ATHORA NETHERLANDS

Sustainable Investment Policy

ATHORA

Contents

1. Introduction

1.1. Our mission and this sustainable investment policy

Athora Netherlands' mission is to deliver financial security in a beautiful world. We want to achieve this by offering excellent retirement solutions that are developed and distributed in a sustainable way that optimises financial, environmental and social returns through:

- Sustainable Products & Customer Relationships
- Sustainable Organisation
- Sustainable Investments

Across Athora Netherland's business model, we commit to **mitigating climate change** and **protecting and restoring nature**, as well as promoting a **fair and just treatment of people** including a **fair & equal living wage** for employees and workers throughout our value chain. Athora Netherlands strives to be transparent about its sustainability objectives and progress it makes towards those. In such way Athora Netherlands aims to contribute to a world where our clients, our employees, the community and the planet are thriving and as a result, provide long-term stability for the company and stable financial returns to our shareholders.

This Sustainable Investment Policy describes how Athora Netherlands intends to deliver financial security in a beautiful world by ways of sustainable investments. It describes our Sustainable Investment Framework and the concepts on which it is structured and how we integrate sustainability risks into our investment decision-making process and how we strive to address limitations, such as data-gaps, that we experience when implementing our policy. It also explains how we identify and prioritise negative impacts on sustainability factors for all our investment decisions, how we define impact and the applicable governance process. Specific aspects of or further details on some of these matters are included in Appendices which form an integral part of this Sustainable Investment Policy. This Sustainable Investment Policy in general applies to the own account investments of Athora Netherlands as well as the investments for account of policyholders[1] (unit linked portfolio).

1.2. Introduction to our framework

Society is at a crossroad. It is widely acknowledged that current economic behaviour is putting the planet and society in danger. Climate change, increasing inequalities in prosperity within countries, security concerns, environmental degradation and resource scarcity are among the global challenges society and economies worldwide face. In the coming decades, governments, businesses and NGOs taking their responsibility, will further initiate a global economic transition towards a more sustainable society, a society that operates within social and environmental limits. The transition towards for example a low-carbon society alters market conditions, government policies and demand patterns. Businesses able to follow this transition can reap the benefits of new market opportunities, whereas others will lag behind.

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[1] Excluding the 'separate accounts' (mandates managed for individual corporate clients under a discretionary investment management agreement).

The policy gives a holistic and forward-thinking view on the roles of investors to guide the transition towards a sustainable society in which entities can prosper while respecting social and environmental limits, now and in the future. Athora Netherlands considers how the transitions are material to the entities in which it invests and focusses on behavioural change of these entities. It aims to stimulate them to prosper while operating within the planet's safe and just operating zone for humanity – see section 2 below. In this way, Athora Netherlands tries to encourage the entities to prepare for the new challenges they are facing. At the same time, Athora Netherlands contributes to paving the pathway towards a sustainable society while creating added value for its clients. Therefore, this policy contributes to impact beyond Athora Netherlands' investment portfolios only, as it also contributes to creating impact on the real economy and real world (the principle of 'real world impact'). In section 2 of this document, it is discussed how Athora Netherlands focusses its objectives on the elements of the safe zone that are material to the entities in which Athora Netherlands invests. In section 3, it is discussed how Athora Netherlands assesses the extent to which entities operate within and contribute to the safe and just zone. Section 4 discusses the instruments Athora Netherlands uses to reach its objectives and how the concept of the safe and just zone impacts the investment strategies of Athora Netherlands. Finally, section 5 describes how Athora Netherlands aims to provide transparency on its policies as well as the applicable governance framework.

As the body of this policy document mainly focusses on basic principle underlying Athora Netherlands' Sustainable Investment Framework, the Appendices, that form an integral part of the Sustainable Investment Policy, provide further details and/or specifications on:

A. Fundamental Investment Principles
B. Sustainable Investment Policy Real Estate and Mortgages

1.3. Scope

This Sustainable Investment Policy, including the application of the Sustainable Investment Framework (section 2) and the Sustainable Investment Instruments (section 4), in principle applies to all asset classes and underlying investments held in Athora Netherlands' investment portfolios, irrespective of the type of security (equity or debt, listed or non-listed). Athora Netherland's investment portfolios in the context of this policy include investments made for the account of Athora Netherland's itself (own account portfolios) as well as investments made for the account of policy holders (unit linked portfolios). To the extent that investments in companies, sovereigns or other entities are held (indirectly) through investments in investment funds, mandates or other structured (investment) we rely on the policies of the relevant managers where possible, and otherwise apply look-through based analysis where reasonably possible.

For some asset classes, belonging to the own account portfolios (e.g., private credits high quality asset class and real estate), and for certain financial instruments such as derivatives, securities lending and repo/reverse repo , Athora Netherlands deviates from this principle and consequently applies different (screening) processes due to the characteristics of the asset class(es) / financial instruments.

Such approach will only take place with explicit approval of the designated authorised body as referred to in paragraph 6.2.2 and 6.2.3 of this policy and subsequent investments will be made in accordance with adopted operational guidelines and defined limits.

