we do not lose sight of the necessity to yield returns in the long run that safeguard our continued existence. We manage the funds that our customers entrust to us in a manner that does justice to their expectations.’



We do not want to pass on the adverse effects of the existing systems to the future, the environment or vulnerable communities. That is why, also with this report, we share our knowledge and are transparent, also about negative impacts.



4.2 AMBITION 2030

We will only be satisfied if, by 2030, we extract more CO₂ from the climate than we emit into it, structurally improve the living conditions and labour rights of workers around the world, ensure that animal and plant species recover rather than disappear, and, of course, if we achieve a healthy financial return as a result. Climate, biodiversity and human rights are our pillars. In addition, we believe that good governance and animal welfare are important as well. Together, they do not form the shell, but the core of our goals and thus our way of working.

Norms and values

We endorse norms and values such as justice, the precautionary principle, transparency and science as guidelines. These have shaped our history and will define our future. In addition, we have made some fundamental ethical choices, such as not investing in fur and weapons.



PILLAR:	LONG-TERM OBJECTIVE
Climate:	Climate positive by 2030
Biodiversity:	Positive impact on biodiversity by 2030
Human rights:	By 2030, the clothing sector will have implemented all the necessary processes to enable a living wage to be paid to workers in its supply chain.

Our mission, way of working and goals are based on:

Globally recognised reports, treaties and conventions

We define ‘sustainability’ in accordance with the 1987 Brundtland report Our Common Future: ‘Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.’ Our selection process departs from international treaties and conventions, such as the Paris Agreement and the Universal Declaration of Human Rights. We also closely align our vision, mission and goals with the United Nations Sustainable Development Goals (SDGs). See Chapter 3 for this.

Basic human needs

Human needs guide all our actions. For instance, food and water are part of the basic necessities of life. Housing, education and energy come under the need for safety and security. Transport, waste processing and clothing are also important for a good life. The companies, projects and institutions that we finance and in which we invest play a major role in meeting these needs.

Key concept	Starting point	Elements
Sustainability	Brundtland report	For example, fair distribution of wealth, relationship between short term and long term, relationship between the environment and wealth.
Human rights	For example, the United Nation’s Universal Declaration of Human Rights, its Guiding Principles on housing, Business and Human Rights and the conventions of the International Labour Organization (LO).	For example, healthcare, a living wage, no child labour but school, good working conditions, privacy, social needs.
Climate	Findings of the Intergovernmental Panel on Climate Change (IPCC) of the World Meteorological Organization (WMO), the United Nations Environment Programme (UNEP) and the Paris Agreement	Including energy, housing, the climate, greenhouse gases.
Biodiversity	Convention on Biological Diversity (CBD), drafted at the 1992 Rio Earth Summit	Including nutrition, land use, nature, water, circular economy, air.
Governance	OECD and UN treaties and rules	For example, anti-corruption, functioning rule of law.
Animal welfare	Five freedoms of the Farm Animal Welfare Committee	Including animal welfare.



Goals per pillar

Climate

If we are to remain within safe climate change limits and meet the Paris climate agreement, stronger ambitions and measures are needed worldwide.

Climate positive impact means that, on balance, the total of our investments extracts more greenhouse gases from the atmosphere than our investments emit. With equity investments, we expect to still have emissions in 2030 so we want to offset those with negative emissions. We achieve the climate-positive goal by:

- Reduced greenhouse gas emissions, for example through energy conservation• Indirectly through renewable energy generation
- Negative emissions

Biodiversity

Biodiversity is declining dramatically and continuously in almost all regions worldwide. It is therefore extremely urgent that we use our influence to stop this. That is why the goal for the investment funds of ASN Impact Investors is a positive effect on biodiversity in 2030.

Our underlying goal is not so much to conserve as many species as possible, but to maintain nature’s ‘life support systems’. This means that nature continues to perform its basic functions, such as CO₂ sequestration, food production, energy supply and a stable climate, for example. There is a clear dependency and influence between biodiversity and climate, especially with our long term goal of being climate positive. This provides opportunities for the development of products and investment categories.

The definition of biodiversity: the variety of living organisms and the variety of relationships they have with each other in ecosystems

Many people and companies do not realise, or realise insufficiently, that with the loss of biodiversity, basic functions such as food production, clean water and energy can be lost. The consequences of this biodiversity loss are likely to have the greatest impact on people from non-Western countries, while they have the least resources to protect themselves from the consequences. Fortunately, international interest in protection biodiversity is growing, for example in the Natural Capital Finance Alliance.

‘We do not solve the problem just by being climate neutral. To meet the Paris Agreement, we need to start removing CO₂ from the atmosphere globally and on a massive scale.’

Mariëtta Smid, Senior Manager Sustainability

Human rights

Human rights remain under enormous pressure worldwide and have deteriorated further due to COVID-19. Climate change and the loss of biodiversity also contribute to growing inequality. We take responsibility for human rights by including human rights criteria in all our investments and by actively pursuing a living wage in the garment industry.

The garment companies in the ASN Investment Universe meet our sustainability criteria, but unfortunately many abuses still occur. Many are related to paying a living wage to the garment workers, the people who make the clothes. We believe that the best way to use our influence as an investor is in the area of a living wage because this makes the theme of ‘human rights’ very tangible and ensures that problems in the chain can specifically be tackled. It is also a so-called ‘enabling right’; a living wage enables employees to do more. It makes them more resilient, the step to forming a trade union is smaller and it helps fight child labour. We therefore participate in the Platform Living Wage Financials (PLWF), which ASN Bank established together with Triodos IM and MN. The platform now has 15 members with combined invested assets of €2,600 billion.

Our KPIs for a living wage in the garment industry

The Platform Living Wage Financials categorizes the companies in the clothing sector based on their status with regard to living wage. In 2020 the Platform increased the number of categories from four to five. The additional category results from the splitting up of the ‘leading’ category. This creates an Advanced category of 30–35 points and a Leading category of >35 points and allows us to better identify the leaders.



Embryonic	0 to 10 points
Developing	11 to 20 points
Maturing	21 to 30 points
Advanced	31 to 35 points
Leader	36 to 40 points

Our ambition is for all companies in our universe to score at least 35 points by 2030:



- As of 2021, the garment companies in the universe are at least in the Developing phase. Or in other words, we estimate the feasibility for companies to meet our 2030 target to be lower if they are currently in the Embryonic phase.
- As of 2024, the garment companies in the universe are at least in the Maturing phase. Or in other words, we estimate the feasibility for companies to meet the 2030 target to be lower if they are currently in the Developing phase.
- As of 2027, the garment companies in the universe are at least in the Advanced phase. Or in other words, we estimate the feasibility for companies to meet the 2030 target to be lower if they are currently in the Maturing phase.
- As of 2030, all garment companies in the universe should be in the Leading category. By means of strategic engagement (see Chapter 6), we aim for these KPIs.

4.3 GOALS PER FUND

As ASN Impact Investors, we give substance to our vision, mission, strategy and goals through the investment funds. For nearly thirty years, we have employed a decision-making process that focuses on achieving sustainable goals and minimising adverse environmental and social impacts of investments. By means of positive selection, we look for companies and projects with future-proof business activities and good financial prospects. These are our goals for each fund.

ASN Duurzaam Aandelenfonds

- 1) Minimising annual CO₂ emissions in line with the Paris Agreement (expressed in the fund’s contribution to the 1.5-degrees economy)
- 2) Minimising the negative impact on biodiversity per euro invested (compared to baseline year 2019)
- 3) Implementing all necessary processes to make a living wage accessible to factory workers in the garment industry chain by 2030

ASN Milieu & Waterfonds

- 1) Minimising annual CO₂ emissions in line with the Paris Agreement (expressed in the fund’s contribution to the 1.5-degrees economy)
- 2) Minimising the negative impact on biodiversity per euro invested (compared to baseline year 2019)

THE RUN-UP TO THE SFDR

2020 was also the year of preparations for the Sustainable Finance Disclosure Regulation (SFDR), the new regulation that is part of the Sustainable Finance Action Plan (SFAP) that encourages EU countries to invest sustainably in order to help achieve the climate goals of the Paris Agreement and the European Green Deal. We wholeheartedly embrace both. They encourage long-term thinking in everyone and increase transparency.

The SFDR in particular should make the sustainability aspects of financial products clearer and more transparent, so that investors have a better understanding of how sustainable their investments are and it is also easier for them to compare investment products in this area. Due to their sustainable investment goal, all ASN investment funds qualify as an Article 9 product within the meaning of the SFDR. Article 9 products are investment products that specifically aim to achieve a sustainability goal. In the context of the SFDR, we have formulated our sustainable investment goals for the ASN investment funds even more sharply..



ASN Duurzaam Small & Midcapfonds

- 1) Minimising annual CO₂ emissions in line with the Paris Agreement (expressed in the fund's contribution to the 1.5-degrees economy)
- 2) Minimising the negative impact on biodiversity per euro invested (compared to baseline year 2019)

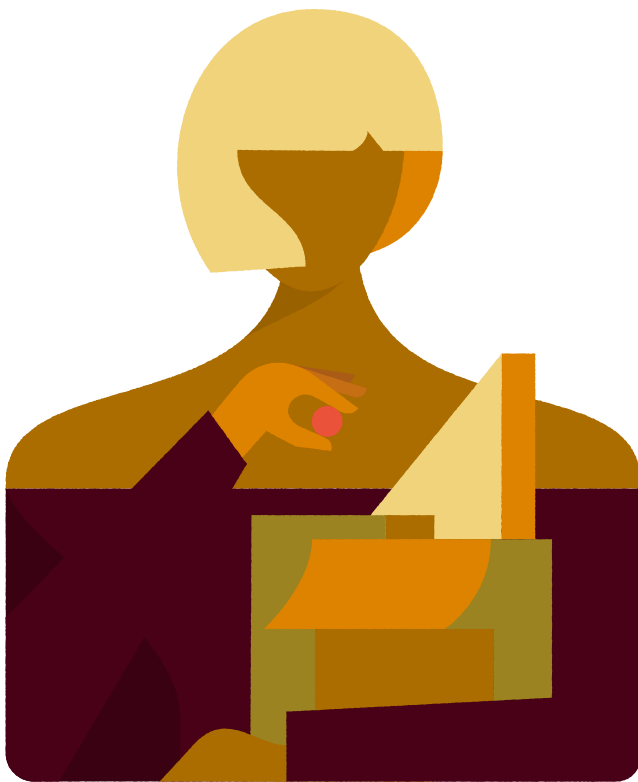
ASN Duurzaam Obligatiefonds

- 1) Funding government and semi-government bodies that pursue ambitious climate policies, and protect and promote biodiversity and human rights;
- 2) Minimising CO₂ emissions (measured in tonnes of CO₂ per million euros of invested assets).

ASN Duurzame Mixfondsen

These have the sustainable investment goals derived from the underlying investment funds.

For most funds, this is a combination of minimising annual CO₂ emissions in line with the Paris Agreement (expressed in the fund's contribution to the 1.5-degrees economy) and improving access to financial services for people with low incomes and micro and small enterprises (financial inclusion) so that they can earn a better income and strengthen their financial resilience, or minimising the negative impact on biodiversity per euro invested (compared to baseline year 2019).



‘For our Microcredit Fund, we already had more specific, enhanced goals in 2020 relating for instance to the number of women and the number of people in rural areas’

ASN-Novib Microkredietfonds

- 1) Improving access to financial services for people with low incomes and micro and small enterprises (financial inclusion) so that they can earn (more) income and strengthen their financial resilience.

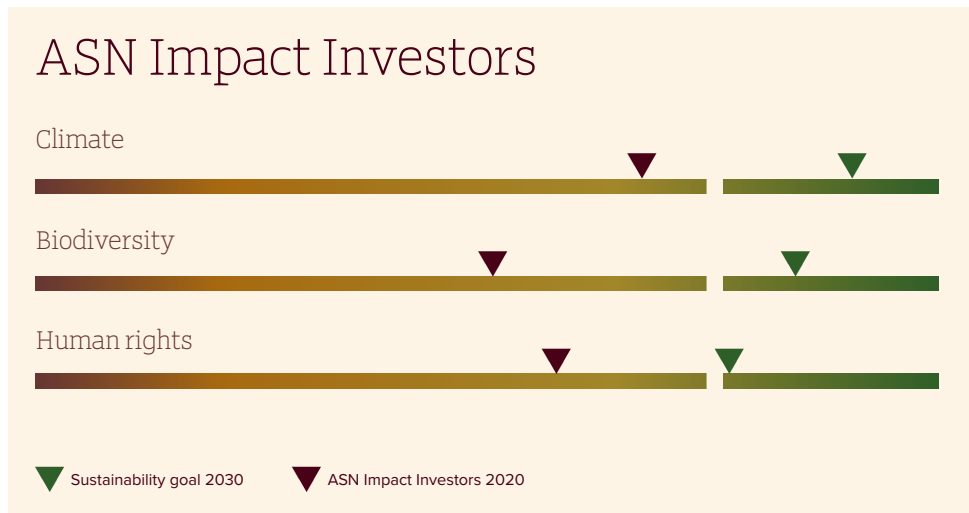
ASN Groenprojectenfonds

- 1) Avoiding and/or minimising CO₂ emissions by generating energy using sustainable energy sources, such as wind or solar energy.



5. Impact

Our goal is a positive impact on climate change, biodiversity and human rights by 2030.



In our view, it is perfectly simple: as long as investments on balance help produce more CO₂ than is removed from the environment, or cause more flora and fauna species to disappear than come back, the investments will have a negative impact and make the world a poorer place. The investment world still has a long way to go before we can truthfully say that we as a sector are enriching the world. We too are not there yet. But fortunately, we are already well on our way.

5.1 CLIMATE CHANGE

We want our loans and investments to have a net climate-positive effect by 2030. This means that we will remove more greenhouse gases from the atmosphere than are generated by our investments. We can achieve this by:

- Putting less money into activities that emit greenhouse gases
- Investing more in renewable energy and energy saving
- Financing projects that ensure that CO₂ is removed from the atmosphere and stored.

We monitor the development of the CO₂ performance on a quarterly basis. By doing so, we make CO₂ performance a guiding factor in achieving our objective.

