Goldman Sachs | Asset Management

RESPONSIBLE INVESTMENT VIEWPOINT POLICY

(Applicable for former NN Investment Partners entities)

For professional use only

March 2023

SCOPE

This Responsible Investment Viewpoint Policy is applicable to the assets managed solely by the following (former NN Investment Partners) legal entities (collectively referred to in this policy as "The Asset Manager", "we", "us" or "our"):

- Goldman Sachs Asset Management B.V.
- Goldman Sachs Advisors B.V.
- Altis Investment Management B.V.
- Goldman Sachs Asset Management Co., Ltd.
- Goldman Sachs Investment Management (Singapore) Ltd.
- Goldman Sachs Asset Management Belgium S.A.
- NN Investment Partners North America LLC
- NN Investment Partners Towarzystwo Funduszy Inwestycyjnych S.A.

In addition, this policy only applies to the following fund ranges:

- Goldman Sachs (B) Fund
- Goldman Sachs (B) Invest
- Goldman Sachs Cayman Funds II
- Goldman Sachs Emerytura SFIO
- Goldman Sachs Funds III
- Goldman Sachs Funds IV
- Goldman Sachs Funds V
- Goldman Sachs Funds VI
- Goldman Sachs Funds VII
- Goldman Sachs Lux Investment Funds II
- Goldman Sachs Lux Investment Funds III
- Goldman Sachs Lux Investment Funds IV
- Goldman Sachs Paraplufonds 1 N.V.
- Goldman Sachs Paraplufonds 2 N.V.
- Goldman Sachs Paraplufonds 3 N.V.
- Goldman Sachs Paraplufonds 4 N.V.
- Goldman Sachs Paraplufonds 5 N.V.
- Goldman Sachs Parasol FIO
- Goldman Sachs Perspektywa SFIO
- Goldman Sachs Securitisation Fund (I)
- Goldman Sachs SFIO

For the avoidance of doubt, this Responsible Investment Viewpoint Policy does not apply to any other entity that is part of Goldman Sachs Group Inc.

A TRANSPARENT VIEW ON THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) CRITERIA APPLIED TO SPECIFIC SUSTAINABLE AND IMPACT FUNDS[1]

- In our Responsible Investment approach we reflect our investment beliefs, the organisation's values, relevant laws and internationally recognised standards such as the UN Global Compact and the OECD Guidelines for Multinational Enterprises.
- As a provider of socially responsible investment strategies, The Asset Manager communicates its view on potentially unsustainable practices and topics that are the subject of societal debate or controversy, in the way these apply to specific sustainable and impact strategies.
- We recognise that these topics and practices can change over time.
- Our general approach and vision on Responsible Investment (RI) and our criteria are described in our Responsible Investment Policy. The Exclusion List is a reflection of these policies. Both documents can be found on our RI policies page.
- Restrictions relate to countries as well as to involvement of corporates in specific products or services, reflecting restrictions on controversial weapons and arms trade, oil sands, tobacco production and thermal coal mining.
- The following business activities are additionally restricted in specific sustainable and impact strategies: adult entertainment, arctic drilling, fur & specialty leather, gambling, shale oil & gas, nuclear energy and weapons.
- A dedicated section in this policy provides an overview of additional criteria and thresholds applicable for those Sustainable or Impact funds that have received the Towards Sustainability label. The applicable thresholds are compliant with the label's Quality Standard requirements. For additional information on the label see Towards Sustainability Initiative.
- We share our view on several other material issues that might hinder the ability to reach sustainability objectives aligned with our sustainable and impact investments, as transparency is key to responsible investing.

1 The specific sustainable and impact strategies in scope of this policy are listed in the Scope on on page 2. The RI Viewpoint Policy demonstrates also adherence to the Towards Sustainability label requirements for those sustainable and socially responsible financial products that have received this label.

THE ASSET MANAGER'S NORMS-BASED RESPONSIBLE INVESTMENT CRITERIA — RESTRICTIONS ON CONTROVERSIAL CONDUCT AND BUSINESS ACTIVITIES

The Asset Manager Responsible Investment criteria reflect investment beliefs, the organisation's values, relevant laws, and internationally recognised standards such as the United Nations Global Compact and the OECD Guidelines for Multinational Enterprises (OECD Guidelines).

Responsible Investment Policy
The restrictions and criteria within our Responsible Investment Viewpoint policy are aligned with The Asset Manager's Responsible Investment Policy, in which the broader criteria and applicable restrictions are described. The policy can be found on our RI Policies page.

The additional restrictions mentioned in this RI Viewpoint Policy are relevant for specifc sustainable and impact funds as scoped. A separate section provides an overview of the additional criteria applicable for those funds with the Towards Sustainability label.

Investor collaborations
Our commitment to addressing environmental, social and governance risks is demonstrated by our memberships of, among others, the UN Principles for Responsible Investment (PRI), the Climate Action 100+, Global Impact Investing Network (GIIN), and the International Corporate Governance Network (ICGN).

Global Norms

The Global Stewardship Team has developed a process for evaluating companies that have been identified by third party data providers as in violation of the UN Global Compact Principles and the OECD Guidelines for Multinational Enterprises (amongst other global norms), and/or companies which are applying poor governance practices.