2. Towards a safe and just zone

2.1. The safe and just space for humanity as guiding concept

From the investment belief that responsible and sustainable investment strategies create attractive and enduring financial value to Athora Netherlands and its clients as well as sustained social value to society, Athora Netherlands adopts the safe and just space for humanity as its guiding concept – see the textbox below. The safe and just space is a concept that describes a state where entities generate financial returns, without negatively impacting their surroundings. In this space, entities operate within the planetary boundaries and respect the social foundations. These are, for example: *climate neutrality*, *no contribution to deforestation*, *providing employees with a safe working environment*, *not being involved in bribery* and *no sourcing of raw materials from controversial suppliers*. Various international agreements and science-based initiatives outline the transition pathways for companies and sovereigns to follow to make the transition towards the safe and just space.

The safe and just space for humanity

The safe and just space for humanity (Raworth, 2018) is a representation of a sustainable society that combines the framework of the Planetary Boundaries (Rockström et al., 2019) with the complementary concept of social boundaries. On the one hand, it conceptualises that in a sustainable society environmental pressures do not overshoot the ecological ceiling. On the other hand, it argues that in a sustainable society wellbeing does not fall short on the minimum universal social foundation affecting people's health and wealth, for current and future generations and for nearby and distant regions.

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Rockström et al. distinguish nine planetary boundaries, reflecting the earth's carrying capacity to maintain the planetary life support systems essential for human survival and to maintain resilient production and livelihoods. Through human behaviour, some of the boundaries are already crossed or are on the way to be crossed, endangering future growth and prosperity. Companies that respect these boundaries do not exceed the earth's carrying capacity.

The doughnut economy outlines the challenges society currently faces. On the one hand, the doughnut argues that one of the global challenges is to reach a situation that does not overshoot the planetary boundaries. On the other hand, it argues that in many cases there is still a shortfall on social norms and values. Many companies and sovereigns insufficiently respect the social foundations of society. Yet, these foundations are necessary to reach a level of well-being every human being deserves. Moreover, these foundations are agreed upon in various international treaties and agreements.

Operating within the safe and just zone implies that society reaches the Sustainable Development Goals of the 2030 Agenda for Sustainable Development, adopted by all United Nations Member states in 2015 – see *figure 2*. It also implies that social-ecological resilience is reached, meaning that social, economic and environmental systems are resilient to hazardous trends or shocks without losing their essential functions and structure (IPCC, 2014. Climate Change Synthesis Report).

Figure 2: The 17 Sustainable development Goals of the 2030 Agenda for Sustainable development

Sovereigns and companies can positively contribute to the social foundations of society by creating conditions – related for instance to education, income, labour rights, health and nutrition – that empower people and allow them to prosper, build and maintain a sustainable society. Similarly, they can respect the ecological ceiling by sustainably using natural resources avoiding further depletion, engaging in restoration efforts, focussing on recycling, avoiding greenhouse gas emissions, etc.

Through their investment decisions, investors can make a choice. They can maximise short term profits while pushing the world closer to earth system thresholds. Alternatively, they can support the development of solutions to material environmental and social problems, keeping humanity within its 'safe and just zone', while creating added value to companies and clients and safeguarding long term financial returns.

2.2. Sustainable Investment Framework

Athora Netherlands bases its strategic investment decisions on the concept of the safe and just zone. It is Athora Netherlands' belief that the transition towards a sustainable society will speed up and that those that do not follow these developments eventually will lose, either due to market forces, government policies or technological disruption. Entities that are lagging behind create ESG-related financial risks to Athora Netherlands' investment portfolios. To support the necessary transition towards a sustainable society, Athora Netherlands aims to bring its investment portfolios within the safe and just zone or on the internationally agreed pathways, such as the pathway to limit global warming to 1.5 degrees in line with the Paris Climate Agreement, towards that zone by 2030. It does so not only to reduce material sustainability risks of its own portfolios, but also to try to have impact to the real world.

To do this, Athora Netherlands assesses whether entities in which it (potentially) invests have the adaptive capacity to manage their material risks and opportunities in such a way that they operate in or move towards the safe zone. The assessment determines whether the entity has already reached that point, is on the required pathway or is far removed from preparing for the upcoming transitions. It is measured:

a) how their business model, industry of operation and behaviour exposes them to risks of not operating in the safe zone; and
b) how well their adaptive capacity is developed to manage these risks and make the required transitions.

Entities that are highly exposed to certain risks but that have a high adaptive capacity, i.e. that are making the necessary changes towards a sustainable society, are already closer to the required transition pathway than entities with a moderate risk level but that have a moderate or low adaptive capacity indicating they lack the capabilities to further move towards the safe and just zone.

Based on the assessment, each entity is categorised into one of the following categories – see also *figure 3* below:

■ **Impact**: Entities classified as sustainable that make a positive and intentional contribution to society and/or the environment with limited risk of significant negative side-effects or harms. Investments in this category will contribute to and accelerate the transitions necessary to create a sustainable society;

■ **Sustainable**: Entities that currently sufficiently manage the risks they are exposed to by the ongoing sustainability transitions, operate within the planetary boundaries and social foundations, and sufficiently well manage the (negative) sustainability impacts up- and downstream in their supply chains. They contribute to our sustainability objectives, but do not intentionally create positive impact. This also implies that the products/services offered by these entities do not instigate users to do significant harm.

