GUIDE – SUSTAINABILITY CRITERIA

Sustainability Expertise Centre
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Contents

1. Introduction

This document is a practical guide for de Volksbank's Sustainability Expertise Centre (*Expertisecentrum Duurzaamheid*; ECD), which is part of ASN Bank. The ECD uses the guide to conduct sustainability research for both ASN Bank and the ASN Investment Funds[1]. 'Sustainability research' is the study of whether current or potential investments[2] meet ASN Bank's sustainability criteria. For this research we have developed special policies that translate our vision and mission. They have been laid down in our policy papers on climate change, biodiversity and human rights. Some aspects have been further elaborated in memoranda. All policy papers can be found in the House of Policies (HOP). This document shows how we apply these sustainability criteria in practice, where we draw the line and what this process looks like. For further background when reading this guide, please refer to the HOP.

The guide will help ECD analysts to formulate unequivocal advice and explains to interested parties how we do that. Accordingly, this document serves as:

- a clear description of the research methods;
- a master document for the ECD department;
- an overview of current policy, because the document is updated and supplemented where necessary;
- information for everyone who would like to know how ASN Bank performs its research.

Changing criteria
Although this is a detailed document, it is not possible to draw up a comprehensive list of sustainability criteria which all of ASN Bank's activities must meet. The reason for this is that our world is in constant flux and is complex. In practice, we are regularly faced with dilemmas to which the criteria do not give an unequivocal answer and the policy does not always provide clear guidance when new types of investments present themselves. In such cases, we fall back on our basis: our mission, our vision and the three pillars of our sustainability policy: human rights, climate change and biodiversity. On the basis of these principles, we analyse how to prevent adverse effects or limit them as far as possible.

1.1Sustainability mission and vision

As ASN Bank's sustainability vision and mission are guiding in the selection process, we will address them in more detail below.

Vision
Ever since its establishment in 1960, ASN Bank has been working towards a sustainable and just society in which people are free to make their own choices without harming others. A society without poverty, in which everyone has access to education, good housing and medical care. Through our vision of society, we show how we wish to shape it in the long run.

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[1] The ASN Investment Funds are managed by ASN Beleggingsinstellingen Beheer B.V. (ABB). ASN Bank established ABB in 1993 to implement its vision, mission and strategy through investments. Like ASN Bank, ABB is part of Volksbank.
[2] ASN Bank invests customers' savings, while the ASN Investment Funds invest customers' investment money. Key categories in which we invest money are bonds and private loans to governments (countries, provinces and municipalities), as well as residential mortgages, water boards, energy companies, healthcare institutions, housing corporations, education, culture and leisure, and renewable energy. The ASN Bank Management Board is responsible for ASN Bank's decision-making. ABB has set up Investment Committees that decide whether companies, governments, projects and institutions are admitted to or removed from the investment universe.

This means that a vision is a *visual* picture. It shows us an imaginable future. But a vision is not a blueprint – rather, it inspires us and invites us to be creative. A vision is never finished and does not give an answer to every question. Sometimes it is very realistic and sometimes it is very utopian. A vision is not set in stone, but generates ideas that steer the fulfilment of our mission. If our criteria do not provide an answer to a question, we will look for the answer by taking our vision as a starting point.

Our vision is based on three components:

1) *Globally recognised reports, treaties and conventions*
We define 'sustainability' according to 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."

On the basis of this definition, we have defined the three pillars of our sustainability policy: human rights, climate change and biodiversity. Furthermore, good governance and animal welfare are major themes for us. All issues that matter to our customers and to us can be grouped under these five key concepts.

We also endorse international treaties and conventions in the areas of human rights, climate change, biodiversity, good governance and animal welfare.

Key concept	**Inspiration**	**Components**
Sustainability	Brundtland report	E.g., fair distribution of wealth, relationship between short term and long term, relationship between the environment and wealth.
ASN Bank's origins	ASN Bank's history as a trade union	E.g., freedom, equality, justice, independence, safety and security, freedom of association.
Human rights	E.g., the United Nation's Universal Declaration of Human Rights and the Guiding Principles on Business and Human Rights	E.g., healthcare, a living wage, no child labour but school, good working conditions, privacy, housing, social needs.
Climate change	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	E.g., energy, housing, the climate, greenhouse gases.
Biodiversity	Convention on Biological Diversity (CBD), drafted at the 1992 Rio Earth Summit	E.g., nutrition, land use, nature, water, circular economy, air.
Governance	OECD and UN treaties and rules	E.g., corruption, functioning rule of law.

Animal welfare	Five freedoms of the Farm Animal Welfare Committee	E.g., animal welfare.

2) *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.

3) *Basic human needs*
Human needs guide all our actions. The companies, projects and institutions that we finance and in which we invest play a major role in meeting these needs. 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 pleasurable life.

Mission
ASN Bank's mission is in line with its vision. Our mission is: '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 the continued existence of our bank. We manage the funds that our customers entrust to us in a manner that does justice to their expectations.'

We have translated our mission and vision into policy. As stated, our three sustainability pillars – human rights, climate change and biodiversity – are at the heart of this policy. The relationship between the mission, vision and policy is presented in a figure below.

Objective	***Hierarchy of sustainability policy***
Reason for existence	**Vision** *Ever since its establishment in 1960, ASN Bank has been working towards a sustainable and just society in which people are free to make their own choices without harming others. A society without poverty, in which everyone has access to education, good housing and medical care.*

<table>
<tr><td>Implementing the vision</td><td colspan="14">Mission
Our economic conduct is aimed at promoting sustainability in society. That is why we contribute to changes that are intended to put an end to processes whose harmful effects:
• are shifted to future generations, or
• are foisted onto the environment, nature and vulnerable communities.
In doing so, we do not lose sight of the necessity to yield returns for our customers. And, as a bank, we want to achieve a financial result that safeguards the continued sound existence of our bank in the long run.</td></tr>
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1.2 Sustainable Development Goals

ASN Bank's sustainability vision and mission dovetail well with the United Nations' Sustainable Development Goals (SDGs). These 17 global Goals and 169 underlying targets were signed by 193 Member States in 2015 and aim to reduce poverty and inequalities, tackle climate change and protect natural resources by 2030.[3]

We support the SDGs and ensure with our sustainability policy that our investments do not conflict with the Goals. In addition, we actively contribute to various SDGs through our three long-term goals and a number of products.
This document contains references to SDG targets.[4] These are shown in red in the sections describing the selection criteria for our investments and show the links between our sustainability policy and the SDGs.

[3] https://sustainabledevelopment.un.org/sdgs
[4] The 169 SDG targets have been formulated for governments and are difficult to translate to companies. We have assessed ourselves which targets relate to our own practice. By naming the targets, we try to indicate how we, as a financial institution, implement the 17 SDGs.

2. Risk countries

Companies[5] run the risk of violating human rights in every country, but this risk is not the same in every country. The risk that companies run in countries where human rights are guaranteed by law and are properly enforced is lower than in countries where this is not the case. That is why, for every country, we assess the level of the risk that companies run of violating human rights. ASN Bank uses this risk classification primarily to assess the activities of companies, institutions and projects. The country risk analysis is not used for the selection of government bonds.

2.1 Analysis of risk countries

SDG targets: 5.1, 5.5, 5.a, 5.c, 8.7, 8.8, 10.3, 16.2, 16.3, 16.5, 16.10, 16.b
In analysing risk countries, every two years we assess the countries that were internationally recognised by the United Nations.[6] We look at each country's performance on seven topics, resulting in seven scores (high, medium or low) for the country. On that basis, we classify the country as a low-risk country, risk country or high-risk country. The table below clarifies which categories of risk countries ASN Bank distinguishes and how we arrive at this classification.

High-risk country	**Risk country**	**Low-risk country**
Countries where companies run a high risk of being involved in the most serious types of human rights violations, such as war crimes, genocide and crimes against humanity, or of being involved in other human rights violations, such as child labour and lack of freedom of association, and/or corruption. A country is a high-risk country if it scores 'high' three times or more. See the explanation below.	Countries where companies run an average risk of being involved in human rights violations, such as child labour and lack of freedom of association, and/or corruption. All countries that are not high- or low-risk countries fall in the risk-country category. See the explanation below.	Countries where companies run a relatively low risk of being involved in human rights violations. A country is a low-risk country if it scores 'low' five times or more, and has no 'high' score. See the explanation below.

Topics
The table below shows which topics we assess, why it is precisely these topics that we have selected and which indicator we use to determine whether a country has a low, medium or high risk on the topic in question.

Topic		
Peace	Explanation	If there is no peace, there is an increased risk for companies of being involved in (serious) human rights violations.
	Indicator	The degree of stability and/or the existence of conflict in a country.
	Sources	Institute for Economics and Peace: Global Peace Index

[5] Here, we use the term 'company' as a collective term; we use it to refer to all possible organisations, projects and companies in which ASN Bank and the ASN Investment Funds may invest or that they may fund, except for government bonds.
[6] We do not publish this list on the website; it is available on request.

	Assessment	Low-risk countries: countries scoring 'high' and 'very high'. Risk countries: countries scoring 'medium'. High-risk countries: countries scoring 'low' and 'very low'.
Democracy and freedom	Explanation	If there is no democracy or freedom, there is an increased risk for companies of being involved in (serious) human rights violations.
	Indicator	The level of democracy and freedom in a country.
	Sources	Freedom House: Freedom in the World
	Assessment	Low-risk countries: countries scoring 'free'. Risk countries: countries scoring 'partly free'. High-risk countries: countries scoring 'not free'.
Child labour	Explanation	The prohibition of child labour is one of the fundamental labour rights of the International Labour Organization (ILO); companies run a high risk of getting involved.
	Indicator	The risk of child labour occurring in a country.
	Sources	Ratification of conventions: - ILO Convention No. 138 concerning a minimum age of fifteen (1973) - ILO Convention No. 182 concerning the worst forms of child labour (1999) - Unicef and Global Child Forum: Children's Rights and Business Atlas
	Assessment	Low-risk countries: - a country has ratified both conventions, *and* - a country falls into tier 1 of the Children's Rights and Business Atlas Risk countries: - a country has ratified one convention or neither of the conventions, and/or - a country falls into tier 2 of the Children's Rights and Business Atlas High-risk countries: - a country falls into tier 3 or tier 4 of the Children's Rights and Business Atlas
Freedom of association	Explanation	The right to freedom of association is one of the ILO's fundamental labour rights and part of economic, social and cultural (ESC) rights; companies run a high risk of getting involved.
	Indicator	The risk that the degree of freedom of association in a country is small.
	Sources	Ratification of conventions: - ILO Convention No. 87 concerning the freedom of association and protection of the right to organise (1948) - ILO Convention No. 98 concerning the right to organise and collective bargaining (1949) - Freedom House: Freedom in the World, sub-score E (Associational and Organizational Rights) - ITUC: Global Rights Index
	Assessment	Low-risk countries: - a country has ratified both conventions, and - a country scores 12 on the Freedom House list, and - a country does not score 5 on the ITUC list. Risk countries: - a country has ratified one convention or neither of the conventions, and/or - a country scores 4 to 11 on the Freedom House list, and

		- a country does not score 5 on the ITUC list. High-risk countries: - a country scores 3 or lower on the Freedom House list, and/or - a country scores 5 on the ITUC list.
Forced labour	Explanation	The prohibition of forced labour is one of the ILO's fundamental labour rights; companies run a high risk of getting involved.
	Indicator	The risk of forced labour occurring in a country.
	Sources	Ratification of conventions: - ILO Convention No. 105 concerning the abolition of forced labour (1957) - ILO Convention No. 29 concerning forced labour (1930) - Walk Free Foundation: Global Slavery Index
	Assessment	Low-risk countries: - a country has ratified both conventions, and - a country has a score on the Global Slavery Index that corresponds to the scores of (approximately) the top 25 countries with the highest scores[7]. Risk countries: - a country has ratified one of the conventions, and/or - a country has a score on the Global Slavery Index that does not correspond to the scores of (approximately) the 25 best- or worst-performing countries. High-risk countries: - a country has ratified neither of the conventions, and/or - a country has a score on the Global Slavery Index that corresponds to the scores of (approximately) the 25 countries with the lowest scores.
Discrimination	Explanation	Non-discrimination and equal treatment are fundamental labour rights of the ILO and part of the ESC rights; companies run a high risk of getting involved.
	Indicator	The risk of discrimination in a country.
	Sources	Ratification of relevant conventions: - UN International Convention on the Elimination of All Forms of Racial Discrimination (1965) - UN Convention on the Elimination of all Forms of Discrimination Against Women (1979) and the optional ILO protocol (1999) - ILO Convention No. 100 concerning equal remuneration (1951) - ILO Convention No. 111 concerning discrimination (employment and occupation) (1958)
	Assessment	Low-risk countries: - a country has ratified all conventions. Risk countries: - a country has ratified one or more, but not all, conventions. High-risk countries: - a country has not ratified any of these conventions.
Corruption	Explanation	Corruption is a core issue in, for example, the OECD guidelines; companies run a high risk of getting involved.
	Indicator	The risk of corruption in a country.

[7] The Global Slavery Index assigns a score to every country. As country scores change when they are updated, we do not mention specific scores here but rather refer to the scores of the roughly 25 best- or worst-performing countries.

	Sources	Transparency International's Corruption Perceptions Index
	Assessment	The countries score as follows on the Corruption Perceptions Index: - low-risk countries: a country scores 70-100; - risk countries: a country scores 30-69; - high-risk countries: a country scores 0-29.

Use of sources
We use various sources to assess the seven topics. We check, for example, whether countries have ratified relevant conventions and how they score in public indices.

Some countries do not receive a score for every topic because the relevant information is not available. We classify these countries on the basis of scores that *are* available and/or any other information, such as country reports published by Amnesty International, Human Rights Watch and/or the US State Department.

2.2 Selection of risk countries

The policy and methodology used to analyse risk countries have been laid down by the ASN Bank Management Board and the ABB Board of Directors.

In the event of policy changes or major methodology changes, the sustainability analyst writes and presents a proposal for the Sustainability Committee (SC)[8]. Where necessary, the analyst adjusts the proposal and/or the proposal is discussed again. Finally, the ASN Bank Management Board and the ABB Board of Directors take a decision.

If there are no changes, the risk countries have been identified. Where minor policy or methodology changes are involved, for example new or different sources, these changes and their effects on the composition of the risk-country list are discussed by the Sustainability Committee. The risk countries are subsequently identified.

[8] The Sustainability Committee (SC) is the body in which we discuss all relevant developments in the field of sustainability within de Volksbank. In many cases, these discussions cover the formation of new policy or the application of existing policy. Various departments of de Volksbank are represented on the SC and together they advise the ASN Bank Management Board on the sustainability policy for de Volksbank as a whole.

3. Selection for ASN Bank

One important way to implement our sustainability mission is through investing our customers' savings. In that respect, we apply two key principles:

- We invest our customers' money according to the ASN Sustainability Criteria.
- We comply with the requirements set by regulatory bodies, such as the Dutch Central Bank. The requirements they impose regarding our capital largely determine how we can invest our money.

We invest our customers' savings in categories including bonds and private loans to governments (countries, provinces and municipalities), home loans, water boards, healthcare institutions, housing corporations, education, culture and leisure, and renewable energy. This spread creates a good balance between the various sectors and a diversification of risks.

3.1 Government bonds and loans to lower tiers of government

National, local and regional authorities play an important role in a society's functioning. National governments provide basic facilities such as housing, education and healthcare and rules to protect nature, for example – matters that are important now and in the sustainable world of tomorrow. Governments also provide infrastructure. Governments need money to fund all these activities. Issuing government bonds allows them to obtain capital quickly. Lower tiers of government, too, issue bonds. They redeem these (government) bonds using taxpayers' money, for instance. ASN Bank invests part of the savings in government bonds and loans to lower tiers of government.

3.1.1 Assessment criteria for countries

Every two years, we select the countries that meet our exclusion criteria and sustainability criteria. If we have approved a country based on these criteria, the local authorities have also automatically been approved, because they comply with the same laws and regulations.

In our selection, we distinguish between exclusion criteria and sustainability criteria. Any country that does not meet the exclusion criteria is excluded. Using the sustainability criteria, we select the outperforming countries.

Country assessment based on exclusion criteria

We only approve countries if they meet the exclusion criteria below in the areas of human rights, climate change and biodiversity.[9]

Human rights

SDG targets: 8.7, 16.1, 16.2, 16.4, 16.7

We exclude countries where the following serious violations of international law[10] occur or where there is a major risk of:

- Crimes against humanity
  - Torture: countries can only be approved if they have ratified the Convention against Torture (CAT).
  - Slavery: countries are disapproved if they run a very high risk of slavery.
- Genocide: countries are disapproved if they run a very high risk of genocide.

[9] For the selection based on the exclusion criteria, we use as many public, reputable sources as possible. These are sources that can indicate whether or not a country satisfies the exclusion criterion concerned.

[10] Countries which are subject to UN sanctions are also included in this category. However, we consider UN sanctions too broad to be used as the only criterion.

- Capital punishment: countries can only be approved if they have not carried out the death sentence for crimes in the past ten years.
- War crimes
  - Child soldiers: countries can only be approved if they, or groups in these countries, do not avail themselves of child soldiers.
  - Controversial weapons: countries can only be approved if they have ratified all of the following treaties or conventions:
    - Treaty on the Non-Proliferation of Nuclear Weapons;
    - Comprehensive Nuclear-Test-Ban Treaty;
    - Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on their Destruction (Chemical Weapons Convention);
    - Biological Weapons Convention;
    - Convention on Certain Conventional Weapons;
    - Anti-Personnel Landmines Convention;
    - Convention on Cluster Munitions;
    - Arms Trade Treaty.[11]

Climate change

SDG targets: 13.2, 14.3

We exclude countries from investment if they do not actively reduce climate change. Countries can only be approved if they have ratified the Paris Agreement.

Biodiversity

SDG targets: 2.5, 5.2, 6.3, 6.6, 11.4, 14.1, 14.c, 15.1 to 15.9

We exclude countries from investment that do not actively contribute to conserving biodiversity as they do not endorse the international conventions listed below. These conventions focus primarily on the conservation of species and ecosystems. The conventions we take into consideration in assessing countries are:

- Convention on Biological Diversity (CBD);
- Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES);
- Convention on the Conservation of Migratory Species of Wild Animals;
- The International Treaty on Plant Genetic Resources for Food and Agriculture;
- Convention on Wetlands (also known as the Ramsar Convention);
- Unesco World Heritage Convention (WHC);
- UN Convention on the Law of the Sea;
- Cartagena Protocol.

Country assessment based on sustainability criteria

Having applied the exclusion criteria, the unexcluded countries remain. From these countries, we select the outperforming ones based on the sustainability criteria. We have predetermined a minimum score that countries must achieve to be approved. We use this score for a few years in order to guarantee continuity. The aim is both to select the countries that are performing best and to create sufficient diversification for the portfolio.

[11] Although the Arms Trade Treaty (ATT) addresses conventional weapons, we have nevertheless included it as one of the criteria for controversial weapons. This is because the ATT regulates arms trade in such a way that the arms trade is not in violation of the United Nations' arms embargoes and does not contribute to crimes against humanity or war crimes.

For the selection based on the sustainability criteria, we use various indicators.[12] The selection of an indicator is performed in two steps. First, we establish the topic that the indicator needs to measure.[13] Then, we look for the indicator that best measures that topic.[14] In exceptional cases, we cannot identify an indicator for a selected topic that meets these requirements. In those cases, we do not include the topic in the weighting.

