

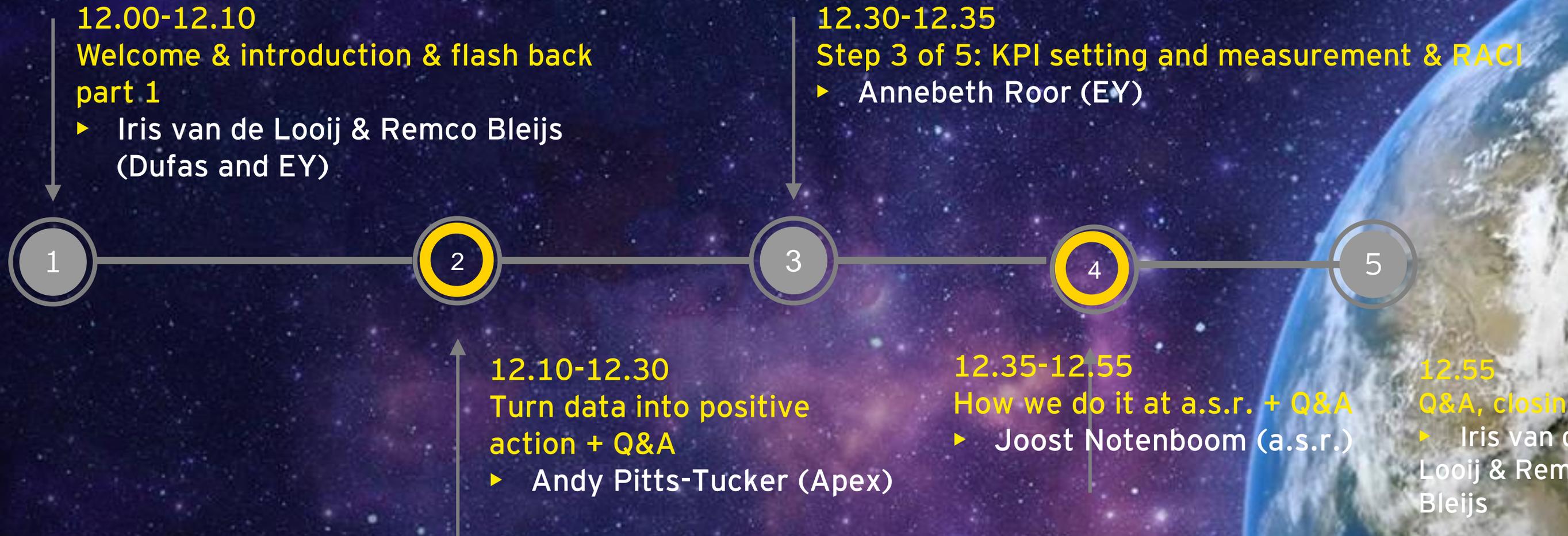
ESG reporting & ESG assurance
Challenges and good practices

Webinar part 2 (of 3)

September 16, 2020



Program webinar part 2 - 16 september 2020



1. Welcome & introduction and flash back part 1

Iris (Dufas) & Remco (EY)



Joint EY/ DUFAS webinars 16 en 23 September

For: Executives, Sustainable experts, Legal and reporting professionals and Institutional sales of Asset Managers

Sign-up: annette.brandts@nl.ey.com
You will receive an invite with webex link

ESG reporting & assurance challenge

Wednesday 16 Sept, 12-13h

How to set-up ESG reporting?

- **Turn data into positive action** - *Andy Pitts-Tucker, APEX Fund Administration*
 - Data collection, different methodologies
 - Issues, barriers and concerns
- **How we do it** – *Joost Notenboom, a.s.r Asset Management*
 - Implementation of our sustainable finance plan
 - Reporting experience