We also believe that the global norms align with related frameworks including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights

Our process centers on four primary steps:
- **Identify:** We leverage multiple third party data providers to generate a list of potential violators of Global Norms.
- **Review:** Using the vendor generated list, we evaluate each of the issues raised at the companies, considering the external data providers' assessment as well as additional sources to create an assessment.
- **Evaluate:** Using the results of the review, we assign each company to one of three tiers:
  - **Tier 1:** We believe that this company has an ongoing global norms violation with insufficient remediation
  - **Tier 2:** The company may have had a global norms violation, but some remediation has taken place OR there is a serious allegation of wrongdoing where the situation is still developing
  - **Tier 3:** The company is not currently considered a global norms violator
- **Monitor:** We review and retier the list on a semi-annual basis, and seek to conduct ongoing monitoring to identify potential new issues.

Following the tiering process, the Global Stewardship Team seeks to take appropriate stewardship actions related to the companies, for example seeking to engage with companies or take voting action as appropriate.
Various investment teams may seek to implement portfolio monitoring or construction actions based on the results of the tiering process.

Controversial Activities

The section below sets out our norms-based RI restriction criteria in more detail, reflecting both the broarder restriction criteria as anchored and referenced in the The Asset Manager RI Policy[2] and the additional restrictions for specific sustainable and impact strategies:

Controversial Weapons
Development, production, maintenance or trade of controversial weapons

We consider certain certain weapons to be controversial due to their disproportionate and indiscriminate impact on the civilian population. This is the case for anti-personnel landmines, cluster munitions, biological weapons, chemical weapons, depleted uranium ammunitions, and white phosphorus weapons.

We may restrict companies that are involved in activities such as production, research and development, maintenance, system integration and testing of products or services that are considered dedicated and essential for the lethal use of these type of weapons. In defining these weapons, we follow widely accepted international conventions or, where those are not available, we have developed our own criteria applying a precautionary principle.

Separate criteria have been developed for nuclear weapons in addition to the criteria above, since they have a different

2 The mentioned broader restriction criteria are only applicable to those funds in scope.

character from other weapon types. The ownership, production, proliferation and use of nuclear weapons are strictly regulated and monitored via the Non-Proliferation Treaty (NPT) of 1968, and if necessary sanctioned by the international community. The Asset Manager restricts on a firm-wide basis companies that are involved in nuclear weapon activities and that: (i) are domiciled in countries that are not a signatory to the NPT, or (ii) contribute to nuclear weapons programs of non-NATO member states.

We may consider the trade of arms to certain countries or non-state actors as controversial, due to the high risk that these arms will be used to commit severe human rights violations or prolong conflict.

We may restrict companies that demonstrably engage in activities in making weapons, weapon systems, or related material or services available to (i) countries that are subject to a UN or EU arms embargo that is targeting the central government or (ii) non-state actors sanctioned by the UN or EU. Not in scope are companies that have such activities in relation to humanitarian missions or to (peacekeeping) military missions that have been commissioned by the international community.

Controversial Weapon restriction application for specific sustainable and impact funds

For specific sustainable and impact funds this restriction is applied via the Controversial Weapon Radar research, as well as Arms Trade research and Product Involvement screening of the Sustainalytics platform. In addition, we comply with the Belgian law banning any financing of companies involved in anti-personnel mines, submunition or depleted uranium via ISS Ethix screening.

We have a zero-tolerance policy on controversial weapon involvement for the funds in scope. For companies identified as involved as described above, the threshold is currently set at 0% of revenues.

Weapons

In addition to the restrictions on controversial weapons and arms trade and the applied threshold for specific sustainable and impact funds, involvement in small arms and military contracting is restricted for specific sustainable and impact strategies because of their link with violence, crime and corruption.

Weapon restriction application for sustainable and impact funds

For specific sustainable and impact funds the weapon restriction is applied via the Product Involvement screening of the Sustainalytics platform. The applied revenue threshold in small arms and military contracting involvement is 5% of revenues from production of weapons or the supply of key and dedicated components.

Tobacco production

The Asset Manager has concerns regarding public health as well as the economic burden that smoking places on society. We therefore may restrict companies that are involved in the production of tobacco products. Producers can be restricted when tobacco products account for 50% or more of their revenues.

Tobacco restriction application for sustainable and impact funds

For specific sustainable and impact funds this restriction is applied via the Product Involvement screening of the Sustainalytics platform. Producers are currently restricted when tobacco products account for 5% or more of their revenues.

Coal mining and electricity generation

Thermal coal is predominantly used for power and heat generation. Of all fossil fuel energy sources, thermal coal generates the highest volume of greenhouse gas emissions when combusted. The Asset Manager recognises that meeting the Paris Agreement ambition will require the world to replace fossil fuels with low-carbon energy sources. We therefore may restrict companies whose business models are dependent on the mining of thermal coal. This is defined as deriving more than 20% of their revenues from mining thermal coal.[3]

Coal extraction and electricity generation restriction application for sustainable and impact funds

For specific sustainable and impact funds, this restriction is applied via the Product Involvement screening of the Sustainalytics platform. The applied revenue threshold is 5% of revenues from coal extraction.

With regard to electricity generation, specific sustainable and impact funds will not finance electricity utilities with a carbon intensity that is not aligned with a 2-degree scenario.[4] For these sustainable and impact strategies, we include in our due diligence process the decommissioning of old power generation assets and additional investment in renewables. These sustainable and impact strategies will not finance electricity utilities constructing additional coal-based power production installations.