■ **Adapting**: Entities (still) operating outside the planetary and social boundaries but having concrete and verifiable strategies to end up in this zone within an acceptable time frame. They demonstrate the capacity to prepare themselves for the material and operational risks that the transitions bring about. These entities are expected to continue transitioning to reach the required pathway towards the sustainable zone and step by step reduce their unmanaged risks and (negative) impacts;

■ **At risk**: Entities operating outside the boundaries, not operating on the required transition pathway and having unmanaged risks, are considered at risk. They currently lack the adaptive capacity to prepare themselves for handling the material risks that the transitions bring about and therefore are vulnerable to operational risks. Yet, through active ownership, they may develop this capacity and reduce their risks;

■ **Non-adapting**: Entities operating outside the boundaries, far removed from the required transition pathways, and lacking the capacity to bring risk management up to standards, are considered non-adapting. These entities lack sound management strategies on their material issues, are exposed to high risks and therefore face significant operational risks in the short- to medium-term;

■ **Harmful**: Entities operating outside the boundaries, with activities either through their operations or products that are harmful to society or the environment at a threshold inconsistent with our sustainability beliefs as described in our Fundamental Investment Principles (Appendix A). Examples include companies whose primary business is tobacco production; and

■ **Non-compliant with international norms and standards**: Entities that do not comply with applicable international norms and standards as described in our Fundamental Investment Principles (Appendix A). Examples include entities that manufacture controversial weapons as defined in our Fundamental Investment Principles.

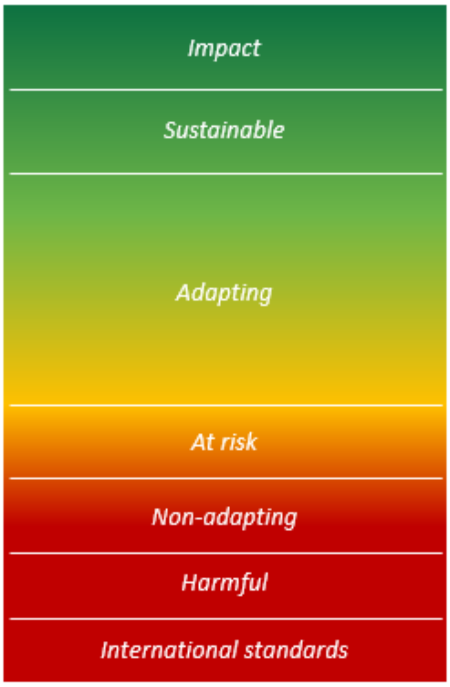

Figure 3: Athora Netherlands' Sustainable Investment Framework

For the beforementioned categorisation, Athora Netherlands measures and acts upon the material behaviour of entities that causes pressures on the planetary boundaries and the social foundations. From the planetary boundaries and the social themes that jointly define the safe and just zone, Athora Netherlands deduces seven material drivers that reflect how entities put pressure on these themes; four drivers representing environmental behaviour and three drivers reflecting social and governance behaviour. These drivers are presented in *figure 4*. For companies, the drivers reflect their own behaviour. For sovereigns, they reflect the policies, laws and regulations that have an impact on how authorities, companies and civilians behave towards the safe zone.

	Drivers	Relation to the planetary boundaries and social foundations
	Fossil fuel use	Management of fossil fuels use, impacting among other things climate change, air pollution, energy availability and human health
	Water use	Management of freshwater use in water scarce areas, impacting among other things water availability, water quality, health and food production
	Land use	Land conversion management especially for agricultural purposes, impacting climate change, biodiversity loss, and water flows but also local communities and inequalities.
	Chemicals and waste management	Management of toxic and long-lived chemical substances and (hazardous) waste and plastics, impacting the environment and human health.
	Organisational behaviour and integrity	Actions to create an ethical business environment, impacting community networks, justice and work conditions. For companies this refers to their own business model, but also to how they treat companies up- and downstream in their value chain. For sovereigns this refers to how they govern human, civic and political rights.
	Social capital management	Actions to maintain the license to operate on which businesses and sovereigns depend, impacting human rights, community relations, social equity and access and affordability of for instance health care and finance.
	Human capital management	Activities related to labour and union rights, employee health & safety and labour practices, impacting educational opportunities and income and gender inequality.

Figure 4: Athora Netherlands' material sustainability drivers

2.3. General targets

In respect of the topic **climate,** strongly linked to the material driver on *fossil fuel use,* Athora Netherlands has the aim to have its investment portfolios operate on the pathway to limit global warming to 1.5 degrees in line with the Paris Climate Agreement. Therefore Athora Netherlands has set the target to achieve net-zero greenhouse gas emissions across all assets under management by 2050. To achieve this, intermediate goals have been formulated to reduce greenhouse gas intensity with 50% in 2030 and with 75% in 2040 compared to end 2019.