Wednesday 23 Sept, 12 – 13h

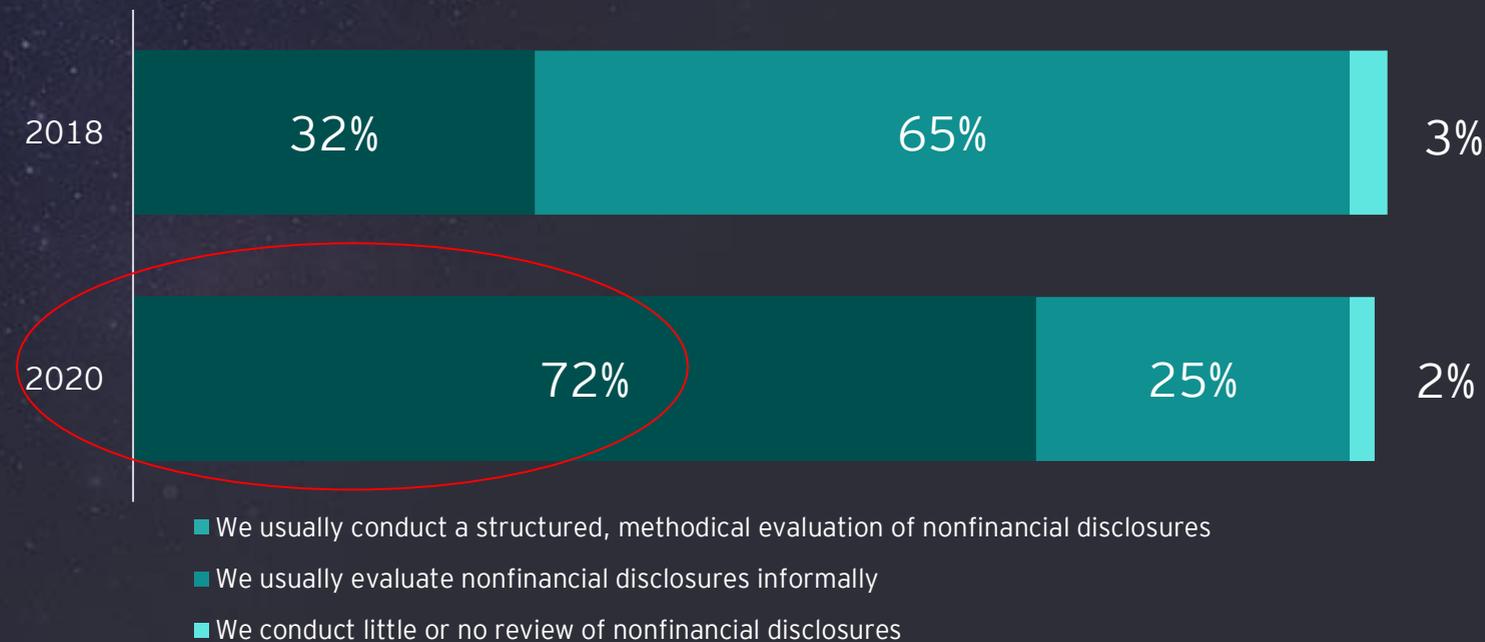
Validation of your ESG reports

- Why ESG assurance? What is legally required?
- Assurance (readiness) checks: preparations and process
- Pitfalls and challenges

Webinar 1: The vast majority of investors say they usually conduct a structured and formal review of ESG disclosures (significantly increasing)

- ▶ Investor scrutiny of ESG factors is high due to the importance of ESG performance in how companies drive long-term resilience and respond to the global pandemic.
- ▶ The vast majority of investors surveyed evaluate nonfinancial disclosures either formally or informally, and the research also found a major commitment from investors to move to a more rigorous evaluation (72% in 2020 compared with 32% in 2018).

Which of the following statements best describes how you and your investment team evaluate nonfinancial disclosures that relate to the environmental and social aspects of a company's performance?



▶ Source; EY ESG Global Investor Survey 2020

Webinar 1: our view of main challenges related to ESG reporting

1. Increasing and complex **regulatory requirements** (EY ESG Regulatory Radar can support)
2. **No generally accepted ESG reporting standards** -> wide range of practices (like GRI, IMP, GIIN, ILG Cambridge, PCAF, Theory of Change, SASb, True Cost etc)
3. **Availability & reliability of data**, specifically for specific ESG topics and specific asset classes (like PE, FOF, corporate loans)
4. **Impact measurement / monetization of externalities** -> complex -> but important: *'measure what you treasure'* (financial and ESG performance)
5. How to determine and **benchmark ambition setting / avoid greenwashing**
6. **Lack of ESG risk / disclosure tooling** (EY tooling available)

The 5 step approach for ESG reporting & ESG assurance - EY brochure

ESG reporting and ESG assurance at financial institutions

The 5 step plan



Introduction

The world is facing major global challenges. These can be categorized into **Environmental** challenges taking into consideration climate change, loss of biodiversity and reduction of raw materials; **Social** challenges, addressing issues such as human rights violations and pandemics; and challenges with **Governance** matters such as money laundering, corruption and other ethical issues. Actors within financial institutions, such as **investors and financiers**, play crucial roles in helping to solve these "ESG" challenges. Together with stakeholders, financial institutions are increasingly making an important contribution to this topic.

Financial institutions are dealing with the ESG aspects of the "EU action plan on Sustainable Finance" of the European Commission. This leads to many obligations in the field of Sustainable Finance and ESG. Some of these are:

- The **EU Taxonomy** that will lead to a classification of economic activities of companies in sustainability categories. This should help investors assess how sustainable financial products are (1st alignment reporting mandatory on the situation as of December 31, 2021);
- The **EU Sustainable Finance Disclosure Regulation (SFDR)** which, among other things, leads to the mandatory publication of sustainability policy and information about integration of sustainability risks and information about sustainability of products (from March 10, 2021);
- Amendments to **Ucits, AIFMD and Mifid II** guidelines in the field of sustainability (expected application 2021/2022).

In the environmental field, the Dutch financial sector has further committed itself to comply with the **Dutch Climate Agreement**. This means that the financial institutions involved will report on the climate impact of loans and investments for the 2020 financial year. By 2022 at the latest, institutions will publish their action plans, disclosing their contribution to the reduction of CO₂ emissions. The above leads to more reporting and assurance issues.

ESG topics

The topics below play an important role with regard to ESG for financial institutions and their investments and financing activities:

Environmental (E)

- **Climate change:** How are climate risks evaluated for the business and are greenhouse gas reduction targets adequate?
- **Environmental impacts:** Are pollution controls sufficiently robust and e.g. biodiversity impacts mitigated? i.e. nitrogen issue, biodiversity.
- **Water scarcity:** Water is essential to all forms of life and various processes and is heavily impacted by current economic activities.
- **Resource scarcity/efficiency:** Does the issuer's resource management address the right risks?

Social (S)

- **Human / Labor Rights:** Are there breaches to international conventions and is there an effective human capital development strategy?
- **Health and safety / Vitality:** Does the issuer have effective rules in place in order to ensure health and safety? How does the firm look at employee vitality in the long term?
- **Supply chain:** Does the issuer have a comprehensive supplier management system in place and are the suppliers abiding by ESG standards?
- **Other topics:** The current Covid-19 pandemic shifts attention to topics such as resilience, vitality et cetera. The question of paying fair taxes in the countries where companies operate is another prevailing topic.

Governance (G)

- **Board governance:** Are governance structures robust and does the Board exercise effective oversight?
- **Business ethics:** Is there evidence of effective procedures and processes to mitigate business ethics risks (briber, corruption, etc.)?
- **Other ethical topics such as anti-money laundering and corruption:** Does the company have sufficient policies and practices in place against money-laundering, bribery and corruption?

