



## SUSTAINABILITY-RELATED DISCLOSURE

# ASN Groenprojectenfonds

### SUMMARY

ASN Impact Investors strives for a sustainable and just society. ASN Groenprojectenfonds (the fund) contributes to this by aligning its sustainability indicators to the following United Nations Sustainable Development Goals: Affordable and Clean Energy (SDG 7) and Climate Action (SDG 13). The fund's sustainable investment objective is; avoiding CO<sub>2</sub> emissions by investing in energy generation from renewable sources such as wind or solar power. The fund has been designated as a Green Institution, which means that it invests at least 70% of the assets under management in projects that comply with the Netherlands Green Projects Regulation (2022) and the Green Projects Abroad Regulation (2002).

The sustainability assessment process assures that the investment universe is void of projects who do significant harm to the sustainable investment objective. Only projects that meet the Sustainability Policy of ASN Impact Investors (the policy) are admitted to the investment universe, and this process is done in consultation with accredited project advisors (ASN Sustainable Financing and FMO). 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 covering, amongst others nuclear energy, fossil fuels, violation of human rights, and activities that cause irreversible damage to the environment is applied to all the projects. Projects 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 process conducted in consultation with the project advisors, which takes into account the fund's investment strategy and ASN Impact Investors' sustainability criteria.

The fund provides loans and equity solely to green projects in renewable energy sectors and decentralized energy facilities. The fund only invests in projects that have been admitted to the investment universe and has strict binding elements in line with the investment strategy which also require the projects to adhere to Equator Principles and/ or similar local laws and regulations for high income OECD countries. As part of the policy, projects are assessed on good governance and ethical behaviour; a stringent KYC process which focuses on sanctions, signs of corruption, and presence of politically exposed persons (PEPs).

Due to the strict sustainability criteria of ASN Impact Investors, and the sustainable investment objective, the fund has been classified by ASN Impact Investors as an Article 9 product under the SFDR. Therefore, the investment selection criteria only include investments which qualify as sustainable as defined by SFDR. The minimum proportion of investments with an environmental objective is 100%. Since the fund only has an environmental objective, all projects 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 objective is continuously monitored by the Impact Committee. The fund uses the PCAF methodology for project finance (described below) to measure progress on the sustainable investment objective. The chosen methodology is highly dependent on the availability of sustainability related data at project level. While the methodology may have limitations, there is still sufficient information available with which progress on the sustainable investment objective can be measured.



The fund uses ESG data obtained from external sources who provide wide coverage for ESG topics relating to CO<sub>2</sub> emissions, arms criterion, PAIs and EU taxonomy alignment. ESG data is also collected by project advisors directly from the financed projects using various data collection and reporting tools. ASN Impact Investors has adequate data quality processes in place, and also collaborates with the project advisors and research organizations where data is not easily available. Estimated impact results may be used, on the basis of projected performance of the financed project where actual data is not available.

The fund relies on the expertise and skills of the project advisors to engage with projects on areas of ESG compliance and social impact.

No reference benchmark has been designated for the purpose of measuring attainment of the sustainable investment objective, however, based on the data collected by the project advisors the fund uses the PCAF methodology to measure progress on the avoidance of CO<sub>2</sub> emissions objective.

#### NO SIGNIFICANT HARM TO THE SUSTAINABLE INVESTMENT OBJECTIVE

All investments made in projects by the fund must meet the policy to be considered eligible for the investment universe. ASN Impact Investors selects the investments of the fund in consultation with on the one hand the accredited project advisors of ASN Sustainable Financing (ADF) for investments in the Netherlands and on the other hand the accredited project advisors of FMO for investments outside the Netherlands. The sustainability of all projects is assessed against ASN's sustainability criteria including the criteria on ASN's exclusion list, as amended from time to time.

The sustainability assessment of the projects is performed to ensure that no harm is caused to the environmental climate objective of the fund. The exclusion criteria cover activities relating to nuclear energy, fossil fuels, weapons, tobacco, violation of human rights and labour rights and activities that cause irreversible damage to the environment. ASN Impact Investors also does not finance projects that use first-generation biofuels and avoids financing the construction of projects in which the building is to be used for activities that are excluded under the policy. The sustainability assessment also takes into account the negative impacts of the renewable energy technology (excessive water usage, biodiversity harm, and the use of hazardous materials in manufacturing of the solar panels or wind turbines).