In respect of the topic **nature**, which amongst other things includes biodiversity loss, Athora Netherlands is committed to the Kunming-Montreal Agreement, aiming for the full recovery of nature by 2050 (by ways of protection and restoration of nature). Although Athora Netherland's policy already includes screenings on related material drivers such as *water use*, *land use* and *chemical and waste management* Athora Netherlands has set the goal to further develop and implement concrete (intermediate) targets in line with this commitment on full recovery before the end of 2026.

In respect of the topic **people,** Athora Netherlands wants to ensure good employment practises in line with the UN Guiding Principles on Business and Human Rights, including a fair and equal living wage for employees, throughout its investment portfolios. Although Athora Netherland's policy already includes screenings on the related material drivers *social capital management* and *human capital management* Athora Netherlands has set the goal to further develop and implement concrete human rights criteria and targets before the end of 2025.

Besides the abovementioned general targets more specific targets can be set for specific parts of the investments portfolios, which will be laid down in portfolio-specific documentation.

3. Approach

Athora Netherlands determines in two steps in which category an entity falls. Firstly, it is assessed whether a company or sovereign complies with Athora Netherlands' Fundamental Investment Principles – the base line of Athora Netherland's investments. Those who do not comply, exhibit unacceptable behaviour and are categorised in the bottom category in *figure 3*. Secondly, for companies passing the first test, a company's adaptive capacity for each of the material drivers determines their categorisation.

3.1. Fundamental Investment Principles

The assessment starts with a screening of all entities in which Athora Netherlands intends to invest on Athora Netherland's Fundamental Investment Principles. These are based on ethical and social norms and values that are fundamental to good citizenship and good (corporate) governance, which encompasses the *good governance principles* as referred to in the Sustainable Finance Disclosure Regulation, *i.e.,* sound management structures and appropriately manages employee relations, remuneration of staff and tax compliance. When assessing compliance of an entity with these principles, Athora Netherlands applies proportionate best effort. While sovereign and corporate disclosure standards are evolving towards greater transparency and consistency, data availability, ease of access, and comparability limit our ability to monitor all aspects of an entity's activities. If it is found that entities systematically breach these Fundamental Investment Principles, they are in principle excluded for investment.

Non-compliance with the Fundamental Investment Principles is interpreted as socially or environmentally unacceptable and implies that the entity's behaviour is in conflict with basic principles of corporate social responsibility, of fundamental rights or of governance norms. The principles and underlying standards are considered universal and fundamentally extend beyond personal and cultural differences. Non-compliance with these principles, next to being ethically unjust or socially unacceptable, provides legal and reputational, and therefore, financial risk to companies and investors. For both reasons, Athora Netherlands does not wish to invest in entities and sovereigns that are systematically violating the Fundamental Investment Principles.

The Fundamental Investment Principles are clustered in three themes that apply to all companies and to sovereigns. These are presented in *figure 5*.

Theme	For companies	For sovereigns
	Principles related to humans & humanity	
	1. Compliance with basic human rights 2. Compliance with basic labour rights 3. No involvement in controversial weapons, no production and sale of civilian firearms and no provision of military equipment to military regimes	a. Uphold and protect fundamental human rights b. No involvement in controversial arms trade
	Principles related to society	
	4. Compliance with international sanctions 5. No systematic involvement in fraud, corruption and tax evasion 6. No significant involvement in products or businesses doing harm to human (mental) health or animal welfare	c. The notice and the application of the principles of good governance and anti-corruption efforts
	Principles related to the environment	
	7. No systematic involvement in severe environmental damage	Idem as c.

Figure 5 Athora Netherlands' Fundamental Investment Principles

Environmental principles for sovereigns are part of their good governance principles. These especially relate to government effectiveness and regulatory quality to properly manage protected areas, implement international environmental agreements and prevent illegal activities severely damaging natural resources and the environment.

The Fundamental Investment Principles and the international agreements on which they are based, are described in more detail in the Appendix A - Fundamental Investment Principles. These principles reflect current views and agreements on ethical and social principles that are fundamental to good citizenship and good (corporate) governance. These principles will be evaluated regularly. If new principles emerge, they may be added to the Athora Netherlands Fundamental Investment Principles.

3.2. Material Sustainability Drivers

As set out above, entities that are found not to comply with the Fundamental Investment Principles are excluded from investment. For entities that are considered potentially eligible, Athora Netherlands assesses their adaptive capacity for managing their exposure to the material risks of not operating in the safe zone. Also their capacity to capitalise on opportunities for operating within the safe or in the positive impact zone is part of this. This is done for two reasons:

First, with an eye on **financial materiality**, which refers to the impact of sustainability risks and aspects on (internal) the financial performance of an entity. It is the view of Athora Netherlands that the integration of material ESG information in its investment assessment process leads to better-informed investment decisions and better risk-adjusted returns in the long run. Furthermore, research shows consistent outperformance for companies focussing on sustainability risks and matters that are the financially material for them. This approach is applied to all entities and for investments in all asset classes. The textbox "Materiality for companies" below discusses which drivers are material to each company.

Second, with an eye on **impact materiality**, which refers to the impact of (the activities of) entities on sustainability aspects, including climate, nature and people. Proper assessment on this external sustainability impact is important to know which entities contribute to sustainability challenges in a positive or negative way. This assessment also shows to what extent entities contribute to the sustainability targets formulated by Athora Netherlands.