Conventional and unconventional oil and gas

The oil and gas sector is commonly divided into conventional and unconventional production methods. Historically, exploration and production of oil and gas has focused on sources that were relatively easy to access. This refers to conventional oil and gas: hydrocarbons that flow near the surface and can be obtained through traditional well extraction. Conventional oil and gas is liquid at atmospheric temperature and pressure conditions, and therefore flows without additional stimulation. Generally, conventional oil and gas production tends to be less expensive than unconventional methods and requires little in the way of processing before being developed into petroleum products. Consequently,

3 Metallurgical coal or coking coal (a key raw material in steel production) is not part of this criteria

4 Adherence to a 2-degree scenario is analysed based on CO_2 intensity as described in the Towards Sustainability label Quality Standard requirements on page 26 of February 2019 text and based upon the International Energy Agency's scenario, published in 2017. Our analysis is based upon company reports combined with in-house analyst assessments and verification of these data.

according to peak oil theory, a large portion of our global conventional oil and gas supplies is already depleted, limiting the potential for future conventional extraction.[5]

To meet the increasing demand for energy, more expensive and technologically complex forms of unconventional exploitation can be used. These unconventional resources include oil sands, shale oil and gas, and Arctic drilling, which require hydraulic fracturing – or fracking – to extract. Not only do these hydrocarbons require special extraction methods, but they will also need additional processing and refining to be developed into traditional petroleum products. Unconventional oil and gas production is commonly seen as more costly, less efficient and likely to cause more environmental and societal damage compared with conventional methods. This is because the sources of unconventional oil and gas are heavier and require more complex procedures to extract and process them into usable products.

Unconventional oil & gas

The Asset Manager recognises that unconventional oil and gas production poses additional environmental and social risks compared with conventional activities, and has therefore implemented measures accordingly. In addition to outlining these measures, we clarify below the various types of unconventional oil and gas production, and describe the corresponding risks and our stance and restriction criteria.

ESG risks in oil sands

Oil sands, also known as tar sands or crude bitumen, is a form of heavy oil found in sand and rock. Oil sands can be mined and processed to extract the oil-rich bitumen, which is then refined into oil. Canadian oil sands resources alone are estimated to be in excess of 2 trillion barrels, which is almost equivalent to the amount of recoverable conventional oil in the entire world. Resources that are currently economically and technically recoverable are estimated at 170 billion barrels, which places Canada as the country with the second-most recoverable oil reserves globally, behind Saudi Arabia. Further significant reserves can also be found in countries such as Venezuela, Russia and in the Middle East.

Oil sands development poses serious environmental and social challenges. This is because the greenhouse gas emissions associated with producing fuels from oil sands are higher than those for conventional crude oil. Furthermore, the production of oil sands and its transport via pipelines generates significant human rights concerns and is a serious contributor to local environmental pollution. The engagement potential for companies in the sectorhas been assessed and it is concluded that engagement is not expected to achieve the desired results.

We therefore may restrict companies whose business models are dependent on the extraction of oil sands. This is defined as deriving more than 20% of their revenues from oil sands extraction.

These restrictions significantly contribute to derisking portfolios in terms of its carbon footprint.

ESG risks in shale oil and shale gas

Shale oil, also known as tight oil, and shale gas are types of unconventional oil and gas which are trapped in shale formations that must be hydraulically fractured to extract. Shale oil may refer to crude oil – found within shale formations – or to oil that is extracted from oil shale – a type of rock that has low permeability and which has solids that can be liquefied. Producing shale oil and gas is traditionally more expensive than conventional oil and gas, and has a more destructive impact on the environment. Water stress, the risk of land contamination, pollution, leakage of greenhouse gas emissions, safety and community impacts are among the environmental and social risks that are particularly associated with shale oil production. Simultaneously, shale gas exploration requires a large number of wells, leading to atmospheric pollution, air pollution, methane movement, a high level of noise and water contamination.[6]

As investments may be affected by these risks, we integrate them into investment decision-making processes and active ownership practices.

ESG risks in Arctic drilling

The Arctic Ocean is one of the most pristine and fragile places left on the planet. Native communities and wildlife that live in the Arctic depend on its unique ecosystem to survive. Moreover, the vast size, remote location and extreme weather conditions make drilling in the Arctic Ocean extremely risky. First, the process of installing drilling wells in the Arctic requires large amounts of water: the Bureau of Land Management estimates that between 8 million and 15 million gallons are consumed over about five months for drilling, development and construction of the ice roads.[7] Second, the risk of oil spills in the Arctic is substantial. The US Department of the Interior found that there is a 75% chance of a major oil spill if an oil company finds and produces oil in the Arctic. Once an oil spill has occurred, it is extremely difficult to clean up and defuse. Contact with spilled oil injures or kills marine wildlife and adversely affects the entire food system and ecosystem of the Arctic.[8] In addition to oil spills, conflicts on land rights, indigenous rights and water stress negatively impact native communities – more than 40 different ethnic groups live in the Arctic.[9] As a result, offshore drilling in the Arctic is exposed to various environmental and social risks.

As investments may be affected by these risks, we integrate them into investment decision-making processes including ESG due diligence and active ownership practices.

5 https://www.bakerinstitute.org/media/files/Research/15260210/EF-pub-WorldOilReserves-101911.pdf
6 https://www.sciencedirect.com/science/article/pii/B9780128095737000081?dgcid=scitechconnect_EES_starlink
7 https://www.greenpeace.org/usa/arctic/issues/oil-drilling/
8 https://www.boem.gov/shell-chukchi/
9 https://www.arcticcentre.org/EN/arcticregion/Arctic-Indigenous-Peoples

Unconventional oil and gas restriction application for sustainable and impact funds
For specific sustainable and impact funds, restrictions on unconventional oil and gas are applied via the Product Involvement screening of the Sustainalytics platform. The applied revenue threshold for these sustainable and impact funds is currently set at a maximum of 10% of revenues of combined exposure to all forms of unconventional oil (shale, oil sands and Arctic).