Whether or not a project can be added to the investment universe is ultimately determined by ASN Impact Investors' Investment Committee based on an investment proposal. After approval the projects in the investment universe are periodically reviewed by the investment advisors.

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

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

- Non-recycled waste ratio.
- Investment in investee companies without workplace accident prevention policies.
- Lack of a 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.

The fund excludes investments (in projects) that are known to be in breach of the OECD Guidelines for Multi-national 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.



The OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights apply to all projects admitted to the universe.

All projects in the universe are expected to always comply. When checking for compliance with OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, the methods applied may vary depending on the country and size of the project.

### SUSTAINABLE INVESTMENT OBJECTIVE OF THE FINANCIAL PRODUCT

The fund has the following sustainable investment objective:

- Avoiding CO<sub>2</sub> emissions by investing in energy generation from renewable sources such as wind or solar power.

The fund aims to achieve the sustainable investment objective by providing loans and equity (Share Capital) to green projects in renewable energy sectors (such as solar and wind energy) and decentralized energy facilities (such as thermal storage facilities).

The fund is designated as a Green Institution and therefore invests at least 70% of the assets under management in projects that comply with the Netherlands Green Projects Regulation (2022) and the Green Projects Abroad Regulation (2002).

The fund focuses primarily on renewable energy, and decentralised energy supplies.

### INVESTMENT STRATEGY

The fund invests solely in the ASN Green Projects Pool. The ASN Green Projects Pool may only invest in projects that have been admitted to the investment universe. The investment universe of the fund is delineated by investment criteria; compliance with the investment criteria is mandatory, subject to the comply or explain principle.

The fund has the following binding elements:

- The fund is designated by the Dutch government as a Green Institution and therefore invests at least 70% of the assets under management in projects that comply with the Netherlands Green Projects Regulation (2022) and the Green Projects Abroad Regulation (2002).
- The ASN Green Projects Pool may invest no more than 20% of the fund's capital in private loans and equity capital for green projects in a specific number of countries outside the Netherlands. The fund invests through the Green projects Pool, which allows the fund to combine investments of a similar nature.
- Investments in or providing loans to projects that emit high levels of greenhouse gases are excluded.

For project finance activities the fund adheres to the Equator Principles, which provides a framework for determining, assessing, and managing the environmental and social risks associated with project finance. In High-Income OECD countries local and national regulations, laws and permits are generally similar to or more stringent than the requirements of the Equator Principles. Therefore, it is sufficient if projects in these countries comply with local laws; they do not need to be assessed against the Equator Principles.

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



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

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

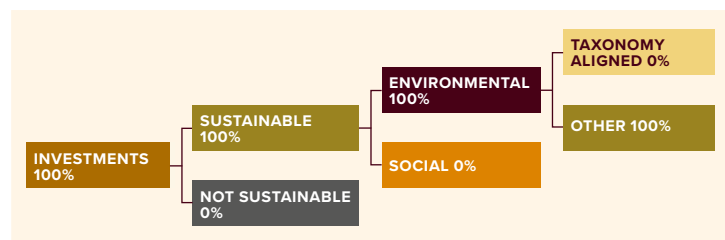
### PROPORTION OF INVESTMENTS

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

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

For the classification of projects on environmental objectives, the fund relies on the chosen sustainable investment objective. As the fund only has an environmental objective, all projects 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, with regards to the ecological part of the EU taxonomy, 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 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 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 organization 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

To measure avoided CO<sub>2</sub> emissions, the fund uses the Partnership for Carbon Accounting Financials methodology for project finance (PCAF). The core principle of the PCAF methodology is to attribute emissions proportionally to the fraction of capital structure financing provided by the financial institution.