Based on the assessment of financial materiality and impact materiality the assessment of the sustainability drivers takes into account the so-called principle of **double materiality**.

Materiality

Not all global challenges are equally relevant to each company. The challenge may not have an effect on their operations or results, or the company may not be able to influence the challenge. For that reason, for each company, only the material drivers are considered, i.e. that matter to them from a long-term financial point of view. Drivers are material to a company if their behaviour exposes them, and thereby their investors, to significant risks. Two types of risks are considered. First, a declining carrying capacity of the planet and a weak social basis leads to **physical risks**. Examples of such risks are water scarcity or extreme rainfall events due to climate change, loss of soil productivity due to overexploitation and increasing health problems, social unrest or poverty due to growing inequality. In addition, the call for a more sustainable society leads to changes in government policies and consumer demand that will speed up the transition towards cleaner and more responsible production methods and modes of operation. This creates **transition risks** for those who do not adapt and continue to operate unsustainably. Companies that do not adapt, will fall behind or will be surpassed by others who adapt more quickly. Examples of transition risk include those resulting from the shift towards a low-carbon economy, the increasing non-acceptance of fraud, breaching labour rights, or deforestation. It differs per sector which drivers are material to a company. Following the Global Industry Classification Standard (GICS) sector division, the table below shows which drivers are material for a sector.

Table 1: Materiality matrix for the seven material sustainability drivers to the various sectors

Sectors	Business drivers						
	Fossil Fuel use	Water use	Land use	Chemicals & Waste Management	Organisational Behaviour & Integrity	Human Capital Management	Social Capital Management
Consumer discretionary	●	●	–	–	●	●	●
Materials	●	●	●	●	●	●	●
Financials	–	–	–	–	●	●	●
Consumer staples	●	●	●	–	●	–	●
Health Care	–	–	–	●	●	●	●
Real estate	●	●	–	–	●	–	●
Industrials	●	●	–	●	●	●	●
Communication services	–	–	–	–	●	●	●
Information technology	●	●	–	●	●	●	●
Energy	●	●	●	●	●	●	●
Utilities	●	●	●	●	●	●	●

● = Material for most companies in the sector
– = Not likely to be material for any of the companies in sector

Based on the assessment per driver, each entity is categorised into one of the remaining five categories of the Sustainable Investment Framework:

- Impact
- Sustainable
- Adapting
- At risk, or
- Non-adapting

The decision to be categorised in one of the categories depends on:

- the entity's **risk exposure** of operating outside the safe and just zone, indicating to what extent an entity is vulnerable to the ESG risks of operating outside the safe zone. Examples of assessment criteria include the carbon intensity of the products and services a company provides, location of operations, the nature of those operations and the nature of its operations and its supply chain.

- its **adaptive capacity** to make the transition towards operating within these limits, which is based on strategies, policies, targets, implementation and demonstrated performance of companies and sovereigns to manage the risks from operating outside the safe and just zone. Higher scores on adaptive capacity indicate greater capacity to manage exposure risk.

Exposure and capacity are assessed for each driver if material to a company. An entity highly exposed but with a high adaptive capacity and with strong plans to operate sustainably can still be categorised in the category "adapting", even if it is not operating completely within the planetary boundaries yet. Similarly, an entity with medium to high exposure but lacking any management capacity can be categorised as non-adapting. For example, companies still dependent on coal, an activity that brings about high transition risks due to society's transition towards a low-carbon society, fall in the category non-adapting. For these companies to be categorised as adapting, they should phase out coal and move towards renewable energy sources. As not all entities face the same material sustainability risks, they are assessed only on the drivers that are material to them – see textbox 'Managing risk exposure and opportunities' below.

For each driver, thresholds are assigned to define the borders between categories. These thresholds define for a given exposure level, the adaptive capacity an entity needs to demonstrate to be considered as operating for instance in the adapting zone as well as the extent to which they do significant harm to any of the sustainability targets that have been formulated. For instance, they reflect that a utility company needs a higher adaptive capacity for their fossil fuel management than a financial services company to be classified as 'adapting'. After all, their exposure to the low-carbon transition is much higher and alignment with the Paris climate agreement can be done in such a way that significant harm is done to other sustainability targets. For several of the planetary boundaries, scientifically based threshold levels have been determined. Thresholds for the social foundations follow from the SDGs. Thresholds that have not been set scientifically are based on the best available knowledge.

Not all of the required transitions are at the same stage. The planetary boundaries ‘climate change’ and ‘loss of biosphere integrity’ have been crossed already and require an immediate transition on the drivers fossil fuels use and land use. Therefore, threshold levels can vary between the drivers. This depends on the degree to which the respective boundaries have already been crossed and the transition that is required to operate within the safe and just zone. For that reason, the thresholds for fossil fuel use and land use are more stringent than some other drivers. Over time, when the transition progresses, threshold levels can change. The application of thresholds is based on assessments using the best available data about the urgency of the transition and the materiality of each related driver. Moreover, as new data becomes available, new measurement methods are developed, or innovations allow for new updates, threshold values will be redefined. In this way, entities are stimulated not to stand still but continue to innovate.