From 2021: also the climate impact of the ASN-Novib Microkredietfonds

No methodology is available just yet to calculate the CO₂ impact of investments by the ASN Microkredietpool. In 2020, a number of internationally operating financial institutions developed the Joint Impact Model in order to calculate the CO₂ impact. We plan to add the ASN-Novib Microkredietfonds portfolio to this model in 2021. In this way, we also aim to provide insight into and report on the environmental impact of these investments.

In conformity with PCAF

ASN Impact Investors is constantly working to improve the methodology used to measure the climate impact of our investments and the quality of the data used for this.

At the end of 2020, we decided to adjust the method we use to measure the climate impact of our investments. Until then, we had calculated the climate impact of our investments on the basis of the 'carbon profit and loss account' method.



ABOUT THE PCAF

In 2020, it was five years since a small delegation from ASN Bank, to which ASN Impact Investors is affiliated, had made a promise on its way to the Paris Climate Summit: a promise on behalf of 14 financial institutions to develop a calculation method and define climate targets, and thus help slow down global warming.

The 14 institutions, headed by ASN Bank, called themselves the Partnership for Carbon Accounting

Financials (PCAF). Early in 2019, PCAF Global continued as an international organisation. After a number of large American banks had joined its ranks, PCAF membership numbered 95 financial institutions early in 2021. All these financial institutions have promised to make their activities climate neutral by 2050. The ultimate goal of the PCAF methodology developed by the PCAF is to realise portfolios with a minor CO₂ impact, in accordance with the Paris Agreement. The PCAF methodology is a standard

that is widely supported by the Dutch financial sector. It is in line with the reporting requirements that will apply on the basis of European legislation. Use of the PCAF methodology makes the CO₂ results transparent, and therefore comparable with the CO₂ results of other investment managers. A detailed description of the PCAF methodology can be found on www.carbonaccountingfinancials.com.

With effect from year-end 2020, our reporting on our funds investing in listed companies is in accordance with the methodology of the Partnership for Carbon Accounting Financials (PCAF). Our reporting on the loans provided by our funds is aligned as much as possible to the PCAF methodology. Where listed companies are concerned, we use the data provided by Trucost.

The figures for 2019 have been retrospectively adjusted in accordance with the PCAF methodology in order to enable comparison with 2020. Our aim is to report in line with the PCAF methodology also for the ASN Groenprojectenfonds in 2021.

Scope 3 takes us one step further

Instead of the direct and first-tier indirect emissions, our reporting of the emissions is now divided into Scopes 1 and 2, and a separate Scope 3. Reporting on Scopes 1 and 2 is mandatory, but we have opted to include Scope 3 in our calculations as well. This gives a more realistic picture of a company's total CO₂ impact.

Scope 1: relates to a company's direct CO₂ emissions, caused by sources within the organisation. Examples include heating installations and employees' cars.

Scope 2: addresses the direct CO₂ emissions resulting from the generation of electricity or heat that the company purchased and consumed itself.

Scope 3: refers to the carbon emissions during the entire life cycle of the products that a company buys, produces and/or sells. These are the indirect emissions caused by the business activities of the other organisations/companies in the production chain. Scope 3 is often significantly higher than Scopes 1 and 2. As there is little to no repor-

ting yet on the Scope 3 data, these figures are mostly estimates.

In accordance with the PCAF methodology, we no longer report net CO₂ emissions, but now report actual CO₂ emissions and avoided CO₂ emissions separately. This is because it is not possible to offset actual emissions against avoided emissions.

We now base our calculations on the enterprise value instead of the market capitalisation of companies. The enterprise value also includes a company's debt. This method ensures a better allocation of CO₂ emissions among shareholders and creditors.

'We have opted to include Scope 3 in our calculations as well. This gives a more realistic picture of a company's total CO₂ impact.'

Changes in CO₂ measurement and reporting for loans in 2020 versus 2019

- Where projects are concerned, we include life cycle emissions in the reporting if they exceed 5% of the total avoided CO₂ emissions. This relates primarily to the emissions released during the building and construction work of projects.
- In respect of projects, we calculate the avoided CO₂ emissions on the basis of the operating margin per country. The operating margin reflects how much CO₂



is emitted on average per kWh in a country. Formerly, we calculated these values using the website www.co2emissiefactoren.nl. This change relates only to investments in the Netherlands. The new operating margin is lower than under our previous measurement method. This has reduced the avoided CO₂ emissions of the ASN Groenprojectenfonds.

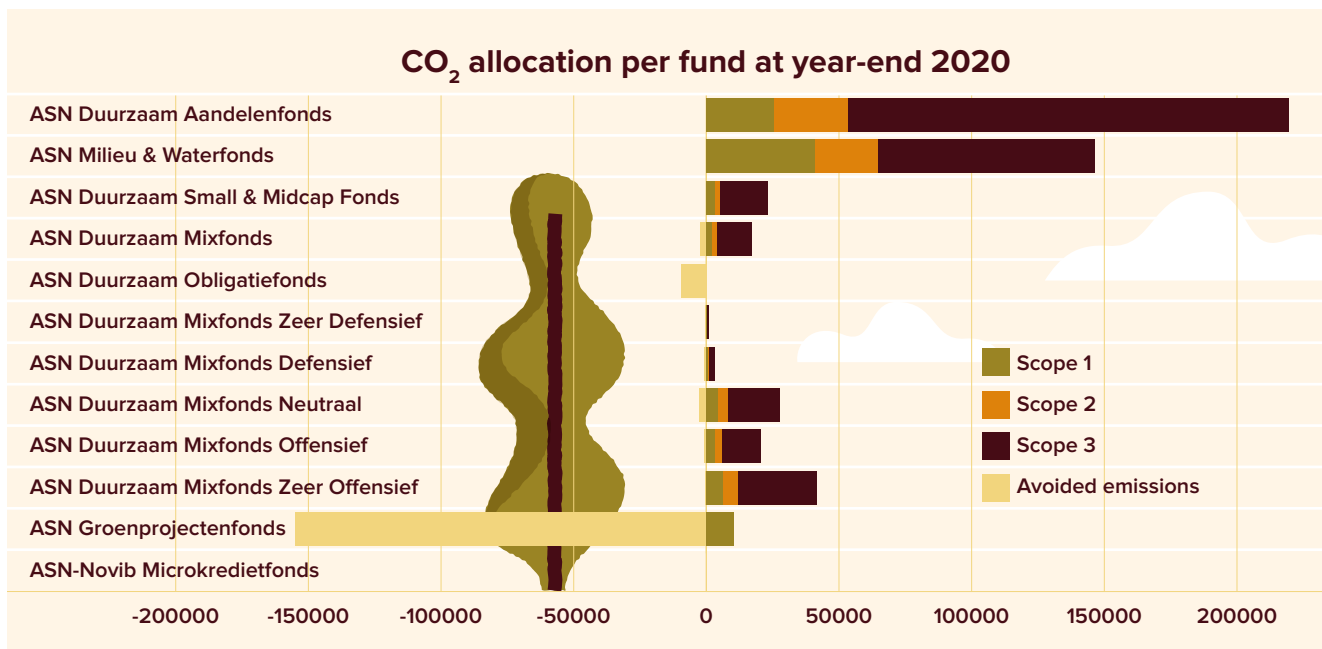
- We intend to report fully on the basis of P50 energy production with effect from year-end 2021. The P50 value is the production that will be statistically realised with a probability of at least 50 percent. We currently report on the basis of the P90 value for FMO loans and the P50 value for ADF loans. This ensures a better alignment with the PCAF methodology. PCAF prescribes a preference for P50 because this data is generally more readily available.

CO₂ emissions and avoided CO₂ emissions in 2020
 We calculate the emissions, the avoided emissions and the ‘negative’ emissions of all financial and other investments, whereby these three emissions are expressed in tonnes of CO₂ equivalents.

In 2020, the CO₂ emissions and the avoided CO₂ emissions were allocated as follows among the ASN investment funds: The largest volume of CO₂ emissions concerns the equity investments of the ASN Aandelenfonds and the ASN Milieu & Waterfonds. In this context, 50% of the total CO₂ emissions is generated by only 18 companies. When we look at the sectors in which these companies operate, the ones that stand out are technological products and the packaging industry. The largest volume of avoided emissions was realised by the ASN Groenprojectenfonds.

‘Fighting climate change remains an extremely urgent issue. Despite the relatively lower CO₂ emissions in 2020, due in part to fewer travel movements because of the COVID-19 pandemic, the world must keep up its efforts to fight the negative effects of climate change.’

Rosemarijn van der Meij, Fund Manager
ASN Groenprojectenfonds



Developments in 2020 versus 2019

Below we present the CO₂ emissions and avoided CO₂ emissions per euro of invested capital per ASN investment fund.

To enable comparison with previous years, we have included the emissions of the ASN Duurzame Mixfondsen in the figure below, in addition to the CO₂ results of the ASN Duurzaam Aandelenfondsen, the ASN Duurzaam Obligatiefonds, the ASN Duurzaam Small & Midcapfondsen and the ASN Milieu & Waterfondsen. The results for 2019

show the emissions of the former pools (again including the ASN Duurzame Mixfondsen).

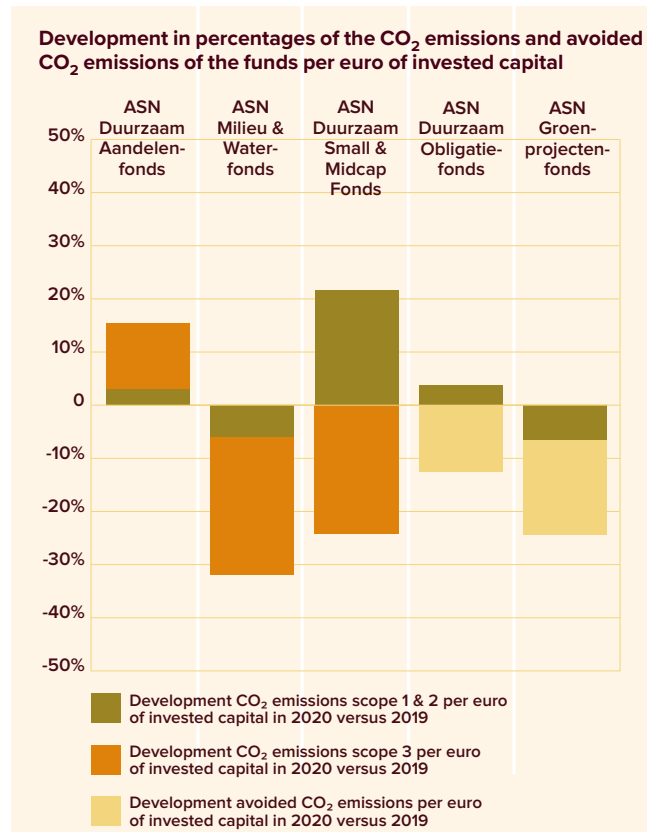
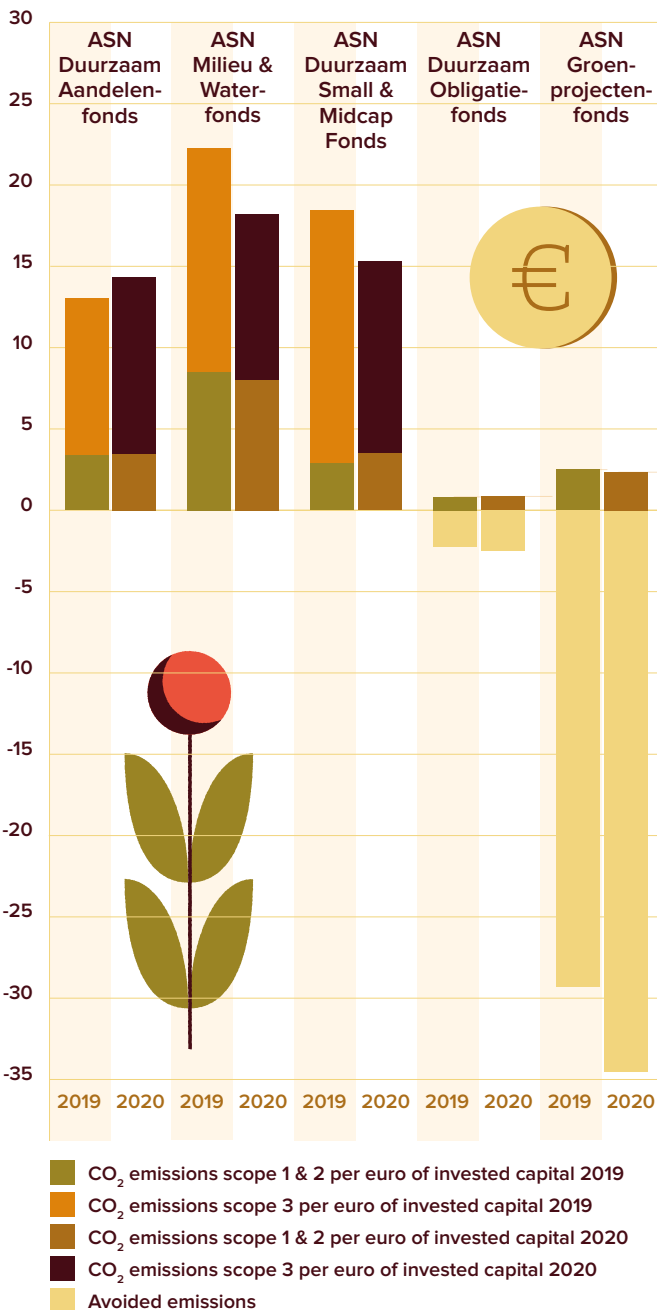
There were considerable changes between the funds. Overall, there was a slight increase in CO₂ emissions between 2019 and 2020. On the other hand, we again managed to improve the CO₂ performance of our total portfolio in the past year through a clear increase in avoided CO₂ emissions.

Explanation of the development in 2020 versus 2019 per ASN investment fund

Changes in the CO₂ emissions were caused by:

- a. changes in the composition of the investment portfolio. These may occur when approved companies are added to the investment portfolio or rejected companies are removed. This may happen for sustainability reasons or for financial reasons. In addition, we may increase or reduce our shareholding in companies;
- b. changes in the CO₂ data. CO₂ data is improving all the time. An increasing number of companies report on their CO₂ emissions. The models used by data suppliers are improving as well. This means that the data input we are using to calculate the CO₂ emissions of our funds is improving accordingly;
- c. changes in the size of the fund.