Human rights

SDG targets: 4.1, 4.5, 5.1, 5.2, 5.5, 5.c, 8.7, 10.3, 10.4, 10.b, 16.5, 16.10, 16.b, 17.2

The country respects, protects and promotes the Universal Declaration of Human Rights and other notable standards, such as those of the International Labour Organization (ILO). We assess the country on the following topics with their corresponding indicators:

Topic	Indicator	Indicator-based assessment
Defence expenditure	Share of defence expenditure in a country's budget	The lower the better
Corruption	Risk of corruption	The lower the better
Income inequality	Difference between highest and lowest income groups	The lower the better
Development aid	Share of development aid in government spending	The higher the better
Freedom of speech	Risk of limitation of freedom of opinion	The lower the better
Child labour	Risk of the occurrence of child labour	The lower the better
Forced labour	Risk of the occurrence of forced labour	The lower the better
Discrimination	Risk of discrimination	The lower the better
Freedom of association	Risk of low freedom of association	The lower the better

Climate change

SDG targets: 7.2, 13.2

The country contributes to climate protection. We assess the country on the following topics with their corresponding indicators:

Topic	Indicator	Indicator-based assessment
Greenhouse gases	Per capita emission of greenhouse gases (measured in CO_2 equivalents)	The lower the better
Renewable electricity	Share of renewable electricity generated in total electricity generated	The higher the better

Biodiversity

SDG targets: 3.9, 6.3, 11.6, 12.4, 12.5, 13.a, 15.6, 15.9

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[12] We have decided to use indicators rather than indices. This distinction may not be immediately obvious and so requires some explanation. Each index is composed of various indicators and its aim is to give a total assessment of a broad field. Because of this broad constitution, indices often also measure factors that we do not wish to take into account or to which we would assign a very different weighting. In addition, indices often use the same indicators. Certain indicators might then be counted several times – in various indices – and be assigned too much weight as a result. Indicators give an assessment of a limited area or even of a single topic. Thus it is clearer what they measure exactly.

[13] Subjects must meet the following requirements: there may be no more than twenty subjects and they must follow from our policy papers on human rights, climate change and biodiversity. This means that they do not assess a country's policy, but rather what happens in practice. They overlap as little as possible.

[14] Indicators meet the following requirements. They have sufficient coverage in the various countries. They are objective, independent, sufficiently distinctive, reputable (good quality) and transparent (i.e. no black box). Quantitative indicators are expressed in quantities per capita or a similar unit. In this respect, we use public, reputable sources as far as possible.

The country contributes to the protection of biodiversity. We assess the country on the following topics with their corresponding indicators:

Topic	**Indicator**	**Assessment**
Nuclear energy	Quantity of nuclear energy produced per capita	The lower the better
Protected habitats	Surface area of nature reserves in total nature	The higher the better
Air pollution	Per capita emission of sulphur oxides (SO_x)	The lower the better
Waste disposal	Waste disposed on land per capita	The lower the better

Score calculation, weighting and valuation
A country's scores are calculated in five steps:

- Step 1: we collect data on the basis of the indicators for the countries that meet the exclusion criteria.
- Step 2: we assess for which countries sufficient data is available to arrive at a sustainability score. The countries for which insufficient data is available are not included in the universe.
- Step 3: we use the data collected to calculate each country's score on the relevant indicator. To enable a comparison of countries' scores on the indicators, the data is rescaled[15]. In that process, we determine the highest and lowest values of the data per indicator. Depending on the indicator, the lowest or the highest value is the best, as stated after the indicators above. Next, we assess for each country what the difference is compared with the best value. The closer the country is to the best value, the better its rescaled score on the relevant indicator.
- Step 4: we calculate the score for each pillar (human rights, climate change and biodiversity). We do this because the pillars do not have the same number of indicators, but we do wish to assign equal weight to every pillar in the ultimate sustainability score. On the basis of the rescaled scores, we determine the rank-weighted average[16] per pillar for every country.
- Step 5: we calculate the sustainability score, the final score per country. The sustainability score is the rank-weighted average of the score per pillar. The more closely the outcomes of the various indicators align with each other, the higher the rating we assign to the country. A country with an uneven spread across the indicators is given a lower rating. This is because we prefer a country with a reasonably good score on all indicators to a country with a very good score on some indicators but a very bad score on others.

When the scores are known, it is clear which countries satisfy the minimum score and can therefore be approved. The scores also show how the countries perform in relation to each other. Finally, the list of countries that have achieved the minimum score is presented to the Investment Committee and the SC for approval.

[15] Rescaling involves the conversion of the data from various indicators, allowing us to combine the data on a single scale. This enables us to compare the data.
[16] 'Rank-weighted average' means that the scores are placed in the order of bad to good, with the worst scores carrying the most weight and the best scores the least. The aim is to prevent bad scores from being compensated by good scores.

3.2 Green bonds, social bonds, sustainable bonds and loan portfolios of financial service providers

ASN Bank invests in bonds of issuers that use these to finance sustainability projects. These bonds are also known as 'green bonds', 'social bonds' and 'sustainable bonds'. We invest in renewable energy, energy saving and biodiversity through green bonds. These bonds contribute to achieving our objective of being fully climate neutral by 2030. Social bonds are used to finance projects that have a social impact, such as microcredit and social housing. Sustainable bonds are used to finance a mix of green and social projects. In addition, we may invest in loan portfolios of financial service providers.

3.2.1 Assessment criteria for green bonds, social bonds, sustainable bonds and loan portfolios of financial service providers

SDG targets: 7.2, 13.2, 17.3

Although green and social bonds and loan portfolios finance different types of project, the methodology for assessing them is the same. We assess them on the following topics in succession:

Issuer

Financial institutions and companies may issue green, social or sustainable bonds. We always research the issuer of the bond, assessing the issuer in terms of:

- Activities to be excluded: does the issuer carry out activities to be excluded?[17] If such activities constitute the institution's primary operations, we are very cautious about investing in any green, social or sustainable bond of this issuer, even if that bond does not finance those activities. In section 4.1.6.1 we explain how we define 'activities to be excluded' and 'activities to be avoided'.
- Misconduct or reputation risk: is there (serious) misconduct that the issuer is involved in? We are very cautious about investing in green, social or sustainable bonds of an issuer that is involved in (serious) misconduct or if we see any other potential reputation risk.

Assessment of financed projects

Before approving a green, social or sustainable bond or loan portfolio, we analyse which projects are financed with the bond or loan portfolio. In doing so, we avail ourselves of various sources, which are:

- the investment document: this document states the designated use of the money raised with the bond;
- the issuer's selection criteria framework. Institutions draft a selection criteria framework to determine which projects they wish to finance through their green, social or sustainable bond. Some institutions may do this themselves, while others engage an external party;
- a second opinion: on the issuer's instructions, an independent third party assesses the selection criteria or the green, social or sustainable bond itself, and issues a second opinion on this. We always include this opinion in our assessment, as it provides additional information. If the second opinion contains a recommendation, we may enquire whether the issuer has followed up on it or we may set the recommendation as a condition.

We do not invest in a green, social or sustainable bond or in a loan portfolio in the following cases:

[17] Activities that we exclude are, for example, fossil fuels, arms and mining.

- the bond or loan portfolio finances activities to be excluded or avoided. For green bonds, for example, the financing of projects in biomass or dams may be a reason for exclusion; see section 4.1.6.1 for more information;
- there is insufficient transparency. We do not invest in green, social or sustainable bonds or loan portfolios if it is unclear what (or which projects) are being financed, as the bond or portfolio may be used to finance projects that we exclude;
- the bond does not satisfy our definition of a green, social or sustainable bond. Green, social or sustainable bonds are issued more and more often to finance all sorts of projects. If a bond does not satisfy one of our definitions, we do not invest in it. We apply the following definitions:
  - green bond: a bond whose proceeds are used to finance green projects. We take 'green projects' to mean projects that meet the criteria defined for renewable energy projects. It is recommended that the green bond comply with the Green Bond Principles.[2] It is desirable for the green bond to comply with the Climate Bonds Initiative;[18]
  - social bond: a bond whose proceeds are used to finance social projects;
  - sustainable bond: a bond whose proceeds are used to finance a mix of social and green projects.

Risk countries
If it turns out that the issuer finances projects in countries that we regard as risk countries (see Chapter 2), we expect it to have additional human rights policies in place. If the issuer has insufficient policy in place to guarantee that it respects human rights, we do not invest in the green, social or sustainable bond or loan portfolio.

Carbon footprint
ASN Bank's objective is to be climate positive by 2030 in all its loans and investments. That is why it needs to know the carbon footprint of green, social or sustainable bonds or loan portfolios. Both green and sustainable bonds and loan portfolios may produce a CO_2 profit, thus helping us to achieve our climate change objective. If we know the carbon footprint, we can check the calculations to verify whether the method of calculation corresponds to our methods. However, the carbon footprint of green, social and sustainable bonds and loan portfolios is unknown in many instances. Sometimes this information can be requested from the issuer; at other times we are able to determine the carbon footprint based on the projects completed. For green and sustainable bonds, we do not stipulate the condition that they must yield a CO_2 profit. After all, they may also have other positive sustainability impacts, such as on biodiversity or social goals.

Equator Principles
If any projects are financed through the green, social or sustainable bonds or loan portfolios to which the Equator Principles[19] apply, we must assess whether these projects meet the criteria of the Equator Principles.

Additionality

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[18] The Green Bond Principles and the Climate Bonds Initiative are initiatives for defining a green bond. The Green Bond Principles are voluntary guidelines on the issuance of green bonds to fund environmentally friendly activities. The Climate Bonds Initiative is in line with the Green Bond Principles but applies a stricter definition of green bonds, in which climate bonds may exclusively finance climate change mitigation or adaptation projects.
[19] The Equator Principles (EP) for large project loans require the loans to meet the social and environmental criteria set by the International Finance Corporation (IFC). In High-Income OECD countries, local and national rules, laws and permits are generally similar to or more stringent than the EP requirements. It is therefore sufficient for project loans in these countries to comply with local laws; they need not be assessed against the EP. http://www.equator-principles.com/

An issuer may package already completed projects in a green, social or sustainable bond or a loan portfolio in order to free up cash to finance entirely different projects and activities. ASN Bank prefers to buy green, social and sustainable bonds and loan portfolios that finance new projects, with the aim of encouraging other institutions to carry out new sustainability projects.

Recommendation
We arrive at a recommendation on the basis of the above considerations. If all topics meet our criteria, we are able to make a positive recommendation. If a specific loan or loan portfolio clearly contributes to our sustainability objectives, we accept in exceptional cases that the issuer itself does not meet our criteria. We may then impose additional conditions on the issuer before issuing a positive recommendation. This exception is subject to a specific restriction: we do not invest in loan portfolios of issuers that cannot act as counterparties to transactions for de Volksbank's cash management portfolio (see Financial Markets). Two ECD staff members assess the test and jointly provide a recommendation in this regard. The ASN Bank Management Board takes a final decision on the bond or loan portfolio.

3.3 Renewable energy projects

ASN Bank and ASN Groenprojectenfonds finance projects, including in the field of energy generation from renewable sources (renewable energy projects). These are two different legal entities, which apply different decision-making processes but the same criteria. They also display minor differences in the types of project they fund.

ASN Bank
ASN Bank finances projects involved in renewable energy, such as wind farms, solar energy projects and thermal storage systems. It also finances projects that substantially reduce energy consumption, such as sustainable construction and refurbishment.

ASN Groenprojectenfonds
ASN Groenprojectenfonds has been designated as a Green Institution. The fund focuses on sustainable construction and refurbishment, renewable energy and decentralised energy supplies.

3.3.1 Assessment criteria for renewable energy projects

SDG targets: 7.2, 7.3, 7.a, 13.2, 15.9
The methodology below for selecting renewable energy projects applies to both entities.

The two aforementioned entities finance all sorts of projects with varying degrees of sustainability. Below, we have included a non-exhaustive overview of renewable energy projects that may be eligible for funding, as well as the criteria used to assess them. The table below explains which criteria apply to virtually all projects and which aspects are assessed. Assessment against the other criteria is explained in the table itself.

Renewable energy project	**Criteria**
Wind energy - onshore - offshore	*Sustainability criteria*: We expect a project in any event: - to comply with all legislation and regulations; - not to be involved in (serious) misconduct; - to comply with the Equator Principles if these are applicable;

	- to disclose the emissions avoided; - to comply with our biodiversity policy about nature conservation areas. In addition, a project preferably: - uses suppliers that meet our sustainability criteria for companies (see section 4.1.6.2).
Solar energy generation - roof-mounted - in the field - on water	*Sustainability criteria*: For a project, we expect in any event that: - it complies with all legislation and regulations; - the project developers are not involved in (serious) misconduct; - it complies with the Equator Principles if these are applicable; - the energy generated is reported to us each year; - an appropriate plan is in place to remove the installations at the end of their useful lives; - appropriate compensatory measures for biodiversity and integration into the landscape are taken in the construction and management of the project; - a solar park on land or a solar park on water does not exceed 20 hectares. This does not apply to the roofs on buildings. This may be different, depending on how the project fits into its surroundings; - no valuable nature such as woodland disappears for the construction of the project; - for sun on water, the project is constructed in places with built-up features, such as catchment basins, water storage at business parks or dredging depots; - a developer of a solar park in the Netherlands endorses the Zon op Land code of conduct; - projects in nature conservation areas, at sea, and in lakes, rivers, canals and polder waterways are excluded; - outside the Netherlands, the principles of this code are adhered to as much as possible. In concrete terms, this means that: local residents are involved in choices about the plan, the design and the possibility of financial participation, and that the Zonnewijzer[20] is taken into account when choosing a location. In addition, the solar park is set up in such a way that no irreversible changes are made. This means that the original land use is possible again when the useful life of the solar park ends. In addition, preferably: - the effects of solar panels on, for example, water quality, fish stocks or bird populations are studied. This is especially positive if the study is monitored by nature and/or environmental organisations; - suppliers are used that meet our sustainability criteria for companies.
Thermal storage systems	*Sustainability criteria*:

[20] The Zonnewijzer means that we prefer to finance projects in places with built-up features, such as basins, sand quarries, business parks or dredging depots. We do not invest in solar projects at sea or in lakes, rivers, canals and polder waterways. National Parks and Natura 2000 areas are also excluded.

<table>
<tr><td></td><td>We expect a project in any event:
- to comply with all legislation and regulations;
- to disclose the emissions avoided.</td></tr>
<tr><td>Biomass
- woody biomass, waste wood, dry green waste
- manure
- sewage sludge
- biodegradable waste
Energy generation through:
- combustion
- mono-fermentation
- cofermentation</td><td>Activities to be excluded:
We do not finance projects that use first-generation biofuels. Second- and third-generation biofuels are allowed on specific conditions. Section 4.1.6.1 explains under which category a biofuel falls. In addition, the following absolute criteria apply:
For dry biomass:
- The biomass in a project is demonstrably of local origin, i.e. from an area within a radius of approximately 200 kilometres from the power plant. The biomass is also certified according to NTA8080-1-2015 (Better Biomass).
- The applicant and the entire supply chain are NTA8080 certified.
- All flows processed in the project are NTA8080 certified. We receive the annual NTA8080 audit report expressly stating this.
- The dry biomass flows consist of waste wood and/or pruned wood.
- If the amount of local pruned wood has been or is exceeded by existing and/or planned biomass plants, we do not finance new biomass plants using local wood.
- The project developer or owner must not be involved in the trade in illegal wood and/or be involved in controversies.
- The power plant that incinerates dry biomass avails itself of flue gas cleaning using the latest techniques.
- The power plant that incinerates dry biomass at least complies with the laws and regulations applicable to emissions.
- There is proper disposal, treatment or upgrading of residual products (ashes).
For wet biomass:
- This is the mono-fermentation of sludge, manure, green waste from horticulturists and arable farmers, biodegradable waste (fruit, vegetable and garden refuse) and similar flows.
- We assess applications for cofermentation on a case-by-case basis. What is important is that the applicant is an experienced project developer and that the installation is managed professionally. The parties involved must have a good reputation in the market. The origin of the biomass flows used (feed-in) must be incontrovertible.
- Only second-generation cosubstrates (food crops) are used.
- The parties involved are not associated with manure fraud; this is verified.
- For livestock farms, animal welfare must be in order. For example, they must use free-range barns. It must be a land-based farm that can process the manure completely or largely on its own farm.</td></tr>
</table>

	- Biomass flows originate locally, within 200 kilometres of the biomass plant. The auditor explains this specifically in the annual audit report. - The biomass flows and the applicant are both NTA8080 certified and audited. We receive the annual NTA8080 audit report in which the auditor specifically provides an opinion on this. - There is proper disposal, treatment or upgrading of the digestate (digested manure). *Sustainability criteria*: We expect a project in any event: - to comply with all legislation and regulations; - to disclose the emissions avoided;
Sustainable buildings - new buildings - refurbishment	*Activities to be excluded*: We avoid construction projects in which the building is to be used for activities that we exclude or avoid. This exclusion clause is included in the loan agreement. Examples of such activities are arms, tobacco, violation of human rights and labour rights, and activities that are very harmful to the environment. If a building is not used for activities we exclude, we may nevertheless decide not to finance it on account of a reputation risk. Such a risk may arise if the *owner* or *tenant* of the building is involved in activities we exclude or avoid.[21] *Sustainability criteria*: For any project, we expect in any event: - that no serious misconduct has occurred[22] at the preliminary stage of construction and during construction itself; - that the positive effects far outweigh any negative effects in the event of new development on greenfields[23]; - that buildings have an energy label. Within that context: ▪ social-use buildings must have an energy label; ▪ commercial-use buildings must have at least energy label A if newly built and at least energy label B if refurbished; - that commercial-use buildings comply with any of the following quality labels or comparable standards[24]: 1) GreenCalc+ environmental index for buildings: label class A or B[25]; 2) LEED for new construction: Gold or Platinum; 3) BREEAM NL for existing/new buildings: Very Good or Excellent; 4) GPR Gebouw: 9 or 10 stars. In addition, preferably:

[21] Activities that we exclude are the arms industry, tobacco industry, child labour, human rights violations, environmental offences, and nuclear energy.
[22] A few examples of misconduct: the building has prompted serious, widely supported protest during construction because, for example, it is taking up valuable open green space; previous purchases or sales of the building involved fraud; the building does not comply with current laws and regulations.
[23] Greenfields are areas of land that have not previously been built on.
[24] An exception can be made on some points for the financing of social property.
[25] GreenCalc+ is an instrument for identifying the sustainability of a building or district. GreenCalc+ assesses sustainability on three themes: use of materials, water consumption and energy consumption. These themes are translated into a clear score: the environmental index. Available via: http://www.greencalc.com.