Next to assessing capacities to manage the material risk exposure to the drivers, Athora Netherlands separately assesses the preparedness to manage physical risks resulting from climate change. Some physical risks including the increase of extreme weather events, cannot be mitigated by a company’s adaptive behavioural capacity. These physical risks are a result from externalities due to climate change and are therefore treated in a similar way as the other financial risks that impact companies. By using data on physical climate risks these risks are reflected in the ESG score of an entity. More information on the ESG score can be found in the next section.

To come to a unique categorisation per entity, weights are assigned to each driver which reflect its materiality to the entity. An entity’s overall category assessment is determined by the lowest scoring material driver. Athora Netherlands periodically evaluates whether entities are to remain in the same category. Especially for companies falling in the lowest categories, the quantitative assessment is followed by a fundamental analysis.

4. Sustainable Investment Integration

4.1. Assessment

Athora Netherlands strives for positive change in the real economy and stimulating companies to move towards the safe and just operating zone. In order to achieve this and manage its sustainable investment decision-making process Athora Netherlands uses an ESG scoring system which consist of:

- **Company score**: The reviews of the company's risk exposure and the adaptive capacity for the material drivers (as described in the previous paragraph) are combined into an ESG base score.

- **Sector score**: To consider that some sectors are generally closer to or more removed from the safe and just zone, a quantitative positive or negative sector score is estimated reflecting the average sector performance for the drivers; and

- **Analysts score**: The analyst score allows a further distinction between leaders and laggards at Athora Netherland's discretion. This can be desirable, if a company is considered a true sustainability champion or a true laggard. A score of an issuer can be upgraded if the issuer provides positive solutions that contribute to a sustainable society or when, due to its product orientation, it clearly has a lower risk than the rest of the sector, due to which a potential negative sector score is unjustified for this specific company. In addition, it can be upgraded if it meets the criteria of a positive impact bond (see textbox below). Similarly, the ESG Score can be downgraded if the company score does not sufficiently reflect the material ESG risks of the company.

Besides the abovementioned scores Athora Netherlands collects available data on the principles adverse impact indicators (as defined in the SFDR) for its investment portfolios. This data shows the negative impact of investment decisions on a range of different sustainability indicators related to environmental (including climate) and social aspects.

Based on the outcomes of the ESG scoring system as well as individual scores of individual material drivers, principle adverse indicators and/or other data indicators collected in the screening process Athora Netherlands uses a mixture of the following instruments, as explained below.

Sustainable bonds

Sustainable bonds, such as green and social bonds, are issued by companies, governments or supranational (financial) institutions to generate proceeds earmarked for investments in projects with a positive environmental and/or social impact, such as wind parks, light rail or educational programs. Also sustainability-linked bonds in which sustainable targets are linked to the characteristics of the bond are included in our definition of sustainable bonds. All these bonds are instruments that intend to create positive impact and contribute to the transition to a sustainable world.

4.2. Capital allocation (selection) and exclusion

As described in the previous sections, by using multiple data sources, Athora Netherlands determines where entities fall within the Sustainable Investment Framework. The position of an entity in this framework, determines, amongst other things, the purpose of an investment from a sustainability perspective and/or whether an (potential) investment is excluded from Athora Netherlands' investment universe.

4.2.1. Capital allocation (selection)

First, entities in the '**impact zone**' and '**sustainable zone**' make a positive contribution to one or more of sustainable objectives, while at the same time operating within the planetary boundaries and social foundations. Such positive contribution to sustainable objectives is created by investing in listed as well as non-listed companies, investments in countries (referred to as sovereigns in this document) and through different types of instruments (debt, equity, structured). Athora Netherlands selects investments from the impact category if it intentionally seeks to generate positive, measurable social and environmental impact.

Second, entities in the '**adapting zone**' are taking the necessary steps to make the transition to a sustainable business model operating in the safe and just zone. Especially the entities (still) operating in the 'adapting zone' must demonstrate to have the right policies, targets and programmes to make the transition towards the safe and just zone.

Third, entities in the '**at risk zone**' operate outside the safe and just zone but may be capable of making the transition upwards. Through engagement, these entities are stimulated to improve their adaptive capacity and fasten the transition towards the safe zone. Athora Netherlands may, in order to meet certain sustainability targets or otherwise, decide that for specific themes companies, in certain asset classes, operating in the 'at risk zone' are excluded. Such decisions might apply in general or for specific asset classes only and the principles on which these are based shall be laid down in a separate and duly approved policy document, which forms an integral part of this Sustainable Investment Policy.

4.2.2. Exclusion

Entities will in general be excluded from investments if they are categorised in the '**non-compliant with international norms and standards zone**', the '**harmful zone**' or in the '**non-adapting zone**'. However, provided that the companies in which investments are made follow good governance practices as referred to in the SFDR, and depending on the findings and the reasons why an entity falls in any of the beforementioned categories, Athora Netherlands might not directly exclude an entity from investment but first start an investigative period. In this period, Athora Netherlands assesses whether engagement may be a useful instrument in remedying any actual or potential violation and whether the applicable company is prepared and capable of preventing comparable violations from occurring in the future. If engagement is not an option or unsuccessful, the consequence will be exclusion from the investment universe.