CO₂ emissions and avoided CO₂ emissions per euro of invested capital in 2019 versus 2020



ASN DUURZAAM AANDELENFONDS

a. Changes in the composition of the investment portfolio

In general, the Scope 1 and 2 emissions of the ASN Duurzaam Aandelenfonds are relatively low. The 3% increase is not significant and relates to the selection within the investment universe. The removal of Kontoor Brands, Tech Data Corp and Gildan Activewear made the greatest contribution to the reduction in CO₂ emissions of the ASN Duurzaam Aandelenfonds. Together, they accounted for a reduction by more than 9,100 tonnes.

The newly purchased shares in LG Electronics and Electrolux made the greatest contribution to the increase in CO₂ emissions. Together, they accounted for an increase by more than 26,000 tonnes. Orora, LG Electronics and Valmet were also among the top companies making a major contribution to emissions.

The increase in Scope 3 emissions related to the investment in 2020 in a number of CO₂-intensive companies, such as Fuji, Electrolux and LG. The companies involved were therefore mostly production companies, which generally cause the largest volume of indirect CO₂ emissions.

b. Changes in the CO₂ data

In 2020, it appeared that the CO₂ emissions of Kingspan and Manpower had increased by 809 and 439 tonnes respectively compared to the previous year. In the same period, Holmen's CO₂ emissions declined by 725 tonnes.

c. Changes in the size of the fund

The number of shares outstanding fell by 3.2% in 2020, whereas total CO₂ emissions increased by 14.8%. This means that the absolute CO₂ emission figure per share of the ASN Duurzaam Aandelenfonds went up.

ASN MILIEU & WATERFONDS

The ASN Milieu & Waterfonds recorded a significant decrease in CO₂ emissions per euro of invested capital. The decrease was 5.6% for the Scope 1 and 2 emissions and 26% for Scope 3. This fund invests primarily in companies offering solutions for the global challenges in relation to water, raw materials and energy, such as companies engaged in water treatment, renewable energy, waste treatment & recycling and food & agriculture. The COVID-19 pandemic paralysed a large part of the economy in the past year. This also affected the companies in which the fund invests.

a. Changes in the composition of the investment portfolio

The removal of WestRock, Welbilt and BillerudKorsnas made the greatest contribution to the reduction in emissions

by the ASN Milieu & Waterfonds. Together, they accounted for a reduction by more than 12,000 tonnes. The newly acquired companies Sonoco and Pennon Group together caused an increase by more than 11,000 tonnes.

b. Changes in the CO₂ data

In 2020, it appeared that the CO₂ emissions of Xinyi Solar and Renewi had increased by 2,735 and 1,372 tonnes respectively compared to the previous year. In the same period, the CO₂ emissions of Uponor and Lenzing declined by 791 and 1,552 tonnes respectively.

c. Changes in the size of the fund

The number of shares outstanding fell by 2.3% in 2020, whereas total CO₂ emissions increased by 5.3%. This means that the absolute CO₂ emission figure per share of the ASN Milieu & Waterfonds rose more sharply.

ASN DUURZAAM SMALL & MIDCAPFONDS

Although the Scope 1 and 2 emissions of the ASN Duurzaam Small & Midcapfonds are relatively low, they went up by 21.6% in the past year. The total figure of Scope 1 emissions is fairly low for this fund and relates only to the direct activities. The decline in Scope 3 by 24.2% can be explained by the removal from the portfolio of a number of highly CO₂-intensive companies.

a. Changes in the composition of the investment portfolio

The removal of Brembo, Krones and Jungheinrich made the greatest contribution to the reduction in emissions by the ASN Duurzaam Small & Midcapfonds. Together, they accounted for a reduction by more than 3,800 tonnes. The newly acquired companies Barco and Dialog Semiconductors made the greatest contribution. Together, they caused an increase of more than 1,400 tonnes.

b. Changes in the CO₂ data

In 2020, it appeared that Befesa had increased its CO₂ emissions by 801 tonnes compared to 2019. In the same period, the CO₂ emissions of Signify and Jost Werke declined by 194 and 339 tonnes respectively.

c. Changes in the size of the fund

The number of shares outstanding fell by 22.4% in 2020, while the total absolute CO₂ emissions decreased by 32.1%. This means that the absolute CO₂ emission figure per share of the ASN Duurzaam Small & Midcapfonds went down.

ASN DUURZAAM OBLIGATIEFONDS

The ASN Duurzaam Obligatiefonds made more of its investments in Green Bonds, which increased the volume



of avoided CO₂ emissions. The not particularly significant increase in Scopes 1 and 2 of 3.7% per euro of invested capital relates to the direct activities of government bodies. This fund does not have any Scope 3 emissions. Scope 3 concerns the indirect emissions generated by an investment. Government bonds do not involve products which cause additional emissions or an upstream and downstream production process generating CO₂ emissions.

a. Changes in the composition of the investment portfolio

The decline in the fund's CO₂ emissions was caused largely by the revision of the country weightings. In particular, the decline is due to the decrease in the country weightings of Belgium and Slovenia, and the increase in the country weightings of Italy and Slovakia.

b. Changes in the CO₂ data

The data concerning the CO₂ emissions of countries is improving. In 2020, there was no significant change in the CO₂ emissions of countries.

c. Changes in the size of the fund

The number of shares in the fund fell by 8.6% in 2020. This is more than the improvement in the fund's CO₂ emissions and avoided CO₂ emissions. This means that the absolute CO₂ emission figure per share of the ASN Duurzaam Obligatiefonds went up.

ASN GROENPROJECTENFONDS

The absolute CO₂ emissions of the ASN Groenprojectenfonds declined by 10.5% in 2020. The avoided CO₂ emissions increased by 13.1%. The CO₂ emissions of the ASN Groenprojectenfonds relate primarily to the CO₂ emissions generated by the construction of solar and wind farms. A number of major commitments were assumed in 2020, but the construction and delivery of these projects were delayed by the COVID-19 pandemic. This is why the direct emissions figure is slightly lower for 2020. In addition, a number of large projects (both in the Netherlands and abroad) were removed from the records. This resulted in an increase in avoided CO₂ emissions.

a. Changes in the composition of the investment portfolio

Of the ADF portfolio, the commitments to Bomhofsplas (-6,851 tonnes of CO₂ emissions), Egchelsche Heide (-5,463 tonnes of CO₂ emissions), WML Wind (-2,557 tonnes of CO₂ emissions) and Windpark Nieuwleusen (-824 tonnes of CO₂ emissions) had the greatest impact on the increase in avoided CO₂ emissions. The removal from the records of the loan to Lakeside Energy in Pakistan increased the avoided CO₂ emissions by 3,604 tonnes.

‘By comparing the CO₂ emissions of our investments with a Paris-Aligned Benchmark, we can easily determine to what extent the reduction in our CO₂ emissions is in line with the Paris Agreement’

Mariëtta Smid, Senior Manager Sustainability

b. Changes in the CO₂ data

Effective from 2020, we report on the investments in the Dutch part of the ASN Groenprojectenfonds portfolio in accordance with the PCAF methodology. The impact of using P50 for the ADF portfolio is a 6% increase in avoided CO₂ emissions. We now also include the emissions generated by the construction of new projects if the CO₂ emissions exceed 5% of the total figure of avoided CO₂ emissions. This has resulted in a 4% increase in CO₂ emissions. The final change we introduced concerns the emission factors, with the data for 2020 being based on the energy mix per country. Previously, we based these figures on the emission factors published on www.emissiefactoren.nl. The impact of this new factor is a 34% increase in CO₂ emissions.

PARIS-ALIGNED BENCHMARK

We want to contribute to the ambitions of the Paris Agreement and thereby limit the average temperature rise to a maximum of 1.5 °C. As greenhouse gas emissions are one of the main causes of climate change, limiting those emissions is a crucial step.

In 2021, we continue working on the implementation of a Paris-Aligned Benchmark (PAB). This is an index in which the underlying investments have been selected in such a way as to be in line with the Paris targets. In general, this means that a portfolio must generate 7% less CO₂ each year in order to achieve the targets of the Paris Climate Agreement. By comparing the CO₂ emissions of our investments with the Paris-Aligned Benchmark, we can easily determine to what extent the reduction in our CO₂ emissions is in line with this agreement.





‘We are travelling less obvious roads’

In 2020, the ASN Groenprojectenfonds invested once again in the innovative projects needed for a positive impact on people and the planet. Fund manager Rosemarijn van der Meij talks about guts and strategy in times of COVID-19.

What positive developments happened in 2020?

‘What I find particularly remarkable is how little impact COVID-19 had on the portfolio of the ASN Groenprojectenfonds. Although from March onwards there was a slight delay in the construction of our projects, because many materials are produced in Asia, these matters were resolved fairly quickly. In spite of COVID-19, competition in the project financing world remained fierce in 2020. The market was and still is highly competitive, involving large amounts of money and low market interest rates. Although this may pose a challenge sometimes, project development goes on regardless. In addition, we see increasing reductions in CO₂ emissions within existing solar projects, because technology keeps getting better.’

Did you also notice any new developments?

‘In wind and solar projects, we see an increasing degree of citizen participation in the form of citizen funding, for instance via a subordinated loan. I consider this a very positive development, because it makes people feel they own a project, which indeed they do. Project developers can share a project with local residents at an early stage. In this way, they can actively involve them in the preconditions of the project and remove any concerns and objections. And because these residents are shareholders, they have an actual say in the project. Previously, we noticed with some regularity that permit procedures were delayed or conflicts were taken to court, but this trend is gradually declining because of early-stage citizen participation.’

How did the ASN Groenprojectenfonds perform?

‘The results were good, even though we had to close the fund temporarily in October 2020. This was necessary because more money had been paid into the fund than could



be actively invested in projects. In order to secure the fund's tax status and the potential tax benefit for the investors, the fund must have invested at least 70% of the injected capital in green (sustainable) projects qualified as such by the government.

There are more than enough suitable, sustainable projects available in the market, for which we are negotiating contracts. The fund also provided a large number of loans for new projects that are paid out in tranches. As soon as enough paid-in capital has been invested in projects, the fund can open again.”

“There is an increasing degree of citizen participation and citizen funding”

‘The ASN Groenprojectenfonds has been a very popular fund and has had loyal investors for many years, and this is not just because the investment is tax deductible. Our clients usually see themselves as members and feel part of a club that makes the world slightly better. “Do good, do no harm” – that is the main idea. We translate this into practice by investing in renewable energy projects, among other things. By now, ASN Impact Investors has proved itself to be a frontrunner in exploring new steps towards the necessary energy transition.’

What characterises a frontrunner investment?

‘An investment that has a catalytic effect. This started as early as 25 years ago with a single wind turbine in a farmyard. When we provided our first loan for this in 1995, we were the first investment institution that was prepared to finance such projects. Everybody thought it was exciting, but nobody dared to do it. Renewable energy has now become mainstream, with billions spent on funding onshore and offshore wind farms. Someone needs to have the guts to take the first step.’

What steps required guts in 2020?

‘We explored the options of investing in hydrogen and other circular economy solutions. Both are perfectly in line with our DNA, of course. And even though we would like to remain the frontrunner when it comes to new sustainable applications, we are hoping at the same time that other investors will follow in their droves.’

Delays in construction were resolved fairly quickly

Was it still possible to make a positive impact?

‘Most certainly, because our impact strategy is all about focus, innovative thinking and maintaining a balance. At the moment, about one third of the ASN Groenprojectenfonds consists of wind projects and another third of solar projects. We always try to achieve a healthy mix of project volume and proven technology, versus controlled investment in new technologies.

Examples include geothermics, hydrogen, bio-LNG and battery energy storage. We are at the exploratory stage where geothermics is concerned: is it really all that renewable and how can it contribute to the energy transition? It has not yet attracted all the major investors, so we certainly see opportunities for the fund to take the lead once again. Given the extent of the investments required for a geothermics project, however, we would like to share the risk with others, which means cooperation. Exploring those new technologies – I do regard that as travelling less roads.’



Such as?

‘Our small country offers much more space – literally – than you would expect. As early as 2017, for example, we already financed a magnificent solar farm near Nieuwegein. It involves a plot of land that was set aside for 15 years, after which it may be redeveloped. This set-aside land now accommodates no fewer than 8,200 solar panels, surrounded by water and reed beds and sheep roaming freely. This project is therefore not at the expense of biodiversity, while it provides a financial benefit for the residential estate down the road. There are many such plots of set-aside land and initiatives in the Netherlands. If you set the right example as a fund and show that this is profitable and makes a genuine positive impact, others will follow suit – it is infectious.’

What about biogas?

‘Biogas plants have a relatively longer construction period, but also a longer useful life. Still, we are always looking for this kind of niche sectors and are keen to start a relationship of trust with the developer. In 2020, we arranged a new investment with the first bio-LNG plant in the Netherlands. Bio-LNG is a virtually carbon-neutral fuel that is produced from organic waste. We expect that bio-LNG will play an important role in the coming years when it comes to making heavy road and water transport more sustainable.’

What progress was made in energy storage in 2020?

‘Less than we would have wanted, while the energy grid is sometimes creaking under the volume of sustainably generated energy being returned. We therefore need pioneering work in this area too, in terms of technology as well as financing. Starting small, that is the thing. An example is the HUB – ’s Hertogenbosch Urban Battery – where we are financing a combination of batteries, charging points and solar panels at a multi-storey car park.’

What is the role of biodiversity in the investment universe?

‘Biodiversity is one of the pillars of our sustainability policy, in addition to human rights and climate change. Every project proposal must consider biodiversity elements – this is one of our sustainability requirements. We also facilitate the funding of biodiversity in the project budget. This is because our aim is to have a net positive impact on biodiversity by 2030.’

How does this work out in your investment strategy?

‘We are more likely to opt for rooftop solar projects than for field arrangements of large solar projects, for example, unless it involves a plot of set-aside land that does not yet have a clear designated use, because those are the very plots that are eminently suitable for a temporary solar field.’

How do you measure the impact on biodiversity?

‘We express the quantitative footprint as the number of hectares of a project where all biodiversity will be lost. For now, the qualitative footprint is an interpretation of data and cannot yet be calculated in figures. We are still looking for the right measurement method, because we are the first investment manager that measures the biodiversity footprint of its investments.’

How did you stay on course in 2020?

‘This was relatively simple, because our primary objective will always be the reduction of CO₂ emissions. For example, we invest at least 70% of the Groenprojectenfonds in green loans. Financial return is important too, but takes second place. And even though prices are under pressure and we sometimes have to accept an unfavourable price, the main thing is that the Groenprojectenfonds can continue to invest in sustainable solutions.’