	- the buildings are easy to reach by public transport and bicycle; - the buildings have an indoor climate that is not harmful to the health of the users and occupants of the building; - the project requires funding to refurbish existing buildings; - the project involves mixed-use buildings; - larger buildings have an environmental policy and an environmental management system;[26] - the borrower is able to demonstrate that sustainable timber is used in the construction project, on the basis of: ▪ the specifications; ▪ formal interim progress meetings; ▪ completion (schedule of condition with snag list); ▪ a contractor's warranty statement; - social-use buildings are subject to the following: ▪ the owner or manager of the building strives to improve the energy label; ▪ the building complies with any of the following quality labels or comparable standards: 1) LEED for new construction: Gold or Platinum; 2) BREEAM NL for existing/new buildings: Very Good or Excellent; 3) GPR Gebouw: 9 or 10 stars.
Hydropower projects - dams - hydroelectricity - water stairs	*Activities to be excluded*: We only finance hydropower projects in which dams are constructed if: - the dam satisfies the seven World Commission principles. See section 4.1.6.1; - there is no misconduct in respect of the local population. *Sustainability criteria*: We have set the following minimum requirements for a project: - it is not involved in any misconduct; - it complies with all legislation and regulations; - it complies with the Equator Principles if these are applicable; - it discloses the emissions avoided.
Plastic - biobased raw materials - reuse and recycling	*Sustainability criteria*: <u>Biobased projects</u> We expect a project in any event: ▪ to comply with all legislation and regulations; ▪ not to be involved in (serious) misconduct; ▪ to only use biobased raw materials for the production of biobased plastics; in other words, fossil materials may not be used at all. An exception to this is recyclate; ▪ not to use biobased raw materials from food crops. In exceptional cases, exceptions may be made on a case-by-case basis. However, food crop waste is permitted for the production of biobased plastics; ▪ not to use biobased materials where land use change (indirect land use change or ILUC) has taken place. The company must demonstrate this through, for example, the Better Biomass (NTA8080) certification.

[26] Larger buildings are buildings whose total surface area exceeds 10,000 square metres.

	▪ not to release microplastics when the product is used or is subject to wear and tear. In addition, a project preferably uses: ▪ suppliers that meet our sustainability criteria for companies; ▪ innovations that ensure that the biobased plastics can be reused or recycled; ▪ logos and labels clarifying that the plastics are (fully) biobased and how the plastics should be disposed of after use. <u>Plastic reuse and recycling</u> ▪ Project finance that focuses on the processing of previously used fossil plastics achieves significant CO_2 gains and a lower environmental footprint compared with primary plastics from fossil materials. This reduction in CO_2 emissions and environmental footprint must be demonstrated by a generally accepted Life Cycle Assessment (LCA) methodology.

Activities to be excluded and avoided
All projects must meet our criteria concerning activities to be excluded and avoided as described in section 4.1.6.1. Given the nature of the projects, these criteria only apply to biomass and hydropower projects. For sustainable buildings, too, we assess whether the tenant is engaged in activities to be excluded or avoided.

Legislation and regulations
Projects must comply with all laws and regulations and have obtained the permits required, such as an integrated environmental permit or an Environmental Impact Assessment (EIA). If the permits needed have not been issued at the time of assessment, we include this in the sustainability assessment as a condition.

Misconduct
We expect the projects not to be involved in (serious) misconduct, such as misconduct in respect of the local population during the construction of dams, or fraud. Section 4.1.1.4 states how we assess misconduct.

Equator Principles
If the Equator Principles apply, the projects must comply with them. The Principles may apply, for example, to large wind projects and solar farms.

Emissions avoided
The emissions avoided must be known. We use this information to calculate ASN Bank's climate change objective. If this information is not known at the time of assessment, we include this in the assessment as a condition.

3.3.2 Selection process for renewable energy projects

The ECD sustainability analyst assesses whether the project complies with the sustainability policy and the sustainability criteria discussed in section 3.3.1 and recommends that the project be 'approved' or 'disapproved'. The head of the ECD may or may not adopt the analyst's recommendation and then submits the analysis with the recommendation to the Management Board, which takes a final decision.

The selection process for ASN Groenprojectenfonds is discussed in section 4.5.2.

3.4 Mortgages and securitised mortgages

ASN Bank finances mortgage portfolios through private loans to Woonhuishypotheken B.V., for example. Since the end of 2018, ASN Bank has also had its own mortgage that promotes sustainability improvements in homes. We are also working with the other brands of de Volksbank (RegioBank, SNS and BLG Wonen) to make their mortgage portfolios more sustainable. Please refer to the Living & Working policy paper for the sustainability criteria that de Volksbank mortgages must meet. When we purchase mortgage portfolios, we select them on the basis of our ASN Sustainability Criteria. This selection is examined by ASN Bank's Managing Director.

3.4.1 Selection methodology and criteria for mortgages and securitised mortgages

SDG targets: 1.4, 5.a, 7.2, 7.3, 11.1, 13.2

This section discusses the sustainability risks involved in the financing of mortgages and securitised mortgages. We indicate where we draw the line. Issuers' policies must meet at least the criteria set out below.

Mortgages and securitised mortgages of providers other than de Volksbank N.V.:

Sufficient:

- The mortgage lender has a policy for good governance and ethics.
- The mortgage lender has a policy that warrants equal treatment and non-discrimination of customers.
- The maximum amount of the mortgage loan is € 350,000; any home worth more than € 350,000 must have an energy label of at least A+.
- The mortgage-providing institution considers its customers' financial strength when offering its products, by taking into account not only the mortgage loan but also housing costs.
- The provider of securitised mortgages is transparent about the energy performance of the securities.

Good: The issuer satisfies the conditions mentioned at 'Sufficient' and has included one to four of the points at 'Other' in its policy.

Excellent: The issuer satisfies the conditions mentioned at 'Sufficient' and has included five or six of the points at 'Other' in its policy.

Other:

Human rights

- People with payment problems: we believe it is important that people are able to live decently and are not forced to live on the streets when they experience changes in their lives, such as job loss or incapacity for work.
  - The institution has a policy to identify and prevent payment problems at an early stage.
  - The institution has a policy to help people with payment problems and prevent eviction.
  - Preferably, the institution helps people who will inevitably be evicted to find alternative housing.
- Special target groups: we believe it is important that the institution pays attention to vulnerable groups of people.
  - The mortgage lender has products and/or services that make good housing accessible to special target groups, such as the elderly and first-time buyers.

Climate change

- The mortgage lender helps occupants to introduce energy-saving measures in their homes.

- The mortgage lender is transparent about how its residential portfolio is spread across the energy labels.
- New homes are as energy efficient as possible, in accordance with the EU Directives.

Biodiversity

- The mortgage lender informs its customers about the options of sustainable construction and refurbishment.

3.5 Residential construction

We believe it is important that people have access to good and affordable homes: homes that are in good condition and situated in healthy, attractive surroundings. As a result, housing corporations' objectives have many aspects in common with ASN Bank's vision and mission.

The ECD analyst assesses whether residential construction projects comply with ASN Bank's sustainability policy and sustainability criteria and makes a recommendation. The head of the ECD may or may not adopt the recommendation. The ASN Bank Management Board takes the final decision whether or not to finance the project.

The following applies to fixed-interest loans of ASN Bank and investments of ASN Beleggingsinstellingen Beheer B.V. (ABB). First, the analyst assesses whether they comply with the sustainability policy and sustainability criteria and makes a recommendation. A second analyst assesses the recommendation. The recommendation is discussed by the Research Committee and subsequently by the Investment Committee. Finally, the ASN Bank Management Board or, in the case of investments by the ASN Investment Funds, the ABB Board of Directors takes a decision.

3.5.1. Selection methodology and criteria for housing corporations

SDG targets: 7.2, 7.3, 11.1, 12.7, 13.2, 15.2

We can assess housing corporations' policies on a scale ranging from 'insufficient' to 'excellent'. We only assess housing corporations' policies if they do not carry out any activities that we exclude. Housing corporations may positively stand out in various areas.

Insufficient: The housing corporation has not included any of the points below in its policy.
Sufficient:

- The housing corporation adheres to the Aedes Code and the Housing Corporations Governance Code. If it does not do so, it explains its reasons for this in detail.
- The housing corporation has drawn up integrity rules.
- The housing corporation has a point of contact where occupants and others can report misconduct.
- There is no misconduct at the housing corporation. If an occasional incident occurs, the housing corporation immediately takes adequate measures.
- The housing corporation's objective is to improve the level of energy labels for the housing stock as a whole.
- The housing corporation constructs new buildings that have energy label A as a minimum. Non-residential buildings, such as social properties, comply with any of the following standards:
    1. GreenCalc+ environmental index for buildings: label class A or B
    2. LEED for new construction: Gold or Platinum
    3. BREEAM NL for existing/new buildings: Very Good or Excellent
    4. GPR Gebouw: 9 or 10 stars

Good: The housing corporation satisfies the conditions mentioned at 'Sufficient' and has included one to seven of the points below in its policy.
Excellent: The housing corporation satisfies the conditions mentioned at 'Sufficient' and has included seven to ten of the points below in its policy.

Human rights and governance

- Complaints mechanism:
  The housing corporation has a complaints mechanism. It is transparent about the number of complaints received and how these were handled.
- Transparency:
  - The housing corporation is affiliated with an umbrella organisation whose aim is to improve its members' performance, such as Aedes, Kwaliteitscentrum Woningbouwcorporaties Huursector or similar initiatives.
  - The housing corporation is subject to internal and external supervision and verifies compliance with the standards.
  - The housing corporation engages with its stakeholders.
  - The housing corporation is subject to a review every four years.
- Purchasing policy: the housing corporation has a sustainable purchasing policy.

Climate change

- The housing corporation reports on the CO_2 emissions of its residential portfolio.
- The housing corporation takes initiatives to carry out renewable energy projects.

Biodiversity

- The housing corporation has included in its policy that it uses sustainably produced timber (wood certified by the Forest Stewardship Council (FSC)) to the extent possible.
- The housing corporation is not involved in the construction of new buildings in green, undeveloped areas.

3.6 Healthcare and welfare

ASN Bank finances healthcare institutions via project loans, via loans to healthcare institutions and via investment funds.

'Care and health' include:

- access to healthcare[27]: healthcare institutions such as hospitals, institutions for old-age care and other professional and non-professional care providers, such as home care and informal caregivers;
- both physical and mental health;
- access to medicines;
- access to the basic conditions for health: safe drinking water and sanitary facilities, safe food and sufficient nutrition, adequate housing, sufficient sports and movement;
- access to information about health.

In addition to healthcare institutions, we also select projects and institutions focusing on the welfare of vulnerable groups, such as the elderly, disabled people and children. In this document, they are all classified as 'healthcare institutions'.

[27] In healthcare, three types of healthcare are distinguished: prevention (preventing illness), cure (recovery from illness) and care (living as comfortably as possible with a chronic disease).

The ECD analyst assesses whether healthcare and welfare projects in the Netherlands comply with ASN Bank's sustainability policy and sustainability criteria and makes a recommendation. The head of the ECD may or may not adopt the recommendation. The ASN Bank Management Board decides whether or not to finance the project.

The following applies to fixed-interest loans of ASN Bank and investments of ASN Beleggingsinstellingen Beheer B.V. (ABB). First, the analyst assesses whether they comply with the sustainability policy and sustainability criteria and makes a recommendation. A second analyst assesses the recommendation. This is discussed by the Research Committee and subsequently by the Investment Committee. Finally, the ASN Bank Management Board or, in the case of investments by the ASN Investment Funds, the ABB Board of Directors takes a decision.

3.6.1 Selection methodology and criteria for healthcare institutions

SDG targets: 3.8, 3.c, 12.4, 12.7, 13.2, 15.2

Project finance and loans to healthcare institutions in the Netherlands

ASN Bank complies with healthcare legislation and regulations when assessing healthcare institutions.

Many healthcare aspects are enshrined in legislation and regulations, such as:

- patient safety;
- privacy;
- quality of care;
- radiological materials and other (chemical) waste.

We verify that no misconduct is apparent from media reports and inspection reports. Our assessment is positive if organisations are members of a sector organisation and are certified.

Financing of healthcare institutions via the investment funds (outside the Netherlands)

Healthcare institutions are subject to the same criteria that we apply to companies (see also section 4.1.1). In addition, we conduct research into the following extra points for attention:

- Is the institution a member of a sector organisation?
- Is the institution certified?
- Does the institution have any policy for employee health and safety?
- Does the institution have any policy for dealing with radiological materials and other chemical waste?
- Is the institution engaged in genetic modification?
- Is there a code of conduct (good governance)?
- Does the institution have any policy to guarantee consumer protection?
- Does the institution have any environmental policy with attention being paid to:
  - an environmental management system with attention being paid to prevention, reuse and recycling?
  - energy consumption (in the context of our climate change objective)?
- Does the institution have a purchasing policy?

3.7 Education, culture and leisure

To ASN Bank, education and culture are important components of a sustainable society. We have a vision of a society in which people live without poverty and in which everyone has access to education, good housing and medical care. ASN Bank contributes to this society in various ways:

- through the bank balance sheet: ASN Bank directly finances educational and other institutions;
- through project loans for the buildings of educational and cultural institutions.

The following applies to loans provided to education projects and culture and leisure projects in the Netherlands. First, the analyst assesses whether they comply with ASN Bank's sustainability policy and sustainability criteria and makes a recommendation. Subsequently, the head of the ECD may or may not adopt the recommendation. Finally, the ASN Bank Management Board takes a final decision.

The ECD analyst assesses whether fixed-interest loans comply with ASN Bank's sustainability policy and sustainability criteria and makes a recommendation. Then, a second analyst assesses the recommendation. Finally, the ASN Bank Management Board decides whether or not to provide the loan.

3.7.1 Selection methodology and criteria for institutions for education, culture and leisure

SDG targets: 4.a, 7.2, 7.3, 12.7, 13.2

When assessing educational institutions, we pay attention to the following aspects:

- Is the institution involved in misconduct? Section 4.1.1.4 describes how we assess such misconduct.
- Does the institution have proper governance? Are there any rules of conduct and what are the rules for the remuneration of directors?
- Is the institution transparent about the energy consumption of its buildings?
- Does the institution have a purchasing policy?

3.8 Water boards and water companies

ASN Bank invests in bonds of Dutch water boards and water companies. This does not include internationally operating water companies; see section 4.1.1. in that regard.

3.8.1 Selection methodology and criteria for water boards and water companies

SDG targets: 2.4, 6.1, 6.3, 6.4, 12.7, 13.2, 15.1

We assess the water boards as a sector, because individual differences between water boards are minimal. This is the result of the fact that they:

- have similar objectives;
- are subject to the same legislation and regulations;
- are united in the Dutch Water Authorities[28], where they develop a common – and therefore strong – uniform policy.

We do assess water companies individually. We examine the following aspects when assessing water boards and water companies:

Activities to be excluded and avoided

[28] The Dutch water boards are united in the Dutch Water Authorities, which promotes water boards' interests and ensures the exchange of knowledge and cooperation between water boards. The Dutch Water Authorities represents the water boards both nationally and internationally. It is the employers' organisation of roughly 11,000 employees working at 23 water boards in the Netherlands. The Netherlands is home to a total of 24 water boards. The water board for Blija Buitendijks, an uninhabited region outside the dike off the Frisian Wadden Sea coast, is not a member of the Dutch Water Authorities. http://www.uvw.nl/vereniging/

The water boards and water companies must meet our criteria concerning activities to be excluded and avoided as described in section 4.1.6.1.

Governance
We expect water boards and water companies to have a governance policy in place. Subjects we assess are: board remuneration, rules of conduct, including anti-corruption policy, compliance with legislation and regulations, and lobbying activities. Finally, there must be no (serious) misconduct[29] in terms of governance.

Human rights
As these are Dutch water boards and water companies, the chance that they are violating human rights is small. This is because Dutch legislation provides sufficient safeguards. Water boards and water companies sometimes pass their knowledge on to third world countries. There may be no misconduct in that regard.

Climate change and biodiversity
We expect water boards and water companies to comply with environmental laws. We also expect no misconduct to emerge. Preferably, they draw up an environmental policy and report on their environmental performance.

Supply chain policy
We expect water boards and water companies not to show any (serious) misconduct in the supply chain. Preferably, they have a sustainable purchasing policy containing criteria for governance, human rights and the environment.

The ECD analyst assesses whether water boards and water companies comply with ASN Bank's sustainability policy and sustainability criteria and makes a recommendation. The head of the ECD may or may not adopt the recommendation. The ASN Bank Management Board decides whether or not to provide a loan.

The analyst assesses whether listed water companies that qualify for investment by the ASN Investment Funds comply with the sustainability policy and sustainability criteria and makes a recommendation. Then, a second analyst assesses the recommendation. This is discussed by the Research Committee and subsequently by the Investment Committee. Finally, the ABB Board of Directors decides whether or not to invest.

[29] Section 4.1.1.4 describes how we assess (serious) misconduct.

4. Selection for the ASN Investment Funds

The ASN Investment Funds invest in companies, countries and projects that are part of the ASN Investment Universe. The manager of the ASN Investment Funds, ASN Beleggingsinstellingen Beheer B.V. (ABB), decides on this universe based on ABB's sustainability criteria. ABB's Investment Committees take the decisions to admit companies, governments, projects and institutions to or remove them from the investment universe of the ASN Investment Funds.

ASN Beleggingsfondsen has the following listed funds:
- ASN Duurzaam Aandelenfonds;
- ASN Duurzaam Small & Midcapfonds;
- ASN Milieu & Waterfonds;
- ASN Duurzaam Obligatiefonds;
- ASN Duurzaam Mixfonds;
- ASN-Novib Microkredietfonds;
- ASN Groenprojectenfonds;
- ASN Duurzaam Mixfonds Zeer Defensief;
- ASN Duurzaam Mixfonds Defensief;
- ASN Duurzaam Mixfonds Neutraal;
- ASN Duurzaam Mixfonds Offensief;
- ASN Duurzaam Mixfonds Zeer Offensief.

This chapter discusses the selection process for the various funds. The process of selecting companies for ASN Duurzaam Aandelenfonds, ASN Duurzaam Small & Midcapfonds and ASN Milieu & Waterfonds also applies to the equity portfolios of the various ASN Duurzaam Mixfonds funds (see section 4.3).
The process of selecting government bonds for the ASN Duurzaam Obligatiefonds also applies to the bond component of the various ASN Duurzaam Mixfonds funds.

4.1 ASN Duurzaam Aandelenfonds, ASN Duurzaam Small & Midcapfonds and ASN Milieu & Waterfonds

ASN Duurzaam Aandelenfonds, ASN Duurzaam Small & Midcapfonds and ASN Milieu & Waterfonds invest in company shares. The next section will explain the steps that lead us to decide to approve these companies. We will discuss the various recommendations and decisions issued in that regard. We will also discuss the steps an analyst takes to arrive at a recommendation and the considerations made in that respect.

4.1.1 The selection process for companies

ASN Bank's Sustainability Expertise Centre (*Expertise Centrum Duurzaamheid*; ECD) conducts the sustainability research on the instructions of ASN Beleggingsfondsen and advises the Investment Committee of the ASN Investment Funds. The Investment Committee meets at least six times a year and decides on the composition of the investment universe. The companies in this universe are reviewed and assessed at least once every four years.

Should a split-up, demerger, merger or acquisition by a company in our universe take place within the period of four years, the review is brought forward. No later than six months after a split-up, demerger, merger or acquisition, both companies are examined for their activities upon a split-up or demerger. A full analysis of the new company or companies takes place no later than 15 months after the split-up, demerger, merger or acquisition.

The decision-making process for the selection of companies is as follows. The analyst assesses companies and, based on the sustainability policy and sustainability criteria in section 4.1.6.2, recommends *approval* or *disapproval*. The second analyst assesses the research and recommendation. Following the analyst's explanation, the Investment Committee decides whether or not to admit the company to, or maintain it in, the investment universe of the ASN Investment Funds.

4.1.1.1 Risk analysis and analysis category

Every investigation we conduct starts with a risk analysis, which is required to establish the analysis category. We perform the risk analysis as follows.
First we identify the risks of the relevant sector and the relevant company. The basis for this is formed by our three sustainability pillars, i.e. human rights, climate change and biodiversity. We also assess a company's governance and, if applicable, animal welfare. In that context, we answer these questions: in which sector does the company operate and in which activities is it involved?

