



SUSTAINABILITY-RELATED DISCLOSURE

ASN Duurzaam Small & Midcapfonds

SUMMARY

ASN Impact Investors strives for a sustainable and just society. ASN Duurzaam Small & Midcapfonds (the fund) contributes to this by aligning its sustainability indicators to the following United Nations Sustainable Development Goals Decent Work and Economic Growth (SDG 8), Industry, Innovation, and Infrastructure (SDG 9), Responsible Consumption and Production (SDG 12), and Climate Action (SDG 13). The fund's sustainable investment objectives are; decreasing CO₂ emissions per year in line with the Paris Agreement and decreasing negative impact on biodiversity per euro invested.

The sustainability assessment process assures that the investment universe is void of companies who do significant harm to any sustainable investment objectives. Only companies 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 companies, and companies known to be in breach of the OECD Guidelines for Multinational Enterprises, the United Nations Guiding Principles on Business and Human Rights, the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights are excluded from the investment universe. The sustainability assessment is part of the due diligence and research performed by ASN Impact Investors on behalf of the fund.

The fund invests in shares of small and medium-sized European companies that are admitted to regulated markets in the EU or well-functioning regulated exchanges outside the EU, but within Europe, that are committed to promoting sustainable societies and that have sound financial prospects. The fund only invests in companies that have been admitted to the investment universe. Investees are also expected to have a policy on good governance and ethical behaviour. 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 97.5%, while the remainder of 2.5%, is linked to the investees in the clothing industry, is regarded as having a social objective.

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

The attainment of the sustainable investment objectives 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 at investee level, 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 engages with investees in relation to their sustainability performance and assists companies in the clothing industry to improve their living wage score.

No reference benchmark has been designated for the purpose of measuring attainment of the sustainable investment objectives, however the fund uses the ITR, PCAF and PLWF (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, plus the investee's governance and where relevant animal welfare. The list of exclusion criteria covers details relating, but not limited, to:

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

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

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

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

The policy ensures that all the mandatory principal adverse impacts (regarding greenhouse gas emissions, biodiversity, water, 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):

- Natural species and protected areas.
- Lack of supplier code of conduct.
- Lack of human rights policy.
- Operations and suppliers at significant risk of incidents of child labour.
- Operations and suppliers at significant risk of incidents of forced or compulsory labour.
- Number of identified cases of severe human rights issues and incidents.
- Lack of anti-corruption and anti-bribery policies.



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

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

SUSTAINABLE INVESTMENT OBJECTIVE OF THE FINANCIAL PRODUCT

The fund has the following sustainable investment objectives:

- Decreasing CO₂ emissions per year in line with the Paris Agreement (expressed as the fund's contribution to keeping the temperature rise at a maximum of 1.5 degrees in 2050).
- Decreasing the negative impact on biodiversity per euro invested (relative to base year 2019).
- Stimulating the payment of living wages to factory workers in the clothing industry (relative to base year 2019).

The fund aims to achieve these sustainable investment objectives by investing in small and medium-sized European companies that (increasingly) contribute to these investment objectives.

INVESTMENT STRATEGY

The fund invests in shares of small and medium-sized European companies that are admitted to regulated markets in the EU or well-functioning regulated exchanges outside the EU, but within Europe, that are committed to promoting sustainable societies and that have sound financial prospects. The fund only invests in companies that have been admitted to the investment universe.

With regards to CO₂ emissions, the fund aims to select investees that actively contribute to decreasing Greenhouse gas (GHG) emissions in line with the MSCI Implied Temperature Rise (ITR) methodology.

With regards to biodiversity, the fund aims to select investees with a limited negative impact on biodiversity, or investees that are actively attempting to minimise their negative impact on biodiversity measured by hectares.

With regards to the living wage, the fund aims to increase the living wage score year-on-year of the clothing industry companies in the portfolio.

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

The fund requires the investee to have a policy regulating the ethical conduct of its employees, regardless of where it operates. The fund applies stricter criteria with regards to the policy's substance and quality if the investee is active in risk countries or high-risk countries and/or activities. Finally, an assessment is made whether there has been any misconduct.



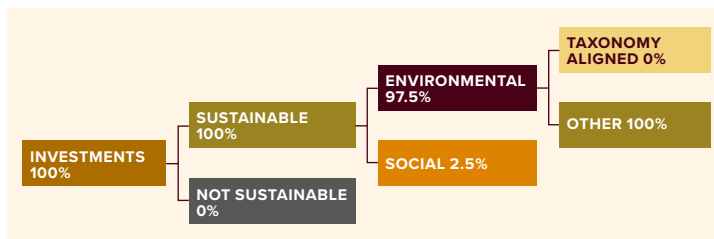
PROPORTION OF INVESTMENTS

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).