Demand for ESG reporting and ESG assurance

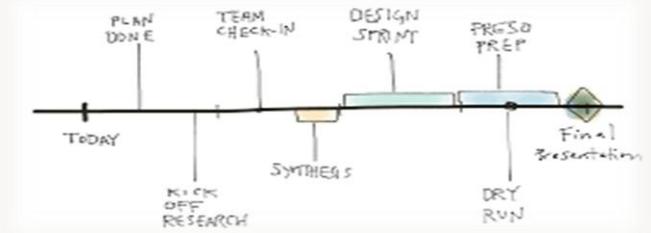
The developments within the financial sector described above entail that, in addition to financial accountability, reporting on ESG information and performance is becoming more and more important. The increased interest from stakeholders for this type of information has led to an enormous increase in the demand for ESG reporting and ESG assurance.

We have designed a 5-step plan for ESG reporting and assurance for ESG information.

EY has developed a 5-step approach for ESG reporting and assurance over ESG information:



EU SFP - Timelines for asset managers?



When?	Legislation	What	Whom	Level	Where	Pre-contractual periodic?
10/03/2021	SFDR (art.3)	Integration of sustainability risks	FMPs, FAs	Entity & Product	Website	Pre-contractual & periodic
	SFDR (art.4)	Consideration of PAI- PAI Statement: comply or explain <ul style="list-style-type: none"> ▪ If yes ▪ If no 	FMPs, FAs	Entity & Product	Website <ul style="list-style-type: none"> ▪ Prospectus & annual report ▪ Prospectus only 	Pre-contractual & periodic (annually)
	SFDR (art. 6/7, art. 8 and art.9)	ESG disclosures on environmental and social characteristics (art. 8) and on sustainable investments (art.9) or solely integration of sustainability risks (art. 6/7)	FMPs, FAs	Product	Website, prospectus	Pre-contractual
	SFDR (art.5)	Remuneration policies & integration of sustainability risks	FMPs, FAs	Entity	Website	Pre-contractual & periodic
30/06/2021	SFDR (art. 4(3))	Mandatory consideration of PAI for FMPs > 500 employees	FMPs	Entity	Website	Pre-contractual & periodic
01/01/2022	Taxonomy (art. 8)	Environmental sustainable investments (taxonomy aligned disclosures)	FMPs, NFRD companies	Entity	Non-financial statement or separate report	Pre-contractual & periodic
	NFRD	Companies to report on taxonomy aligned activities	NFRD companies	Entity	Annual report or sustainability report	Precontractual & Periodic
	SFDR (art.11)	Reporting on product disclosures art. 8 and art. 9 SFDR products	FMPs	Product	Annual report	Periodic

2. Turn data into positive action

Andy Pitts-Tucker
(Apex fund services)

Andy Pitts-Tucker MD Apex ESG Ratings



Overview

- **Who?** Andy Pitts-Tucker – Apex ESG MD.
- **Apex Group & Apex ESG Rating Ltd**
- **Customer journey**
 - **Why?** Drivers for engagement
 - **What?** ESG data universe
 - **How?** Data Collection and Positive Action
- **Call to Action**



Source: KAL's cartoon, Economist.com

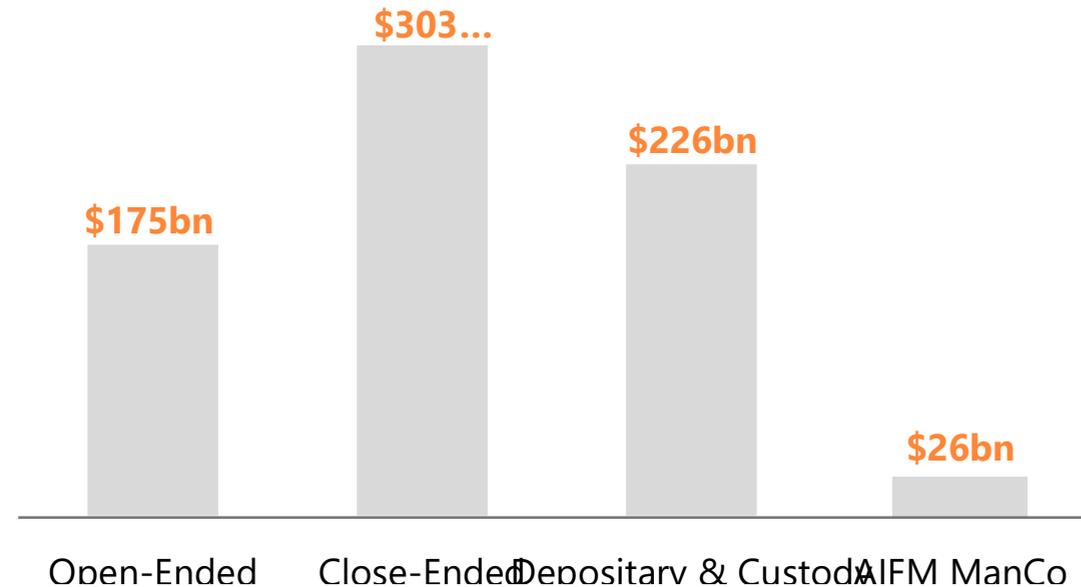
Apex Group – A Single Source of Solutions

APEX GROUP OVERVIEW

- Service circa **\$730bn** in Alternative Assets, ranking in top 5 globally
- Services delivered to clients by **3,500** staff, in **45 offices globally**, equipped with **59 regulatory licenses**
- Access to **all major jurisdictions** and helps you navigate the regulatory landscape via your local service team in a seamless fashion
- Key business areas: Fund Administration, Middle office, Depository / Banking / Custody, AIFM ManCo, and Corporate Solutions
- Market-leading and integrated technology platforms provide **single-source of solutions** to a wide variety of client segments including private equity, real estate, hybrid, credit, hedge, and fund of funds as well as capital markets and multinational corporate clients
- Globally recognized **award-winning business** with areas of expertise that span the entirety of our clients' operating value-chain



\$730BN IN TOTAL ASSETS



THE APEX ADVANTAGE

- A comprehensive **suite of operations and banking solutions** delivered with independence, enables flexibility and speed in a robust environment
- Access to the **broadest set of technology and expertise**, enables a *truly tailored solution* catering to client's specific strategies and needs



Apex ESG Ratings & Advisory



Apex ESG Ratings and Advisory was established to satisfy the urgent market requirement for a high quality, global, independent service to fulfil private sector ESG needs by scoring and rating companies based on quality ESG data, intelligence and insights. Apex ESG aims to influence significant behavioral change in order to drive capital flow towards ESG centric companies.