Assessment of sectors and activities in practice
It is important to make a sound analysis of the exact risks a company faces. When assessing companies that operate in risk countries or high-risk countries, we therefore assess what their exact activities are. If, for example, a company has only sales offices there, there is a low risk of child labour or forced labour. In that case, the company does not need to have any policy on these issues. The matter is different if a company has production facilities in a risk country or a high-risk country.

A company may also operate in a low-risk sector, in low-risk countries, but specific issues may still pose a risk. For example, in the software sector data privacy is always a risk.

We lay down these risks in a sector profile, with the outcome being that the sector risk is low, average or high. Then we establish whether the company operates in low-risk countries, risk countries or high-risk countries (Chapter 3 *Risk countries*). The sector risk combined with the country risk ultimately determines the analysis category. The more the company is involved in risk countries, risk sectors and risk activities, the higher the risks and, hence, the higher the standards that the company should comply with. In all instances the same assessment criteria apply. The thoroughness of the research and the admission criterion depend on the company's size. See section 4.1.1.2 *Large and small companies* for further explanation.

Examples of sectors and their risks[30]

Sector	Risk	Subthemes include:
Garment and retail	High	Supply chain, child labour, forced labour, freedom of

[30] The only sectors included here are the ones that are not engaged in activities we exclude or avoid.

		association, healthy & safe working conditions, pollution, living wage.
Food	High	Supply chain, land use, living wage, genetically modified organisms, animal testing, animal welfare, raw materials.
Pharmaceutical industry and healthcare	High	Ethical conduct, animal testing, access to medicines, genetically modified organisms.
Chemicals	High	Base chemicals, mining, cement, conflict minerals, healthy & safe working conditions.
Electronics	Average	Arms, conflict minerals, healthy & safe working conditions, forced labour, supply chain.
Telecommunications	Average	Arms, conflict minerals, privacy, energy consumption.
Paper and pulp	Average	Land use, deforestation.
Property	Average	Greenfields, deforestation, ethical conduct, cement.
Software	Low	Arms, privacy, CO_2 emissions via data centres.
Media	Low	Freedom of speech, energy consumption, deforestation.

Below, we will explain for each topic how these analysis categories affect the assessment against our three sustainability pillars and governance.

a. Human rights
If the national and international laws differ, we consider it important that the company adheres to the standard that provides the best protection for the individuals or group of people concerned.

Avoid
We avoid investments in companies that are active in high-risk countries and a high-risk sector, except if the company:
- supplies essential humanitarian services or products as its primary activity, thus contributing to human rights in that country (supplying, for example, medical services or homes);
- can guarantee that it is not directly or indirectly involved in serious human rights violations by a country; and
- can guarantee that its activities are in conformance with our other sustainability criteria.

Further analysis
This analysis must answer the following question: does the company sufficiently guarantee that its activities meet all of our criteria in countries with insufficient rules for human rights

and the enforcement of these? This is possible if it has formulated an effective policy and monitors the implementation of this policy. If a company is active in high-risk countries, we also assess whether it is involved in serious human rights violations by the country. For example by supplying products or services that contribute to such violations or from which a totalitarian or corrupt regime benefits. In that respect, we assess whether there is any misconduct in the area of human rights that is in conflict with the local or international laws and rules.

Normal assessment
This assessment focuses on companies that operate in countries with a low risk of human rights violations. Accordingly, the assessment answers the question as to whether the company's activities comply with the local laws and rules. We assess whether there is any misconduct in the area of human rights that is in conflict with the local laws and rules. Misconduct is a situation from actual practice that conflicts with our sustainability criteria. In some cases, we expect a company to have a specific policy in this category, for example if it is known that, within a certain low-risk country, the chance of a specific human rights violation is very high.

b. Climate change
When assessing companies in respect of climate change, we do not make a distinction based on risk countries. We expect the same thing from all companies where climate change is concerned. Companies should have a policy to reduce their impact on the environment and to control risks. However, we do consider whether companies operate in a sector with a larger impact on the environment. We expect them to at least have a policy for those elements that, given their activities, constitute a risk.[31] In that respect, we assess whether there is any misconduct.

c. Biodiversity
When assessing companies in respect of biodiversity, first of all we assess whether a company operates in a sector posing a threat to biodiversity. Examples include companies operating in the paper and pulp industries or in the food and beverage industry. Subsequently we make a distinction based on countries where biodiversity is at a higher risk, such as Malaysia, Indonesia, Vietnam and Brazil. We expect companies to have a policy in place if they operate in sectors posing a threat to biodiversity. We also assess whether there is any misconduct.

d. Governance
When assessing companies' governance, we expect each company to have a policy regulating the ethical conduct of its employees, regardless of where it operates. We do make a distinction based on the risk of the countries where a company is active. We expect the policy's substance and quality[32] to be better if the company is active in risk countries or high-risk countries and/or activities. Finally, we assess whether there is any misconduct.

4.1.1.2 Large and small companies

One step precedes the sustainability analysis of companies: we determine first of all whether it is a small or large company. This distinction is relevant because the requirements for admission are less strict for small companies than for large companies.
This is how we define a small company and a large company:

[31] For example, a major risk for companies active in the software and services industries is their energy consumption. In the area of water consumption, on the other hand, the risk these companies face is much lower. We therefore expect companies operating in these industries to at least say something about their energy consumption and the corresponding CO_2 emissions.
[32] The policy qualifications are further detailed in section 4.1.6.2.

Small company: a company with a market capitalisation of less than € 4 billion at the time of assessment.

Our sustainability criteria for the smaller companies are less strict when we assess whether they have any policy in place. This is because small companies have fewer resources with which to meet our policy requirements. However, that does not mean that they are less sustainable. We assess these companies:

- for activities to be avoided or excluded: an 'approval' recommendation requires that the company is not involved in activities that we avoid or exclude;
- for misconduct: an 'approval' recommendation requires that the company is not involved in any misconduct;
- for their mission: for an 'approval' recommendation, we assess to what extent the company contributes to our mission.

Additional requirements for small companies:

- The company is eligible for a positive recommendation if its policy is sufficient in respect of the high sustainability risks connected with its activities. This includes the supply chains that are known to carry a high risk: garment, food and consumer electronics.
- The company does not have to have a policy in respect of the lower risks involved.

Large company: a company with a market capitalisation of € 4 billion or more.
See the sections below for the sustainability criteria used to assess large companies.

Additional requirements for large companies:

- The company is eligible for a positive recommendation if it:
  1) has been assigned a *yes* for all applicable policy components, and
  2) has been assigned the qualification *poor* for no more than four policy components.[33]

4.1.1.3 Game changers

ASN Bank invests in companies that fit in with its sustainability mission and vision. This includes companies that contribute to the transition to a sustainable society: 'game changers'. If these companies have a market capitalisation of € 4 billion or more, they can still be approved, even if they do not have a policy for all our sustainability criteria. We assess the company and its activity as follows:

- it is a truly new, sustainable activity, such as off-grid energy storage, electric cars, renewable energy, the circular economy, or technology for improving care;
- the market share of this activity is no more than 25% worldwide;
- the company is almost entirely focused on this activity;
- there may be no (serious) misconduct;
- the company is eligible for a positive recommendation if its policy is sufficient in respect of the high sustainability risks connected with its activities.

4.1.1.4 Research questions and profile

After the risk analysis and after having determined the level of analysis, we fill in the company profile, in which we answer specific questions. In this section we will explain how

[33] The analyst will sometimes arrive at a positive recommendation on the basis of the entire profile and the estimated risks despite the company being qualified as 'poor' for one or more policy components.

this is done and what questions the profile contains. Section 4.1.6 describes which activities we exclude, how we evaluate policies and how any misconduct is dealt with.

In the company profile, we clearly distinguish between the activities of a company, its policy, and actual practice. We assess the policy based on the various elements of sustainability policy in the profile.[34] In addition, we evaluate a company's actual impact.

The company profile does not need to be filled in completely if a company has not yet been included in the investment universe and is not a large, well-known company. This is the case:

- If it is clear that a company will be disapproved based on its activities. This means that the company is engaged in activities 'to be avoided' or 'to be excluded'. In that case, we only explain why it did not pass selection.
- If a company is already disapproved based on other policy components. In that case we report: *no further study*.

In the company profile we answer the following questions:
- 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 a sustainability policy (human rights, climate change, biodiversity and governance and, if applicable, animal welfare)[35]?
- What is the quality of the policy?
- How does the company perform in practice? Is there any misconduct?
- What is the analyst's final advice based on the risks, the quality of the policy, and actual practice?

Is the company engaged in activities that we avoid or exclude?
- When filling in the company profile, we assign a *yes* to an activity or sector if a company is excluded on that basis, or we assign a *no* if the company is not engaged in a particular activity or sector.
- The analyst provides a brief explanation of his assessment.

Does the company have a sustainability policy? And what is the quality of the policy?
- We assign a *no* to the policy components if there is no policy, or a *yes* if there is.
- We then assess the quality of the policy with the qualification *insufficient*, *poor*, *sufficient*, *good* or *excellent*.
- The analyst provides an explanation to clarify how he arrived at his advice.
- Companies operating in low-risk countries do not need policies on all the policy components, as the laws and regulations of that country already provide sufficient safeguards. In such cases, the analyst's advice will be *yes, sufficient*.
- In some instances, a policy component does not apply to the sector or the company. In that case, we fill in *n/a* (not applicable).

How does the company perform in practice?
- How the company performs in practice is also indicated by the qualification *insufficient*, *poor*, *sufficient*, *good* or *excellent*.
- In his explanation, the analyst clarifies how he arrived at his advice. This includes positive sustainability activities, any misconduct and environmental data provided by our data supplier or included in the sustainability reports of the company itself.

[34] Examples of policy components for the analyst to assess are: rules for ethical conduct, child labour, forced labour, and environmental policy.
[35] The themes climate change, biodiversity, human rights and governance are subdivided into subthemes, or policy topics, for example rules for ethical conduct, child labour, forced labour, and environmental policy.

When do we address misconduct and what are the consequences we attach to it?
There are different moments at which misconduct is discussed:

1. Prior to every Investment Committee meeting:
   - For companies in the universe: the ECD discusses the misconduct emerging from its databases. Every analyst examines a list of instances of misconduct and assesses the seriousness of the misconduct. This is discussed by the Research Committee.
   - For the companies placed on the current agenda to be subjected to research.
2. Ad hoc:
   If acute, serious misconduct occurs, an ECD analyst assesses it.

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 disapproved if it has not been included in the investment universe at that time.
2. Engagement with the company in the investment universe.
3. A company being removed from the investment universe.

When is misconduct serious?
The analyst determines whether there is 'serious misconduct' by means of the following questions:

- Are human 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?

Procedure:

- The analyst researches whether and how the misconduct is linked to the company. If there is such a link, the analyst finds out whether the company has publicly responded to the misconduct.
- If there is misconduct that can be linked directly to the company and the company has not issued a clear public response, we ask the company for a response.

What is the analyst's final advice based on the risks, the quality of the policy, and actual practice?

- The analyst arrives at his final advice and makes a recommendation based on the risks, the quality of the policy, and actual practice. The recommendations that an analyst may make are listed in section 4.1.3. In this respect, we distinguish between large and small companies (see section 4.1.1.2 for further explanation). Whether the final advice is ultimately sufficient (v) or insufficient (x) is shown in the diagram below. The company must score sufficient on all policy components for an ultimate 'approval' recommendation.

Final advice for large companies (market capitalisation in excess of or equal to € 4 billion)

Quality of policy/ policy component/ sector risk	Insufficient	Poor	Sufficient	Good	Excellent
Low	n/a	V	V	V	V
Average	X	V/X [36]	V	V	V
High	X	X	V	V	V

Final advice for small companies (market capitalisation of no more than € 4 billion)

Quality of policy/ policy component/ sector risk	Insufficient	Poor	Sufficient	Good	Excellent
Low	n/a	V	V	V	V
Average	V	V	V	V	V
High	X	V/X[37]	V	V	V

When is a company approved or disapproved?
If the overall qualification is *insufficient*, the analyst advises the Investment committee to *disapprove* the company.

4.1.3 Recommendations and decisions

The analyst makes a recommendation on the basis of his final advice as explained in section 4.1.1.4. The Investment Committee is then able to take a decision. The analyst can give two different recommendations regarding a company: *approve* or *disapprove*.

Based on this recommendation and its substantiation, the Investment Committee takes its decision. That decision can be: *approve*, *disapprove*, *engagement* or *postpone*. The *approval* and *disapproval* decisions take two forms: for companies not yet present in the investment universe, and for companies already in the investment universe. Every recommendation or decision applies specifically to the investment universe of the relevant fund, as was discussed in the previous chapter.

Approve:
Approve, admit = A company is not yet present in the investment universe (universe); its activities and policy meet our sustainability criteria. We therefore admit it to the investment universe.

Approve, maintain = A company is already present in the investment universe; its activities and policy continue to meet our sustainability criteria. We therefore maintain it in the investment universe.

Approve, no comprehensive policy = This category applies to companies that have a market capitalisation of less than € 4 billion and that do not have a policy for all sustainability criteria. The conclusion of the analysis concerning the risks, policy and actual practice is sufficient.

Disapprove:

[36] Dependent on the policy component.
[37] Dependent on the policy component.

Disapprove, refuse admission = A company is not yet present in the investment universe; its activities and/or policy do not meet our sustainability criteria. We do not admit it to the universe.

Disapprove, remove = A company is already present in the investment universe, but no longer meets our sustainability criteria. Its activities no longer meet the requirements, its policy is inadequate and/or there is very serious and/or structural misconduct (situations from actual practice that conflict with the sustainability criteria). For these reasons, we remove the company from the investment universe.

Postpone:
Postpone entails that further research is needed, as no decision can be made based on the information available. We place the company on the agenda again. Only the Investment Committee can decide this, not the analyst.

4.1.4 Engagement

Engagement means engaging in dialogue with companies and institutions for the purpose of making them more aware of their sustainability performance and to urge them to improve it. The engagement decision is taken in the following cases:

- The company has been included in the investment universe, but a review reveals that its policy no longer meets our sustainability criteria. The company's activities are still in line with our criteria, so it is not active in activities to be excluded or avoided. We maintain the company in the investment universe, but initiate engagement.
- Misconduct has been identified, revealing that the company does not meet our sustainability criteria.

If the Investment Committee decides on engagement, it also decides who will follow up on this. Engagement may be conducted by the ECD, the fund managers, ASN Beleggingsfondsen or by these parties in concert. We distinguish three types of engagement:

1. light engagement
2. active engagement
3. collective engagement

Light engagement
We conduct light engagement after the Investment Committee has established that a company with a market capitalisation of more than € 4 billion no longer meets the sustainability criteria in terms of policy. No misconduct has been identified that gives cause to decide differently.

Action and duration:
The analyst sends the company one engagement letter containing the points that the company must improve. The company is researched again within four years. By that time, it must have developed a sufficient policy on those points. The term of this type of engagement is a maximum of four years.

Active engagement
We conduct active engagement if serious misconduct is identified at a company (see section 4.1.1.4 for the determination of this misconduct and the process for assessing misconduct). In some instances, we may also commence active engagement if a policy is lacking and the four-year period is inappropriate.

Action and duration:
The term of this type of engagement is a maximum of one year. As soon as the engagement has been completed, the analyst describes the outcome of the engagement process in the company profile. This outcome is discussed at the meeting of the Investment Committee, which takes a final decision on the company.

Collective engagement
We may conduct collective engagement if similar misconduct is seen in multiple instances in a sector or in specific areas. We may conduct this engagement together with other investors.

Action and duration:
Depending on the complexity of the issue, collective engagement often lasts several years.

4.1.5 Data suppliers and sources

We use several sources for the research. We cooperate with various data suppliers and use information from companies themselves, non-governmental organisations (NGOs), including trade unions, and information available from all sorts of media.

The data suppliers provide information in a number of areas:

- ESG data, which are data on environmental performance and social and corporate governance data from a wide range of listed companies (ESG stands for environmental, social & governance).
- Quantitative data on the environmental performance of companies, including emissions of pollutants caused by business activities. This enables us to better compare the environmental impact that companies have.
- Analyses of media across the globe, in which data suppliers verify whether any misconduct was found at companies.

4.1.6 Research in practice

4.1.6.1 Activities to be excluded and avoided

This section discusses the activities we avoid and exclude. These are activities that do not (yet) contribute to or fit in a sustainable society. Moreover, these activities involve risks for people, animals and the environment that we consider to be too substantial or unacceptable. Exclusion applies to those activities that are not allowed under any circumstances whatsoever[38], regardless of how sustainably the company operates. Avoidance applies to those activities that we could invest in if they were to meet all of our criteria but that, in practice, we generally do not invest in due to major sustainability risks.

The activities to be avoided and excluded are discussed in this chapter about ASN Duurzaam Aandelenfonds, ASN Duurzaam Small & Midcapfonds and ASN Milieu & Waterfonds. However, this information does not apply to these funds only, but to *all* activities that we finance or in which ASN Beleggingsfondsen invests. For clarity’s sake, the detailed description of the criteria only speaks of ‘investment’, but also applies to loans.

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[38] We make every effort to exclude such activities. However, it may be the case that relevant information is not revealed by the analyst’s thorough research. This is because, in this regard, we are dependent on the company’s openness and public sources.

Limits
Every criterion for an activity to be avoided or excluded has a limit at some point. For example, the topic of 'arms' requires a definition of what arms are, and 'fur' and 'gambling' require an explanation of what exactly is covered, and what is not covered, by these topics, and therefore where precisely we draw the line. This is why we have included a *do* and a *don't* beneath all activities, indicating where the boundaries are for us. *Do* answers the question: *what is all right for us to invest in? Don't* answers the question: *what is not all right for us to invest in?*

Supplier activities to be excluded or avoided
Companies themselves may be engaged in activities to be excluded, but they may also be involved in these activities indirectly. That is the case if they provide products and/or services for these activities.
Below, we explain when we can and when we cannot invest in a company if it provides services and/or products for activities to be excluded and avoided. To that end, the analyst examines two questions:

- To what extent is the company intertwined with an activity?
- Is it a core activity?
  In that respect, the analyst assesses:
  - What is the turnover generated by the products and/or services? If it is less than five percent, we do not consider it to be a core activity. There is no reason for disapproval, unless the company is intertwined with the activity.
  - Does the company regard the products and/or services provided as a growth market?
  - Does the company have a strategic reason for focusing on a specific activity to be excluded or avoided?
  - Is the company actively lobbying for activities that we exclude or avoid?

Exception! The above does not apply to suppliers that provide products and/or services to the arms industry. They are subject to the criteria set out below.

Arms
SDG target: 16.4
We do not invest in companies engaged in or benefiting from wars or armed conflicts, or which are engaged in the manufacture of or trade in arms. This means that we refrain from in any way investing in companies that are engaged in the development, manufacture, testing, storage and distribution of or trade in weapons.

Where, for example, is the line drawn?
Do: We can invest in companies that make products with a dual-use application, to the extent that these have *not* been developed mainly for the arms industry and are *not* applied in the arms industry on a large scale.
Don't:

- We exclude companies that manufacture or provide products or services included in the EU Common Military List. This is the joint EU list of military goods and technologies.
- We avoid companies that manufacture or provide dual-use products or services included in the dual-use list. The analyst assesses to what extent these products and services were mainly developed for the arms industry and/or are applied in the arms industry on a large scale. Based on this assessment, the analyst determines whether this is a ground for exclusion.