How did you experience 2020 on a personal level?

'For the last year, my routine has comprised two screens, walking the dog and spending time with my family. In that sense, "the market" has become a very static concept, which I observe and analyse from a distance, without being able to physically go out into the world and into the market. Then again, the computer proves to be a great source of information. You can really bring the outside world indoors.'

What matters is the balance between large projects and truly innovative projects

Where will your focus be in the coming year?

'I want to focus even more on smaller projects and special things. Yes, this will increase the risk and require closer monitoring of a project, but it also creates more space for negotiating higher prices. If we provide a certain level of support, a higher price will be justified. I think that ASN Impact Investors is really coming into its own, in that we maintain a balance between large projects funded by the bank from its own balance sheet and small frontrunner projects funded by the ASN Groenprojectenfonds.'

CASH FLOW

The Groenprojectenfonds does not pay out loans as a lump sum, but in tranches during the construction period. Upon completion of the project, the entire loan will be outstanding and will subsequently be repaid in instalments from the cash flow of the operational project over a period of 10 to 15 years.



5.2 BIODIVERSITY

The year 2020 featured extreme weather. There were many disturbing reports, not only about the climate, but also about biodiversity and its loss. With our way of life, we are extracting more resources from nature than nature can restore. ASN Impact Investors aims to make every effort to contribute to the protection and improvement of biodiversity. Our aim is to have a positive impact on biodiversity by 2030. Although we recognise the problem of climate change due to factors such as increased greenhouse gases in the atmosphere, we believe that the subject of biodiversity – which is directly linked to changes in the climate – has remained underexposed until now.

BIODIVERSITY: DEFINITION AND IMPORTANCE

Biodiversity is the variety of living organisms and the variety of relationships they have with one another in ecosystems. It is a source of prosperity that can only be partially expressed in monetary terms. For many, biodiversity has an intrinsic value sufficient to legitimise its protection. Biodiversity, through ecosystems, provides services that have economic, aesthetic, religious and cultural values for people, such as the production of oxygen, water purification, food, fuels, raw materials, medicine, protection and recreation. In the ecosystems that provide these services, a fragile balance exists between the various animal, plant and microorganisms. Therefore, it is important to protect biodiversity. This means that the protection of biodiversity and ecosystems is not only desirable from a moral point of view, but also necessary from an economic point of view, given that many services and products rely heavily on biodiversity.



A worldwide first: measuring the biodiversity footprint of investment funds

In the context of our biodiversity objective, ASN, in collaboration with Pre Sustainability and CREM, has developed a method for measuring the biodiversity footprint of our investment funds. We are the first fund manager to measure and chart the biodiversity footprint. Having a measuring tool is important, because it enables us to use nature restoration as a guiding factor. The method provides insight into the negative and positive impact of our investments and financing on biodiversity: our biodiversity footprint. The biodiversity footprint is calculated in accordance with the Biodiversity Footprint for Financial Institutions (BFFI) and reflects the number of hectares where biodiversity has been lost.

Now that we know the size of the investment funds' footprint, we can continue developing investments that will offset this footprint, enabling us to achieve our target in 2030. This first report concerns the footprint for 2019. We aim to publish our positive and negative impact for 2020 later this year.



The footprint can either be calculated on the basis of actual observations of the changes in biodiversity levels in a particular area, or as the expected impact. The latter is determined on the basis of the economic activities that result in an increase or decline in biodiversity.

To give an example: if we invest in a solar farm on a plot of land, this may lead to a decrease in biodiversity if the solar farm largely prevents the growth of plants and trees on that plot of land. On the other hand, given that the solar farm generates renewable energy, there is no need to use polluting sources such as a coal-fired power station to generate the energy.

There are also some fine examples of new solar farms where biodiversity preservation is taken into account in the design and the realisation. These are deliberately engineered to leave sufficient space between the panels. De Groene Weuste, in which the ASN Groenprojectenfonds invests, is a good example of such a project.

It is important to stress that actually measuring biodiversity is an impossible task, which is why our calculations are based on background data. For instance, we work with available country-specific data rather than actual data from specific companies. Nevertheless, we will continue to make every effort to keep improving the biodiversity footprint, for example by including factors such as investment criteria and certificates in the calculation in the future.

Mitigation hierarchy: avoid, minimise, restore

We perform our biodiversity evaluation using what is known as the 'mitigation hierarchy'. The first step in limiting the impact on biodiversity is the avoidance of impactful activities, followed by minimisation and restoration. These actions – in this order – may therefore prevent the loss of biodiversity in the end. Achieving a biodiversity gain will require offsetting, however, for instance by creating extra nature conservation areas or improving ecosystem services.

As set out in Chapter 1, ASN Impact Investors applies a very strict and extensive sustainability test, based on our sustainability criteria. These criteria are described in the sustainability manual. This manual specifies the projects in which we want or do not want to invest. On the one hand, we avoid potential loss of biodiversity by excluding sectors such as fossil fuels and the mining industry, while on the other we minimise the impact on biodiversity by requiring, for example, that companies operating in the forestry sector perform activities certified by the Forest Stewardship Council.

THIS IS HOW WE CALCULATE THE BIODIVERSITY FOOTPRINT

For each investment, we need to gain an understanding of the company's impact and its economic activities. Life Cycle Assessments (LCA) provide clarity on the exact input and output of a process, and on the extent to which the production process of a product is harmful to the environment. In this way, we can obtain an overall picture of all the raw materials used and the emissions generated. As part of this process we also need to understand how these emissions affect the various impact categories. We have identified 17 different impact categories. The main impact categories, which can lead to a loss of diversity, are the following:

- a. Land use: human land use has the greatest impact on biodiversity loss worldwide;
- b. Climate change: greenhouse gas emissions cause a change in temperature and in the habitat of animal species;
- c. Acidification: too much nitrogen in the soil is an important cause of the decline in rare species;
- d. Eutrophication: because of an abundance of nutrients such as phosphates, only species that can absorb large quantities of nutrients survive;
- e. Smog: an increased level of ozone in the air;
- f. Water consumption: in areas affected by water scarcity, water extraction is harmful to nature;
- g. Ecotoxicity: the emission of toxic substances also has a detrimental effect on the functioning of ecosystems.

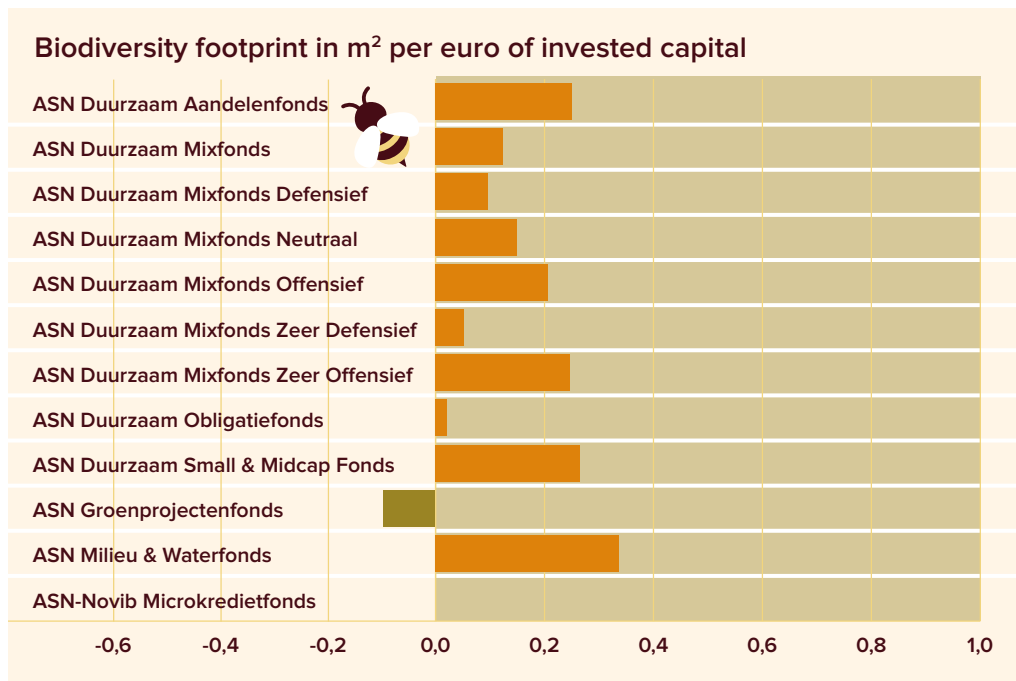
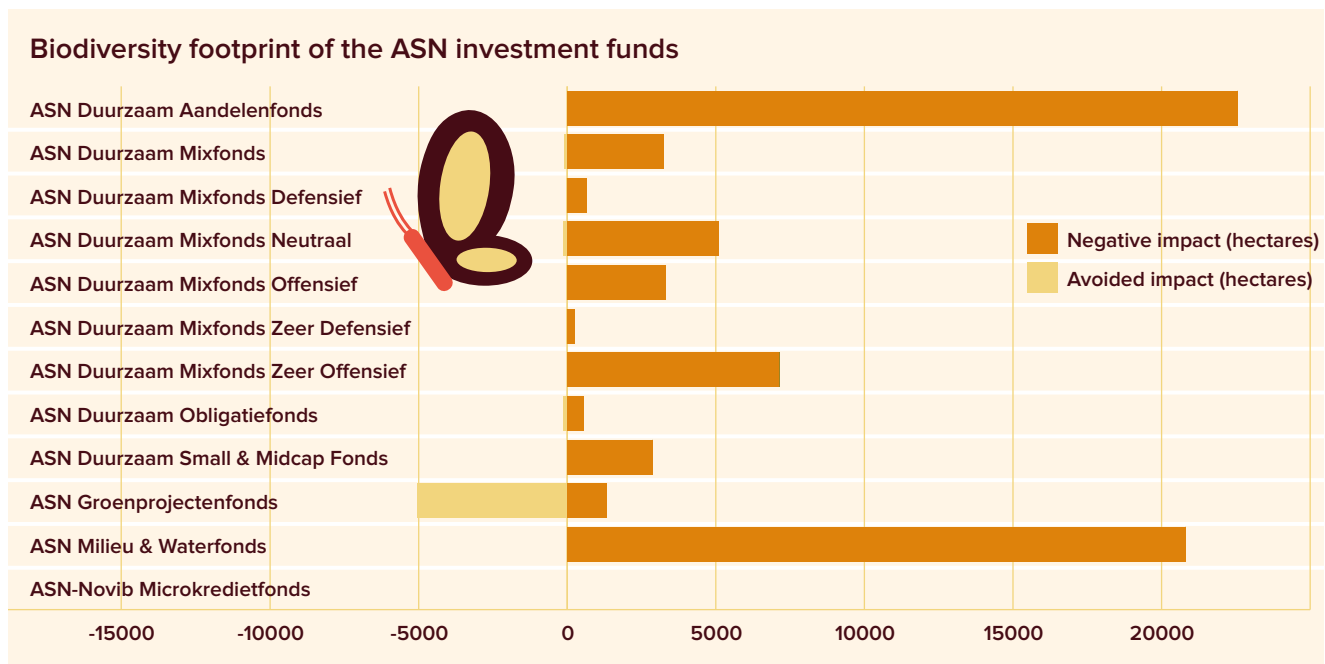
We can then make the transition to the potential biodiversity loss in ecosystems on land, in fresh water and in salt water. We express this as the potential loss fraction of species in an area over a particular period.



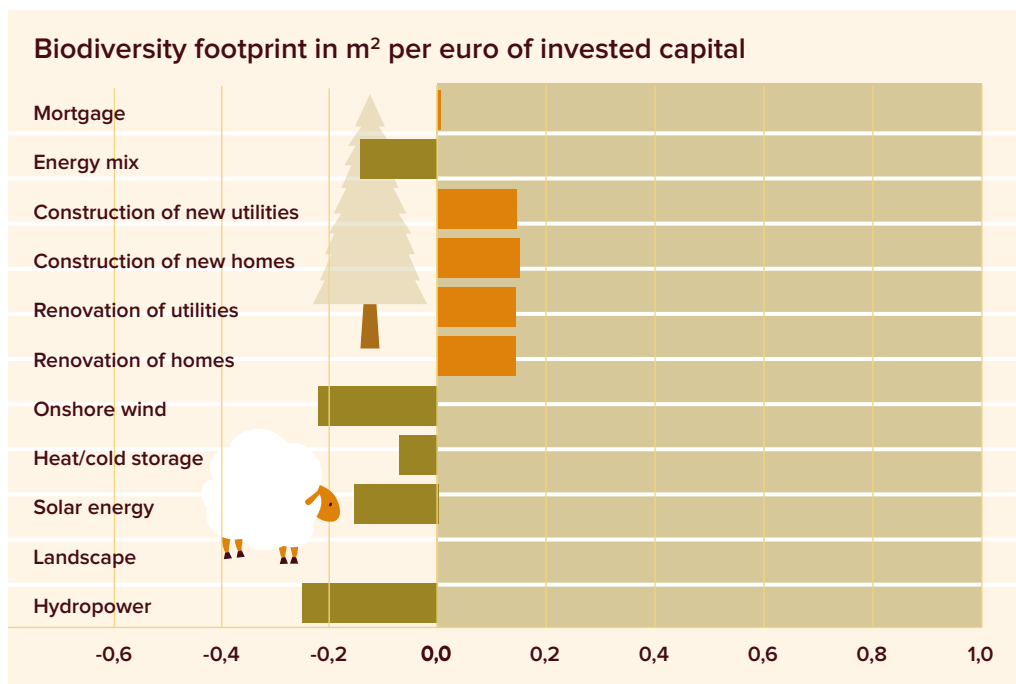
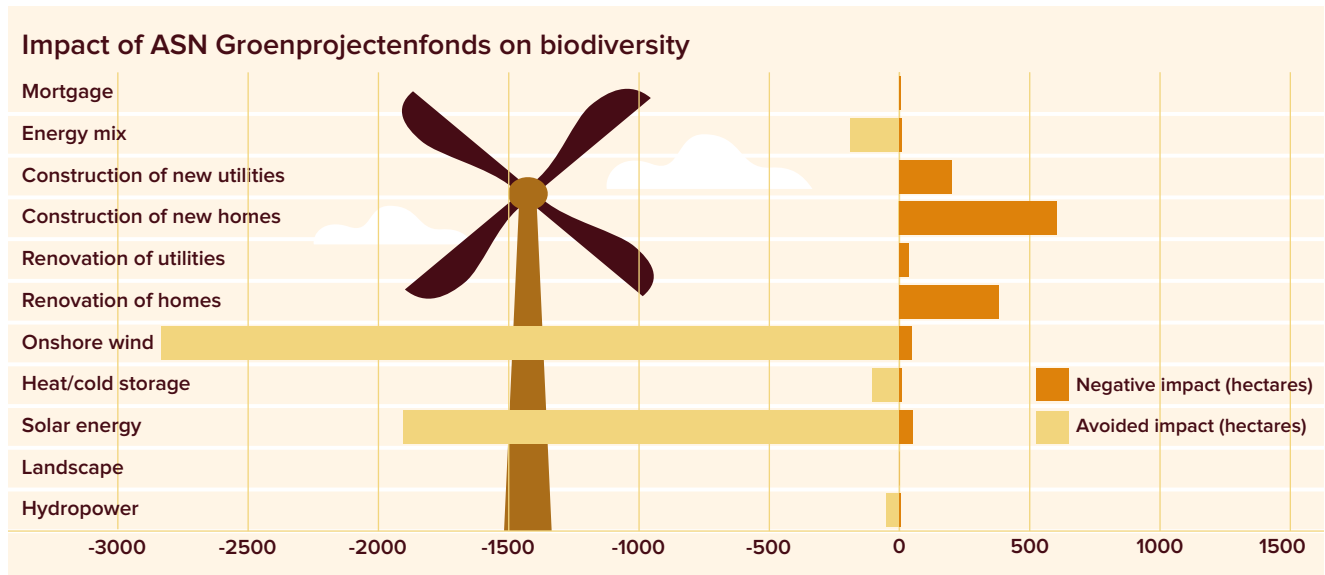
Biodiversity footprint 2020