In addition, we may also restrict pipeline operators when involved in oil sands transportation projects that are in dispute, and when engagement is not expected to achieve the desired results.

The specific sustainable and impact strategies will also not finance companies with expansion plans for unconventional oil & gas extraction.

Conventional oil and gas

As the world moves towards a sustainable economy, The Asset Manager recognises various environmental, social and governance risks for conventional oil and gas companies. Below, we outline the most important ESG risks and how we manage them.

Environmental risks
Fossil fuels from conventional production will meet the world's rising energy demand over the short run. It is likely, however, that changing patterns of energy consumption and demand – also driven by upcoming climate regulations – will affect the long-term profitability of oil and gas companies. As major emitters of carbon emissions through their operations, services and usage of their products, these companies are particularly exposed to risks associated with the energy transition. Additionally, the physical damage that could result from global warming also poses risks. Global warming alters water cycles and exacerbates extreme weather events, which may hinder extraction methods and could disrupt our energy infrastructure.

As the economic value of conventional oil and gas companies is partly determined by their fossil reserves, the energy transition poses a significant threat to the sector's overall value in terms of stranded assets. Stranded assets are generally defined as fossil fuel supplies that at some point can no longer earn an economic return as a result of a transition to a low-carbon economy.[10] 'Stranding' may be caused by regulatory factors (policy change), economic factors (carbon price or tax) or physical factors (natural disasters and weather events).

While the timeframe is debatable, it is highly probable that the rate of growth for oil is decelerating, and companies in the sector are exposed to associated risks if they do not adapt their business models.

Social risks
In addition to environmental risks, the sector is exposed to various human rights risks. Most issues are related to health and safety (work-related accidents, occupational health impacts and diseases) in companies' own operations and beyond (throughout the supply chain). Moreover, potential conflicts with local communities on land rights, indigenous rights and environmental impacts such as pollution and water stress, in addition to complicity in human rights violations, pose great social risks to the conventional oil and gas sector. Failing to mitigate these may result in high (operational) costs, regulatory actions and lawsuits resulting in reputational damage.

Governance risks
Corporate governance is mainly concerned with how a company is managed, including management and board quality, ownership and control, risk management and executive remuneration. In addition, it includes the alignment of the company with its stakeholders and society at large, covering business ethics, bribery, corruption and stakeholder relations. Effective corporate governance is pivotal for a company's reputation, competitiveness and profitability. Therefore, managing risks associated with corporate governance is essential in order to remain profitable and prevent reputational damage.

Considering the global nature and scale of the conventional oil and gas sector, its operations in emerging markets and the complexity of relationships with governments, suppliers and local communities, the sector is extremely vulnerable to bribery and corruption risks.[11] As a result, firms operating in this sector are among those that have incurred significant penalties for disallowed market practices. This poses significant financial risks to conventional oil and gas companies.

Conventional oil and gas restriction application for specific sustainable and impact funds
For specific sustainable and impact funds, restrictions on conventional oil and gas are applied via the Product Involvement screening of the Sustainalytics platform. The applied threshold for eligible conventional oil and gas companies is currently set at a minimum of 40% of their revenue from activities related to natural gas extraction or renewable energy sources. Alternatively, installed production capacity and/or actual production can be used as a measurement.[12]

Transport and refining activities are not subject to a restriction threshold. Companies involved in these activities are analysed via regular ESG due diligence.

Nuclear energy

The debate regarding the use of nuclear power as an energy source continues to be a topic of interest and has become increasingly important due to the role it plays in climate change mitigation. Not only is nuclear power one of the low-

10 https://www.carbontracker.org/terms/stranded-assets/
11 https://www.ey.com/Publication/vwLUAssets/EY-Managing-bribery-and-corruption-risk-in-the-oil-and-gas-industry/$FILE/EY-Managing-bribery-and-corruption-risk-in-the-oil-and-gas-industry.pdf
12 Analysis based on Sustainalytics Product Involvement screening and ISS ESG carbon data combined with view of in-house analysts. (Metrics are based on TS label QS paragraph 2.2.5.5.1. and footnote 70 of February 2019 text).

est emitters of greenhouse gas emissions among all forms of electricity generation, it also provides a reliable energy source in a world with increasing energy demands. Despite this, the use of nuclear power poses various risks, such as radiation exposure, potentially hazardous storage, high levels of water usage and even links to terrorist activities. Finding the right balance between these risks and benefits for us as investors is a challenging task, but an important one to address.

We believe that nuclear power can play an important role in reducing greenhouse gas emissions and hence can contribute to combatting climate change. The policy trend limiting the role of nuclear power in advanced economies, combined with expiring energy plants, leads to uncertainty about the security of energy supply. Countries dependent on energy production from nuclear would either have to rely on fossil fuels and natural gas, or ramp up renewable energy. While renewables are more environmentally friendly, they are more expensive relative to other fuel sources, offer intermittent energy sources (i.e. solar and wind) and have a lower production density in terms of space utilisation. Further, a sudden switch from nuclear to generating power from 100% renewable energy is not realistic due to insufficient ramp up capacity to make up for the shortfall, as well as significant cost implications flowing through to the end user. On the other hand, reverting to fossil fuels would not be a route we would want to encourage due to the negative environmental impacts this energy solution creates.