Nuclear energy

SDG targets: 3.9, 7.2

We do not invest in companies that generate nuclear energy, operate nuclear power stations, or distribute or trade in nuclear products. Nor do we invest in companies that, as suppliers, are intertwined with the nuclear energy sector and/or whose turnover is generated by these activities for more than five percent.

Where is the line drawn?

Do: We can invest in companies that purchase nuclear energy.

Don't: We do not invest in companies that produce nuclear energy or that, as suppliers, are intertwined with the nuclear energy sector and/or whose turnover is generated by these activities for more than five percent.

Tobacco

SDG targets: 3.4, 3.5, 3.a

We do not invest in companies that manufacture tobacco products or electronic tobacco products. Nor do we invest in companies that generate more than 5% of their turnover by selling, distributing or trading in tobacco products or electronic tobacco products.

Where is the line drawn?

Do: We can invest in companies that obtain less than five percent of their turnover from the trade in, or sale or distribution of, tobacco products or electronic tobacco products.

Don't: We do not invest in companies that, as suppliers, are intertwined with the tobacco industry and/or whose turnover is generated by these activities for more than five percent.

Alcoholic beverages

SDG target: 3.5

Alcohol consumption is harmful to health, and excessive alcohol consumption also has adverse social consequences. Therefore, we do not invest in companies that manufacture alcoholic beverages. Nor do we invest in companies that generate more than ten percent of their total turnover by selling, distributing or trading in alcoholic beverages.

Where is the line drawn?

Do: We can invest in companies that obtain less than ten percent of their turnover from the trade in, or sale or distribution of, alcoholic beverages.

Don't: We do not invest in companies that manufacture alcoholic beverages.

Cannabis and products containing cannabis

SDG target: 3.5

Recreational use of cannabis and/or products containing cannabis poses health risks. Therefore, we do not invest in companies that manufacture cannabis and/or products containing cannabis for recreational use. Nor do we invest in companies that are active in the trade in, and/or sale or distribution of, cannabis for recreational use. We can approve companies involved in medicines containing cannabis. A condition is that they manufacture and/or market these medicines in a safe, responsible manner, so as to guarantee consumer protection. Like other medicines, medicines containing cannabis must be approved by authorities in order to be marketed. It is essential that these companies abide by the law and are not involved in any misconduct.

Where is the line drawn?

Do: We can invest in companies that manufacture, sell or distribute medicines containing cannabis, provided that they guarantee consumer protection.
Don't: We do not invest in companies that sell, distribute and/or produce cannabis or products containing cannabis for recreational use.

Gambling

We do not invest in companies that market or exploit short odds games of chance or that produce parts for those games. In short odds games of chance, bets and gains or losses follow each other in quick succession. As a result, they are highly addictive. Examples include fruit machines, casino games, bingo, scratch cards and horse betting.

Where is the line drawn?
Do: We can invest in companies engaged in long odds games of chance such as lotteries and competitions, with long periods between bets and gains or losses.
Don't:

- We do not invest in companies that supply or exploit short odds games of chance.
- Nor do we invest in companies that supply parts for short odds games of chance, as a result of which they are excessively intertwined with companies supplying or exploiting short odds games of chance, and/or companies whose turnover is generated by the supply of parts for more than five percent.

Pornography

SDG targets: 5.2, 8.7, 8.8, 16.2

We do not invest in companies engaged in the production of pornography, as the sex industry presents an increased risk of sexual exploitation.

Where is the line drawn?
Do: We can invest in companies such as television companies with channels that show pornography.
Don't: We do not invest in companies that benefit from pornography, such as escort agencies and prostitution.

Genetic modification

SDG targets: 2.5

We exclude companies that apply genetic modification to plants and animals for non-medical purposes, or that instruct others to do so. We do this because there are risks attached to genetic modification. There is, for example, a great deal of uncertainty about the adverse consequences of genetic engineering for people, biodiversity and animal welfare.

Where is the line drawn?
Do:

- We can invest in companies that apply genetic modification to plants and animals for medical purposes, if this is the only solution for a medical problem and takes place under controlled conditions.
- We can invest in companies that apply genetic modification to micro-organisms (these being neither plants nor animals) if this takes place under controlled conditions.
- We can invest in companies that purchase genetically modified products, provided that they are transparent about the way in which they use these products.

Don't: We do not invest in companies that apply genetic modification to plants and animals for food and non-food products, or that instruct others to do so.

Animal welfare

Animal welfare encompasses various topics. We aim to invest only in companies that respectfully interact with animals and meet the criteria for animal welfare. Whether or not we invest, and how we apply our vision to animal welfare, is explained below for various topics.

Fur, leather and feathers

SDG targets: 15.7, 15.c

We disapprove of the use of animals for fur. That is why we do not finance or invest in the production of and trade in fur. We also disapprove of the use of leather, down and feathers from protected and/or non-domesticated[39] animal species or animals kept in appalling conditions. As a result, we also do not invest in companies that make use of fur, leather, down and feathers from protected and/or domesticated animal species or from animals kept in appalling conditions. Of course, this also includes animal products obtained and traded illegally (poaching), such as elephants' ivory or rhino horns.

Where is the line drawn?

Do: We can invest in companies that use leather, down and feathers from animals that were treated well.

Don't: We do not invest in companies that make use of or trade in fur, hides or pelts from non-domesticated and protected species. Nor do we invest in companies that make use of products obtained from animals kept in appalling conditions.

Livestock farming[40]

SDG targets: 2.4, 13.2, 15.2, 15.3

We avoid investments in livestock farming because it (currently) involves problems in the areas of food security, climate change, biodiversity, health and human rights. We also avoid customers of livestock farms, such as abattoirs and transport companies.

Where is the line drawn?

Do: We can invest in customers of livestock farms such as supermarkets provided that they take sufficient account of animal welfare in their purchasing policy (see the conditions under 'Animal welfare policy').

Don't: We avoid investments in livestock farms and their direct customers, such as abattoirs and livestock transporters, because it is often the case that they cannot guarantee animal welfare.

Fisheries[41]

SDG targets: 12.2, 14.1, 14.2, 14.4, 14.c

We avoid investments in fisheries. Overfishing contributes to a loss of biodiversity. Scant regard is paid to animal welfare when fish are caught and processed. The fishing industry does not sufficiently comply with the requirements of international agreements and quality labels, such as those of the Marine Stewardship Council (MSC), the FAO Code of Conduct for

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[39] Over time, domesticated animals have become dependent on humans through breeding.
[40] Due to the high sustainability risks, in practice we only invest in companies that have such activities in their supply chain. If livestock farms make their activities fully sustainable in the future, we will assess them according to our animal welfare policy criteria and our other sustainability criteria.
[41] The observations regarding livestock farming in footnote 39 apply to fisheries too.

Responsible Fisheries, and legislation and regulations of MARPOL and the EU. The industry also insufficiently respects Marine Protected Areas.[42] If the production of farmed fish (aquaculture) becomes sufficiently sustainable and animal friendly in the future, we will be able to invest in it.

Where is the line drawn?
Do: We can invest in companies that are customers of fisheries and that make use of the MSC quality label for wild-caught fish or the ASC quality label for farmed fish, such as supermarkets and restaurants. In addition, these companies aim to increase the share of products with a quality label.
Don't: We avoid investments in fisheries and in companies that produce farmed fish (aquaculture) in an insufficiently sustainable and non-animal friendly manner.

Interaction with wild animals
SDG targets: 15.7, 15.c
We do not invest in companies and projects that use wild animals for entertainment or for commercial activities. We can invest in companies and projects that endeavour to protect endangered species.

Where is the line drawn?
Do:
- We can invest in companies that endeavour to protect endangered species and that meet the five freedoms of animal welfare and our biodiversity criteria.
- We can invest in shelters that contribute to animal welfare because they prevent animal suffering, and that take account of animal welfare in their operations.
- We can invest in companies that hunt animals, on condition that this is an aspect of site management, that it is carried out in the context of damage control, that there are no alternatives and/or that it is carried out in the event of the serious, incurable suffering of the animal.
- We can invest in companies that make use of pest control.

Don't:
- We do not invest in tourist activities that disturb or damage animals or their habitat.
- We do not invest in companies that are involved in the trade in endangered species on the 'red list'.
- We do not invest in companies that hunt animals.
- We avoid companies that specialise in pest control, such as in pesticides, insecticides and neonicotinoids.

Treatment of animals in captivity
We do not invest in companies and organisations that use wild animals simply for entertainment. We can invest in companies and organisations that keep domesticated animals and guarantee the five freedoms.

Where is the line drawn?

[42] The FAO Code of Conduct for Responsible Fisheries is a code of practice for responsible fisheries. MARPOL is an international convention to combat pollution from ships. Marine Protected Areas, or marine reserves, are protected areas in the ocean that have no national or international legal status. In these protected areas, disruptive activities threatening natural values are restricted or prohibited as much as possible. Examples of disruptive activities are fishing and leisure.

Do: We can invest in zoos and children's farms if they guarantee the five freedoms.
Don't:
- We do not invest in companies that only keep animals for entertainment, such as circuses.
- We do not invest in zoos and dolphinaria where animals are trained for shows.
- We do not invest in companies that sell animals, such as pet shops and garden centres.

Animal testing
We do not invest in companies that use animal testing for cosmetic purposes, unless the company is legally obliged to do so. In that case, the company must have a clear vision aimed at reducing cosmetic animal testing and must invest in alternative test methods.

Where is the line drawn?
Do: We can invest in companies that use animal testing for medical purposes and non-medical purposes if they are transparent about this and have a sufficient policy in place to this end (see the animal testing policy for the conditions).
Don't: We do not invest in companies that use animal testing for cosmetic purposes if this is not legally required or if the company does not invest in alternative test methods.

Cement industry
SDG targets: 13.2, 15.5
We avoid companies that produce cement, as this entails high greenhouse gas emissions and has a harmful effect on ecosystems.

Where is the line drawn?
Do: We can invest in companies that trade in and use cement.
Don't: We avoid companies that produce cement.

Base chemicals and base metals
SDG targets: 12.2, 12.4, 13.2, 15.3
We do not invest in companies that operate in petrochemistry based on primary fossil materials. These are companies that convert petroleum into bulk material for the chemical industry, such as ethylene and polymers. We avoid investments in companies that turn primary ores into new metals.

Where is the line drawn?

Do: We can invest in:
- Companies that focus on the reuse of scrap and metals because this fits in with our vision of a circular economy, or in companies switching to renewable (biobased) raw materials.
- Companies that focus on the reuse of plastics[43].
- We avoid companies involved in the processing of non-renewable primary raw materials. But in some cases (e.g. raw materials that are essential for sustainability) we can invest in leading companies that process primary raw materials if they meet all our criteria in the areas of human rights, climate change and biodiversity.

Don't:
- We avoid companies that make energy-intensive bulk products for the chemical industry.
- We do not invest in companies that turn primary ores into new metals.

[43] An exception to this is the conversion of plastic waste into diesel fuel. We do not invest in this. Apart from the fact that diesel is a fossil fuel, the pollution that occurs during combustion also plays a role for us.

- We do not invest in companies that operate in petrochemistry based on primary fossil materials. These are companies that convert petroleum into bulk material for the chemical industry, such as ethylene and polymers.

Fossil materials

SDG targets: 3.9, 6.3, 7.2, 9.4, 12.2, 13.2, 14.1, 14.3, 15.3

We do not invest in the exploitation, production and refining of fossil materials. Fossil materials means all raw materials with a fossil origin. These are lignite, coal, natural gas, shale gas, tar sand and oil. In addition, we exclude the industrial production of electricity using fossil materials.

Where is the line drawn?

Do: We can invest in:

- purchasers of these products; however, the equity funds invest less in companies that consume a lot of fossil materials and as a result have a high level of CO_2 emissions (in other words, have a considerable carbon footprint);
- companies that mainly produce electricity or heat for their own consumption with the help of fossil materials[44].

Don't: We avoid companies that, as suppliers, are strongly intertwined with the exploitation, production and refining of the fossil materials sector and whose turnover is generated by these activities for more than five percent.

Dams

SDG targets: 6.6, 6.b, 15.1, 16.7

We invest in dams or in companies that build dams, are involved in the building of dams or manage dams if they abide by the seven principles of the World Commission On Dams. In practice, these seven principles do not always provide a sufficient basis for taking decisions. That is why, in any event, we apply the following limits:

Where is the line drawn?

Do:

- We prefer to invest in the refurbishment of existing small *and* large dams whose net impact is positive; for example, they generate a lot of additional energy but have a minor impact on the landscape or the local population.
- For new dams, we prefer to invest in small dams, i.e. dams generating less than 50 megawatts of electricity.

Don't:

- We do not invest in large-scale new dams, i.e. dams generating more than 50 megawatts of electricity.
- We do not invest in dams or companies that construct or manage dams if 1) the relevant dam falls in categories I-IV of the IUCN, the UNESCO World Heritage Convention or the Ramsar Convention on Wetlands, and 2) there is serious misconduct in connection with the local population.

First-generation biofuels

SDG targets: 2.1, 7.2, 12.2, 15.2

We do not invest in first-generation biofuels. Second- and third-generation biofuels are allowed on specific conditions. In the Netherlands, for example, biomass must meet NTA

[44] We may also provide mortgages for homes with a micro-hydro installation fuelled by natural gas.

8080[45]. Other countries apply the same, or a similar, standard. This applies to both the applicant and the supply chain. The origin of the biomass is demonstrably local, i.e. from an area within a radius of approximately 200 kilometres from the power plant. When solid biomass is incinerated, the flue gas is cleaned using the latest techniques.

Where is the line drawn?

Type of biofuel	**1st generation: already in use**	**2nd generation: partly in use, partly being developed**	**3rd generation: being developed**
Input (primary raw material)	Food crops such as corn, maize, rapeseed, sugar cane and palm oil.	Woody plants and woody waste flows. All flammable bio-organic waste such as manure, sludge and deep-frying oil.	Currently mostly algae.
Output	Ethanol, biodiesel, biogas.	Ethanol, biodiesel, biogas, firewood, solid bio-organic fuels (such as pallets), raw material for chemicals.	Biogas
Application	Mobile: biofuels for cars.	Mobile: biofuels for cars. Stationary: generation of electricity in power plants.	Mobile: biofuels for cars and aeroplanes.
Pros and cons	Competition for food and land; low CO_2 reduction.	Competition for land; high CO_2 reduction.	Low competition for land; high CO_2 reduction.

[45] NTA 8080 provides sustainability criteria for biomass used for energy purposes. These criteria relate to: the reduction of greenhouse gases, competition with food and/or other local applications, biodiversity, the environment, prosperity and social well-being. http://www.betterbiomass.com/nl/

Decision	Do not invest or fund.	Do invest or fund, subject to conditions.[46][47]	Do invest or fund, subject to conditions.[48]

Waste processing

SDG targets: 9.4, 11.6, 12.4, 12.5, 13.2

We do not invest in waste processing companies whose main activity is dumping waste. We can consider the incineration capacity in that respect. A high incineration capacity is a negative consideration on account of greenhouse gas emissions. We follow the preferred order for waste management (also known as the waste hierarchy) laid down in Article 10.4 of the Dutch Environmental Management Act.

This order is as follows:

1. prevention: preventing the generation of waste;
2. preparation for reuse;
3. recycling, which breaks down into:
   a. recycling of the original functional material in a similar or equivalent application;
   b. recycling of the original functional material in an application that is not similar or equivalent;
   c. chemical recycling;
4. other useful applications (including energy recovery);
5. safe disposal, which breaks down into:
   a. incineration as a form of disposal;
   b. dumping or discharging.

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[46] Conditions regarding whether or not to invest in biofuels:

Wet biomass	Assessment	Conditions
Sewage sludge	Positive	Biogas can best be directly used in a sewage treatment plant for energy-neutral sewage treatment and separation of phosphates.
Landfill gas	Positive	Focus on prevention of methane emissions. Production decreases because dumping no longer takes place.
Green waste	Positive	Digestate from the fermentation plant must be used as compost. It is better to subject waste processing companies to an obligation to collect waste that has been separated and to ferment green waste.
Natural grass and roadside grass	Positive, provided that	In principle, higher-quality application is possible in protein and fibre production, but this technology is still in its infancy.
Wet horticultural crop residues, auction waste	Positive, provided that	Only if there are no sales prospects in the animal feed sector and the soil quality is not affected. Digestate must be used as compost.
Manure	Positive, provided that	Only if the focus lies firstly on the prevention of methane emissions, by requiring this from livestock farmers. Pure manure fermentation is strongly preferable to co-fermentation.
Wet agricultural crop residues	No, unless	Only if there are no sales prospects in the animal feed sector. Digestate must be returned to the land, but this is not always possible at present due to legal restrictions.
Residual flows from the food industry (food, beverages and tobacco industry)	No, unless	Only if there are no sales prospects in the animal feed sector. Do not ferment potato peelings, pressed pulp and suchlike, but use them as animal feed instead.
Agricultural crops (maize, wheat, sugar beet, etc).	Negative	No climate benefit due to emissions during cultivation and a leakage of methane from the system. Competition with food production.

[47] On no condition do we invest in the application of biomass for the production of biodiesel.
[48] On no condition do we invest in the application of biomass for the production of biodiesel.

Here, the highest-quality processing is preferred.

Where is the line drawn?
Do: We can invest in waste processing companies whose total waste processing consists of dumping waste for less than 30%. We can consider their incineration capacity in this respect. It is desirable for a major portion of the methane gas released from dumping sites to be collected and put to good use.
Don't: We do not invest in waste processing companies whose total waste processing consists of dumping waste for more than 30%.

Financial services
SDG targets: 10.5, 10.6, 17.1
We avoid investments in or financing financial service providers because they generally provide no or only limited insight into their business activities. As a result, we cannot assess whether these activities meet the sustainability criteria. From our perspective, this is a major risk especially for financial service providers with large investment or loan portfolios.

Under no circumstances will we invest in or provide loans to a financial institution owned for 25% or more by the government of a high-risk country or by a company that we exclude due to the nature of that company's activities.

In other cases, it is possible to invest in this sector under certain conditions within our Financial Services Sustainability Policy. These are:

- financial service providers offering only products that are not related to investments or business loans (see the diagram below);
- financial service providers that do invest or provide loans, but that operate according to a sustainability policy similar to ours and that are also transparent about these activities (see the diagram below). This means that:

1. a financial service provider may not be involved in activities we exclude (see section 4.1.6.1); we do not invest in this party and/or do not provide loans to this party;
2. the other financial service providers are assessed in terms of their sustainability policy and its implementation (see section 4.1.6.2). If there is (serious) misconduct (controversies and reputational damage), we are very cautious when it comes to investing and/or financing;
3. we believe it is important that financial service providers support the following agreements and/or initiatives (to the extent relevant to their business activities): the UN Global Compact, the OECD Guidelines for Multinational Enterprises, UNEP FI, the Principles for Responsible Investment (PRI), FATF, the Wolfsberg Principles and/or the Equator Principles[49].

[49] The Financial Action Task Force (FATF) is an independent intergovernmental body that develops and promotes policies to protect the global financial system against money laundering, terrorist financing and the financing of weapons of mass destruction. The FATF has developed 'recommendations', which are recognised as an international standard for combating money laundering, terrorist financing and proliferation.
- The Wolfsberg Group is a partnership between eleven international banks founded in 2000, which focuses on the development of standards and guidelines for the financial sector in the area of combating money laundering and terrorist financing (www.wolfsberg-principles.com).
- The Equator Principles are a joint, binding commitment from more than 90 banks worldwide. These banks take into account the possible risks their investments entail for the environment and the local population (http://www.equator-principles.com).
- The Green Bond Principles are an initiative for defining a green bond. The Green Bond Principles are voluntary guidelines on the issuance of green bonds to fund environmentally friendly activities.