Looking at ASN investment funds as a whole, this translates into a negative impact of **67,885 ha** and an avoided negative impact of **5,453 ha**. By way of comparison: this is an area nearly 1.5 times the size of the island of Texel in which all biodiversity has disappeared in the space of one

year. Fortunately, this comparison need not be taken too literally; it is not as if 100% of all biodiversity was lost in one specific area last year. In reality, this concerns a much larger area in which a smaller part of biodiversity has been affected for a shorter or longer period.



The positive impact of the ASN Groenprojectenfonds on biodiversity is greater than its negative impact. The chart below shows in what way various investments make a positive and/or negative contribution. The figures refer to the biodiversity footprint in square metres per euro of invested capital.



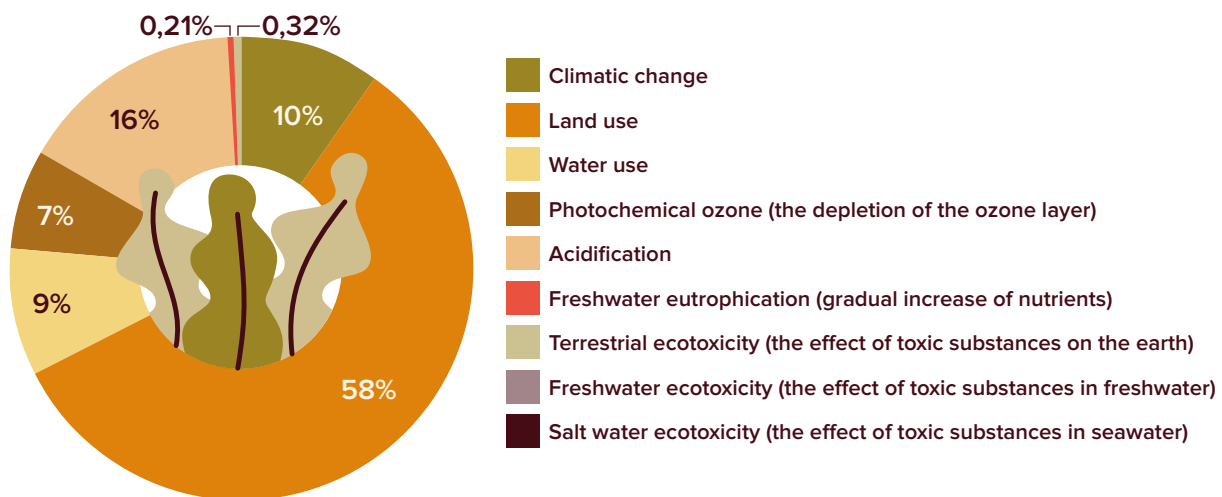
Impact indicators of ASN investment portfolio

When we look at the total impact of our own portfolio and we make the transition to the 17 impact indicators (see the box on page 33), we see that land use has by far the largest share in biodiversity loss: 58% of the loss is attributable to the disappearance of land developed for industry. After land use, acidification (too much nitrogen in the soil) accounts for the next largest share. This involves the emission of substances such as nitrogen, ammonia and sulphur dioxide, and relates to 16% of our biodiversity footprint. Climate change (10%), water consumption (9%) and impact on the ozone layer (7%) also play an important part. Our portfolio has a minimal impact on freshwater and saltwater pollution, toxic substances and eutrophication.

Differences between ASN investment funds

When we look at the funds individually, we see that the ASN Duurzaam Aandelenfonds and the ASN Milieu & Waterfonden account for the largest share in the total biodiversity loss, of 34% and 31% respectively. The ASN Groenprojectenfonds invests in renewable energy, such as wind and solar farms. Because this energy no longer needs to be generated by means of fossil sources, these investments also have a positive impact on climate change, and in this way contribute to 'avoided' biodiversity loss as well. This fund does make a negative contribution where land use is concerned, though.

Causes of biodiversity loss in hectares



Absolute impact

When we look at the absolute impact, we see that only 21 companies cause 50% of the total biodiversity loss. With regard to these 21 companies, there are again a few sectors that stand out. This involves a number of large packaging companies, but also manufacturers of consumer goods and food producers. Because we know that our impact is greatest on land use, it is no surprise that these sectors stand out: these companies need a relatively large amount of land in order to make their products. For example, packaging companies use a lot of paper/ cardboard, which comes from forests. Obviously, we already apply strict requirements in relation to companies engaged in paper production, and we focus on recycling. We also demand that wood has been certified in accordance with the standards of the Forest Stewardship Council. What this means for us is that we must impose even stricter requirements in the future in order to achieve our targets for 2030.



Partnership for Biodiversity Accounting Financials

PBAF

The Partnership for Biodiversity Accounting Financials (PBAF) was set up on the initiative of ASN Bank in collaboration with Triodos, Triple Jump, ACTIAM, Robeco and FMO. Interest for the impact on biodiversity has (finally) increased in recent years, which is why it is important that companies can provide insight into their impact on biodiversity in a transparent and comparable manner. The purpose of this collaboration is to identify opportunities and possibilities for reporting on biodiversity – and obviously also to make this a guiding factor in investment decisions. Effective from this year, there are 21 participants.





‘In biodiversity, everything comes together’

While climate change is high on the agenda worldwide, biodiversity still occupies only a modest position. But if it were up to natural capital expert and CREM partner Wijnand Broer, that is about to change.

Where does that urgency lie for you?

‘International research conducted in 2019 showed that one million plant and animal species are in danger of disappearing, while many raw materials and economic sectors depend on the variety of plants and animals. Companies and financial institutions can press a number of buttons to reduce the pressure on nature. Examples include fewer CO₂ emissions, less water use, less land use, etc. All these “pressure factors” come together in the theme of biodiversity.’ ‘By looking at biodiversity, it also becomes clear that these pressure factors are interrelated. Just look at the biofuels discussion, for example. A few years ago, that seemed like a wonderful solution to reduce CO₂ emissions. But certainly for the first generation of biofuels, a great deal of agricultural land was consumed, for example for the production of sugar cane in Brazil. That shifted the climate problem onto land use. Less pressure on one issue increases the pressure on another, they are interconnected vessels. With biodiversity, you look at all the vessels at once – everything comes together within it, so you can make better choices.’

How exactly do you calculate that biodiversity footprint?

‘Together with PRé Sustainability, an expert in life-cycle analysis, we calculate the contribution of economic activities (in which investments are made) to different environmental themes, such as climate change and pollution. We then calculate what the impact of this is on biodiversity. We express this very pragmatically in terms of the number of hectares on which all biodiversity has been completely lost. This sounds relatively simple

“With biodiversity you look at all the vessels at once, so you can make better choices.”



but you need a lot of data. For example, one of the major challenges is that many companies do not yet report on their land use. As a result, we do not yet have all the exact figures and often have to use average figures in a sector in a country. Fortunately, this is accurate enough to pinpoint the underlying problem: where can you expect the most impact and why?’

‘Another crucial question is how far you go. Suppose you invest in a company like Adidas: do you only include the impact of Adidas’ stores or of the entire chain behind them (cotton production, leather production, etc.)? To obtain a realistic picture, we did the latter for ASN Impact Investors. So even though ASN Impact Investors does not invest directly in cotton, for example, they now know where the most negative impact on biodiversity is for Adidas.’

What does that knowledge provide?

‘Once you know where in the chain the most impact is, you also know what questions or requirements you can ask of the companies you invest in or want to invest in. So your selection process as well as your commitment become sharper. After all, the ultimate goal is to reduce that negative impact and, if possible, increase a positive impact, for example by investing in nature restoration. Less loss of biodiversity ultimately means less investment risk. Thus, for example, cotton production depends on pollinators, such as bees. The conservation of biodiversity in this case also means the conservation of production. The footprint method is still evolving. For example, we are currently working on the footprint of a market index, a better method of measuring positive impact, and a “dashboard” that shows what you can do with the results. In doing so, you must not be blinded by the one figure produced by the footprint; it is much more about what you can learn from the calculation.’

Many raw materials and economic sectors depend on the variety of plants and animals

Do you expect biodiversity to become mainstream among other asset managers?

‘Undoubtedly, not least because in 2020 the Dutch central bank (DNB) published a study on the risks to the financial sector from the loss of biodiversity entitled “Indebted to Nature”. DNB was the first to do this worldwide, but if this also starts to happen in other countries, I expect the financial sector to wake up once again. As was the case in the past with climate-related asset stranding.’

ABOUT CREM

Wijnand Broer is a partner at CREM, a sustainability consultancy established in 1989, which works with and on behalf of companies, governments, knowledge institutions, public organisations and citizens to create a sustainable economy and society. CREM is an expert in national and international corporate social responsibility, biodiversity/natural capital, circular economy and sustainable production and consumption. Like PRé Sustainability, CREM was closely involved in the development of the measurement methodology.



5.3 HUMAN RIGHTS

Living wage at garment companies

Both the ASN Duurzaam Aandelenfonds and the ASN Duurzaam Small & Midcapfonds invest in garment companies. Those who invest in a company are able to influence its policies and practices. We want companies in the garment industry to become more aware of the structural underpayment of the people who make clothes. We also want them to address this underpayment and work together with other stakeholders, such as trade unions and governments, to find solutions. That is not easy given that garment companies themselves do not pay the wages; the suppliers do that. These factories want to remain competitive in a competitive market, with one factor being that consumers are now accustomed to cheap clothing.

In 2017 and 2018, ASN Bank's ECD department, together with the international accounting firm Mazars, put the methodology for measuring living wages on a more professional footing. Since then, the methodology has been more in line with the United Nations Guiding Principles for Business and Human Rights and its associated Reporting Framework. In 2020, the methodology was developed further.

In 2020, most companies were in the Developing and Maturing phases. One company is in the Advanced phase. The results appeared in the [Living Wage Report 2020](#) that was published in September 2020.

In order to achieve the sustainable investment goal of 'living wage in the garment industry', we have established a solid engagement strategy with methodology, goal, intermediate goals and process. The results of this are presented in Chapter 6 Active Ownership.

Low wages usually leave factory workers with no savings. In addition, many garment-producing countries have virtually no social security



Impact of ASN-Novib Microkredietfonds

The ASN-Novib Microkredietfonds gives low-income and disadvantaged groups in low-income countries access to financial services. One of the fund's goals is to promote a more equitable distribution of wealth by providing people worldwide with access to financial services (financial inclusiveness). To achieve this, Microfinance Institutions (MFIs) are important, as is a versatile financial sector. The ASN-Novib Microkredietfonds contributes to this, partly also by funding MFIs whose systems and processes are less well developed. These MFIs represent only a small percentage of the portfolio, however. What is important is that these MFIs do meet minimum requirements and that they are able to improve their systems and processes.



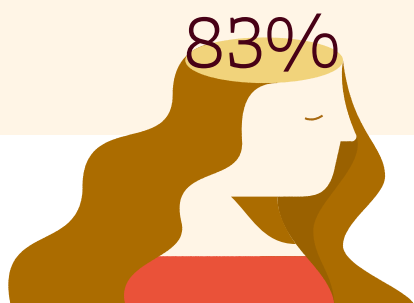


Number of countries in which the ASN-Novib Microkredietfonds invests in MFIs through private loans and equity investments at the end of December 2020.

The number of microfinance institutions (MFIs) in which the ASN-Novib Microkredietfonds had direct investments at the end of December 2020.

Average funding per MFI.

The percentage of microcredits issued in rural areas where access to financial services is limited.



The percentage of microcredits granted to women. It is important to reach women borrowers since the benefits of loans to women usually accrue to the entire family.

The fund gives micro-enterprises and small and medium-sized enterprises access to financial services.

22,2 mln

Number of borrowers who received a loan from the MFIs.

80.000

Growth in number of borrowers in 2020 compared to 2019.



The percentage of the invested portfolio that is invested in micro-entrepreneurs. 27% of the invested portfolio is invested in small and medium-sized enterprises.

The average sum that MFIs lend to individual borrowers.

	Latin America	Europe and Central Asia	Asia	Africa and the Middle East	Total portfolio
Average SPM-score*	79%	80%	76%	77%	78%
Number of funded institutions	29	20	20	10	81
Number of borrowers reaching MFIs (in millions)**	2,8	1,3	17,1	0,9	22,2
Percentage of female borrowers	67%	46%	91%	67%	83%
Percentage of borrowers in rural areas	59%	55%	76%	36%	69%
Average loan amount to borrowers (€)	1.883	1.986	374	1.015	753

* SPM = social performance management

** This is the total number of active borrowers estimated to be funded by the MFIs in the fund's portfolio (rounded), including investments in funds and institutions operating globally.