This view on investments in nuclear energy is based on the three underlying statements: 1) we support the transition from fossil fuels to more low-carbon alternatives, 2) we believe that renewable energy power generation to be the most viable long term energy source solution, and 3) we see the necessity for an additional source of power in the current situation (as renewable energy alone cannot generate the total supply we need), and for that, nuclear power is a relatively low-carbon alternative.

Specific sustainable and impact strategies will not finance electricity utilities constructing additional nuclear-based power production installations. It will also not finance existing nuclear power plants where construction commenced after 2019, unless it will be shut down upon expiry or maintenance is conducted purely to extend the life of the plant and will be subsequently be shut down upon expiry.

Companies that contribute to additional production will also not be considered for investment. Scientific and research companies whereby the activities relate to advanced technologies and the storage of nuclear waste, as well as companies with products and/or services that support advanced technologies and extension services are subject to investment thresholds.

Companies and countries that are exposed to nuclear power generation should be capable of meeting essential requirements regarding safety and protection of population and the environment. The required due diligence should cover environmental, social and safety aspects, and should be executed by an external consultant or independent entity.
We expect the following from the companies we invest in:

Safety and security requirements
- On-site safety is independent from the company in charge of operating the power plant
- Protection of workers is ensured in the nuclear facility
- Emergency programs and responses to ensure the facility's resilience and adaptive capacity to physical risks in case of major accidents are prepared by the project and adapted to local geographic specifics, especially in regards to flooding risks, seismic risks and extreme weather events
- Satisfactory security and emergency preparedness plan to protect against terrorism related activities

Water management
- Biodiversity and water health plan, with details on the water management of nuclear cooling systems

Waste management
- Existence of a facility for the temporary storage of nuclear waste produced by the power plant
- Sufficient waste management plan, in line with recommendations from leading scientific research and industry bodies. The waste management plan should include the treatment of nuclear waste upon filling the radioactive waste storage facilities (e.g. burying nuclear waste when storage at plants runs out should be avoided due to potential soil leakage)
- Monitoring requirements
- Arrangements in place to ensure radiation monitoring, both on-site and around the site
- Monitoring of water usage
- Monitoring of Scopes 1, 2 and 3 emissions of the power plant, where data is available, otherwise at a company level
- Monitoring of safety developments at other plants, and update own plant where needed

At the time of developing this viewpoint on nuclear energy, we recognise that there are various regulations relating to ESG topics that have yet to be finalised. We will closely follow these regulatory developments and related ESG issues.

Oppressive regimes
In the ESG due diligence we refer to internationally recognised standards such as the OECD Guidelines for Multinational Enterprises, UN Guiding Principles on Business and Human Rights and UN Global Compact Principles. Companies and sovereign issuers we invest in should adhere to international norms and conventions with respect to human rights.

In our investment assessment of sovereign issuers, we take a closer look at elements that might infringe freedom of citizens.

For instance in our ESG due diligence, we capture the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and free media.

We consider these indicators as a holistic way to measure how democratic a country is. This information derived from the World Bank is based on over a dozen individual, external sources. As a part of assessing sovereign issuers we also look at fractionalisation in societies. We look at different ethnic and linguistic groups and also at how the justice system can function as an arbitrator to mitigate conflicts between different groups. If the judiciary is generally trusted and its verdicts are accepted in society, then members of different (ethnic, religious) groups can settle differences in a peaceful way. We also capture in our assessment the (financial & bureaucratic) accessibility of the justice system. This helps us provide a view on access to remedy.

We believe that the sovereign issuers that we invest in, should empower a fair judiciary and adhere to freedom of expression and entrepreneurship. We believe as an investor, when a country has the ability to continue on its economic growth as a result of good governance and can support the development of its citizens, this will have a positive impact on investments.

Oppressive regimes restriction application
The Asset Manager might restrict sovereign issuers involved in severe and systematic violations of human rights and thus countries against which arms embargoes have been issued by the UN Security Council. This restriction is applied via the Country Risk Monitor of the Sustainalytics platform.

ADDITIONAL DEDICATED CRITERIA APPLICABLE FOR THE ASSET MANAGER FUNDS THAT HOLD THE TOWARDS SUSTAINABILITY LABEL[13]

This section provides an overview of the specific criteria that are applicable only for those sustainable and impact funds of The Asset Manager that have received the Towards Sustainability label.

Sector criteria

These criteria refer to the below mentioned considered harmful activities, to the value chain as well as to the parent-subsidiary relationships and to the governance of the business activities. The business criteria can consist of indicators to measure avoidance of harm as well as indicators to measure transition.

The criteria describe the requirements to be eligible. The mentioned phase out margin refers to a maximum percentage of total portfolio exposure that is set on 5% for 2022 and will decrease by 1 pp per year as of January 2023.

Tobacco
Scope: Companies involved in the production or wholesale trading of tobacco products or providing dedicated equipment or services therefor.
Business criteria:
The company shall derive less than 5% of its revenues from the production of tobacco, products that contain tobacco or the wholesale trading of these products.