The overview below is the basis for a further analysis of risks in relation to our sustainability criteria.

Activity	Assessment	Substantiation and conditions
Payment transactions and savings products	Positive	Not applicable, as there is no sustainability risk. We do not impose requirements on savings, but we do impose requirements on the use of the money (investments, loans).
Consumer credit Credit card Microcredit	Positive, provided that	The risk of money being used for activities in which we do not wish to invest our customers' money is negligible. Responsible lending is a condition.[50] Microcredit is subject to a separate policy, see section 4.4.
Mortgages	Positive, provided that	Condition: the institution has a mortgage policy. See our Living and Working policy paper.
Insurance, such as life insurance and non-life insurance (car, fire, etc.)	Negative, unless	Financial institutions invest the premiums received partly or largely in shares and bonds. We do not accept a company unless and until it is transparent.
Asset management	Negative, unless	Asset managers invest customers' money under their management in, among other things, shares, bonds and, as is also common, derivatives. We do not accept a company unless and until it is transparent.
Assisting in initial public offerings, acquisitions and/or mergers	Negative, unless	The company can assist entities that we would exclude. We do not accept a company unless and until it is transparent.
Own account trading	Negative, unless	We do not accept a company unless and until it is transparent. Speculation is also often involved.
Business loans (including leasing and project finance)	Negative, unless	We do not accept a company unless and until it is transparent.
Offshore banking	Negative, unless	If this activity contributes to the avoidance of payment of taxes, the company is disapproved.
Derivatives trade	Negative, unless	Trade in derivatives can be used for hedging risk, but also for speculation. We do not consider speculation to be sustainable, as it can have major adverse consequences. Consequently, we disapprove companies that use derivatives trade to a significant extent or exclusively for speculative purposes.

Transport

SDG targets: 9.1, 9.a, 13.2

This sector includes all companies involved in the transport of goods and passengers by land, water and air. Companies that build and maintain the infrastructure are also considered part of the transport sector and, finally, the suppliers of transport companies and the manufacturers of means of transportation. We only invest in those parts of the transport sector that apply a sustainable approach or are in the process of becoming sustainable.[51]

Where is the line drawn?

[50] Responsible lending concerns the interest rate, the assessment of a customer's ability to repay a loan, and transparency. We examine whether any misconduct comes to light in this respect.

[51] For a complete overview, see the Transport Policy (2020).

Do:

- manufacturers of all-electric/hydrogen vehicles and all investments promoting this;
- investments in public transport and the accompanying infrastructure;
- companies that do *not* focus primarily on transport (transport is not a core activity), but that do have a transport fleet to support the main activity;
- companies that construct new roads, waterways, airports and harbours in low-income OECD countries.

Don't:

- manufacturers of vehicles powered by combustion engines and manufacturers of essential parts of combustion engines (which cannot be used for electric cars);
- manufacturers of hybrid, plug-in hybrid and range-extender vehicles (a combination of a combustion engine and an electric engine);
- manufacturers of ships based on combustion engines;
- the construction of new harbours and waterways in high-income OECD countries;
- manufacturers of aircraft or helicopters and airlines.

Mining

SDG targets: 6.3, 8.7, 8.8, 12.2, 13.2, 15.3

We avoid companies that operate in the mining industry. This involves owners of mining companies and companies that manage mining activities.

Where is the line drawn?

Do: The starting point is that we avoid companies involved in the extraction of non-renewable primary raw materials. But in exceptional cases (e.g. raw materials that are essential for sustainability) we can invest in leading mining companies that meet all our criteria in the areas of human rights, climate change and biodiversity[52].

Don't:

- We avoid companies that are active in the extraction of non-renewable primary raw materials that are not essential for sustainability or fossil materials.
- We avoid companies that are engaged in mining activities as subcontractors of mining companies.
- We do not invest in companies that, as suppliers, are intertwined with mining and/or whose turnover is generated by these activities for more than five percent.
- We do not invest in asbestos mines because of the major health risks associated with the use of asbestos.

Water scarcity

SDG targets: 6.4, 6.5, 6.b

Climate change and excessive use of fresh water resources are causing water scarcity in more and more places. This may lead to competition between companies, the local population and ecosystems. We expect companies active in areas with water scarcity to consume water responsibly. In other words, they do not increase the water scarcity in an area. We expect companies active in water-intensive sectors to take measures to limit the use of fresh water and to reuse it. Sectors that consume a lot of water are the mining and metal industries, forestry, the oil & gas industry, the chemical and packaging industries, the food industry, agriculture and utilities. In addition, other sectors or companies may also face water scarcity due to the location of certain supply chains, such as the agricultural sector.

[52] In practice, we have yet to encounter such mining companies. An example of such a mine could be a salt mine.

Where is the line drawn?
Do: We can invest in companies that limit and control their water consumption by ensuring that the impact of the water consumption is minimal. This can be done, for example, by implementing measures resulting from an impact assessment in areas with water scarcity. In addition, the company takes into account the water needs of the local population and ecosystems.
Don't: We do not invest in water-intensive companies operating in water-scarce areas if they do not make a water-scarcity impact assessment and do not take restrictive measures or do not take into account the water needs of the local population and/or ecosystems.

Deforestation
SDG targets: 12.2, 13.2, 15.2, 15.b
We do not invest in companies that are involved in deforestation. Various sectors can affect deforestation: agriculture, the construction industry, cotton growing and processing, livestock farming, paper manufacturing, the production of palm oil and soy, and mining.

Where is the line drawn?
Do: We can invest in companies that take sufficient measures to prevent deforestation. If it is active in low-income OECD countries, it must have at least two-thirds of its activities certified by the Forest Stewardship Council (FSC). If the company is active in high-income OECD countries, having certification for two-thirds of its activities from the Programme for the Endorsement of Forest Certification (PEFC)[53] is sufficient.
Don't: We do not invest in companies that are involved in deforestation. Logging forests with a high conservation value (HCV), such as old-growth forests, tropical rainforests, mangrove forests and forests with a high carbon content (HCS), and peat extraction are unacceptable.

Agriculture
SDG targets: 2.4, 3.9, 6.3, 13.2, 15.2, 15.3, 15.5
While agriculture is essential to the food supply, it also entails high sustainability risks. Agricultural companies have, for example, a very high biodiversity risk, due to the adverse impact they may have through change of land use, overexploitation (depletion of the land) and pollution (due to the use of pesticides). Change of land use and deforestation by such companies can also have an adverse effect on climate change. In addition, working conditions in many countries are poor. We avoid agriculture due to the large number of sustainability risks. We may be able to invest in agricultural companies in the future if they meet our criteria in the areas of human rights, climate change and biodiversity.

Where is the line drawn?
Do: We can invest in companies that purchase products from agricultural companies. We can also invest in agricultural companies that demonstrably apply a circular and sustainable approach. This means no change of land use, no overexploitation, no pollution and a closed nutrient cycle.
Don't: We do not invest in agricultural companies that are insufficiently circular and sustainable.

[53] The forest standard of the Sustainable Forest Initiative (SFI), the North American member of PEFC, also meets our criteria. The SFI applies specifically to North America. If a company is two-thirds certified according to the SFI, that is sufficient.

4.1.6.2 Assessment of policy components and actual practice

Having established that an investment or loan is not connected with activities to be excluded or avoided, we assess the quality of the sustainability policy and the sustainability in practice. The assessment is based on our overarching sustainability pillars (climate change, human rights and biodiversity) and governance. These aspects are fleshed out into subthemes, which we also refer to as policy components. In this chapter we will discuss the policy components on the basis of which we assess companies and the conditions we impose on a certain qualification.

The analyst first determines whether a policy component applies to a company. Next, the analyst determines whether the company has a policy on that policy component, after which the quality of that policy is assessed. This quality is assigned one of the following qualifications: *insufficient*, *poor*, *sufficient*, *good* or *excellent*. Some areas of sustainability are more highly developed than others. In some instances a company will be qualified as sufficient if there is no misconduct (for example if they pay a living wage). In other instances a company will be qualified as sufficient if it has a policy on certain topics (for example on child labour).

4.1.6.2.A Governance

Board composition and remuneration

SDG targets: 5.5, 5.c, 10.4

We expect companies to be open and transparent and to act with integrity. The composition and remuneration of the management board are important indicators in this respect. We expect the company to be transparent about the composition of the management board and about the duties and roles directors have on the management board.

Insufficient: The company is not transparent about the composition of the management board.

Sufficient: The company is transparent about the composition of the management board.

Good: Several independent members have a seat on the company's management board; or the company takes account of management board diversity in its selection of directors, including the distribution of men and women; or it is transparent regarding board remuneration. There is no known serious and/or structural misconduct.

Excellent: The company has included all of the elements described above in its policy. In addition, the company makes board remuneration partly dependent on performance in the area of sustainability, and bases the variable remuneration partly on long-term goals.

Code of conduct and ethical conduct

We expect companies to have rules in place regarding behaviour and ethical conduct. This pertains to inappropriate behaviour by employees and/or the company and its subsidiaries. Examples are fraud and swindling (types of deception), money laundering and conflict of interest.

Insufficient: The company has no policy governing ethical conduct.

Poor: The company says something about behaviour and ethical conduct but has no formal policy document, such as a code of conduct.

Sufficient: The policy or rules of conduct say something about behaviour and ethical conduct. Unethical conduct is not tolerated. There is no known misconduct.

Good: What the organisation means by ethical conduct and the measures it will take if misconduct is discovered are described in detail. There is no known serious misconduct.

Excellent: All of the above are in order and have been integrated into the business processes. The company safeguards this, for example by having employees sign contracts, and by a whistle-blower scheme and a compliance officer or committee. The company attaches consequences to any violation of the rules. There is no known serious misconduct.

Corruption

SDG target: 16.5

We expect companies to combat corruption. This involves political, social and economic situations in which a person in a position of power provides inappropriate favours in exchange for services or as gifts. Examples include extortion, facilitating payments and bribery (bribes, gifts or entertainment). A distinction can be made in this respect between active corruption (bribery) and passive corruption (accepting bribes).

Insufficient: The company has no policy on corruption, or there is serious and/or structural misconduct.

Poor: The company says something about corruption but has not included this in a policy document.

Sufficient: The company's policy discusses corruption; the company does not tolerate it. There is no known serious and/or structural misconduct.

Good: What the company considers corruption and the measures it will take if misconduct is discovered are described in detail. There is no known misconduct.

Excellent: All of the above are in order. The organisation also has a whistle-blower scheme and a compliance officer. There is no known misconduct.

Respect for the local legal system

SDG target: 16.3

We expect companies to be respectful towards the society in which they, their subsidiaries and their suppliers operate.

Insufficient: There is serious misconduct in the area of violation of legislation and regulations.

Poor: There is misconduct but it is not very serious and/or the company has taken measures to avoid similar situations in the future.

Sufficient:
- The company respects the local legal system. There are no reports of the company consistently violating local laws or being involved in fraud.
- Further, the company does not encourage others to violate local laws and its own and/or sector-specific codes of conduct.
- If national laws or customs conflict with international standards, the company adheres to the highest standard.

Good: The company respects its own or sector-specific codes of conduct.

Tax evasion and tax avoidance

SDG target: 17.1

We expect companies to deal fairly with the payment of taxes and not to evade tax or seriously avoid tax.

Insufficient: The company has evaded tax, or there is serious and/or consistent misconduct relating to tax avoidance. In the case of tax avoidance, we use 'red flags' to determine whether the company is guilty of serious types of tax avoidance. This is the case if all four questions can be answered in the affirmative:

1. Is the company involved in serious misconduct relating to tax avoidance and/or has it repeatedly been ruled against in legal actions regarding tax avoidance and/or is the company actively lobbying for a (much) lower tax rate and/or against legislation for greater tax transparency?
2. Is the company insufficiently transparent because there is no (visible) tax policy and no transparency per country where activities are carried out?
3. Does the company have subsidiaries in tax havens without actually carrying out activities there? Sources are the top ten tax havens in the Corporate Tax Haven Index of Tax Justice Network[54] and the non-cooperative tax jurisdictions of the European Union[55].
4. Does the company have a large 'tax gap'[56]?

Poor: There is misconduct but it is not very serious and/or the company has taken measures to avoid similar situations in the future.

Sufficient: There is no known misconduct in relation to tax evasion or tax avoidance.

Good: The company is transparent about its tax payment and specifies the countries in which it pays tax, and/or the company is transparent about its policy on the payment of tax. Ideally, this policy states that the company wishes to make a fair contribution by means of tax to the society in which it is active. The company publishes its entire group structure.

Excellent: The company has a policy as described above. Moreover, this policy states that the company wishes to make a fair contribution by means of tax to the society in which it is active. The company also commits itself to adherence to leading standards, such as the GRI performance indicator on Tax or the OECD Guidelines, Chapter XI Taxation, principle 1 + par 104 of the commentary.

Transparency

SDG targets: 12.6, 16.6

We expect companies to be transparent about their performance in the areas of governance, climate change, biodiversity and human rights.

Insufficient: The company does not publish any reports or policy, or provides incorrect information.

Poor: The company publishes information selectively; it only reports positive results and/or limits the choice of subjects.

Sufficient: The company reports or is open – possibly reactively – about its sustainability policy, including its governance[57], human rights, the environment and biodiversity. The company reports according to leading initiatives, such as the Global Reporting Initiative (GRI) and the International Organization for Standardization (ISO).

Good: The company reports on and publishes its performance in the area of sustainability, whether positive or negative. It sets targets and shows the development of its policy and performance over time.

Excellent: The company does all of the above and also consults with its stakeholders.

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[54] https://www.corporatetaxhavenindex.org/
[55] https://ec.europa.eu/taxation_customs/tax-common-eu-list_en
[56] This is the difference between the expected tax rate based on where turnover is generated and the actual tax rate that the company reports for the period.
https://www.unpri.org/Uploads/w/c/g/pri_taxguidance2015_550023.pdf
[57] By management issues we mean e.g. corruption, supply chain policy and lobbying.

Lobbying activities and political contributions

SDG targets: 16.6

We expect companies not to lobby for or make political contributions to activities that are contrary to our sustainability criteria, to the extent known.

Insufficient: There is misconduct. The company makes political contributions to or lobbies for measures that are contrary to our sustainability criteria.

Poor: There is misconduct, but it is not contrary to our sustainability criteria, or the company undertakes to avoid this in the future.

Sufficient: There is no misconduct. The company may also indicate that it does not make any political contributions.

Good: The company is transparent about the goal or the goals for which it is lobbying or towards which it is making political contributions and discloses the sums it spends in doing so.

4.1.6.2.B Human rights

General human rights criteria

SDG targets: 8.5, 8.7, 8.8, 10.3, 12.6, 16.3, 16.6, 16.10

We expect companies to respect fundamental human rights. The company can disrespect these rights in two ways: by violating human rights itself, or because its business relations or other organisations that are connected with its operations violate human rights.

Insufficient: The company does not refer to human rights or is involved in human rights violations by a country.

Poor: The company qualifies as poor if it:

- only refers to a specific element of human rights;
- refers to human rights but without an explanation; and/or
- only respects human rights in part of the company; and/or
- has joined the UN's Global Compact but has not yet translated this into its own policy.

Sufficient: The company qualifies as sufficient if it:

- has formulated policy in the area of human rights and refers to reputable human rights treaties; or
- has policy in keeping with reputable human rights treaties; and
- has joined leading initiatives, such as the Global Reporting Initiative (GRI), the UN's Global Compact and the OECD Guidelines; or
- has policy that satisfies those treaties and initiatives even though no reference is made to them; and
- applies the policy to all of its activities in risk countries; and
- is not involved in serious human rights violations.

Good: The company qualifies as *good* if it qualifies as *sufficient* and meets one or two of the following criteria:

- *Risk analysis*: the company conducts a risk analysis of the current and potential risks and their effects on human rights; it repeats this analysis regularly.
- *Operating processes*: the company implements its policy and the results of the risk analysis in its internal operating processes, for example in codes of conduct and contracts.
- *Monitoring*: the company has issued instructions for internal and external monitoring and/or verification of the extent to which it follows its own policy or – in the case of a normal assessment – national legislation. It also

causes the effect to be monitored or verified of any measures it has taken based on the risk analysis.

- *Transparency and reporting*: the company is transparent regarding its practices and performance in the field of human rights, in accordance with its policy or – in the case of a normal assessment – in accordance with national legislation. It reports on its performance and on any measures it has taken based on the risk analysis.
- *Engagement*: the company consults with the local community, trade unions and NGOs and engages in dialogue with them.
- *Complaints procedure*: the company has a complaints procedure for employees and other victims of human rights violations.
- *Compensation and redress*: if the company has violated human rights, it has a procedure for remedying the consequences for victims if possible and/or to compensate them if such remedy is not possible or is only partly possible. This compensation or redress is in accordance with national laws and international standards. The company confers with victims regarding suitable measures.

Excellent: The company qualifies as *excellent* if it qualifies as *sufficient* and meets three or more of the above criteria.

Equal treatment and non-discrimination

SDG targets: 5.1, 5.5, 5.c, 8.5, 10.2, 10.3, 16.3, 16.b

We expect companies to deal respectfully with their employees, including those employed on a temporary and flexible basis, and with suppliers, customers, local residents and other stakeholders. We expect them to refrain from discrimination, on any grounds whatsoever, and to treat people equally in equal cases.

Insufficient: The company has no policy to combat discrimination.

Poor: The company reports discrimination and excludes certain types of discrimination. The company is selective in naming types of discrimination.

Sufficient: The company excludes all forms of discrimination. It has formulated policy regarding non-discrimination and equal treatment. If a company names specific types of discrimination, we expect it to be as complete as possible. In any event, it must name the following types: discrimination on the basis of gender, race, nationality, religion, political views, social origin, age, disability, sexual orientation, gender identity (LGBTI+) and health (for example, discrimination against employees with HIV/AIDS).

Good: The company has a policy that is sufficient. It also takes the local context into account and adjusts its policy accordingly.

Excellent: The company's policy is good and is supplemented as follows:

- It creates a workplace in which there is no discrimination and takes measures if employees discriminate against one another.
- It takes measures to protect vulnerable groups and has provisions for specific groups, such as the disabled and pregnant women.

Gender equality

SDG targets: 1.2, 1.4, 2.2, 4.3, 4.6, 5.1, 5.2, 5.5, 5.6, 5.a, 5.c, 6.2, 8.5, 8,8, 10.2, 10.3, 10.4, 11.2, 11.7, 13.b

We expect companies to promote gender equality and not to allow any form of gender discrimination, violence or harassment.

Insufficient:	The company has no policy whatsoever to combat gender discrimination, including violence and harassment, or to promote gender equality, or there is serious and/or structural misconduct.
Poor:	The company says something about combating gender discrimination or promoting gender equality but has not included this in a policy document.
Sufficient:	The company has a policy to combat gender discrimination, including violence and harassment. There is no serious and/or structural misconduct.
Good:	The company has a policy that is sufficient. In addition, there is a policy to reduce or tackle the wage gap by having equal pay management systems. The company can report on this in a wage gap report. It also offers female employees education, training or other professional development opportunities to promote equal access to senior positions.
Excellent:	The company has a policy that is good. In addition, it has a policy to prevent and, where necessary, limit gender discrimination against its customers. And the company takes measures and sets targets that should lead to at least 40% women in senior positions.