Assessment of social performance

The assessment of social performance (SPM or social performance management) is an integral part of the investment process of the ASN-Novib Microkredietfonds. A social performance scorecard maintained for us by Triple Jump allows us to verify that the fund is investing in MFIs that deal responsibly with their stakeholders and have a positive impact on their borrowers in socio-economic terms. The scorecard is a tool that allows us to analyse the MFIs’ social mission: their intent and the

processes and systems they have in place to ensure that their activities are an extension of their mission. The scorecard consists of 68 indicators.

The score is prepared at the selection stage of the investment and again when the loan is renewed. The data used to calculate the SPM scores comes (in part) from the countries where the MFIs are located. This data has not been audited by the local auditors.



The average score of the social performance of the ASN-Novib Microkredietfonds portfolio at the end of 2020 was **78%**, unchanged from 2019’s average score.

Although the average score did not change, several developments took place in the portfolio during the past year:

- Two MFIs, with an average SPM score of **82%**, were admitted to the portfolio.
- Three MFIs improved their score during the reporting period and now have an average SPM score of **82%**.
- Their average score was **74%**.
- The other MFIs in the portfolio maintained the same score as we saw no significant changes during the reporting period.

Distribution of SPM scores across categories

SPM-score	Percentage
Excellent (> 80%)	49%
Good (61 - 80%)	49%
Minimum required (51 - 60%)	3%
Inadequate <-50%	0%





‘I know how resilient entrepreneurs are’

What effect did 2020 have on micro-finance institutions worldwide? Fund manager of the ASN-Novib Microkredietfonds Sascha Noé: ‘Measuring impact, assessing and spreading risks, that is what we do for the fund on a daily basis. However, 2020 was a very exceptional year, of course, because the effects of COVID-19 were visible everywhere simultaneously.’

The Microkredietfonds is a very stable fund, explains Noé. ‘We carefully identify and analyse risks and spread them across multiple countries. We monitor the countries closely, have a long track record of cooperation and a solid mutual trust relationship with the local microfinance institutions (MFIs). They provide the loans to local entrepreneurs.’

What did COVID-19 mean operationally?

‘2020 was definitely challenging. Normally, we only need to keep an extra eye on a single MFI within the portfolio. We do this by means of additional in-depth analysis in cooperation with our partner Triple Jump, for example when there are presidential elections, local conflicts or demonstrations. Or if an incident occurs, such as in the case of the explosion in the port of Beirut in Lebanon. Because of COVID-19, it was necessary to perform many more analyses almost simultaneously.’

We had to perform countless analyses almost simultaneously

‘Our goal of keeping all MFIs afloat was paramount in 2020. We were successful, as we quickly made agreements with one another about postponing scheduled payments where necessary. The cooperation with the other investors in the MFIs involved was also very good. We immediately entered into discussions with one another and examined per country and MFI how we could give them more breathing space, for example by delaying repayments by six or nine months. We quickly reached agreement because the social



impact – such as financial inclusiveness and equal opportunities for women – is the main driving force for the entire chain. This social cohesion and wanting to help, plus the financial return, can go together really well.'

Nevertheless, the fund had to close for the first time.

'Yes, despite all our efforts, we unfortunately had to temporarily close the fund for the first time in all these 25 years, and also realised a negative return for the first time. This, incidentally, was a convergence of circumstances; in addition to the already planned cash outflow, the lockdowns made it impossible for many borrowers to repay loans. Not so much because they did not have the money, but because they often had to travel considerable distances, which of course they were unable to do now. Still, I maintained tremendous confidence.'

The goal of keeping all MFIs afloat was paramount, and we were successful

What is that confidence based on?

'First of all, we know from experience that local entrepreneurs are enormously flexible, resilient and innovative, no matter where they live. After all, they have to put bread on the table every day. So if their current business is no longer profitable, they immediately look for another source of income. A small loan can be a big help, giving just that little bit of financial flexibility to start something new. If your taxi isn't needed during a lockdown, you have to come up with something else, such as selling mangoes from your garden. Most of the borrowers kept their heads above water. That is a good sign.'

'Secondly, history shows that when entrepreneurs are able to move freely again after a crisis, they are also able to repay their loans. This is often a physical issue: you literally must be able to drive or walk to the loan repayment office. If, for example, riots or demonstrations prevent that from happening, no repayment is made. In that sense, the mobile payment trend that you are now seeing at microfinance institutions is good news. It makes it much easier and safer to repay a loan. Personal contact does however remain essential in order to properly assess whether someone will be able to repay their loan.'

Small business owners are tremendously resilient and innovative, no matter where they live

In what sense were borrowers affected?

'Small business owners in low-income countries make their money in the informal sector. They were particularly badly affected by local measures to prevent the spread of COVID-19, such as a lockdown or curfew. If their income is reduced because they have to temporarily cease or change their activities, they immediately have a financial problem. These entrepreneurs usually have no or only a small financial buffer to fall back on. And unlike in the Netherlands, they cannot expect financial support from the government either.'



Why is microcredit now still necessary?

'When small business owners in low-income countries are confronted with unexpected expenditure, borrowing money from neighbours or friends is often the only option. Or, in the worst case, slaughter the cow on which the family income depends. By means of an MFI, the entrepreneur can borrow a small amount based on their own income and thus at least still keep that cow. And it is precisely with a small loan that you can give someone access to the resources needed to move forward, such as a sewing machine, oven or bicycle taxi.'

'Of course, MFIs look very carefully in advance to see if an entrepreneur is capable of repaying the loan. After all, you can only really promote financial inclusiveness and independence with responsible repayment capability, otherwise you are helping someone jump from the frying pan into the fire. So fortunately the fund is open again and we were able to do a lot throughout the year. I am always amazed at how much a small loan or a safe savings product, which no one can take away from you, can do. That cannot be expressed in impact numbers.'

How do you see 2021?

'For me, this year is all about growth. We, together with Triple Jump, are now monitoring repayments on a daily basis. Up until now, the impact of COVID-19 does not seem to be too bad, partly because many farmers are borrowers and farming continues as usual. Of course, I am also very curious to know how individual borrowers are faring, but my data continues to mostly be statistical at the moment. And this is looking good. COVID-19 is not over yet, but we are investing heavily again.'

History shows that when entrepreneurs are able to move freely again they can also repay their loans again

- Microcredit funds are stable and have a **low risk and tremendous social impact**. That makes them attractive to investors.
- **Mobile payment is a trend** among microfinance institutions; it makes it easier and safer to repay a small loan.
- Microcredit funds were also indispensable in **disseminating information about coronavirus** in 2020, especially in countries where people have little faith in governments.
- The ASN-Novib Microkredietfonds was the **first microcredit fund in the Netherlands** and is celebrating its 25th anniversary this year.



6. Active Ownership

With Active Ownership in the form of engagement and voting, we encourage listed companies to make their policies and activities more sustainable, to be more transparent and to provide clarification when misconduct occurs. Both are tools to achieve our goals.

6.1 ENGAGEMENT

We engage with a company if it becomes apparent during a review that it no longer complies with ASN's sustainability criteria, if misconduct is occurring or if there are repeated instances of serious misconduct at companies in virtually the entire sector, such as in the pharmaceutical and garment industries.

We distinguish four types of engagement:

- **Active:** in the case of controversial or missing policy, with a duration of one year.
- **Strategic:** programmatically focused on a sector if we have identified that there is a lot going wrong in that sector. In 2020, we pursued strategic engagement with companies in the pharmaceutical and garment sectors (see page 47).
- **Passive:** the company receives a letter once every four years with points for improvement.

‘Engagement is one of the means of achieving our sustainable objectives. For a living wage, for example, we measure annually where suppliers in the garment industry stand. But we also put topics such as the environment, discrimination and #MeToo-related issues on the agenda.’

Mariëtta Smid, Senior Manager Sustainability

What is regarded as serious misconduct?

‘Serious misconduct’ is determined on the basis of the following questions:

- Are human and labour rights being violated?
- Is there any major misconduct in the field of ethics, biodiversity or climate change?
- What is the scope of the violations?
- Are they occurring consistently or on a large scale?
- Are they consciously perpetrated or tolerated?
- What is the nature of the violation? (Sometimes an incident may be so serious that the scale is irrelevant.)
- How does the company respond?

If any misconduct is found to be serious, it is submitted to the Investment Committee. The seriousness of the misconduct may lead to:

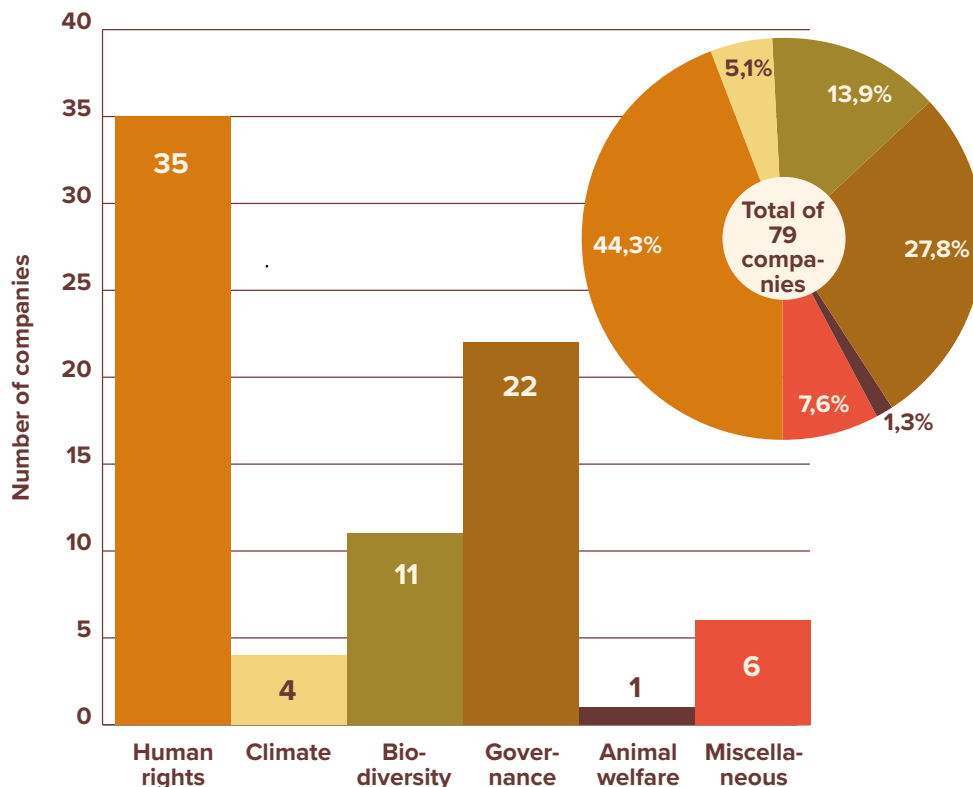
1. a company being rejected if it has not been included in the investment universe at that time;
2. engagement with the company being pursued;
3. a company being removed from the investment universe.

When we engage with a company, there are three options:

1. The company denies there is a problem. If so, we would like to see evidence of this.
2. The company itself does not yet know exactly. In this case, we expect a thorough investigation and set a deadline for the investigation.
3. The company admits its involvement in this misconduct. If so, we expect a plan of action, with compensation for the victims where relevant and a deadline.



Themes on which we engaged in 2020:



Engagement by the ASN Duurzaam Aandelenfonds

In 2020, we entered into dialogue with 50 companies from the ASN Duurzaam Aandelenfonds investment universe, 6 of which were companies in the pharmaceutical sector. As part of the long-term living wage objective, we conducted a dialogue with 15 garment companies. Another 35 companies were approached for other reasons. In 2020, we engaged with Philips. The company had become discredited because of involvement in corruption.

PHILIPS

Although Philips has a very good policy to fight corruption, corruption did occur in China in 2020. Previously, other instances of corruption had come to light in Brazil and Poland. This is a serious issue for us, which is why we started to engage with the company. Philips has answered our questions sufficiently well, has tightened internal procedures further, and maintains a zero tolerance policy for corruption. Although we have faith in this approach, we will keep monitoring the company closely.

WESTROCK

The US company WestRock produces cardboard and has its own forests with sustainable certification, such as FSC and PEFC. However, it also buys a lot of wood for which sustainable certification is lacking. We want the vast majority of wood used to produce cardboard to come from sustainable forest management. The company also lacks ambition. They have let us know that their goal is for 25% of purchased wood to be certified by 2025. We consider this insufficient and have therefore rejected this company.

Engagement by the ASN Milieu & Waterfonds

In 2020, we entered into dialogue with 29 companies from the ASN Milieu & Waterfonds investment universe. For a large number of these companies, this mainly involved additional engagement to get the companies to develop further in the area of sustainability. We had discussions with the other companies because it appeared that misconduct had occurred, or because a reassessment had revealed that the companies no longer met our criteria.



One of the companies with which we engaged in 2020 is Severn Trent. We spoke about water usage, the manner in which the company reports on this subject and the exposure to climate change. Severn Trent indicated that it is in possession of the data. The company might be prepared to report on this. The outsourcing partner for the ASN Milieu & Waterfond was invited to visit the company in order to examine the latest innovations in the area of water.

Engagement by the ASN Duurzaam Small & Midcapfonds

In 2020, we entered into dialogue with 22 companies from the ASN Duurzaam Small & Midcapfonds investment universe. As part of the long-term objective of a living wage, we held talks with 15 garment companies, the same companies that were referred to in the paragraph on the ASN Duurzaam Aandelenfonds. Two of these companies are part of the investment universe of the ASN Duurzaam Small & Midcapfonds. We also intensified our engagement, to encourage companies to develop further in the area of sustainability.

SIMCORP

In 2020, we engaged with SimCorp in connection with an investigation by a cybersecurity expert. We spoke about the possible cyber risks. SimCorp took timely and adequate action in response to the findings.

Strategic engagement in 2020: Living wage in the garment sector

In 2020, we as a partner in the Platform Living Wage Financials, once again pursued strategic engagement for a living wage at companies in the garment sector.

Particularly in 2020, the engagement proved more urgent than ever, as there were many reports during the first lockdown that clothing brands were cancelling their orders – even when they were almost or completely ready – with the loss of a large number of jobs. Fortunately, the brands in our universe were not guilty of cancellations.