Coal
Scope: Companies involved in the exploration, mining, extraction, transportation, distribution or refining of thermal coal or providing dedicated equipment or services therefor.
Business criteria:
- The company's absolute production of or capacity for thermal coal-related products/services shall not be increasing.
- The company shall meet at least one of the following criteria:
  - Have a SBTi5 target set at well-below 2°C or 1.5°C, or have a SBTi 'Business Ambition for 1.5°C' commitment
  - Derive less than 5% of its revenues from thermal coal-related activities
  - Have less than 10% of CapEx dedicated to thermal coal-related activities and not with the objective of increasing revenue
  - Have more than 50% of CapEx dedicated to contributing activities

Unconventional oil & gas
Scope: Companies involved in the exploration or extraction of unconventional oil and gas or providing dedicated equipment or services therefor. This includes the extraction of tar/oil sands, shale oil, shale gas and Arctic drilling
Business criteria:
- The company's absolute production of or capacity for unconventional oil and gas-related products/services shall not be increasing.
- The company shall meet at least one of the following criteria:
  - Have a SBTi target set at well-below 2°C or 1.5°C, or have a SBTi 'Business Ambition for 1.5°C' commitment
  - Derive less than 5% of its revenues from unconventional oil and gas-related activities
  - Have more than 50% of CapEx dedicated to contributing activities

Conventional oil & gas
Scope: Companies involved in the exploration, extraction, refining and transportation of oil and gas, or providing dedi-

13 The sustainable or impact funds of The Asset Manager that receive the Towards Sustainability label in 2022 will adhere to the mentioned criteria and requirements based on the text of May 2021 and the Technical Guidance of October 2021.

cated equipment or services therefor (see also 3.1 a).
Business criteria:
- The company shall meet at least one of the following criteria:
  - Have a SBTi target set at well-below 2°C or 1.5°C, or have a SBTi 'Business Ambition for 1.5°C' commitment
  - Derive less than 5% of its revenues from oil and gas-related activities
  - Have less than 15% of CapEx dedicated to oil and gas-related activities and not with the objective of increasing revenue
  - Have more than 15% of CapEx dedicated to contributing activities

Phase-out margin: Companies not compliant with the business criteria are eligible for the phase-out margin.

Power generation
Scope: Companies involved in the generation of power/heat from non-renewable energy sources, or providing dedicated equipment or services therefor.
Business criteria:
- The company's absolute production of or capacity for coal-based or nuclear-based energy-related products/services shall not be structurally increasing.
- The company's absolute production of or capacity for contributing products/services shall be increasing.
- The company shall meet at least one of the following criteria:
  - Have a SBTi target set at well-below 2°C or 1.5°C, or have a SBTi 'Business Ambition for 1.5°C' commitment
  - Derive more than 50% of its revenues from contributing activities
  - Have more than 50% of CapEx dedicated to contributing activities

Phase-out margin: Companies not compliant with the business criteria are eligible for the phase-out margin.

Grandfathering
Until 2025, electricity utilities with a carbon intensity lower than the annual thresholds below and that are not structurally increasing coal- or nuclear-based power generation capacity, are eligible:

	2019	2020	2021	2022	2023	2024	2025
Max gCO_2/KWh	429	408	393	374	354	335	315

Asset class criteria
These criteria refer to the below mentioned asset classes.

Sovereign bonds
A sustainable financial product shall not finance (e.g. via sovereign issued instruments):
- States that have not ratified or have not implemented in equivalent national legislation:
  - the eight fundamental conventions identified in the International Labour Organisation's declaration on Fundamental Rights and Principles at Work
  - at least half of the 18 core International Human Rights Treaties
- States which are not party to:
  - the Paris Agreement
  - the UN Convention on Biological Diversity
  - the Nuclear Non-Proliferation Treaty
- States with particularly high military budgets (>4% GDP)
- States considered 'Jurisdictions with strategic AML/CFT deficiencies' by the FATF
- States with less than 40/100 on the Transparency International Corruption Perception Index
- States qualified as 'Not free' by the Freedom House 'Freedom in the World'-survey

Products can invest for reasons of diversification or (currency risk) hedging, in public debt instruments issued by core reserve (non-EURO) currency issuers that do not comply with the above requirements, to a maximum of 30% (in total) of the portfolio. This threshold may temporary be exceeded in the event of extraordinary market conditions.

OUR STANCE

An overview of our position towards potential unsustainable practices and issues.

Biodiversity

The concept of biological diversity (biodiversity) refers to the diversity of life on earth and the associated natural coherence between them. The biodiversity we are currently observing is the result of 4.5 billion years of evolution, but increasingly, unfortunately, also of human activity. The loss of biodiversity is anticipated to accelerate in coming decades, unless actions to halt and reverse human transformation and degradation of ecosystems and to limit climate change are urgently implemented. The absolute abundance of wild organisms has decreased over the past half-century, typically by about half across many groups, including birds, mammals and insects. Hotspots of rare and endemic species, which account for a disproportionate fraction of global biodiversity, have on average suffered greater declines in ecosystem structure and biotic integrity than other areas. Over 1 million of the estimated 8 million plant and animal species on Earth are at substantially increased risk of extinction in the coming decades and centuries as a direct or indirect consequence of human activities.[14] Climate change, loss of biodiversity, land degradation, and accumulating chemicals and waste reinforce each other and are caused by the same indirect drivers.

From a risk analysis of the World Economic Forum (2021) it appears that biodiversity loss has by far the strongest relationship with the theme of climate change. This refers to the relationship with the increasing warming of the atmosphere, which will be accompanied by a loss of species.

