



SUSTAINABILITY-RELATED DISCLOSURE

ASN Duurzaam Obligatiefonds

SUMMARY

ASN Impact Investors strives for a sustainable and just society. ASN Duurzaam Obligatiefonds (the fund) contributes to this by aligning its sustainability indicators to the following United Nations Sustainable Development Goals: Reduced Inequality (SDG 10), Climate Action (SDG 13), Life on Land (SDG 15), and Peace and Justice Strong Institutions (SDG 16). The fund's sustainable investment objectives are; decreasing CO₂ emissions of the sovereign bond portfolio per year in line with the Paris Agreement and avoiding CO₂ emissions of the green and social bond portfolio.

The sustainability assessment process assures that the investment universe is void of countries and issuers who do significant harm to any sustainable investment objectives. Only countries and issuers that meet the Sustainability Policy of ASN Impact Investors (the policy) are admitted to the investment universe. The policy ensures that all the mandatory and optional principal adverse impacts (PAIs) are considered in the creation of the investment universe. A list of exclusion criteria based on ASN Impact Investors' pillars of climate change, biodiversity, and human rights are applied to all countries and issuers. As the fund only invests in sovereign, green and social bonds, the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, and policies to assess good governance practices are not applicable. The sustainability assessment is part of the due diligence and research performed by ASN Impact Investors on behalf of the fund.

The fund invests in sovereign bonds and in green and social bonds which are issued by governments and semi-public authorities that contribute directly to the sustainable investment objective. For sovereign bonds, the fund only invests in countries that have ratified the Paris Agreement. For green and social bonds, the fund only invests in issuers that actively contribute to avoiding CO₂ emissions.

Due to the strict sustainability criteria of ASN Impact Investors, and the sustainable investment objectives, the fund has been classified by ASN Impact Investors as an Article 9 product under the SFDR. Therefore, the investment selection criteria only include investments which qualify as sustainable as defined by SFDR. All sustainable investments in the fund contribute to an environmental and/or social objective. The minimum proportion of investments with an environmental objective is 100%. Since the fund only has environmental objectives, all investments in the portfolio are categorized as "Environmental".

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

The attainment of the sustainable investment objectives is continuously monitored by the Impact Committee. The fund uses well developed standards and methodologies to measure progress on the sustainable investment objectives. These methodologies are highly dependent on the availability of sustainability related data, and in many instances may use estimations for the relevant ESG data. While the methodologies may have limitations, there is still sufficient information available with which progress on the sustainable investment objectives can be measured.



ESG data is mainly obtained from external data sources, who provide wide coverage for ESG topics relating to biodiversity, CO₂ emissions, PAIs and EU taxonomy alignment. ASN Impact Investors has adequate data quality processes in place, and also collaborates with external advisors and research organizations where data is not easily available. The fund does not use engagement, as it is not included as part of the strategy to attain the sustainable investment objectives.

No reference benchmark has been designated for the purpose of measuring attainment of the sustainable investment objectives, however the fund uses the 7% decarbonization trendline and PCAF (all described below) to measure progress on the sustainable investment objectives.

NO SIGNIFICANT HARM TO THE SUSTAINABLE INVESTMENT OBJECTIVE

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

- Climate change (activities relating to fossil fuels and nuclear energy are excluded).
- Biodiversity (countries in breach of international biodiversity conventions are excluded).
- Human rights (activities relating to crimes against humanity, capital punishment, and war crimes are excluded).
- Furthermore, the policy consists of a list of sustainability criteria. These criteria assess the country or issuer of green and social bonds with regards to, amongst others, their greenhouse gases, air pollution, defense expenditure, corruption, freedom of speech and child labour.

The investment universe is ultimately determined by ASN Impact Investors' investment committee. Every country or issuer of green and social bonds is discussed in ASN Impact Investors' investment committee as part of the sustainability assessment. The investment committee decides to approve or disapprove a country or issuer of green and social bonds, and that results in the investment universe. After approval the investment universe is periodically reviewed by ECD. Based on the above sustainability assessment process, it is assured that the investment universe is void of countries which do significant harm to the sustainable investment objective.

The policy ensures that all the mandatory principal adverse impacts (regarding greenhouse gas emissions, biodiversity, water and waste and all the social and employee matters) are considered when creating the investment universe. The optional principal adverse impacts considered are (subject to data availability):

- Share of bonds not certified as green under a future EU act setting up an EU Green Bond Standard.
- Lack of anti-corruption and anti-bribery policies.
- Average corruption score.