In 2020, we asked clothing brands to manage the impact of the COVID-19 pandemic and lockdowns responsibly, despite the numerous cancellations of clothing orders. Among other things, we requested during the discussions that prudent financial management be exercised and that high labour standards be maintained (including the pursuit of a living wage) for factory workers at this time.

STRATEGIC ENGAGEMENT IN 2020:

Collaborative engagement in the pharmaceutical industry on COVID19 vaccines

In 2020, we conducted strategic engagement to promote greater collaboration in the pharmaceutical industry regarding COVID-19 vaccines. At the initiative of Achmea Investment Management, we drew up an investor statement together with approximately 40 investors worldwide. In this statement, we urged pharmaceutical companies to engage in far-reaching collaboration in the fight against the coronavirus. We also highlighted their responsibility in the development and global distribution of the coronavirus vaccine, and argued that enforcing of patents, setting excessive prices, concealing relevant research data and obtaining market exclusivity should not stand in the way of that responsibility. Together with other signatories to the investor statement, we held discussions with AstraZeneca and Novo Nordisk.

Background: Engagement in the pharmaceutical industry so far

Since 2015, we have engaged intensively with pharmaceutical companies. On behalf of ASN Impact Investors, Sustainalytics researched the 15 largest pharmaceutical companies in the world. This research revealed that these companies do not adequately supervise and are not transparent about the research and development, production, marketing and sales of medicines. Most companies do have a policy, but do not apply this policy consistently.

Pharmaceutical companies develop and produce medicines. That makes these companies indispensable for human health and well-being. That is why we prefer this industry to be represented in the ASN Investment Universe. Many pharmaceutical companies have sustainability policies that meet our sustainability criteria. Unfortunately, we have also identified structural abuses at these companies. Although the industry is so important that we will continue to invest in it, we believe it is necessary to tackle these abuses.

After four years, in 2019, we evaluated the engagement process, based on Sustainalytics' evaluation report and the experience of ECD analysts with company engagement. After the evaluation we decided to continue the dialogue, albeit less intensively than in previous years. We continued the dialogue with the six remaining companies in our investment universe: Astellas Pharma, AstraZeneca, GlaxoSmithKline, Novo Nordisk, Merck KGaA and Orion. We worked with Sustainalytics to create a scorecard to measure the progress of these six companies. We shared these scorecards with the companies at the end of the year for feedback. After analysing the responses from the companies, we published the scorecards in the first quarter of 2021. The scorecards are produced every two years. The next scorecards will therefore be published in 2023.



This group in particular is in a very vulnerable position. Textile workers who usually do not receive a living wage do not have savings and cannot rely on a government welfare system.

In addition, we asked the clothing brands to work together with stakeholders, such as the International Labour Organization (ILO) and organisations that strive for better working conditions specifically in the garment industry. Only by means of better cooperation can the current vulnerable position of textile workers be improved.

Both the ASN Duurzaam Aandelenfonds and the ASN Duurzaam Small & Midcapfonds invest in garment companies. Those who invest in a company are able to influence its policies and practices. None of the 15 garment companies in the ASN Investment Universe can currently guarantee that factory workers receive a living wage. After all, they do not pay these people themselves; they are often employed by the suppliers. This emerged from the research we started in 2016. Following its acquisition, Amer Sports was removed from the universe in 2019. Hanesbrand and VF Corp were added in 2019. In 2020, Coats Group was added.

As described in Chapter 4, we further developed the methodology for measuring living wages in 2020. Since 2020, companies have been classified into five categories. We also adjusted a few of the weightings. Mazars provides annual independent assurance in which it determines whether the methodology has been carefully applied. Assurance was also given in 2020.

The first measurements we performed mainly concerned the question whether the company had a living wage policy. Using the existing methodology, we also assessed the situation in practice. For each company we ask eight questions, such as: To what extent does the company integrate its living wage policy into its operations? What is the impact of this on textile workers? How transparent is the company about this? Answers to these questions have led to the classification of the companies into the 5 categories: from Embryonic (the company does little or nothing in the way of a living wage), via Developing, then Maturing (the development is progressing) and Advanced (the development is nearing completion) to Leading. In 2020, most companies were in the Developing and Maturing phases. One company is in the Advanced phase. The results appeared in the Living Wage Report 2020 that was published in September. The research results provide a sound basis for in-depth discussions, including on the ambitions of companies for the future.

ENGAGEMENT WITH COMPANIES IN MYANMAR

In July 2020, we were briefed by Oxfam Novib on the situation in Myanmar. This was before the election. They informed us that the government of Myanmar had shut down parts of the internet. Myanmar NGOs and the embassies of Western countries already expressed their concern about this at the time – see for example <https://www.mmtimes.com/news/myanmar-urged-reinstate-internet-fix-telecoms-law-anniversary-shutdown.html>[3]. The shutdown of the internet by the Myanmar authorities stems in part from the conflicts in Rakhine State and is related to the repression of Rohingya Muslims in Myanmar and of various other ethnic minorities. Shutting down the internet is detrimental to civil society in countries and is a repressive measure that is unfortunately increasingly deployed by authoritarian governments, even more so in recent months in response to the COVID-19 pandemic and public criticism of the handling thereof. In recent years, pressure on NGOs, journalists and independent media has increased in a broader sense in Myanmar.

A local partner of Oxfam Novib sought contact with them about this issue and Oxfam Novib drew attention to Dutch investments in foreign telecom companies operating in Myanmar. Research subsequently showed that a number of Dutch financial institutions (banks, the development bank, pension funds) invest in these telecom companies.

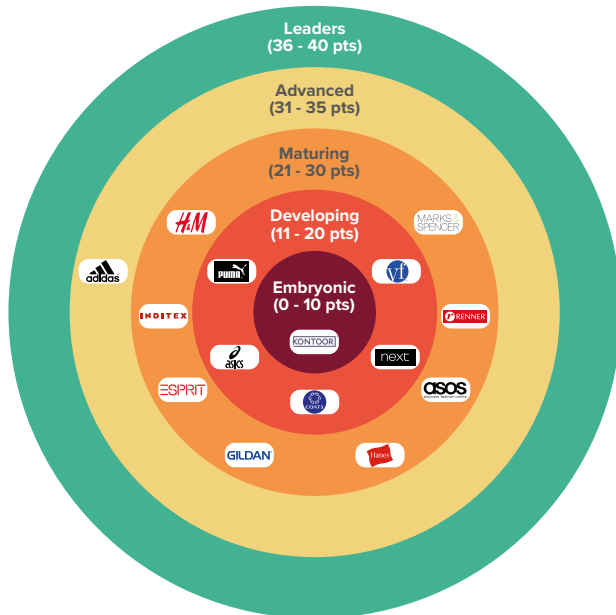
The ASN Impact Investors investment universe also includes companies that operate in Myanmar, including telecom providers and suppliers to clothing brands. Not all business activities are at equal risk of becoming involved in human rights violations. However, Japanese telecom company KDDI is a company where we did identify high risks. In September 2020, therefore, we decided to engage with KDDI, after first conducting a preliminary study that we discussed in our Investment Committee.

We also pursued engagement with Sweden's Ericsson due to the same issue. The trigger in 2020 was a directive from the Myanmar government that provides for two things:

- A further expansion of areas where the internet must be shut down. In June 2019, this had already been decided for a number of townships. Townships are areas where there is a violent conflict between the Myanmar government and the Arakan Army (ethnic separatist movement). Shutting down the internet violates international human rights because of the right to freedom of expression.
- Blocking more than 200 websites for spreading 'fake news'. Several of these involve independent media (mostly affiliated with ethnic minorities). However, the media has not seen any evidence to prove this or whether they had a fair trial. These media are important to ethnic minorities. They mostly do not speak the Burmese language or they do not trust the Burmese media. The articles mention two reasons why this is especially bad: on the one hand, blocking these websites means there is no longer any reporting of crimes committed by the government army against the local population; on the other hand, the population also no longer has access to COVID-19 reporting. >



As a result of the report and individual assessments for each company, we met with nearly all of the garment companies in our investment universe in 2020.



In addition, the UN Special Rapporteur on the promotion and protection of the right to freedom of opinion and expression believes that this type of directive (when human rights are curtailed) should be authorised by an independent legal body, which is clearly not the case here. The telecom companies involved should therefore not have heeded the Myanmar government’s call without question.

KDDI has had a partnership with Myanmar Post and Telecommunications (MPT) since 2014 and also operates through a subsidiary in Myanmar. Ericsson operates in Myanmar by way of a subsidiary. Following the engagement, we decided to reject KDDI. We believe that KDDI does not recognise or acknowledge the risks of violating human rights. It has not discussed this with the partner with whom it collaborates. It also has not had any contact about this with NGOs in Myanmar. The company simply implements legislation. Ericsson does remain in our investment universe, however. It is discussing the situation with its supplier and eliciting information from NGOs about the situation in Myanmar. The company recognises the risks and demonstrates that it is anticipating them. Ericsson has also signed a statement by concerned companies active in Myanmar: <https://www.myanmar-responsiblebusiness.org/news/statement-concerned-businesses.html>.

The investigation and engagement mainly took place in 2020, with the decision being made in early 2021. Of course, we are also keeping a close eye on clothing brands, which are also covered by the Platform Living Wage Financials.

ENGAGEMENT CONCERNING THE DISCRIMINATION OF UYGHURS

Reportedly, one in 10 of all Uyghurs are being held in ‘re-education camps’. China says it is a means of combating extremism (source: Amnesty). The Uyghurs are a Turkish-speaking Muslim minority in the Xinjiang region, in north-west China. They are oppressed and discriminated against by the Chinese government, which regards them as renegades. More than one million Uyghurs and other Muslim minorities have been detained in these ‘re-education camps’ (see also <https://www.amnesty.nl/wat-wedoen/landen/china-informatieplatform/xinjiang-en-de-oeigoeren>).

It appears from the ‘Uyghur For Sale’ report by the Australian Strategic Policy Institute and the International Cyber Policy Centre (<https://www.aspi.org.au>)

[report/uyghurs-sale februari2020](https://www.aspi.org.au/report/uyghurs-sale-februari2020)) that Uyghurs are being sent to factories across China on a large scale. They work there in conditions reminiscent of forced labour. Forced labour is a violation of one of the most fundamental labour rights. The report mentions a number of multinationals, including some from our investment universe. It also lists 27 factories that may be linked to multinationals in which we invest. They are largely clothing brands that may be involved through their supply chain. We are already engaging with these companies through the Platform Living Wage Financials, including on this topic. Other companies from our investment universe that are mentioned and may be involved through their supply chain are Electrolux, LG Electronics and Samsung Electro-Mechanisms. We are also

engaging with these companies. We first try to determine whether they conduct periodic human rights due diligence analysis in countries like China. This is then followed by follow-up questions. What steps are the companies taking to mitigate human rights violations and if there are violations, what are they doing to remedy them? Are they willing to use their position to publicly speak out against forced labour and the Uyghur issue? Most of the research was still continuing in 2020. We were able to positively conclude the engagement with Electrolux at the beginning of 2021. In the case of companies about which we have doubts and there is no clarity, we do not take any risk. These companies are not admitted to our investment universe.



Outlook for 2021

- We are going to develop interim KPIs and escalation options for climate and biodiversity, as we did for a living wage in the garment sector –. We will start with biodiversity, because the PBAF methodology is still under development; feedback from companies is potentially valuable for further development; and because data is still at the sector level, it can help to obtain better data or encourage companies to report on it. Thanks to our biodiversity footprint, we at least know which investments have the greatest negative impact in that area.
- We will receive the result of the audit on our voting policy.
- We will once again receive our score on Principles for Responsible Investment (PRI): for 2019, we scored an A+ on three of the four components, only on active ownership did we score an A.
- The investor statement to the pharmaceutical industry regarding the combating of the COVID-19 virus will continue to be substantiated further in 2021.

6.2 VOTING

In 2020, we voted in 97% of all shareholder meetings of companies in which we invest. This took place worldwide. The voting was based on the sustainable voting policy developed especially for the ASN investment funds. In this way, we encourage the sustainable development of companies.

ASN Impact Investors have the right to vote in shareholder meetings of the companies in which they invest. We use this right to encourage companies to adopt more sustainable policies and practices. By voting, we can influence the policies and management of those companies on behalf of the funds. We exercise this voting right based on our mission and sustainability criteria, which are laid down in the sustainable voting policy of ASN Impact Investors.

In the reporting period, we voted in 260 shareholder meetings of 224 companies across the globe in line with this sustainable voting policy. As some companies hold multiple shareholder meetings a year, the number of meetings attended was larger than the number of companies.



In the reporting period, we voted at **260** shareholders' meetings of **224** companies across the globe.

3.419

We cast our vote on **3,419** motions. We voted in favour of **3,105** motions, against **310** motions and abstained from voting 4 times.



In 2020, we only voted remotely with **proxy voting**.

50

In 2020, we already shared our voting advice at **50** companies prior to the AGM, along with our recommendations.



We receive quarterly **voting reports** and annual **audit reports**.

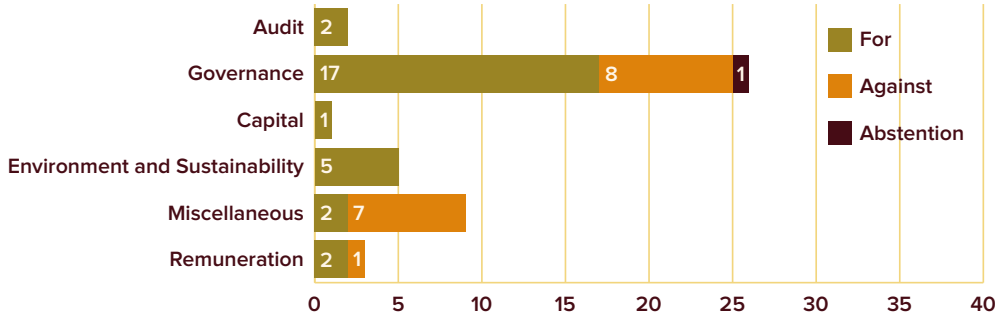
In 2020, we saw real sustainability topics put on the agenda by the companies themselves or by shareholders more often.

You can find the points of departure for voting in our sustainable voting policy at <https://beleggingsfondsen.asnbank.nl/duurzame-keuzes.html>.



Breakdown of shareholder resolutions by region, topic and vote cast. No shareholder resolutions were tabled in the Asia-Pacific and Africa regions in 2020.