INDEPENDENT ESG RATING FOR NON-LISTED COMPANIES

- Built by ESG rating experts
- Private sector specific
- Adhering to leading ESG global market standards
- Controversy screening and optional norm-based and ethical exclusion screening

DATA ANALYTICS & ESG REPORTING

- Access your data underlying the ESG Rating: client centric, in depth & time efficient
- Verified, objective, comparable & reliable
- Quantitative and Qualitative analysis
- Report on absolute portfolio ESG performance or relative to a sector benchmark

ESG GAP ANALYSIS

- ESG strategy and policy drafting
- Creating a flightplan towards a strong Apex ESG Rating, enabling exit success, through the Apex E-Daption Curve
- ESG due diligence set-up and optimization
- ESG training & Consultancy

WHY? Drivers for engagement

INVESTORS

The Washington Post
Democracy Dies in Darkness

Business

BlackRock makes climate change central to its investment strategy

The shift by the nation's leading money manager is sure to be closely watched by its rivals and the rest of corporate America.

Business

Climate crisis fills top five places of World Economic Forum's risks report

INVESTMENT EUROPE

Investor demand for ESG to grow through 2020, outlines Cerulli



GOVT'S & REGULATORS

Chinese companies get to grips with tougher ESG disclosures

Some issuers offshore and on the mainland say new requirements are a waste of time

FTfm EU financial regulation + Add to myFT

EU 'urgently' needs common ESG rules, says French watchdog

AMF's Robert Ophèle voices concern about member states undercutting one another on standards



EMPLOYEES



OPINION

Millennials, who hold our future in their hands, are overwhelmingly pro-sustainability and are showing this with their every action.

20,000 free trees to give away...

Baby Layton is just hours old yet climate crisis threatens his future. Our special edition tells how this planet faces destruction and what we must do to give him hope.

Give me a world I can grow up in

MORAL OBLIGATION



Attenborough warns of climate 'crisis moment'