When ecosystems change and biodiversity declines, for example due to land and water pollution, large-scale deforestation or climate change, we run the risk of deteriorating availability and access to natural resources. Many companies rely heavily on ecosystems for their business model. Other companies contribute negatively to land and water pollution, deforestation, climate change or rely on agricultural and fishery products in the chain are increasingly exposed to the risks of biodiversity loss. Biodiversity loss poses risks to food production. The loss of animal pollinators, critical to more than 75 per cent of food crops, including many fruit and vegetables and cash crops such as coffee, cocoa and almonds, threatens annual global crop output worth between US$235 billion and US$577 billion.[15]

Investments may be affected by changes in biodiversity, as companies in which The Asset Manager is invested may face different risks:

1. Physical risk due to the loss of raw materials or the disruption of their operating environment.
2. Litigation risks due to operations that damage fragile ecosystems and increasing legislation for this subject.
3. Systemic risk: The risk of impacting all sectors and economies e.g., because of a pandemic outbreak.[16]

All these risks have a direct impact on the value of investments and are hence a financial risk. And thus it is important to take biodiversity into account as part of the investment analysis. In this process we will consider both the impact of changes in biodiversity on (the value of) our investments (looking for business opportunities and identifying risks) and the impact of a company's or project's business practices on biodiversity.

We take a holistic view on the environment. Climate change is inextricably intertwined with biodiversity. Safe-guarding biodiversity is of utmost importance to combat climate change as well as vice versa. We believe that using engagement and stewardship as the main mechanism to drive Paris alignment and protect biodiversity maximises the change of realising real world impact. Moreover biodiversity is part of our environmental guidelines.

As evidenced by the discussion above, biodiversity does not stand alone, but is linked to other topics such as climate change and deforestation. We have selected these issues as high risk.

Water use

Our freshwater resources are of vital importance, both now and in the future, and are inextricably linked to societal and economic developments. Without adequate clean water supply, production processes come to a halt, food production is disrupted, and eventually entire societies and their economy will be negatively affected. Water resources are at risk from a wide range of developments, including global warming, population growth, water competition from growing cities, production processes, power generation and food production needs.

Water is an important resource in many production processes, and water shortages or restrictions can lead to operational, strategic and market risks that have repercussions for the value of our investments. Water stress affects several sectors in which we invest, such as the energy, materials, industries and food and beverage industries. In the food and beverage sector, for example, water is an important resource in production processes, and water stress will influence production capacity. In the energy sector, hydro and thermal energy plants may face shutdowns in water-stressed areas, as the production process requires significant amounts of water that may not be available. Water use by companies in areas afflicted by water scarcity or water stress can also threaten the company's license to operate or lead to societal disruption, which could have material negative effects. These risks require strategic and technological answers and changes in order to prevent adverse impacts.

14 Making Peace with Nature, UNEP 2021
15 Making Peace with Nature, UNEP 2021
16 PRI, 2020

It is increasingly important to understand how resource-intensive companies are. This is why we make use of ISS ESG data on various climate-related indicators, including water intensity. This data is based on company disclosure to CDP and is complemented by ISS ESG data. This enriched data can enhance our assessment of water risks and performance at the company level. It provides input for our dialogue and engagement with companies and aims to improve awareness on the issue and ultimately lead to behavioural change.

Our position on water is aligned with principles 7, 8 and 9 of the Global Compact, the Rio Declaration on Environment and Development, and the CDP Supply Chain Initiative.

Waste

Discussing waste means in this context we are focusing on plastics. The increasing amount of plastics in oceans and other natural environments is detrimental for biodiversity.

Approximately 400 million metric tons[17] of plastics are produced yearly, of which only 14-18%[18] are recycled globally. The vast majority of plastics produced ends up getting landfilled or incinerated: both of which methods have shown to be highly damaging by releasing toxic substances into soil and atmosphere. Oceans are another significant recipient of used plastics: research[19] points us to a concerning 1:1 ratio (by weight) of plastics to fish populating our oceans by 2030.

As much as one billion 'plastic elephants'[20] have been created since the 50's. How to halt or slow down this? A strong push on R&D and innovation from corporates can help make the difference. And it has the potential to open up new market avenues: the Ellen MacArthur foundation speaks of an over $700 bln opportunity from shifting to a circular plastic model.

Packaging plays a large role in plastic pollution, as it is often discarded after a single short-term use. But there are a number of ways we can bring used plastics to a re-usable secondary material, one of them being mechanical recycling. However this method has its limitations: chemical recycling can fill some of these gaps. Some virgin plastic producers have also (partially) shifted to bio-based plastics, made from renewable resources such as corn and other biomass. It's important to consider all of the above options as complementary and reinforcing, they are not mutually exclusive. Companies have a role and responsibility in this shift.

Governments have also an important role to play in the transition towards a more sustainable plastics economy. To initiate large-scale change, regulation at both national and global levels is needed. Governments are capable of getting the ball rolling, after which companies and individuals will be incentivized to take responsibility. Still, even though governmental action is crucial, we also encourage companies and individuals to act proactively

We believe waste management systems must be improved to reduce the leakage of plastics from collection systems into natural environments. Furthermore, reuse and recycling of products must be increased. Companies can contribute to this transition by rethinking product design to increase the recyclability of their products, as well as by finding ways to increase the use of recycled plastics in their own production processes. Lastly, significant innovation is needed in the area of bioplastics and other renewable alternatives. Decoupling plastics from fossil feedstocks is essential in the transition towards a more circular plastics economy. A shift in consumer habits is also needed to reduce (over)consumption and cleverly think about resources and how we use them. Ultimately, consumer choices impact producers as well, and that will hopefully drive a change in how we think about plastics and other materials.