Distribution of votes in Europe by topic



Distribution of votes in North and South America by topic



“If a company proposed higher rewards or bonuses for the management while receiving government assistance, we voted against it”

Mariëtta Smid, Senior Sustainability Manager

In 2020, we voted against the following:

Executive appointments. We voted against appointments where the diversity and independence of the board were not adequately ensured. This mainly concerned European and Asian companies.

Remuneration of directors. We believe it is important that companies assess their directors not just on the basis of financial criteria, but also on sustainability criteria. By voting against remuneration proposals without sustainability criteria, we put pressure on companies to review their remuneration packages. In this way, we encourage sustainable behaviour.

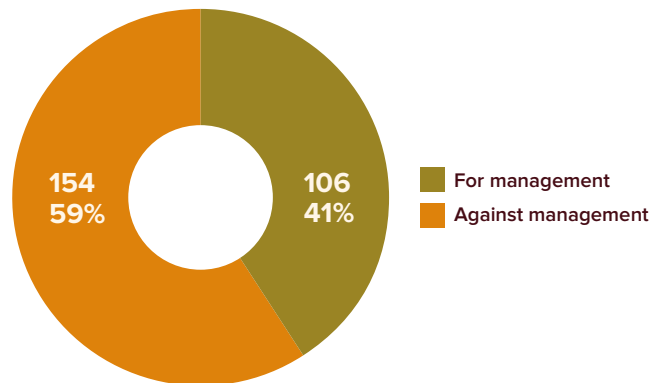
Reappointment of the auditor. We voted against the reappointment if, for example, the auditor had a very long tenure. In that case, the risk arises that the auditor’s objectivity is impaired when conducting the audit.

Higher rewards to managers. We voted against proposals for bonuses or higher rewards to managers, especially if a company received government assistance. The COVID-19 situation and its impact on the company and stakeholders had to be balanced. We have always considered this when voting on issues such as dividends, share repurchases, remuneration and bonuses.

We also voted in favour of a better gender balance

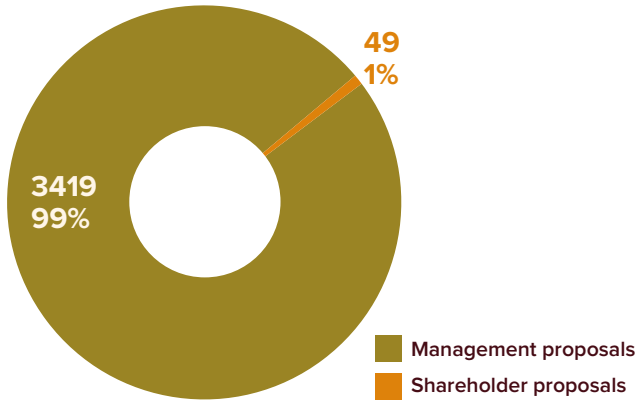
We structurally voted against new directors if they did not contribute to a better gender balance. If more than 60% of the directors are of the same gender and a new director nominee is as well, we will vote against. After the appointments, we examine the balance. A better gender balance is in line with the SDG ‘equal treatment of men and women’. Furthermore, a company with a better gender balance tends to be better managed, so this is also important from a financial perspective.

Number of votes for/against management

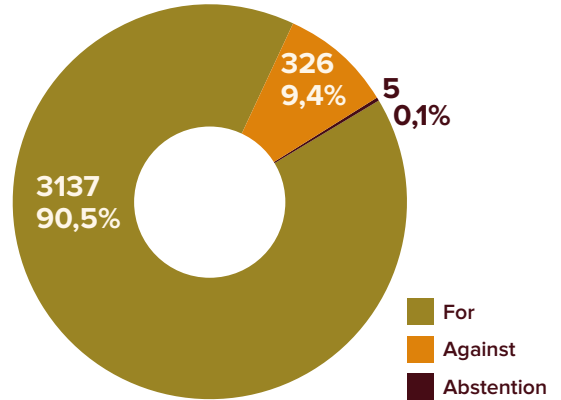


A total of 3,468 proposals were reviewed, after which a vote was taken. This concerned 3,419 management decisions and 49 shareholder decisions. As illustrated in the second chart below, we did not support 9.4 percent and abstained on 0.1 percent of all proposals.

Number of proposals by management versus shareholders



Distribution of votes



‘Thank you for your email. We value hearing from our shareholders, and we appreciate your participation in the governance of our company, your input and your reviewing. We will provide your input regarding our executive compensation programme to our Compensation Committee and your input regarding our auditor to our Audit and Finance Committee.’

Response from a relations manager in response to our voting advice with recommendations that we already shared with them prior to the AGM.





“Board diversity is no longer a ‘nice to have’ but essential to ensure quality leadership”

If 2020 has taught us one thing it's the importance of more diverse boardrooms, says Aneta Hordyj, manager at Sustainalytics. “There's an urging need for more diverse boards with strong individuals challenging each other.”

“It is fair to say that 2020 was one of the most challenging years ever in all aspects,” begins Aneta Hordyj when looking back. “voting deadlines as well as agenda items were postponed and of course the way shareholders were voting was changed as no physical meetings were allowed.” The disruption meant that Sustainalytics had to constantly review the companies' disclosures as well liaise with custodians and third parties, so as to ensure the accuracy of the information.”

In what way did voting platforms change?

“With virtual meetings, shareholders do not really have to opportunity to be proactive, make comments and ask questions. They are passive actors in a forum where they would normally be entitled to make boards accountable. It goes without saying that the constant disruption means that we are frequently in touch with our clients' custodians and other third parties in the voting chain, via email and phone, so as to ensure that the votes are effectively taken into account.”

How much impact does proxy voting and engagement in general have?

“Proxy voting is a key part of investors' stewardship activities and enables them to hold those people that they have appointed to represent them accountable for their actions. It is essential that shareholders speak up, write letters to express their views, and most of all, never give up. At the end of the day it's their money, and they are the rightful owners of the companies they invest in and boards are their representatives. When you and

“When you vote consistently - year after year - companies cannot ignore that”



Sustainalytics is a global leader in ESG research and data and executes proxy voting and engagement for ASN Impact Investors. It is also the largest verifier for certified climate bonds for the fourth year in a row.

others vote consistently - year after year - companies cannot ignore that.” ASN Impact Investors with its proxy voting policy has been at the forefront for pushing investee companies to take material ESG topics - like climate change and more diverse boards - into consideration and not just consider it as a box ticking exercise. Boards need to set the tone at the top. It is also important for them to take on external advice, so as they can make a more informed judgement.

We expect to see an increase of ESG resolutions both from shareholders and from companies on the agendas of annual shareholders meetings (AGMs); and naturally, given the pandemic, the focus will shift perhaps towards social topics and human capital management. However, we do not expect the focus on climate change to decrease. It is worth mentioning that in 2020, climate change resolutions on the agenda of general meetings reached record levels of support. We saw financial institutions targeted by those proposals which shows that climate resolutions are no longer aimed solely at oil and gas (extractives) companies or sectors directly responsible for emissions. We believe that this tendency will increase in the future.

SHP (or shareholder proposals) that Sustainalytics supported the most often on behalf of ASN were linked to sustainability, environment, and directors elections.”

“Boards need to set the tone at the top”

What is your overall impression of boardrooms worldwide?

“There’s still an urgent need for more diverse boards with strong individuals challenging each other, diverse in a much broader sense than only gender diversity. When analyzing 2020, we saw companies struggling with the health crisis, the social crisis and the economic crisis. These kind of crises - especially when they occur at the same time like now – are highly disruptive and call for a different and resilient mindset and for people with fresh perspective. Board diversity is no longer ‘a nice thing to do’, but rather an essential tool in ensuring sustainable long-term performance and quality leadership.”

There’s a need for more quality leadership?

“Exactly. Boards really need to revisit their composition and ASN Impact Investors should keep playing a role in this. A more diverse board leads to a more diverse mindset. People with the same background tend to find it difficult to challenge each other or to be objective. You need someone who can say: “This is what I bring to the table from my perspective. This is essential for companies wanting to survive on the long run. In many ways COVID-19 is a test for companies worldwide on how sustainable and resilient they are.”

“Speak up, don’t give up, at the end of the day it’s your money”

If you could raise the bar, what should companies do?

“It is important that women are part of the board, I would say at least 50%. It’s such a loss of resources and talent when they are not represented. And it’s important to invest in both developed as well as emerging markets. In emerging markets where often the pressure from shareholders and investors alike has not been as strong as in developed markets, we note that the increase of both voting and engagement activities have led some companies to review and improve their practices.”



What other trends did you see in 2020 that will keep being relevant the upcoming years?

“The COVID-19 put addressing employees’ needs of safety, stability, and security as a top priority for most companies. In 2020 they really had to look after their employees safety and wellbeing, and it became clear to all of us how important it is that employees and other stakeholders (such as customers) are looked after. In the case of employees, work flexibility became the norm and more rights for parents at work were granted. Many companies realized that employees indeed are the most important asset.

“Another thing that will definitely impact 2021 are the increased number of ESG shareholder resolutions. As highlighted above, there was and still is a big focus on climate change and we’ve seen a huge support for climate related resolutions. This will continue, each year shareholders are putting forward more and more climate related themes on their agenda’s.

Thirdly, we saw that dividends were either reduced or cancelled in 2020. In the coming years, we suspect that dividend payments will go back to the pre-2020 policy levels.”

“Voting often leads to a meaningful dialogue when taking not only financial risks, but also the opportunities into account”

Should companies still brace themselves the upcoming year?

“We have all seen a lot of companies struggling and restructuring. Hopefully companies will be able to operate normally in the coming years, but as the pandemic is not over yet, its full impact on some companies is not fully visible yet. We expect to see an increase in both merger & acquisition and restructuring activities. As such, we can expect to see that on the AGMs agenda, shareholders will be asked to approve more of merger and acquisitions or even restructuring transactions. This trend has already started in 2021. The textile sector for example was impacted in all aspects. Due to shortages of raw material, closures of factories and a decrease in demand from major economies, people got unemployed and the working conditions became even harder. Unfortunately, worldwide this sector will keep facing tough decisions and challenges for a while.”

“The same goes for hospitality services, aviation companies but also insurance companies, in the long term. And unfortunately, size matters. Smaller companies are gradually taken over by bigger ones. Not everyone will survive.”

What do you wish for in 2021?

“First of all, we will repeat diversity at board level is an imperative development. Boards that mirror the society are stronger and can steer the company through the COVID-19-crisis and future crises to come. Also, we hope that once the pandemic is under control, physical meetings will at least partially resume, supported by better technology enabling ample interaction for online meetings. As such enabling shareholders to meet with management and board, to challenge them and hold them accountable must be kept available to shareholders.”



7. Fund solutions

ASN Impact Investors manages 12 funds:

- four funds that invest in listed companies, government bonds and green and social bonds according to the UCITS structure
- six mixed funds according to the AIF structure
- two funds that invest in non-listed investments according to the AIF structure

All selected companies and investments in the funds’ portfolios meet the sustainability criteria of ASN Impact Investors.

LISTED COMPANY FUNDS (UCITS STRUCTURE)

ASN Duurzaam Aandelenfonds

The ASN Duurzaam Aandelenfonds was established in 1993, making it one of the oldest sustainable investment funds in the Netherlands. The ASN Duurzaam Aandelenfonds invests primarily in equities of listed companies across the globe that have sound financial prospects and that are committed to promoting the sustainability of society.



ASN Duurzaam Obligatiefonds

The ASN Duurzaam Obligatiefonds invests only in eurozone bonds issued by governments that meet the sustainability criteria of ASN Impact Investors. The fund may additionally invest in green bonds and social bonds. These are bonds issued to finance specific social or environmental projects. Governments are assessed on their social and environmental performance as well as their repayment capacity. The better a country scores with respect to sustainability as well as repayment capacity, the more the fund invests in that country.



ASN Milieu & Waterfonds

The ASN Milieu & Waterfonds is a sector fund investing worldwide in equities of listed companies that primarily offer technologically advanced solutions to environmental problems. The selected companies operate in the water, waste and renewable energy, sustainable food, and agriculture and forestry sectors.



ASN Duurzaam Small & Midcapfonds

The ASN Duurzaam Small & Midcapfonds invests in equities of small to medium-sized listed European companies that are committed to promoting the sustainability of society.



LISTED COMPANY MIXED FUNDS (AIF STRUCTURE)

ASN Duurzaam Mixfonds

The ASN Duurzaam Mixfonds invests in eurozone government bonds (approximately 55%) and global equities (approximately 45%). The manager of the ASN Duurzaam Mixfonds adjusts the mix between equities and bonds in the fund to current market conditions. A maximum of 15% of the bond portion may be invested in green and social bonds.



**ASN Duurzaam Mixfonds
Zeer Defensief**



**ASN Duurzaam Mixfonds
Offensief**



**ASN Duurzaam Mixfonds
Defensief**



**ASN Duurzaam Mixfonds
Zeer Offensief**



**ASN Duurzaam Mixfonds
Neutraal**



This is a range of five mixed funds with different risk-return profiles. The investment policy of these mixed funds is to achieve long-term capital growth through diversification across three different asset classes:

- Eurozone government bonds and green and social bonds
- Microfinance institutions
- Global equities

The ratio between asset classes depends on the fund's risk profile and may fluctuate due to price changes. At least once a month, the fund manager assesses whether adjustment to the original percentages is required.



NON-LISTED INVESTMENT FUNDS (AIF STRUCTURE)

ASN-Novib Microkredietfonds

The ASN-Novib Microkredietfonds invests in private loans to and equity investments in microfinance institutions (MFIs). MFIs provide financial services to low-income people, micro-enterprises and small and medium-sized enterprises in low-income countries. The fund therefore contributes to the reduction of poverty, job growth and the development of the local economy.

ASN Groenprojectenfonds

The ASN Groenprojectenfonds invests mainly in green projects. The fund therefore contributes to the preservation and improvement of climate, environment and nature. The fund finances projects in areas such as sustainable building, renewable energy and decentralised energy supply. The fund invests in projects through private loans to companies, (local) authorities, institutions and non-profit organisations in the Netherlands and abroad. Private investors may have a tax advantage when investing in this fund.



Contact

ASN Impact Investors has an open and transparent culture. This is also reflected in how we deal with our business contacts. We are always ready and happy to help.



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