For sovereigns, non-compliance automatically leads to exclusion given that engagement with sovereign entities is generally not feasible. Companies that fall within the abovementioned categories pose a significant risk to society and/or a financial risk to Athora Netherland' investment portfolios by not having the capacity to make the transition towards the safe and just zone, and therefore the said investigative period will only be applied when there are reasonable grounds for doing so.

For Athora Netherlands' entire investment portfolio, specific individual portfolios or specific asset classes, additional requirements can be added or requirements can be disapplied in this policy or appendices thereto. Additional requirements, such as exclusion criteria, sustainability restrictions, targets or goals per asset class of Athora Netherlands' own account or unit linked portfolios will be laid down in separate policy documents or operational guidelines.

To the extent that investments are held (indirectly) through investments in investment funds, mandates or other structured (investment) vehicles the described screening process, the Sustainable Investment Instruments and this Sustainable Investment Policy (including specific KPI's and targets) in general apply in the same way for the underlying investments of such funds, mandates or vehicles.

For some asset classes, such as private credits high quality (investment grade), Athora Netherlands applies the exclusion principle above on a best effort basis. This is due to the characteristics of the asset class (large number of underlying investments and variation in time, limited data availability). However, these type of investments also add to a diversified investment strategy aimed at providing the most appropriate level of security to the policyholders.

Athora Netherlands will either (i) assess the sustainability and/or exclusion policy of the manager or originator upon alignment with this policy, or (ii) in absence of such alignment, apply on a best efforts basis its own screening process, recognizing that a full look through in practice may not be possible. In certain instances, this may lead to indirect investments in companies that could be categorised as falling in the 'non-compliant with international norms and standards zone', the 'harmful zone' or in the 'non-adapting zone' or not fully meeting good governance requirements. The decision to rely on a best efforts basis on Athora Netherlands's own screening process will only take place with explicit approval of the designated authorised body as referred to in paragraph 6.2.2 and 6.2.3 of this policy.
Subsequent investments will be made in accordance with a separate and operational guideline document which describes the approved approach and defined limits into more detail. Athora Netherlands recognises and expects that the standard of sustainability policies applied by managers and the availability of detailed impact metrics at the level of individual assets will increase over the next years. On that basis, we expect over time increased reliance on the appropriate policies of managers, and increased availability of full look-through data.

4.3. Active ownership

Voting and engagement are two instruments that allow Athora Netherlands to stimulate improvement and upward movement of entities to a higher category within the Sustainable Investment Framework.

4.3.1. Engagement

Starting an engagement means entering into a dialogue with an entity to influence its behaviour. It can be conducted either as a response to specific incidents or done proactively to steer entities towards the adaptive, sustainable or impact zones. Athora Netherlands can, by itself or through external engagement partners, asset managers or fund managers, start individual engagement dialogues with entities, but in many cases, collaborative engagements are conducted jointly with other (financial) institutions. During an engagement process, clear targets are set and milestones are formulated in order to monitor change related to the related behavioural drivers. Engagements can focus on encouraging entities to take advantage of sustainability-related opportunities, while also addressing the challenges of staying within the planetary boundaries and building social foundations. They can relate to creating innovation opportunities, creating circular production processes, or taking a leadership role as company. For the engagements that are conducted in response to a potential breach of the Fundamental Investment Principles, or due to insufficient adaptive capacity, the entities must improve sufficiently over the course of the engagement to be reincluded in the investment universe. Unsuccessful engagements with entities that violate Athora Netherlands' Fundamental Investment Principles or perceived non-adaptivity leads to exclusion.

4.3.2. Voting

Voting is an instrument that is at Athora Netherlands' disposal specifically for companies of which Athora Netherlands is a shareholder. Management and shareholder resolutions presented at Annual or Extraordinary General Meetings provide an opportunity to express how satisfied Athora Netherlands is with the company's performance and press for changes if needed. Athora Netherlands may actively initiate or support shareholder resolutions that aim to stimulate companies to speed up the company's transition towards the safe and just zone.

4.3.3. Other types of engagement

In addition to voting and engagement, Athora Netherlands applies other instruments to stimulate entities to transition to the safe and just zone. For example, Athora Netherlands may participate in investor statements to denounce practices, controversies or products. Moreover, Athora Netherlands may participate in investor working groups or partner with other organisations to jointly advance sustainable investment and sustainable behaviour of companies or countries.

5. Sustainable finance regulations, data requirements and definitions

5.1. Regulatory developments and SFDR classification

Driven by the UN Sustainable Development Goals (SDGs), the Paris Climate Agreement and the EU Sustainable Finance Action Plan, an extensive amount of sustainability related (mainly European) regulatory initiatives have been introduced to the financial industry. These include the Sustainable Finance Disclosure Regulation (SFDR), the EU Taxonomy Regulation (EU Taxonomy), the Corporate Sustainable Reporting Directive (CSRD) and the Corporate Sustainable Due Diligence Directive (CSDDD). Athora Netherlands expects that the regulatory framework regarding sustainable investing will continue to develop, which will also have an influence on this Sustainable Investment Policy. Athora Netherlands will incorporate regulatory aspects and requirements into this policy where relevant and amend this policy if required.