The methodology provides for different ways to calculate financed avoided GHG emissions, being:

- Reported verified or unverified emissions (e.g., collected directly from the project or indirectly through independent third parties) or
- Physical activity-based emissions (e.g., electricity produced) or
- Economic activity-based emissions (e.g., turnover or assets).

To calculate attributable avoided emissions, only the financed ring-fenced activities are included. Avoided emissions and financials related to existing activities outside the financed project but within the financed organization are not considered.

The amount of avoided CO<sub>2</sub> emissions is based on the P50 expectation of the total production that the project will generate. The calculation also relies on the specific emission factor per country where the projects are located. The total contribution that the fund reports on avoided CO<sub>2</sub> emissions is allocated to each project in proportion to the fund's share in the total project costs.

The CO<sub>2</sub> emitted during the construction of a project is only counted if it is more than 5% of the total CO<sub>2</sub> emissions avoided.

## DATA SOURCES AND PROCESSING

The fund works with external project advisors ADF and Symbiotics to measure the attainment of the sustainable investment objective. The fund relies on impact data related to the projects as provided by the investment advisors via quarterly reports and external reporting tools (e.g. Joint Impact Model which is used for CO<sub>2</sub> emissions data in emerging countries) on the performance of the projects with regards to avoided CO<sub>2</sub> emissions.

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

- CO<sub>2</sub> emissions data.
- Assessments of whether activities meet the arms criterion under the policy.
- News reports on project developers/management.
- ESG information.
- PAI and EU Taxonomy data.

### *Measures taken to ensure data quality*

The impact data is collected by ADF and FMO, using specific forms and questionnaires that also form an integral part of the financing loan documentation.

### *Estimation of data*

ESG data availability for project financings is not always (easily) available for all the projects the fund invests in. The fund relies on the monitoring and due diligence process of ADF and FMO to collect and keep track of impact



data for projects financed. When actual performance for a year is not yet available, estimated impact results may be used, on the basis of projected performance of the financed power plant or windfarm, (ex-ante estimation).

#### LIMITATIONS TO METHODOLOGIES AND DATA

The methodology used to measure the attainment of the sustainable investment objective on avoided CO<sub>2</sub> emissions is highly dependent on the availability of sustainability related data at project level.

Limitations of the PCAF for project finance are:

- Reported avoided emissions collected directly from the project are not always verified, therefore data may be incorrect.
- Emission factors for some countries may be lacking, especially for projects located in less developed markets.

#### DUE DILIGENCE

To decide on the eligible investment universe for the fund, due diligence and research are conducted at the beginning of the investment process, and thereafter on a continuous basis. This process takes place in consultation with project advisors of ASN Duurzame Financieringen (ADF) for investments in the Netherlands on the one hand and the project advisors of FMO for investments outside the Netherlands on the other hand. Throughout the process, compliance with and adherence to ASN Impact Investors' sustainability policy and the fund's sustainable investment objective are mandatory. The due diligence process covers:

- Analyzing the positive contribution of projects to ASN Impact Investors' three sustainability pillars climate, biodiversity and human rights (e.g., 'do good', 'do no harm').
- Assessment of compliance with sustainability criteria 'do good and 'do no harm', using sustainability information from project advisors and external data providers.
- Sustainability risk analysis on the location, size, and type of project.

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

- Contribution to sustainable developments by the project.
- The project's anti-corruption and anti-bribery policies.
- Current data on CO<sub>2</sub> emissions.
- Compliance with OECD Guidelines for MNE, UNGP Principles on B&HR, local environmental and tax regulations.

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

#### ENGAGEMENT POLICIES

ASN Impact Investors uses the knowledge and expertise of investment advisors (ADF and FMO) to engage with projects in the fund's portfolio. Engagement may be required when it comes to areas of ESG compliance and social impact measurement by the projects.

#### ATTAINMENT OF THE SUSTAINABLE INVESTMENT OBJECTIVE

The fund cannot use a reference benchmark to monitor progress towards the sustainable investment objective of avoiding CO<sub>2</sub> emissions, as no suitable benchmark is available.

In the absence of a suitable benchmark, the fund uses the PCAF methodology to monitor progress. The performance is measured using data submitted by the projects via ADF and FMO.

