



# Sustainable Investments

Principle Adverse Impact Statement (PAI)

Article 4 of the SFDR Regulation (EU) 2019/2088)

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## 1. Introduction to PAI

In addition to sustainability risks, ACTIAM also identifies and prioritises principal adverse impacts of its investment decisions on sustainability factors. The Principal Adverse Impact Statement as required by SFDR can be found below.

ACTIAM considers principal adverse impacts of its investment decisions on sustainability factors.

Details of the assessment of principal adverse sustainability impacts			
SFDR adverse sustainability indicator	ACTIAM indicator used	Indicator unit and description	Impact
1. Greenhouse gas emissions	Greenhouse gas emissions scope 1	Tonnes CO <sub>2</sub> equivalent: Measures the scope 1 greenhouse gas emissions of investee companies and countries	834,958 Year = 2020
1. Greenhouse gas emissions	Greenhouse gas emissions scope 2	Tonnes CO <sub>2</sub> equivalent: Measures the scope 2 greenhouse gas emissions of investee companies and countries	256,524 Year = 2020
1. Greenhouse gas emissions	Greenhouse gas emissions scope 3	Tonnes CO <sub>2</sub> equivalent: Measures the scope 3 greenhouse gas emissions of investee companies and countries	7,041,408 Year = 2020
1. Greenhouse gas emissions	Greenhouse gas emissions scope 1 and 2 combined	Expressed in number of flights from Amsterdam to New York based on investee companies	642,048 Year = 2020
4. Solid fossil fuel sector exposure	Solid fossil fuel sector exposure	Percentage of portfolio with (any) exposure in any solid fossil fuel sectors	6.1 Year = 2020
9. Biodiversity and ecosystem preservation practices	Biodiversity and land use management	This outcome is calculated using a management indicator to assess each relevant investee company's performance on biodiversity and land use management with a score ranging from 0 - 100. 100 represents strong practice and 0 represents poor practice. The total score is a weighted average of all investee companies for which this indicator is relevant (those with a direct impact on biodiversity) and that have an available assessment	53 Year = 2020
12. Water emissions	Water emissions	In liters of stressed water consumption: This indicator measures the stressed water consumption of investee companies and countries	906,272,287 Year = 2020
12. Water emissions	Water emissions	Expressed in number of Olympic swimming pools based on investee companies	362,509 Year = 2020
14. Number of identified cases of severe human rights issues and incidents	Number of identified cases of severe human rights issues and incidents	The percentage of investee companies exposed to severe Human Rights controversies	0% <sup>1</sup> (as of 2021-01-31)
14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapon)	The percentage of the investee companies exposed to controversial weapons	0% (as of 2021-01-31)
17. Implementation of fundamental ILO conventions	Number of identified cases of severe labour rights issues and the implementation of fundamental ILO conventions	The percentage of investee companies exposed to severe labour rights issues	0% / 4,39% <sup>2</sup> (as of 2021-01-31)
20. Board gender diversity	Board gender diversity	The average ratio of men to women on the board for investee companies. The outcome is weighted over all companies with data available on board gender diversity	3 (as of 2021-01-31)

<sup>1</sup> ACTIAM has a policy to exclude entities with severe Human Rights controversies. 1.99% of the portfolio is considered as watchlist or as having moderate level human rights issues according to our framework.

<sup>2</sup> ACTIAM has a policy to exclude entities with severe Labour Rights controversies. 4.39% of the portfolio is considered as watchlist or as having moderate level labour rights issues according to our framework.

## 2. Description of policies to assess principal adverse sustainability impacts

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ACTIAM implements a [Sustainable Investment Policy](#) to stimulate countries and companies to prosper, while operating within the planetary boundaries and respect the social foundations of society. We refer to this as the “safe and just operating zone”, where global challenges such as climate change, resource scarcity, social injustice and inequality are properly managed. The planetary boundaries and social foundations indicate the maximum of natural resources humanity can use without exhausting the planet and minimum universal social and governance norms affecting health, wealth and well-being.

Our policy provides a holistic view on the roles that investors play to guide the transition to a sustainable society. As part of our sustainable investment policy, we make an assessment of the adverse sustainability impacts caused by every entity within our investable universe. To do this, we have developed a Sustainable Investment Framework, which includes a set of criteria to identify and prioritise adverse impacts that entities have on sustainability factors, including climate, biodiversity, water quality and availability, labour rights, human rights, anti-corruption and anti-bribery matters.

Our policy is laid out in detail within four documents, the first of which describes the general [Sustainable Investment Framework](#). In sections 2 and 3 of this document our approach for assessing principal adverse sustainability impacts can be found.

### 3. Description of actions to address principal adverse sustainability impacts

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The basis of the ACTIAM Sustainable Investment Policy is that companies and countries have to comply with the [ACTIAM Fundamental Investment Principles](#), which define the bottom-line of our investments. These principles relate to how the investment decisions comply with a set of socio-ethical factors related to impacts on humans, society and the environment. If companies or countries are found to have structurally violated one or more of these factors by having a severe adverse impact then ACTIAM will not invest in these entities. Secondly, ACTIAM assesses the adaptive capacity of companies to prepared themselves for the transition towards a more sustainable society. This is done for seven [Material Sustainability Drivers](#), that show how companies respond to social and market changes caused by the sustainability transition. These drivers are used to assess the sustainability risks and opportunities and the potential adverse impacts of entities.