The application of this Sustainable Investment Policy gives substance to the sustainability characteristics of the own account and unit-linked portfolios. Therefore, unless specifically indicated otherwise, the insurance products linked to these investment portfolios meet the criteria to classify under article 8 of the SFDR.

5.2. Data requirements

Many regulatory requirements are aimed at improving the quantity and quality of sustainability related disclosures. Many of such disclosure requirements apply to Athora Netherlands and the products that it offers. In order to be able to comply with the applicable disclosure requirements it is essential that Athora Netherlands has sufficient relevant and accurate data on underlying investments of the own account as well as unit linked portfolios. Moreover, such data help make better informed investment decisions, provide transparency on the impact of the investments and are used to measure progress on Athora Netherland' sustainable investment targets. Therefore, the availability of sufficient, adequate and correct sustainability data for underlying investments is an essential criterion in making investment decisions and the absence thereof may lead to the conclusion that certain investments are not or no longer investable.

Athora Netherlands also acknowledges that the availability of sustainability data, particularlywithin the private investment space is currently still limited. Therefore on the short and medium term the focus for private investments is on improving the availability and quality of sustainability data. Athora Netherlands is constantly searching for more and better sustainability data. For that reason Athora Netherlands may enter into strategic partnerships with parties/asset managers that are capable of developing and/or collecting and delivering sustainability data. Moreover, Athora Netherlands or the companies it partners with may participate in working groups to develop new methodologies and integrate new innovative data sources in the Sustainable Investment Framework.

5.3. Definitions for different types of investments

Based on its Sustainable Investment Framework and the current regulatory framework under the SFDR and EU Taxonomy Athora Netherlands uses the following definitions:

- **Impact investments**: are sustainable investments that make a positive, intentional and measurable contribution to society and/or the environment with limited risk of significant negative side-effects or harms.

- **Sustainable investments**: are investments that contribute to one or more environmental objectives or one or more social objectives and which do not significantly harm any (other) sustainability objectives. In addition thereto a company in which a sustainable investment is made follows good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance.

- **Sustainability policy aligned investments**: are investments in entities that fall within the 'Impact', "Sustainable", 'Adapting' and 'At Risk' zones of the Sustainable Investment Framework (see section 2.2).

- **(EU) Taxonomy aligned investments:** are investments in economic activities that comply with the requirements for sustainable economic activities as described in the EU Taxonomy Regulation.

- **(EU) Taxonomy eligible investments:** are investments in economic activities included in the EU Taxonomy but not necessarily comply with the requirements sustainable economic activities as described in the EU Taxonomy (yet).

6. Transparency and internal governance

6.1. Transparency

Athora Netherlands considers transparency and accountability a key aspect of fulfilling its fiduciary duty as an investor. For that reason, Athora Netherlands discloses the impact of its investments through multiple sources, such as its annual accounts, periodic sustainability reports, product documentation and dashboards. Athora Netherlands also publishes information on the instruments used (screening procedure, exclusions, engagements, voting). Many of these documents are publicly available on the website of Athora Netherlands and/or the websites of the brands Zwitserleven and REAAL. Publication follows the general Athora Netherlands disclosure processes.

6.2. Governance

Athora Netherlands has implemented procedures and internal controls to ensure compliance to its policies. In this approach, different departments and committees have their own specific duties and responsibilities.

6.2.1. Sustainable Investment Policy

The Financial Risk Committee (FRC) of Athora Netherlands is authorised to approve this Sustainable Investment Policy.

6.2.2. Own Account

In respect of the investments that are part of Athora Netherland's own account the Investment Office is responsible for the implementation and execution of this Sustainable Investment Policy. The Investment Office is also responsible for defining specific sustainable investment KPIs and targets for each of the asset classes in the own account in line with the Sustainable Investment Framework as described in this policy, which will become effective after approval of the IBSC.

The Investment Office will report to IBSC on compliance with this Sustainable Investment Policy. Deviations from this policy related to the own account, in general or in respect of specific investments, will only take place after approval of the IBSC.

6.2.3. Unit Linked

In respect of the unit linked portfolios the Fund Management Department is responsible for the implementation and execution of this Sustainable Investment Policy. The Fund Management Department is also responsible for defining specific due diligence requirements, selection criteria, KPI's and/or targets for the selection and performance of the unit linked funds, which will become effective after approval of the PCC.
The Fund Management Department will report to the PCC on compliance with this Sustainable Investment Policy. Deviations from this policy related to the unit linked portfolios, in general or in respect of specific investments, will only take place after approval of the PCC.

6.2.4. Control and oversight

The Risk Management function is the owner of the Sustainability Risk policy which is related to and aligned with this Sustainable Investment Policy. Together with the Compliance function, the Risk

Management Function of Athora Netherlands is responsible for second line control and oversight on (compliance with) this Sustainable Investment Policy and will support the Investment Office (for the own account) and the Fund Management Department (for unit linked) in setting up and maintaining the adequate control framework to ensure such compliance.

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