Diversity and Inclusion

Normative Framework

In the specific context of Diversity and Inclusion (D&I)[21] there are a number of guidance documents that are considered part of the UN and OECD normative framework we mention above. International organisations such as the UN's International Labour Organization (ILO) formulated foundational guidance as from 1919 onwards. The Universal Declaration of Human Rights representing another milestone in 1948. Over the decades more and more detailed guidance, commitments and pledges became available on specific ESG topics that are relevant for financial organisations, their investee companies and global supply chains. At the heart of it, again when it comes to D&I, is the core ILO labour right of non-discrimination.[22]

Diversity and Inclusion: what it is

We define diversity as encompassing all the ways in which we differ. It includes our visible differences such as age, race, ethnicity, gender, and visible disabilities. Invisible diversity is what doesn't meet the eye. It is the elements beneath the surface that influence who we are, such as education, opinions, sexual orientation, nation of origin, religion, neurodiversity, languages spoken, and belief systems. Inclusion to us means respecting and valuing differences and encouraging a workplace and culture where we all thrive. This means people are supported, respected, engaged, have a voice, and are facilitated to develop skills and talents in line with their personal and professional ambitions.

Diversity and Inclusion: what we do for all people

17 WEF_Plastics_the_Circular_Economy_and_Global_Trade_2020.pdf (weforum.org)
18 WEF_Plastics_the_Circular_Economy_and_Global_Trade_2020.pdf (weforum.org)
19 Ellen MacArthur Foundation: New Plastics Economy - The Future Of Plastics - New Plastics Economy (en-GB)
20 Plastic pollution risks 'near permanent contamination of natural environment' | Plastics | The Guardian
21 The Asset Manager uses as reference DEI (Diversity, Equality and Inclusion) as this is now more commonly used (e.g. Diversity, Equity, and Inclusion – A Professional Development Offering of the eXtension Foundation Impact Collaborative).
22 The ILO formulated four core labour rights: stop child labour, stop discrimination, stop forced labour and foster freedom of association (ILO Declaration on Fundamental Principles and Rights at Work (DECLARATION).

Aside from a focus on our own people we can bring D&I to the forefront in our responsible investment strategies to help meet SDGs 5 (gender) and 16 (justice) by 2030. We can do that by supporting (or voting against) shareholder proposals and resolutions and by engaging with investee companies on the topic.

Women who can make a decent living standard have more chance to have access to education, growth and build a future for themselves and their children. Economic empowerment is a key driver for mitigating risks of discrimination and exploitation. With the upcoming EU legislation for Mandatory Human Rights and Environmental Due Diligence (MHREDD)[23] we expect more emphasis on human rights in global supply chains in general and Diversity&Inclusion in particular as the salient risks around noncompliance are high.

Death penalty

The Asset Manager has developed norms-based Responsible Investing criteria that are a reflection of relevant laws, our organisation's values, and internationally recognised standards such as the OECD Guidelines for Multinational Enterprises. The Asset Manager believes that the companies and sovereign issuers we invest in should clearly adhere to international norms and conventions with respect to human rights, including the death penalty.

A crucial element of our ESG due diligence process is the screening of companies involved in controversial practices. One of those practices is the production of substances that are used – particularly in the United States – to carry out the death penalty. The Asset Manager uses Sustainalytics as an external research provider on potential involvements with the death penalty.

The Asset Manager views issues such as the death penalty not only as ethically questionable, but also as an outright investment risk. This is because of the potential negative impact on investor perceptions of the companies in which we are invested and of the firm itself.

Forward contracts on agricultural commodities

As a responsible investor, we are highly aware of the effect that investments in agricultural forward or futures contracts might have on commodity prices. In 2011, a report from SOMO, a Dutch non-profit research agency, concluded that excessive investments and capital inflows into the market can push up agricultural commodity prices, exacerbate volatility and increase the cost of food. Given the importance of this subject, we closely follow the international debate.

Taxation

The subject of taxation has got governments and investors moving in recent years after a large number of tax scandals were revealed. Meanwhile, a number of developments and initiatives are underway worldwide to tackle tax evasion.

The public debate that has arisen from these scandals has ensured that in the event of tax evasion, companies now not only expose themselves to a tax risk, but that reputational risk also plays a major role. Since the decision about the tax policy pursued affects the license to operate of a company and influences the position of many stakeholders, it must also be taken at appropriate level in organizations (i.e. board level) and in our opinion also be linked to the corporate responsibility policy.

We believe it is important that companies pay their 'fair' share of tax, to be paid where the activities take place, and that companies are transparent on their tax policies and actual payments. The Asset Manager supports the six principle-based guidelines drafted by VBDO (the Dutch association of sustainable investors) for good tax governance:

1. Companies should define and communicate a clear strategy on tax governance
2. Taxation must be aligned with the business and should not be a profit centre by itself
3. Respect the spirit of the law. Tax-compliant behaviour is the norm
4. Know and manage tax risks
5. Monitor and test tax controls
6. Provide tax assurance.

For specific sustainable and impact investment strategies, gaining a clear understanding of a company's tax policies and its governance is integrated into our investment processes. It is also part of the required Good Governance practices in the EU regulation on Sustainable Finance (SFDR).

23 Towards a mandatory EU system of due diligence for supply chains (europa.eu).

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