Corporate security

We expect corporate security not to violate human rights. It is irrelevant in that regard whether the security is managed by the company's own personnel, companies hired from outside or local authorities. This includes all actions by the company's security staff, even if these are not covered by the term 'security', such as taking action against protesting local residents.

Insufficient:	There is misconduct.
Poor:	There is misconduct but it is not very serious and/or the company has taken measures to avoid repetition.
Sufficient:	There is no misconduct.
Good:	There is no misconduct and the company has a corporate security policy.
Excellent:	There is no misconduct. The company's policy is extensive and includes an actual-practice plan and a risk analysis. The actual-practice plan includes, for example, security staff training.

Child labour

SDG targets: 4.1, 8.7, 16.2

We expect companies to protect children from exploitation and to neither use nor profit from child labour in any way. We may exclude companies if they or their suppliers use child labour.

Insufficient:	The company has no policy to combat child labour.
Poor:	The company claims that it does not allow child labour, but its policy is not in line with or does not refer to International Labour Organization (ILO) guidelines.
Sufficient:	The company's policy states that it does not and will not use child labour according to the ILO definition.
Good:	The company endorses the ILO guidelines and also supports programmes or initiatives to combat child labour.

Excellent: The company endorses the Children's Rights and Business Principles[58] and has translated these into policy for its own operations. The company endorses the international Convention on the Rights of the Child.

Forced labour

SDG targets: 5.2, 8.7, 8.8, 16.2

We expect companies not to use forced labour. Forced labour is work that is performed involuntarily, under threat of punishment. At companies, this primarily involves compulsory overtime, human trafficking, debt bondage and bonded labour. Companies may also be involved in this by recruiting employees through employment agencies that do not work in a fair manner.

Insufficient: The company has no policy to combat forced labour.

Sufficient: The company does not allow forced labour on any grounds whatsoever.

Good: The company endorses the International Labour Organization (ILO) guidelines. When employees are recruited through intermediaries, the company ensures that this is done in a fair manner and can lay this down in policy. This is not the case if an intermediary takes employees' passports or if employees are required to reimburse recruitment costs.

Excellent: The company endorses the ILO guidelines. Furthermore, it has or supports programmes or initiatives to combat forced labour.

Healthy, safe working environment

SDG targets: 5.2, 8.5, 8.8

We expect companies to offer healthy and safe working conditions.

Insufficient: There is serious misconduct.

Poor: There is misconduct but it is not very serious and/or the company has taken measures to avoid repetition.

Sufficient: The company and its suppliers do not seriously violate safety and health conditions. Moreover, under no circumstances whatsoever does the company tolerate harassment, violence or threats of a sexual or psychological nature in the workplace.

Good: Not only does the company apply the aforementioned policy, but it also has a complaints procedure and keeps track of both the number of accidents and the measures taken to avoid repetition. For example, the company reports in accordance with ISO 45001 or the OHSAS 18001 standard.

Excellent: The company has taken all of the aforementioned measures and also supports initiatives in this area. For example, it has health programmes, or an HIV/AIDS programme for employees and their families in areas where these diseases are commonplace. It is important in this regard that the company commits itself for a prolonged period of time and devotes time and effort to find out what its employees need. Preferably, the company aims to collaborate with experts or specialist organisations and local governments.

Living wage

SDG targets: 1.1, 1.2, 1.3, 1.4, 5.1, 8.5, 10.1, 10.4

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[58] UNICEF, the UN Global Compact and Save the Children, 'Children's Rights and Business Principles', 2012, pages 1-21. *Available via:* http://www.unglobalcompact.org/docs/issues_doc/human_rights/CRBP/Childrens_Rights_and_Business_Principles.pdf

We expect companies not to be involved in serious misconduct in terms of paying a living wage. A living wage is the level of wages sufficient to meet the basic living needs of an average-sized family in a particular economy.

Insufficient:	There is serious misconduct.
Poor:	There is misconduct but it is not very serious and/or the company has taken measures to avoid repetition.
Sufficient:	There is no misconduct.
Good:	The company does not apply national minimum wage regulations without question but, rather, pays its employees a living wage. The company assesses the extent to which employees can live from their wage.
Excellent:	The company has taken all of the measures referred to above and has joined initiatives in this area, such as the Global Living Wage Coalition or the Asian Floor Wage Alliance, international trade unions and NGOs.

Freedom of association

SDG targets: 8.8, 10.2, 10.4, 16.7, 16.10

We expect companies to acknowledge their employees' right to organise in trade unions and to respect their right to collectively negotiate employment conditions.

Insufficient:	The company has no policy to respect freedom of association.
Poor:	The company says that it respects freedom of association, but refers to national legislation in this respect.
Sufficient:	The company says that it respects freedom of association.
Good:	The company says that it respects freedom of association and refers to the ILO guidelines in that respect.
Excellent:	The company endorses the ILO guidelines and is involved in one or two of the following activities: ▪ it supports trade union initiatives, and/or ▪ it promotes trade union freedom, and/or ▪ it keeps track of the number of trade union members and reports on this.

Freedom of association in the United States

We aim to invest only in companies that treat their employees well and that acknowledge freedom of association. We aim to identify companies' intentions in so far as possible, but that is difficult in the United States in practice. Negative intentions are easier to identify than positive ones. Some American companies are favourably disposed to freedom of association but do not communicate openly on the subject. The American context is also very different to the European one, with considerable differences between states, companies and trade unions. These differences also run parallel to political and geographical demarcations. Therefore, we can assess a company in the United States as 'sufficient' as regards freedom of association if:

- The company's policy is 'poor' at a minimum.
- There is no known misconduct.
- There are no known anti-union practices or anti-union statements.

Privacy and freedom of speech

SDG target: 16.10

We expect companies to deal with employees' and customers' privacy with respect and to treat the information and (personal) data to which they have access with due care. We also *expect them to respect the freedom of speech of employees, customers and others. In addition, we expect companies to refrain from actively cooperating in censorship (restricted access to information) by the government.*

Insufficient: There is no policy.

Poor: The company says that it respects privacy and freedom of speech but does not have policy fleshing this out.

Sufficient: The company has policy laying down its respect for privacy and freedom of speech.

Good: The company has policy laying down its respect for the privacy and freedom of speech of its employees, customers and other stakeholders. In addition, the company also has programmes that promote and/or stimulate access to information for the local population, for example via the Internet.

Excellent: Not only does the company apply the aforementioned policy, but it also indicates how it deals with privacy-related requests from government authorities. It states that it will not cooperate in restricting freedom of speech by means of censorship.

Local society and (indigenous) population

SDG target: 16.7

We expect companies to treat the local society and population with respect and not to exploit them.

Insufficient: There is no policy.

Poor: The company says that it respects the local society and population but does not have policy fleshing this out.

Sufficient: The company's policy states that it respects the rights of the local society and indigenous population.

Good: The company has a policy on this subject and supports initiatives and programmes for assisting the local population.

Consumer protection

SDG target: 16.10

We expect companies to act responsibly towards the end users of their products and services (consumers or customers). This applies, for example, to the sale of consumer goods like food and electronics, and certainly to medicines.

Insufficient: The company provides no information about the product or service.

Poor: The company provides only selective or unclear information about the product or service.

Sufficient: There is no known serious misconduct regarding the safety and health of consumers. The company provides honest, clear information about its products and any related risks.

Good: The company not only provides clear information but also goes a step further by, for example, having a compliance department, a complaints procedure and/or a customer service department. For example, the company may work according to the standards of quality standard ISO 9001.

Excellent: The company has taken all of the aforementioned measures. It positively distinguishes itself with its initiatives in the area of consumer protection. For example: a food manufacturer having a programme to combat obesity.

4.1.6.2.C Climate change and biodiversity

Environmental policy

SDG targets: 3.9, 6.3, 6.4, 7.2, 7.3, 8.4, 12.2, 12.4, 12.5, 12.6, 13.2

We expect companies to demonstrate that they pursue an active, comprehensive environmental policy. In this respect we assess the nature of the raw materials used, the nature of the end products, energy consumption, conservation and efficiency, clean water consumption, the nature and level of discharge of emissions and solid waste resulting from production, the possibilities for and extent of recycling of the end product (making the life cycle more sustainable), and an environmental management system.

Insufficient: The company has no policy.

Poor: Although the company has a policy, it has not specified any targets or deadlines and is not transparent about processes, products and results. The policy is not verified externally. The environmental policy has not been integrated throughout the company.

Sufficient: The company has a management system and policy for topics relevant to its operations, such as CO_2 emissions and energy, water, waste and recycling. For example, it may work according to the standards of environmental standard ISO 14001.

Good: The company has a management system and an extensive policy. All important components – CO_2 emissions and energy, water, waste and recycling – are described. The system has been externally verified. In addition, the company may work, for example, with an energy management system (which is preferably ISO 50001 certified).

Excellent: The company satisfies the points above and has also published specific targets and deadlines. It has its achievement of these targets and deadlines verified externally. It is transparent about its results, reports in accordance with the GRI guidelines, and has programmes and initiatives for improving the environment.

Deforestation

SDG targets: 12.2, 15.2, 15.5, 15.b

We expect companies to fight deforestation. Various sectors can greatly affect deforestation: agriculture, the construction industry, cotton growing and processing, livestock farming, paper manufacturing, the production of palm oil and soy, and mining. We expect companies in these sectors to take measures to prevent deforestation.

Insufficient: The company has no policy.

Poor: The company has joined leading sector initiatives or the most prominent quality labels (such as FSC, PEFC, UTZ Certified, RSPO) or similar quality labels.[59]

Sufficient: The company is active in countries that are not high-income OECD countries and at least two-thirds of its activities are FSC certified. If the company is active in high-income OECD countries, having certification for two-thirds of its activities from the Programme for the Endorsement of Forest Certification

[59] It is impossible to include an exhaustive list here. Quality labels are a criterion for selecting investments that is useful for us, which is why they are sometimes applied as a guideline. We are aware of the fact that quality labels are also commercial instruments. It is for this reason that we do not wish to commit to specific quality labels, as these may be subject to change. Moreover, better quality labels may be created that we do not wish to disregard in advance.

(PEFC)[60] is sufficient. The company is also endeavouring to become fully certified.

Good: All of the above; furthermore, the company establishes partnerships with NGOs (nature and environmental organisations) to combat deforestation.

Excellent: The company compensates the loss of biodiversity in accordance with the 'no net loss of biodiversity' principle[61].

Changes in land use

SDG targets: 15.1, 15.2, 15.3, 15.4, 15.5

We expect companies not to be involved in large-scale land use or activities that contribute to the loss of natural habitat and biodiversity. Examples of relevant sectors are agriculture and forestry.

Insufficient: The company has no policy.

Poor: The company has no policy but does have the intention of joining one of the following standards:

- RSPO (Round Table on Sustainable Palm Oil) for palm oil;
- RTRS (Round Table on Sustainable Soy) for soy;
- FSC (Forest Stewardship Council) for wood and paper;
- NTA8080, requirements for sustainably produced biomass for energy applications;
- comparable standards or quality labels.[62]

Sufficient: The company has policy and the intention to meet the requirements of one of the aforementioned standards.

Good: The company has policy and a management system that, depending on its operating activities, is based on:

- the guidelines of the International Union for the Conservation of Nature (IUCN) for the management of various categories of protected areas (Protected Area Management Categories); and/or
- FSC certification if the company uses wood from old-growth forests; and/or
- High Conservation Value Areas (HCVAs) that the company respects by:
    - only growing palm oil and soy according to the criteria of, for example, the Brazilian Soy Platform and the RSPO; and/or
    - only using second-generation biomass.

The company reports in accordance with the GRI biodiversity guidelines.

Excellent: The company compensates the loss of biodiversity in accordance with the 'no net loss of biodiversity' principle[63].

The introduction of exotic species

SDG targets: 2.4, 15.5, 15.8

We expect companies to handle ecosystems with due care. When man introduces new species, these exotic, invasive species can prove to dominate the new area, thus threatening

[60] The forest standard of the Sustainable Forest Initiative (SFI), the North American member of PEFC, also meets our criteria. The SFI applies specifically to North America. If a company is two-thirds certified according to the SFI, that is sufficient.

[61] Compensation according to the 'no net loss of biodiversity' principle entails the company meeting the following conditions:

- Equivalent quality: loss of a nature reserve in one area can only be set off by creating a new, similar (surface area, variety of species) nature reserve elsewhere.
- Simultaneity: the time between the loss of one area and the completion of the new area must not be too long, meaning a few years at most.
- Guaranteed implementation: arrangements regarding the implementation of the compensatory measures must be sufficiently laid down in a legal document.

[62] See footnote 52.

[63] See footnote 53 for explanation.

local species and ecosystems. We expect companies to prevent this from happening. This pertains to sectors such as agriculture, fishery, tourism, transport, zoos and pet shops. These sectors are assessed as follows:

Insufficient: The company has no policy.

Sufficient: The company has a policy for preventing the introduction of invasive species.

Good: The company has a policy for preventing the introduction of invasive species, including a management system. The company reports in accordance with the GRI biodiversity guidelines.

Overexploitation

SDG targets: 2.4, 6.4, 7.3, 8,4, 12.2, 14.4, 15.2, 15.3, 15.5, 15.7, 15.c

We expect companies to handle natural resources in a sustainable manner. If resources are used in a manner that is not sustainable, this is overexploitation. There are various types of overexploitation: deforestation in forestry, poor soil management with agricultural land, unsustainable agriculture, the trade in or hunting of endangered species, overfishing, overexploitation due to tourism, and trade in red-list species like whales. The sectors primarily involved are agriculture, forestry and fishery. We expect companies from these sectors to prevent overexploitation. They are assessed as follows:

Insufficient: The company has no policy and is not associated with sector initiatives or prominent quality labels.

Poor: The company is endeavouring to acquire certification under prominent quality labels or similar quality labels.

Sufficient: The company adheres to the guidelines of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) and/or is associated with recognised quality labels for the supply chain, such as FSC, MSC (Marine Stewardship Council), UTZ Certified, RTRS, RSPO and NTA8080 or similar quality labels.[64]

Good: The company has not only a policy but also a management system. It reports in that respect in accordance with the GRI biodiversity guidelines. If the company makes use of farmed fish, this management system is based on ASC certification (Aquaculture Stewardship Council).

Pollution

SDG targets: 3.9, 6.3, 8.4, 12.4, 12.5, 13.2, 14.1

We expect companies to refrain from genetic pollution (genetic engineering), from introducing into the environment substances the safety of which has not yet been established, and from developing activities as a result of which substances are discharged into ecosystems in quantities that are so large that these are processed insufficiently, if at all. This relates to the chemicals and agriculture sectors and the pharmaceutical industry. These are assessed as follows:

Insufficient: The company has no policy.

Sufficient: There is no misconduct (for example the discharge of (chemical) substances in the air, water and/or soil) and the company has policy in the area of:

- Genetically Modified Organisms (GMOs): the company satisfies the Cartagena Protocol on Biosafety.[65] The company does not apply any genetic engineering to plants and animals for non-medical purposes. If the company

[64] See footnote 52.

[65] The Cartagena Protocol on Biosafety is a supplement to the Convention on Biological Diversity. The aim of the Protocol is to protect biological diversity from possible risks from genetically modified organisms originating from modern biotechnology.

applies genetic engineering to micro-organisms, this takes place under controlled conditions. If the company purchases genetically modified products, it is transparent about the way in which it uses these products;

- crop protection agents: the company adheres to the Rotterdam Convention;
- chemical waste: the company adheres to the Basel Convention;
- persistent organic pollutants (POPs: various, often toxic chemical compounds that are hardly, if at all, biodegradable): the company adheres to the Stockholm Convention;
- substances that deplete the ozone layer (such as CFCs): the company adheres to the Montreal Protocol;
- registration of the effects of chemical substances: the company adheres to and participates in REACH (EU) and GHS (international).

Good: The company has a policy for preventing and reducing pollutants, which policy is linked to a management system. The company also has targets and deadlines for preventing and reducing pollution. It reports on that policy in accordance with the GRI biodiversity guidelines. The company publishes policy relating to GMOs, and informs consumers which products contain genetically modified organisms or raw materials.

Excellent: Alongside the aforementioned measures, the company undertakes additional initiatives.

Animal welfare

We only invest in companies that contribute to a respectful interaction with animals and to the improvement of animal welfare. The company must not be involved in activities we exclude, as described in section 4.1.6.1. The criteria that apply to the supply chain are also set out below. We draw a distinction in this regard between companies that use animal products for food and those that use animal products for textiles (products from leather, wool, down and feathers or other animal materials). For companies that purchase animal products for the production of food, we also distinguish between companies that buy hardly any animal products (materiality)[66] and consider whether the company is large or small[67]. The company's level of ambition to improve animal welfare may also be included in the policy assessment; it is up to the analyst to assess whether this level of ambition is sufficient or insufficient. These companies are assessed as follows:

Insufficient: Textiles: There is serious misconduct.

Food: The company has no policy or is not transparent about its policy. There is serious misconduct. It may be a small company where animal welfare is a material risk or a large company that has no policy or is not transparent about its policy. As a result, the company does not meet the five freedoms. The five freedoms entail that an animal is free:

- from hunger, thirst and an incorrect diet;
- from fear and chronic stress;
- from physical and physiological suffering;
- from pain, injury and disease;
- to express natural (species-specific) behaviour.

Poor: Textiles: The company has no policy, but there is no serious misconduct either.

[66] Animal welfare is considered a material risk if a company earns more than 5% of its total turnover by selling animal products. If a company is unable or unwilling to disclose this percentage, we disapprove the company as a precaution.

[67] As stated in section 4.1.1.2, we distinguish between large and small companies. Small companies have a market capitalisation of less than 4 billion. Our sustainability criteria for smaller companies are less strict if we are able to establish that there is policy in this area. We assume that small companies have fewer resources with which to meet our policy requirements. However, this does not mean that they are less sustainable.

Food: It is a large company where animal welfare does not pose a material risk. In addition, the company has drawn up some kind of animal welfare policy *and* seeks to improve animal welfare.

Sufficient: Textiles: The company has an animal welfare policy to prevent serious misconduct. For example, policy to combat mulesing and the live plucking of angora rabbits or birds for down.

Food: The company is transparent, possibly reactively, regarding its animal welfare policy. The animal welfare policy is based on the five freedoms. For example, a company may work according to the ISO/TS 34700 standards for animal welfare. For customers of livestock farms and fisheries, the following applies:

- The company takes the welfare of livestock into account. It does so by drawing up policy based on the five freedoms, or by ensuring that an above-average percentage of the animal products it sells have a reliable quality label, while arranging for this percentage to increase.
- The company makes use of the MSC quality label for wild-caught fish, and aims to increase the share of products with the quality label.

Good: Textiles: The company has drawn up policy based on the five freedoms.

Food:

- The customer makes use of the ASC quality label for farmed fish.
- The customer is committed to improving animal welfare in respect of the catching of wild-caught fish.

Animal testing

We only invest in companies that use animal testing for medical and non-medical products (both end products and ingredients) if they are transparent about this and have a sufficient policy in place to this end. This applies both to companies that perform animal testing themselves and to companies that give instructions to parties in their supply chain to this end. These companies are assessed as follows:

Insufficient: The company has a policy but is not transparent in that respect. The policy does not meet the three Rs: Replacement, Reduction and Refinement.