13 hours ago | Science & Environment



World

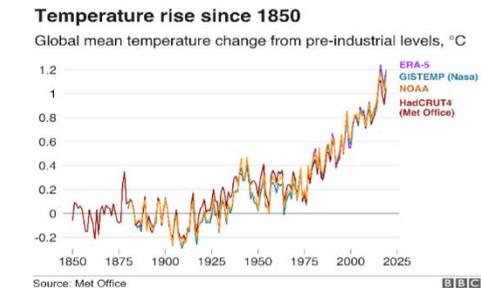
BBC launches Our Planet Matters

Science & Environment

A really simple guide to climate change

Microsoft makes 'carbon negative' pledge

15m | Technology



Primary ESG Questions



What data: Differing methodologies & ratings – confusing



How to collect data: Clunky, manual, fragmented



How to turn data into action: Positive Action



Green/Purpose washing & in house analysis

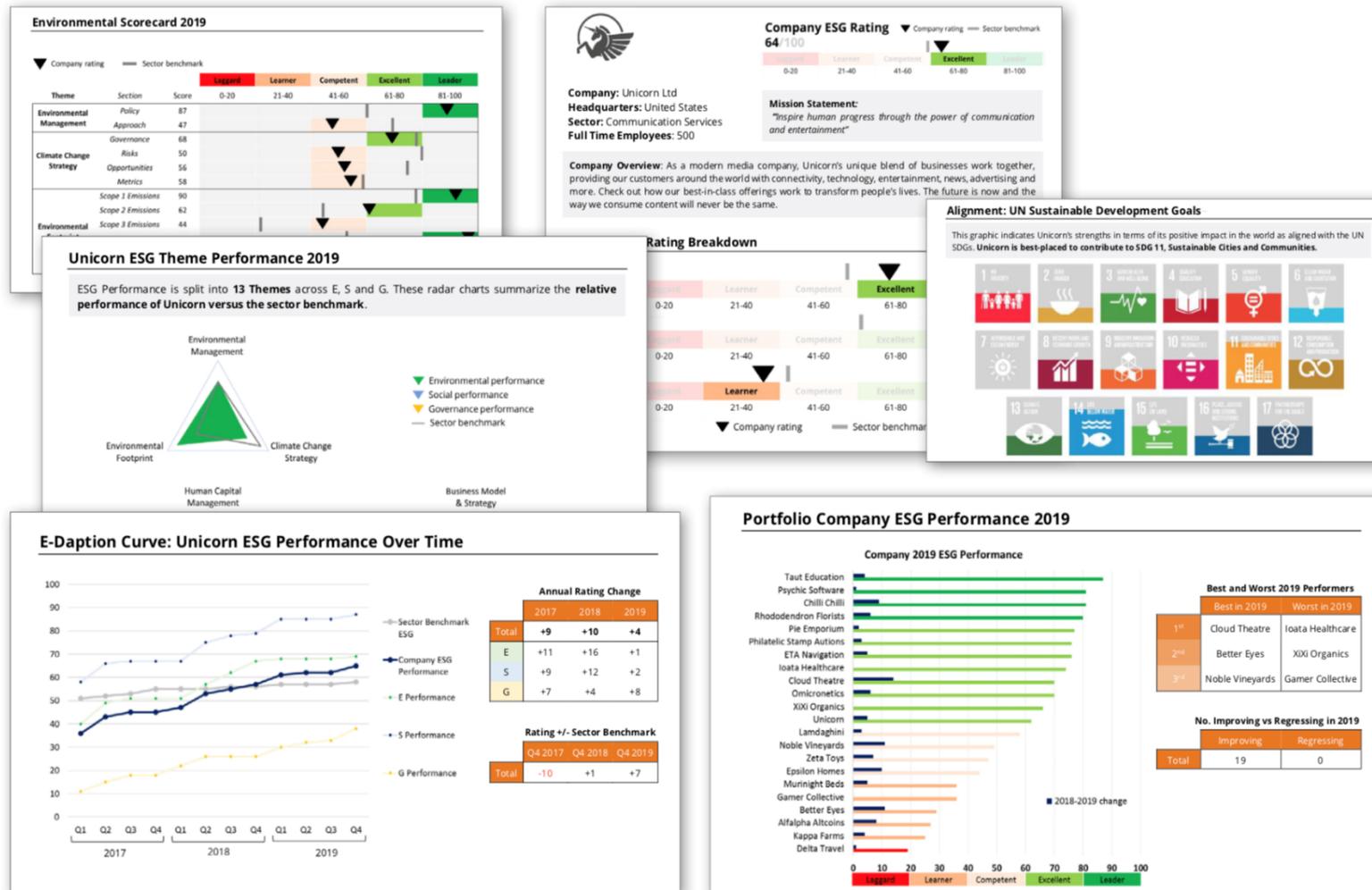
WHAT: *Multiple Stakeholders*

3 PILLARS	GLOBAL STANDARDS	13 THEMES	300+ DATA POINTS
Environment		<p>Environmental Management</p> <p>Climate Change Strategy</p> <p>Environmental Footprint</p>	<ul style="list-style-type: none"> ➤ Environmental Policies & Management ➤ Climate Change Governance, Risks & Opportunities ➤ Emissions, Energy, Water, Waste
Social		<p>Human Capital Management</p> <p>Health, Safety & Well-Being</p> <p>Corporate Citizenship</p> <p>Human & Labour Rights</p>	<ul style="list-style-type: none"> ➤ Employee Development, Engagement, Diversity, Remuneration ➤ Health, Safety & Well-Being Approach & Metrics ➤ Philanthropy, Community Engagement ➤ Compliance, Due Diligence, Mitigation & Remediation
Governance		<p>Business Model</p> <p>Corporate Governance</p> <p>Business Conduct</p> <p>Product/Investment Strategy</p> <p>Risk Management</p> <p>Supply Chain Management</p>	<ul style="list-style-type: none"> ➤ Corporate Sustainability, ESG Materiality, Stakeholders ➤ Policy, Ownership, Oversight, Performance ➤ Code of Conduct, Data Protection, Cybersecurity, Tax Transparency ➤ Product/Investment Governance, Impacts & Management ➤ Framework & Analyses ➤ Supplier Code, Risks, Sustainability

HOW? User Friendly

Web based portal.....Time-efficient.....Single data depository.....Analysis.....Rating.....Reporting