The fund only invests in sovereign, green and social bonds. For the issuers of these bonds the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights are not applicable.

SUSTAINABLE INVESTMENT OBJECTIVE OF THE FINANCIAL PRODUCT

The fund has the following sustainable investment objectives:

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



The fund aims to achieve the sustainable investment objective by investing in sovereign bonds and in green and social bonds, which are issued by governments and semi-public authorities that promote sustainability (in relation to climate, biodiversity, and human rights).

INVESTMENT STRATEGY

The fund invests in sovereign bonds and in green and social bonds which are issued by governments and semi-public authorities that contribute directly to the sustainable investment objective. For government bonds, the fund only invests in countries that have ratified the Paris Agreement. For green and social bonds, the fund only invests in issuers that actively contribute to avoiding CO₂ emissions.

With regards to CO₂ emissions, the fund aims to select countries that actively contribute to decreasing GHG emissions in line with a 7% decreasing trend line towards net zero emissions in 2050.

As the fund only invests in sovereign, green and social bonds, a description on the policy to assess good governance practices of the investee companies is not applicable.

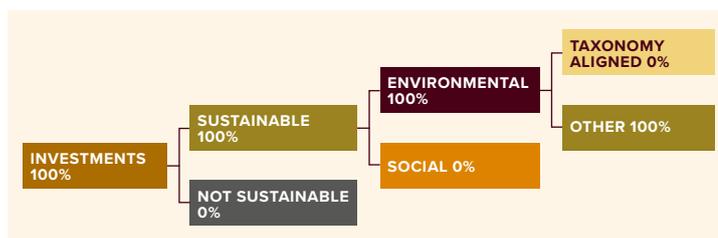
PROPORTION OF INVESTMENTS

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

Cash held in the fund is not an investment. Cash is meant to facilitate liquidity of the fund on the exchange where the fund is traded. Cash is held in relation to liquidity management as per article 3.63 of the Financial Supervision Act (Wet op het financieel toezicht - Wft).

As the fund only has environmental objectives, all investments are categorized under “Environmental.”

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



MONITORING OF THE SUSTAINABLE INVESTMENT OBJECTIVE

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

ASN Impact Investors is also responsible for the risk management and related internal controls of the fund.



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

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

METHODOLOGIES

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

The PCAF methodology focuses on measuring financed emissions. This means measuring the country's absolute scope 1, 2 and 3 emissions (as defined in [Overview of GHG Protocol scopes and emissions](#)).

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

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

DATA SOURCES AND PROCESSING

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

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

- CO₂ emissions data of a country or issuer of green and social bonds.
- News reports.
- ESG information.
- PAI and EU Taxonomy data.

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

Measure taken to ensure data quality

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



Estimation of data

Where there is no externally published data to measure progress towards achieving the sustainable investment objectives, the fund through ASN Bank's Expertise Centre for Sustainability (ECD) works with other fund managers, external advisors and research organizations who analyze environmental and climate impact.

In many instances, ESG data from the external sources includes estimates.

LIMITATIONS TO METHODOLOGIES AND DATA

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

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

PCAF methodology (CO₂ emissions)

The PCAF methodology is subject to a couple of limitations:

- Double counting when calculating the emissions of sovereign bonds beyond the emissions of the governmental organizations.
- Limited data availability when calculating the emissions of green and social bonds.
- Time lag in data availability.

DUE DILIGENCE

Due diligence and research are conducted 1) at the beginning of the investment process to arrive at the eligible investment universe for the fund, and 2) on a continuous basis once investments are included in the portfolio. ASN Impact Investors conduct due diligence procedures on behalf of the fund, taking into account the requirements of ASN Impact Investors' sustainability policy, fund sustainability sub-themes and objectives. The due diligence process covers:

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

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

- Contribution to sustainable developments.
- Anti-corruption and anti-bribery policies.
- Current CO₂ emissions data.

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

ENGAGEMENT POLICIES

ASN Impact Investors has engagement policies in place that apply to the fund as well. However, engagement is not included as part of the sustainable investment objective of this fund.



ATTAINMENT OF THE SUSTAINABLE INVESTMENT OBJECTIVE

No reference benchmark has been designated for the purpose of measuring attainment of the sustainable investment objectives. The reason for this is that no suitable Paris Aligned benchmark is currently available. Besides, in the process of the portfolio construction, a broader set of ESG factors are taken into account than solely climate related factors. In the absence of a reference benchmark the attainment of the CO₂ emissions reduction objective of the fund is ensured by aiming for an average of 7% decarbonization per annum, provided that this is realistically achievable.