ACTIAM uses several [Sustainable Investment Instruments](#) to identify sustainability risks and opportunities and minimise adverse sustainability impacts within our remaining investment universe, including: screening, engagement, voting and ESG integration.

#### Screening

For all companies in the investable universe ACTIAM assesses to what extent they comply with the ACTIAM Fundamental Investment Principles and their adaptive capacity according to the Material Sustainability Drivers. ACTIAM believes that companies and sectors will be better prepared for the future if they take sustainability related risks into account and minimise their adverse impact. This is measured through the assessment procedure. In addition, ACTIAM believes that entities will be better prepared for the future if they also contribute actively to the Sustainable Development Goals (SDGs) of the United Nations (UN). That is why we want to invest actively in these companies. We specifically screen for SDGs and planetary boundaries. Our active approach enables us to select companies that score highly on these aspects.

#### Engagement

We conduct hundreds of engagement conversations each year to create an upward movement of companies and countries in ACTIAM's Sustainability Framework. Starting engagement means entering into a dialogue with a company to influence its behaviour. It can be conducted either as a response to specific incidents or proactively to address solutions that would steer companies towards ACTIAM's acceptable investment universe. Clear targets are set and milestones are formulated during an engagement process, in order to monitor change.

#### Voting

As a shareholder, we vote in principle at all shareholders' meetings. When necessary, we submit our own resolutions, which can be on specific sustainability-related subjects such as remuneration based on a sustainability performance. We either file these resolutions independently or we join forces with others (co-filing) when this may benefit the result.

#### ESG integration

We integrate ESG criteria into the investment process, which is demonstrated in a relative company ESG score. We also apply such scores to countries. The higher the score, the lower the risk. The score also reflects on how a company or country is performing. Naturally, [our focus themes](#) of Climate (CO<sub>2</sub> emissions), Water and Land are also sufficiently taken into account. The ESG score of the portfolio measured to market value must always exceed the benchmark. Our portfolio managers know that they have to realise a positive difference in ESG scores.

## 4. Engagement policies

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ACTIAM is an active owner, pursuing change in the real economy and stimulating companies to operate within the planetary boundaries, corresponding with a higher category in the Sustainable Investment Framework. We exercise active ownership through voting and engagement with underlying companies and with policy makers, NGOs and investor working groups.

We view engagement as a means to enter into a dialogue with a company to influence its behaviour. It can be conducted either as a response to a specific incident that has had an adverse sustainability impact, or done proactively to steer companies towards the 'safe and just, or 'positive' impact zones within our framework. ACTIAM starts individual engagement dialogues with companies, but we are of the view that collaborative engagements jointly with other asset managers can be just as effective.

During an engagement process, clear targets are set and milestones are formulated in order to monitor change related to the related behavioural drivers. Engagements focus on encouraging companies to take advantage or 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 sustainability leadership role as company. For the engagements that are conducted in response to an incident or due to insufficient adaptive capacity, the companies may improve sufficiently over the course of the engagement to be reincluded in the investment universe. Unsuccessful engagements with companies who have had significant adverse sustainability impacts may lead to exclusion.

Beyond our direct engagement with investee companies, we collaborate actively with a large number of organisations to put our investment beliefs into practice and to realise our sustainability related goals. Please refer to our website for [a list of partner organisations](#).

## 5. Adherence to international standards

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- ACTIAM's Fundamental Investment Principles for Companies are minimum standards that are defined by ethical, social and environmental principles fundamental for good citizenship and good corporate governance. They are based on a broad range of international treaties, conventions and best practice guidelines, including the UN Global Compact, the UN Guiding Principles on Business & Human Rights and the OECD Guidelines for Multinational Enterprises (please refer to our [Fundamental Investment Principles](#) for a comprehensive list of the international mechanisms consulted in company assessments).

These international guidelines are considered universal. ACTIAM considers violations of the above-mentioned international mechanism to be a violation of the Fundamental Investment Principles and therefore not eligible for investment.

- ACTIAM is a signatory to the Principles for Responsible Investment (PRI) and as a signatory we abide by all of the requirements and expectations.
- We adopt the guidelines set out by the Taskforce on Climate-related Financial Disclosure (TCFD) in developing climate disclosures in line with the recommendations. We have set a target for our portfolios to achieve net-zero greenhouse gas emissions across all assets under management by 2050 to be in line with the Intergovernmental Panel on Climate Change (IPCC) 1.5°C pathway. For this long-term target, ACTIAM's intermediate target is to reduce the greenhouse gas emissions intensity of our investments with 50% by 2030 and with 75% by 2040 compared to 2020.

## 6. Appendix - Policy documents

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[A: Sustainable Investment Policy](#)



[B: Fundamental Investment Principles](#)



[C: Material Sustainability Drivers](#)



[D: Sustainable Investment Instruments](#)



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