Portfolio analysis

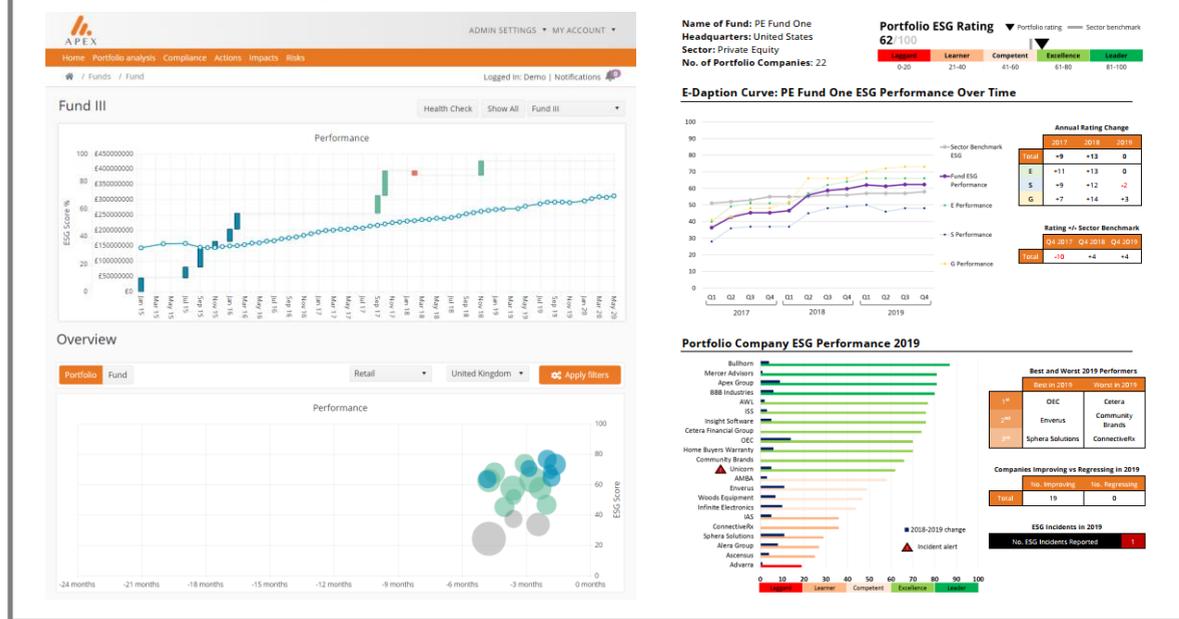


End User Experience

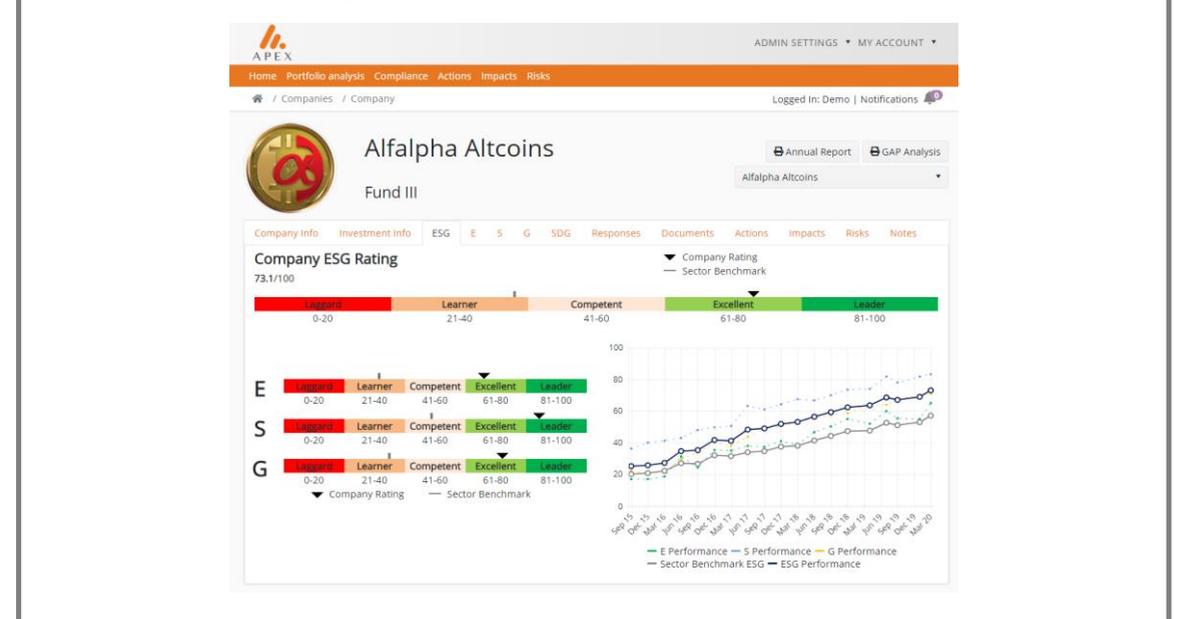
- **User-friendly online** data input, document upload, guidance and support
- Live **workflow tracker** per user
- Data processing provides **accurate and prompt analytics**
- **Benchmarking** against peers and global standards
- **Reporting** for client portfolios and ESG analysis on each company
- Ability to drill-down into **individual data points**
- Identify **improvement opportunities** and track progress along the E-Daption Curve

Positive Action? Putting data to work

Portfolio analysis



Company analysis

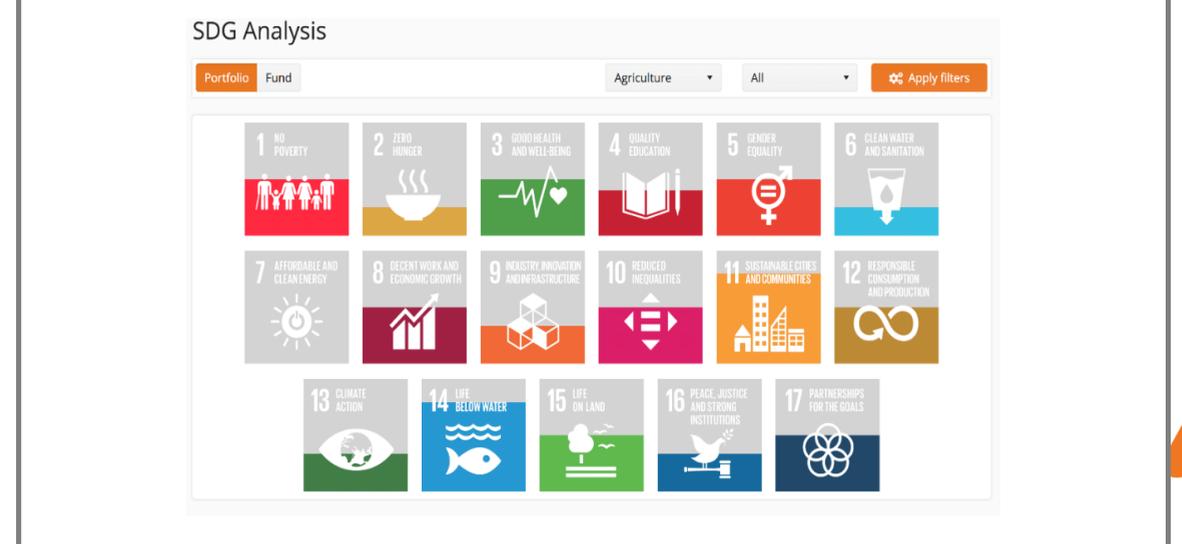


Gap analysis

Environmental GAP Analysis

Theme / Question	Quarter Opened	Gap Observation	SDG Alignment	Status
Environmental Management / Approach	Q2 2020	Gap: Environmental impacts highlighted but no management procedures established. Recommendations: a. Designate responsible employees b. Establish mitigation measures c. Set targets for each impact identified d. Consider a formal Environmental Management System aligned with ISO 14000 standards	6 Clean Water and Sanitation 15 Life on Land	New
Climate Change Strategy /	Q2 2020	Gap: Risks related to climate change identified but business impact and integration into the financial planning process missing. Recommendations: a. Set out framework for analyzing how climate risks could materially affect the business using TCFD recommendations	12 Responsible Consumption and Production	New

Alignment analysis



APEX ESG SUMMARY: Tailored, end-to-end & independent

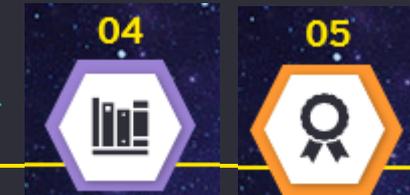


3. Step 3 (of 5): KPI's, collect data, measure and RACI

Annebeth Roor (EY)



Define KPIs, collect data and measure results and risks



4) Reporting & 5) Assurance

1) Stakeholder needs & 2) policy

- ▶ Integration of KPIs into business operations and investments is a crucial step. The following substeps could be performed for each KPI:



1. **Determine the measurement method to be applied** (multiple, see webinar 1)
2. **Set up a RACI—table** with the Responsible, Accountable, Consulted and Informed persons within your organization
3. **Collect data** and assess availability and reliability of data (more complex for some asset classes)
4. **Set up a Standard Operating Procedure** with proces steps, involved persons/departments, used systems, reporting procedures and internal controls
5. **Report on progres in KPIs** – both qualitatively and quantitatively – regularly (f.e. quarterly) to investors and other stakeholders
6. Integrate your ESG policies in **risk management, compliance and assurance** (step 5)
7. Consider (timely) the impact of **upcoming legislation** such as EU Sustainable Finance Plan

4. How we do it at a.s.r.

Joost Notenboom (a.s.r.)