Sufficient: The company satisfies all of the following three requirements:

- It has an animal testing policy based on the three Rs: Replacement, Reduction and Refinement. Put differently, it strives to replace animal testing with other tests, and to reduce and refine animal testing.
- The company is transparent, possibly reactively, about the use and application of animal testing.
- No cosmetic products are involved. If cosmetic products *are* involved, the following additional conditions apply: the company is legally obliged to test cosmetics on animals; the company has a clear vision aimed at reducing cosmetic animal testing; *and* the company invests in alternative test methods.

Good: The company has a policy that is sufficient. Not only does the company aim to reduce the use of animal testing, it has set objectives and deadlines to this end.

Excellent: The company has a policy as described above. It states that it does not wish to use any animal testing and has set objectives and deadlines to this end, and/or the company actively researches alternative test methods or indicates how it encourages research into alternative test methods that are free from animal testing.

Plastic

SDG targets: 3, 6.3, 11.6, 12.4, 12.5, 14

More and more plastic ends up in nature, resulting in major environmental problems. A large part of this plastic consists of packaging. That is why we have drawn up criteria for companies that make plastic packaging and companies that use a lot of plastic packaging. We have also included criteria for microplastics. Sectors that make extensive use of plastics include the garment, food, personal care, pharmaceutical and packaging industries.

Insufficient: The company qualifies as insufficient if it:

- does not comply with legislation and regulations on plastic;
- has no policy and/or serious misconduct is known;
- uses microplastics in cosmetics;
- uses biobased plastics from food crops and/or from biobased materials that have not been sustainably extracted (e.g. due to land use change or deforestation);
- is involved in serious misconduct;
- does not recognise plastic as a risk even though it is a high risk for the company.

Poor: The company has no policy but acknowledges the problems of plastics and/or has a statement (about litter, plastic soup or any other relevant issue).

Sufficient: The company has a policy or strategy. In addition, if applicable, the company has policy to obviate sector-specific risks.

Good: The company qualifies as good if it:

- has a comprehensive policy or strategy, including objectives;
- supports initiatives to tackle the plastic problem. It is important that the company commits itself to this for a prolonged period of time.

Excellent: The company has taken all of the aforementioned measures and also reports periodically about its plastic use, its objectives and its progress.

4.1.6.2.D Supply chain policy

SDG targets: 6.3, 8.4, 8.7, 8.8, 10.2, 12.2, 12.5, 12.6, 12.7, 13.2

We expect companies to take responsibility for the conduct of other parties affiliated with them, such as business partners, links in their value chain and other parties that are directly connected with operations, products or services. A supply chain policy is necessary for the sustainability risks a company runs in its core business.

Insufficient: The company has no supply chain policy.

Poor: The company qualifies as poor if it:

- has no formal policy but does have examples of rules of conduct;
- does have a formal policy but only devotes attention to *either* human rights (fundamental employment conditions or gender equality or safe and healthy working conditions), *or* the environment, *or* ethical conduct, *or* tax avoidance and evasion;
- has named all relevant topics in its policy but makes them dependent on a country's national laws.

Sufficient: The company has a supply chain policy to prevent human rights violations and violations of the four fundamental labour standards of the International Labour Organization (ILO). The four standards mentioned are: freedom of association, no forced labour, no child labour and no discrimination (including gender discrimination). The company also has policy on healthy and safe working

conditions, the environment, ethical conduct and tax avoidance and evasion in its supply chain. We also consider the RBA's code of conduct for supply chains[68] to be sufficient.
If applicable, the company has policy to obviate sector-specific risks (a few examples are set out in the box below).

Good: The company has a human rights policy, environmental policy and policy in the areas of ethical conduct and tax avoidance and evasion in its supply chain. It has procedures for implementing this policy. For example, it uses questionnaires to question the companies in its supply chain and concludes sustainability contracts with its suppliers.

Excellent: The company has policy in place as described above. Policy implementation is monitored by means of external and/or internal audits and monitoring. When a company has, for example, a policy in place for the purchase of office supplies, this is positive even though it is not a core activity. It is also positive if the company publishes the results of audits and monitoring.

Examples of sectors with additional conditions for the supply chain policy

Conflict minerals
The electronics sector – companies that manufacture, for example, telephones, computers and semiconductors – is dependent on precious and other metals for its products, such as tin, tantalum (including coltan), gold and cobalt. There is a risk that the mining of these metals may entail social misconduct and may cause environmental damage. In addition, there is a risk in some countries of armed conflict being financed with proceeds from the mining of and trade in the metals in question. In the case of the latter, the term 'conflict minerals' applies. We expect companies that may use conflict minerals in their production to have policy to combat the use of conflict minerals (in the supply chain).

Wood and paper
Diverse companies, such as construction companies, paper factories and printers, use wood, wood pulp and/or paper in production. These raw materials are obtained by logging, which can have a major adverse impact on biodiversity as it can lead to deforestation and destruction of habitat. Sustainable forestry and forest conservation are necessary to limit the risks related to biodiversity. For that reason, we expect companies that use wood products to have policy for the purchase of FSC-certified products. If the wood products are obtained in high-income OECD countries, PEFC certification suffices. We assess whether the company is a front-runner in this area.

Foodstuffs
The manufacture of certain foodstuffs can entail sustainability risks, such as deforestation, change of land use and the loss of natural habitat and biodiversity. This is caused by the logging of forests to create agricultural land. The foodstuffs involved include soy, palm oil, coffee and cocoa. International quality labels have been established for these. We expect companies that use foodstuffs (such as food producers) or that sell foodstuffs (such as supermarkets and department stores) to make as much use as possible of suppliers that meet

[68] Companies in the electronics sector have drawn up a sector-specific code of conduct for their supply chain: the Responsible Business Alliance Code of Conduct. If a company has implemented this Code of Conduct, we consider this to be sufficient. http://www.responsiblebusiness.org/

these standards. Animal welfare is another foodstuff-related risk. We expect companies that use animal products to act in accordance with our animal welfare policy.

Animal testing
Our animal testing policy states that we only invest in companies that use animal testing for medical and non-medical products (both end products and ingredients) if they are transparent about this and have a sufficient policy in place to this end. This applies both to companies that perform animal testing themselves and to companies that give instructions to parties in their supply chain to this end. This entails the following: if there is a risk of animal testing in the supply chain of a company, for example a pharmaceutical company, the company's supply chain policy requires its suppliers to meet the 3 Rs (Replacement, Reduction and Refinement).

4.2 ASN Duurzaam Obligatiefonds

ASN Duurzaam Obligatiefonds invests in euro bonds issued by national governments and in green, social and sustainable bonds.
The methodology and process for selecting government bonds for ASN Duurzaam Obligatiefonds is the same as for ASN Bank. See section 3.1 for government bonds and section 3.2 for green bonds, social bonds and sustainable bonds.

4.3 ASN Duurzaam Mixfonds funds

The ASN Duurzaam Mixfonds funds consist of a mix of ASN investment funds. The allocation depends on the risk of the fund. For information on the allocation see https://beleggingsfondsen.asnbank.nl/fondsen.html.

Depending on market conditions, the fund manager selects slightly more equities or slightly more bonds, within limited ranges. For the selection process, we refer to section 4.1 for the various funds, section 3.1 for government bonds, section 3.2 for green, social and sustainable bonds and, finally, section 4.4 for microfinance.

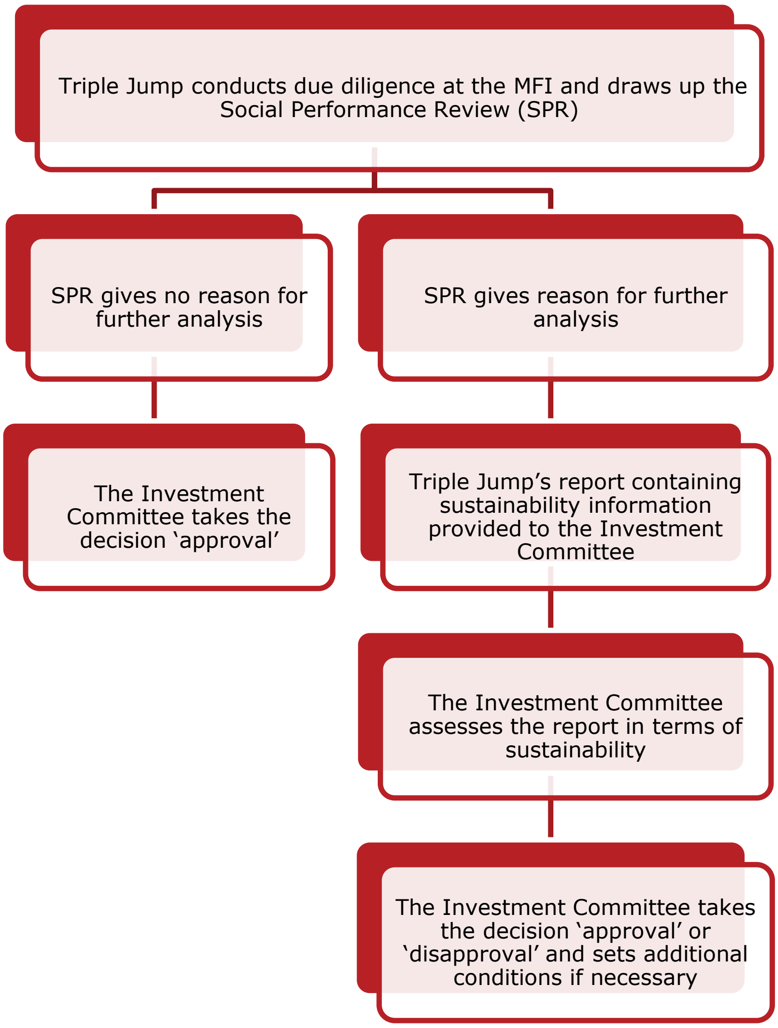
4.4 ASN-Novib Microkredietfonds

SDG targets: 1.1, 1.2, 1.4, 1.5, 1.a, 2.3, 5.1, 5.4, 5.a, 5.b, 8.5, 8.10, 9.3, 10.1, 10.2, 14.7, 14.b, 17.3
In many developing countries microfinance institutions (MFIs) play a vital role in organising and raising the consciousness of large groups of disadvantaged people. An MFI is a financial institution specialised in banking services, such as the provision of small loans to people with low incomes or low-income entrepreneurs. MFIs provide banking services that traditional banks generally do not provide. ASN-Novib Microkredietfonds[69] invests in MFIs and banks with an MFI portfolio. Extending loans to small business owners in developing countries helps these people to make a living.

ASN Beleggingsfondsen acts as the manager of the fund, and Triple Jump is the fund's project advisor.

4.4.1 Selection process for microfinance institutions

[69] ASN-Novib Microkredietfonds was established on 14 June 1996 and originated from a joint initiative of ASN Bank and Oxfam Novib. ABB acts as the manager of the fund, and Triple Jump acts as the fund's project advisor.



The adjoining figure shows how MFIs are selected. This can proceed via two processes.

The process begins at Triple Jump[70], which plays an important role in the selection of MFIs. As project advisor, Triple Jump makes investment proposals for the fund and conducts the due diligence investigation at MFIs based on financial and sustainability criteria. Triple Jump only submits MFIs to ASN Beleggingsfondsen if it believes that they show promise for the fund. If Triple Jump has doubts about whether an MFI would be eligible for the fund, it may request pre-due diligence advice from the Investment Committee[71] prior to the due diligence investigation.

If Triple Jump proposes an MFI to ASN Beleggingsfondsen, the Social Performance Review (SPR) determines which process will then be followed. The Investment Committee may directly approve the MFI if the SPR scores positively on all criteria. If the SPR gives cause for additional research, this is prepared by the sustainability manager and the impact analyst of ASN Beleggingsfondsen. The Investment Committee decides on inclusion in the universe.

Triple Jump draws up the Social Performance Review (SPR), which summarises the MFI’s Social Performance Management (SPM). SPM is a style of management designed to allow an organisation to fulfil its social mission. It also includes managing processes and systems and measuring the extent to which the organisation accomplishes its social mission. Important topics in this respect include: client protection, client satisfaction, whether the MFI focuses on female clients (overall gender-related social, cultural, behavioural and identity aspects play a role here), reach and information on socially responsible performance.

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[70] Triple Jump manages and advises funds that focus on responsible investment in developing countries. Triple Jump was established in 2006 as a spin-off from Oxfam Novib. Triple Jump has four shareholders: Oxfam Novib, ASN Bank, NOTS Impact Entrepreneurs and Management Company.

[71] The Investment Committee consists of the Institutional Relations Manager, the senior sustainability manager of ASN Beleggingsfondsen and the microcredit fund manager.

The SPR also includes the outcome of the 'interest traffic light' (explained below). The interest traffic light was developed by Triple Jump to assess MFIs as objectively as possible on the interest they charge to their clients.

The MFI is always fully analysed if:

- it is a new MFI; and/or
- it is proposed that ASN-Novib Microkredietfonds acquire a stake in the MFI; and/or
- the MFI operates in countries identified as high risk by MIMOSA[72] or by Triple Jump; and/or
- the SPM score is lower than seventy percent; and/or
- the director's remuneration is more than USD 150,000 per year; and/or
- the first part of the interest traffic light is not green. This occurs when:
    - the Annual Percentage Rate (APR) is higher than 50 percent; and/or
    - the APR is 20% higher than the rate applied by comparable financial institutions in the same country; and/or
    - the MFI's profitability is above the norm in the current year or was so in one of the two years preceding it. Triple Jump defines 'above-average profit' as follows: the annual return on the total assets (Return on Assets (RoA)) exceeds 6%, or the Return on Equity (RoE) exceeds 25%.

  If the first part of the interest traffic light is not green, part two must also be completed. Further explanation is then required of the APR, RoE and RoA. If the interest traffic light is red, the MFI is excluded; and/or
- the client protection score is lower than seventy percent; and/or
- the MFI has not endorsed the SMART Campaign[73].

4.4.2 Selection methodology for microfinance institutions

How ASN Beleggingsfondsen assesses the MFIs is set out below. It uses four documents to this end:

- Social Performance Review (SPR): this summarises the MFI's Social Performance Management.
- Interest traffic light: see previous paragraph.
- Social Performance Management sheet: this gives information on the way in which the organisation fulfils its social mission and on the management of processes and systems.
- Appraisal: this contains information on governance, financial performance and the SPM. The appraisal specifies, among other things, the borrowers the MFI focuses on, the MFI's personnel policy and, if applicable, the part of the currency risk that is passed on to the borrower.

If ASN Beleggingsfondsen has any questions regarding the MFI, it can put these to Triple Jump. If necessary, Triple Jump can submit these questions to the MFI concerned.

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[72] The Microfinance Index of Market Outreach and Saturation (MIMOSA) has developed a framework for measuring credit saturation. The countries that MIMOSA regards as high risk have a highly saturated lending market, making it highly likely that client lending is excessive. In that case, it is important for the MFI to have good policy to protect clients against excessive lending. http://mimosaindex.org/

[73] The Smart Campaign has drawn up a series of basic principles for dealing with clients of MFIs. These basic principles cover: appropriate product design and delivery; prevention of over-indebtedness; transparency; responsible pricing; fair and respectful treatment of clients; privacy of client data; and mechanisms for complaint resolution. http://www.smartcampaign.org/

We assess the sustainability performance of MFIs in terms of the following key issues:

- Responsible lending. This involves assessing the client protection score and the background information to this; we consider whether the MFI has endorsed the SMART Campaign. If the MFI does not conduct its lending in a responsible manner, it receives a negative recommendation.
- The ratio between the average size of the loans and the gross domestic product per inhabitant. This ratio should preferably not be too large.
- Target group(s). We consider the percentage of loans going to female borrowers and whether the MFI focuses on borrowers in rural areas and/or on market segments that are difficult to serve. It is desirable for the MFI to focus on one or more of these target groups.
- Directors' remuneration. If the directors' remuneration is too high, the MFI is excluded. This applies if the remuneration of an MFI's director is more than USD 150,000 and there is insufficient substantiation to justify this salary[74], or if the remuneration is more than USD 300,000 per annum.
- Embedding of social policy in the organisation; we understand this to mean that the institution has policy regarding:
    - the protection of its borrowers;
    - transparency;
    - the manner in which it determines the price of financial products;
    - its own staff.

If we decide that the MFI has insufficient social policy embedded in its organisation, our decision will be negative.

4.4.3 Liquidities

ASN-Novib Microkredietfonds holds part of its assets in liquid form. This may pertain to fund assets that are not (yet) invested in private loans and shareholdings, and assets designated for facilitating inflow and outflow of fund investors. To this end, the fund can hold assets in a savings or other account at an approved financial institution (assessed as issuer; see the Banks and Insurers policy paper to this end) and/or invest in approved government bonds (see section 3.1). For efficient operational liquidity management, the fund can make limited use of bank accounts of financial institutions that have not been approved by ASN Beleggingsfondsen. The liquidity policy is explained in more detail in ASN-Novib Microkredietfonds' investment policy.

4.5 ASN Groenprojectenfonds

ASN Groenprojectenfonds invests at least 70% of its assets in projects that comply with the Dutch government's Green Projects Scheme 2016 (*Regeling groenprojecten 2016*). The green projects financed by ASN Groenprojectenfonds relate to various focal areas. ASN Groenprojectenfonds focuses particularly on the subsegments sustainable construction and refurbishment, renewable energy and decentralised energy supplies. ASN Groenprojectenfonds has been designated as a Green Institution.

The methodology for assessing renewable energy projects for ASN Groenprojectenfonds is identical to that of renewable energy projects for ASN Bank. For explanation of the methodology and the selection process, we therefore refer to section 3.3.

[74] To assess whether a salary higher than USD 150,000 is justified, a salary questionnaire is completed. A higher salary may be justified if, for instance, there are elements that make managing the MFI a complex matter.

4.5.1 Liquidities

ASN Groenprojectenfonds holds part of its assets in liquid form to facilitate inflow and outflow of fund investors. To this end, the fund can hold assets in a savings or other account at an approved financial institution (assessed as issuer; see the Banks and Insurers policy paper to this end) and/or invest in approved government bonds (see section 3.1). This is explained in more detail in the ASN Groenprojectenfonds prospectus.

5. ASN Bank Wereldprijs

Every innovation has modest beginnings: a good idea, a group of enthusiastic people and the will to effect change. People with innovative ideas take important steps towards making society more sustainable. ASN Bank believes that innovation comes from society, which is why we established the ASN Bank Wereldprijs in 2009. The award enables innovative, promising projects to grow and become successful. We target initiators with a good idea, a fresh perspective on sustainability and a solid business plan that is going to make a difference. The entrants are foundations, private individuals and small commercial companies aiming to build up an organisation with prospects for the future. Interested parties enter their project via the website. The ECD assesses the projects entered and furnishes them with a positive or negative recommendation (see the methodology at 6.1). The communications department decides whether to accept the project for consideration for the ASN Bank Wereldprijs. Finally, a professional jury and the public vote determine the winners of the ASN Bank Wereldprijs.

5.1 Methodology for assessing projects

The projects entered for the ASN Bank Wereldprijs are assessed using ASN Bank's sustainability criteria. The projects under consideration for the ASN Bank Wereldprijs are often business start-ups. Consequently, we do not impose the same requirements on them as on listed companies. Questions we pose when assessing the projects include:

- Does the project contribute to the solution to a sustainability problem?
- Does the initiator of the project have a clear picture of the possible risks in the areas of climate change, biodiversity and human rights? For the topics included in our assessment of these projects, see section 4.1.6.
- If the initiator has a clear picture of the possible risks, what does he do to minimise or prevent these?