ASN Impact Investors expects that the minimum share of the assets under management of the fund in clothing industry companies, will be 2.5%. The social investment objective solely focuses on the clothing industry companies in the portfolio; therefore, the same percentage is regarded as social. The remaining amount is regarded 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. 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 objectives, ASN Impact Investors has set up the Impact Committee. The Impact Committee frequently monitors the following: the sustainable investment objectives; the voting policy that has been implemented; and the engagements that have been carried out. In addition to monitoring the realization of the sustainable investment objectives, the Impact Committee supervises adjustments by the relevant fund manager to achieve the objectives.

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

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



METHODOLOGIES

The fund uses different methodologies to measure the three sustainable investment objectives.

Methodology used to measure the reduction of CO₂ emissions

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

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

For management towards the Paris aligned objective, the fund uses the MSCI ITR methodology. ITR is an intuitive, forward-looking metric, expressed in degrees Celsius, designed to show the temperature alignment of investees, portfolios, and funds with global temperature goals. A portfolio's ITR measures, in aggregate, a portfolio's temperature alignment (in °C) towards the Paris aligned objective. The calculation uses an aggregated budget approach that compares at investee level the sum of budgeted emissions against the sum of projected carbon emissions budget also taking into account the aggregated portfolio weighting. The total portfolio carbon emission over/undershoot is then converted to a degree of temperature rise using the science-based ratio approach of Transient Climate Response to cumulative Emissions (TCRE).

Methodology used to measure biodiversity performance

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

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

Methodology used to measure living wage in the clothing industry

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

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

The assessment and review of the methodology is subject to an independent, annual external assurance process.



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:

- Investee's CO₂ emissions data.
- News reports on investees.
- ESG information.
- Biodiversity.
- PAI and EU taxonomy data.

Currently the fund has limited data processing capabilities in place, but it 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 of business activities.

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

LIMITATIONS TO METHODOLOGIES AND DATA

The methodology used to measure the attainment of the sustainable investment objectives on CO₂ emissions and biodiversity is highly dependent on the availability of sustainability related data at investee level. Although for investees the availability of sustainability related data has improved over recent years, it is still limited. The PCAF and ITR methodology are subject to use of estimations where investee information has not yet been published. This may lead to the CO₂ emissions performance calculation not being representative of the portfolio performance.

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

PCAF and ITR methodology (CO₂ emissions)

The PCAF methodology is subject to a couple of limitations:

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



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

Known limitations of the ITR include:

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

BFFI methodology (Biodiversity)

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

The biodiversity footprint methodology has the following limitations:

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

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

Living wage methodology

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

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

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 investees based on their positive contribution to ASN Impact Investors' three pillars, i.e., climate change, biodiversity, and human rights (e.g. 'do good', 'do no harm', 'do harm').



- Sustainability assessment of the ‘do good and ‘do no harm’ using sustainability information from external data providers (e.g., RepRisk, Moody’s (Vigeo Eiris), Sustainalytics, and MSCI).
- Sustainability risk analysis which covers the relevant sector and investee.

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

- Contribution to sustainable developments by the investee.
- Ethics and good governance structures (integrity and track record of the management, board structure, transparency, supply chains).
- Current CO₂ emissions data.
- Compliance with OECD Guidelines for MNE, UNGP Principles on B&HR, local environmental and tax regulations.
- The Investment Committee has the authority to approve or reject entities for the investment universe, based on advice from ECD.

ENGAGEMENT POLICIES

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

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

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

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 in the process of the portfolio construction, a broader set ESG factors are taken into account than solely climate related factors, therefore, the fund’s portfolio deviates too much from the available benchmarks. In the absence of a reference benchmark the attainment of the CO₂ emissions reduction objective of the fund is ensured by using the ITR methodology as described in the paragraph ‘methodologies’ above. By selecting investees in line with the ITR methodology, the fund actively contributes to decreasing GHG emissions in line with its climate-related carbon reduction objective.

The attainment of the objective relating to decreasing the negative impact on biodiversity, is ensured by measuring hectares, based on the BFFI methodology. As described above (paragraph ‘methodologies’) this methodology measures the fund’s (negative) biodiversity impact (in ha) per euro invested. By actively selecting investees with relatively low biodiversity impacts per euro invested, the fund aims to attain its biodiversity objective.

The attainment of the stimulation of living wages to factory workers in the clothing industry is measured using the average living wage score based on the PLWF methodology. The PLWF methodology evaluates the clothing companies based on their policy, engagement, assessing impacts, integrating findings, tracking performance, remedy, and transparency with regards to living wage.