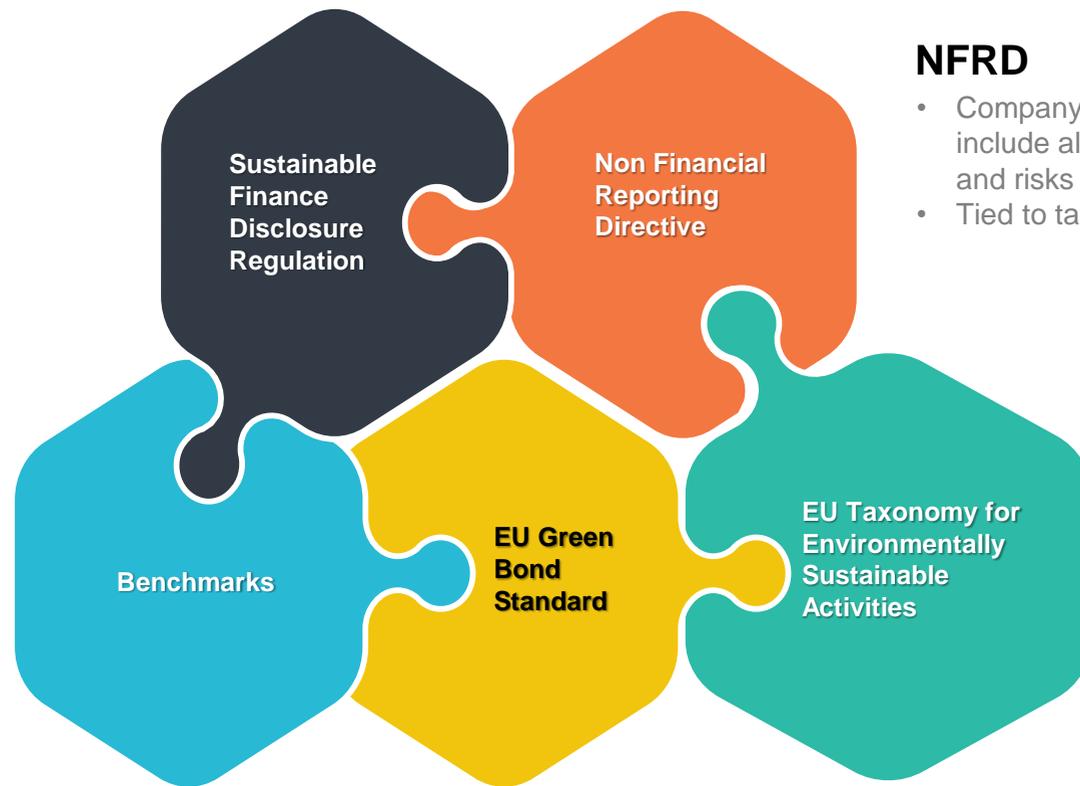
Implementation of the EU Action Plan on Sustainable Finance

MiFID II & AIFMD

- To integrate sustainability risks and factors into risk management, product governance, business processes and investment decision-making
- To expand mandated investee protection measures to include ESG preferences

SFDR

- Consistent reporting on sustainability (policy and performance) at entity- and product-level
- Delegated Act consultation ended 1 Sept, final Act expected 31 Dec
- Article 6 or 7 versus Article 8 or Article 9 products
- Principal adverse impact statement (32 indicators)



NFRD

- Company reporting (> 500 FTE) to include all material ESG impacts and risks
- Tied to taxonomy alignment

Taxonomy

- List of sustainable economic activities, focus on climate mitigation and adaptation
- Development of 4 other themes through TEG's (Platform on Sustainable Finance)
- Do No Significant Harm principle and social safeguards
- Consultation Delegated Act from October onwards
- Asset managers to provide 'alignment' insights into equity- or credit portfolio's / funds
- Link to SFDR (precontractual and periodic reporting)

Benchmarks

- Use of sustainable benchmarks (Article 9)
- EU PAB or EU CTB in case of carbon reduction objectives (1.5 degrees alignment)

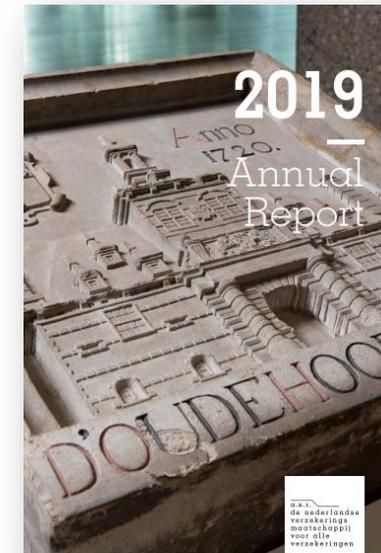
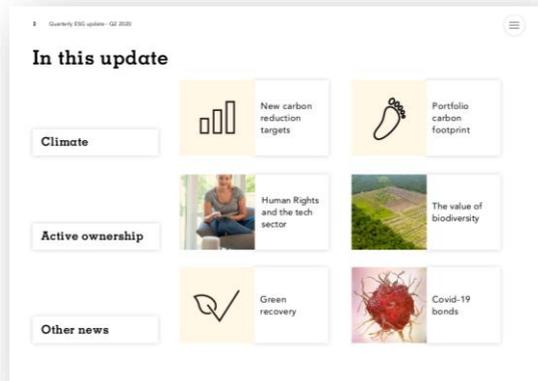
Standard

- Build upon Climate Bonds Initiative and Green Bond Principles
- Consultation on Delegated Act until 2 October
- Needs consistency with non-EU issues

Early days but learnings thus far include:

- Whole of company effort; involving different functional areas and expertise
- Start from first principles; strategy, policy (both broad and deep) and product development
- Garbage in, garbage out
- ESG data is crucial and quality needs to improve while remaining systematically useable
- Devil is in the details and interpretations (still) vary while timelines are complicated

ESG Reporting



Corporate

- At the corporate level (TCFD reporting in Annual Report)
- Quarterly ESG updates to clients and other stakeholders
- Website

ESG Reporting

ESG

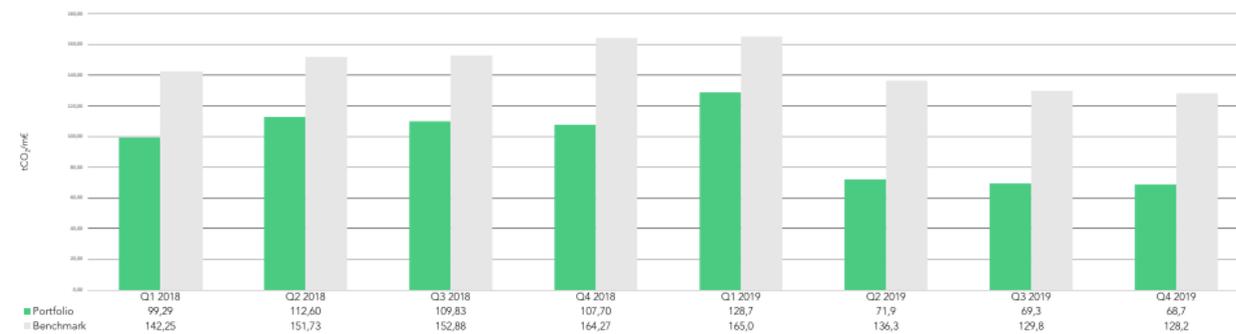
De implementatie van het ESG-beleid in de portefeuille vormt een drietrapsraket. De eerste stap bestaat uit het voldoen aan het a.s.r. ESG-beleid. In de portefeuille worden op basis van dit beleid ondernemingen uitgesloten die betrokken zijn bij wapenproductie, nucleaire energie, de gok- en tabaksindustrie en schendingen van internationale conventies op het gebied van mensen- en arbeidsrechten.

De tweede trap is gebaseerd op de Sustainable Development Goals (SDG's) "Climate Action" (nr 13) en "Affordable and Clean Energy" (nr 7). Op basis van de scores die ondernemingen behalen op het gebied van carbon intensiteit, energie transitie en algehele ESG score wordt het gewicht van ondernemingen die minder presteren op de 2 genoemde SDG's verklein en het belang van ondernemingen met betere scores verhoogt.

Tenslotte richt de derde trap zich op positieve selectie. In de beoordeling van de kwaliteit van een onderneming is naast de concurrentiepositie, de winstgevendheid, en een gezonde balans ook van groot belang hoe een onderneming omgaat met lange termijn ESG-risico's en kansen.

CO2 uitstoot

In het tweede kwartaal is de carbon emissie per miljoen euro geïnvesteerd vermogen licht gedaald. De portefeuille wordt volgens een best-in-class methode geoptimaliseerd op basis van de scores die ondernemingen behalen op carbon intensiteit, energie transitie en totaal ESG beleid. De uitstoot van de portefeuille ligt ruim onder die van de benchmark.



• De carbon footprint wordt berekend op 'best effort' basis met de beschikbare en meest recente data van betrouwbaar geachte bronnen, waaronder Vigeo Eiris. De uitkomsten kunnen tussentijds een wisselend verloop laten zien omdat de portfolio data, carbon data en markt data aan veranderingen onderhevig zijn, bijvoorbeeld doordat bedrijven meer gaan publiceren. De berekeningsmethodiek is in lijn met de standaarden van PCAF, waarbij de carbon footprint uitkomsten in de loop van de tijd een steeds beter beeld geven, dankzij het beschikbaar komen van meer data en hogere betrouwbaarheid.

Actief aandeelhouderschap

Deze maand geen bijzonderheden te vermelden.

Ontwikkelingen Duurzaamheid

• a.s.r. heeft CO2 reductie doelstellingen vastgesteld van 50% reductie in 2030 ten opzichte van 2015, voor de asset classes aandelen, bedrijfs- en staatsobligaties. We zullen hierop gaan rapporteren in onze ESG kwartaal rapportages en in 2025 zullen de doelstellingen worden geëvalueerd en bijgesteld indien nodig.

• Duurzame beleggingsstrategie a.s.r. krijgt wederom hoogste score in duurzaamheidsrapport UNPRI. a.s.r. heeft in 2020 weer een A+ behaald voor Strategie en Governance en is daarnaast op 3 onderdelen gestegen van een A naar A+. Op alle onderdelen scoort a.s.r. ruim boven het sector gemiddelde. Het volledige rapport is te vinden op de website.

Fund

- ASR ESG IP Institutional Europe Equities Fund factsheet (July 2020)

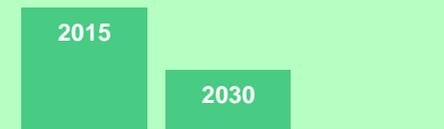
Reporting is important but remember that its purpose is to accelerate action



Carbon footprint
95% of all AuM measured by 2021



Impact investments
a.s.r. commits to increase impact investments to € 1,2 billion by 2021



CO₂ reduction target: 50% in 2030 with 2015 baseline

- Listed equities, credits and sovereigns
- Evaluate in 2025
- Own account

5. Q&A and closing

Iris & Remco



Thank you for joining the webinar and
looking forward seeing you on
September 23 at 3rd webinar

Mail to: annette.brandts@nl.ey.com