



SFDR SRI texts Centraal Beheer PPI

July 2024 – Sustainability Information CB PPI (SFDR RTS Articles 23-36)

1. Summary – Article 25 RTS

Centraal Beheer PPI

Summary: SFDR Sustainability Information

For its defined contribution scheme, Centraal Beheer PPI (hereinafter: CB PPI) invests in one or more investment institutions that support environmental or social characteristics. This means that the defined contribution scheme is classified under Article 8 of the SFDR. In this document you can find detailed sustainability information concerning the defined contribution scheme with respect to each of the headings below.

This information concerns the defined contribution scheme at the aggregate level and the investments in the lifecycles that fall under it. The exact percentage in line with E/S features and sustainable investments varies per participant, as the ratio of the Achmea IM funds invested in is based on age cohorts.

No sustainable investment objective

The defined contribution scheme supports environmental and social characteristics, but does not have a defined sustainable investment objective. Through the SRI instruments (exclusion policy, ESG integration, target investments and engagement) the defined contribution scheme addresses the most significant detrimental effects, or “principal adverse impacts” (PAIs) on sustainability factors.

Environmental or social characteristics of the financial product

The environmental and/or social characteristics of the defined contribution scheme are:

- CO₂ reduction
- Exclusion policy

Investment strategy

CB PPI has certain convictions with respect to investments that are the foundation of the investment strategy. You can find these at

<https://www.centraalbeheerppi.nl/en/adviser/investmentpolicy.html>.

For the defined contribution scheme, CB PPI invests primarily in investment institutions. These investment institutions adhere to certain good governance criteria for the investments.

Percentages of investments

A minimum of 81% of the investments will fall under *category #1 in line with E/S characteristics*. A maximum of 19% of the investments will fall under *category #2 Other*, and will consist of listed property funds, cash and cash equivalents and derivatives, among other things. A total of 1.8% of

the #1 investments take the EU taxonomy criteria for environmentally sustainable economic activities (*Category #1A*) into account. For more information about categorisation, see “Percentages of investments” (Chapter 5).

Monitoring of environmental or social characteristics

The reference for determining whether each characteristic of the defined contribution scheme is in compliance with the relevant environmental or social characteristic is a sustainability indicator. For each characteristic, the indicator measures whether the intended standard of the promoted environmental or social characteristic is being met. Monitoring takes place over the entire lifetime of the defined contribution scheme. For more information about the sustainability indicators, see “Monitoring of environmental or social characteristics” (Chapter 6).

Methodologies

For each of the promoted environmental or social characteristics, a detailed methodology has been designed to measure how the defined contribution scheme is meeting the standard in question. In each of these methodologies, a measurement is taken based on validated data sources by means of external frameworks. For more information about the methodologies, see “Methodologies” (Chapter 7).

Data sources and processing

The investment funds of the defined contribution scheme use external data as input for our sustainable investment processes. Where possible, we prefer to rely on standardised data such as data from independent research agencies ISS ESG and MSCI. The data from the selected external independent research agencies (data providers) are, in most cases, the primary guideline for the application of the exclusion policy and the ESG integration. We investigate the data quality of each data provider during the due diligence assessments in the selection process for each data provider.

Methodological and data limitations

There are certain limitations to the methodology and data processing applied to the data concerning the investment funds of the defined contribution scheme:

- Limitations on the data for product-oriented exclusions (tobacco and controversial weapons)
- Limitations on the data for exclusions relating to violations of norms
- Limitations on CO₂ data

The methodological and data limitations are explained in more detail under “Methodological and data limitations” (Chapter 9).

Due diligence

Due diligence is intended to identify, prioritise and analyse the principal adverse impacts of investment decisions on sustainability factors. This pertains to the negative impact on society and the environment both in the investment portfolio and from potential investments. Achmea IM as administrator of the investment funds in which CB PPI invests for the defined contribution scheme conducts a periodic screening of companies for violations of the international standards



defined in the screening policy. This process is referred to as the “due diligence”. The due diligence process is conducted to identify and prioritise the principal adverse impacts of investment on the sustainability factors with the objective of preventing or reducing them as much as possible, as well as to facilitate the accounting on how the defined contribution scheme is dealing with the impacts identified. For more information, see our “Declaration concerning the principal adverse impacts on sustainability factors” elsewhere on this site.

Engagement policy

Via the investment funds, dialogue is conducted between CB PPI and the enterprises that fall within the scope of the engagement policy. In addition, via the share investment funds CB PPI makes active use of shareholder rights (voting) to promote long-term value creation at the enterprises invested in. CB PPI also devotes attention to the strategy, sustainability and corporate governance of the enterprises. For the investment funds of Achmea IM, Achmea IM makes a distinction between two types of engagement: “normative” engagement and “thematic”.

Designated reference benchmark

There is no all-encompassing reference benchmark at the level of the defined contribution scheme for determining whether it is aligned with the environmental and/or social characteristics promoted. This heading therefore does not apply.

2. No sustainable investment objective – Article 26

The defined contribution scheme supports environmental or social values, but does not have a defined sustainable investment objective.

Based on the SRI instruments exclusion policy, engagement and ESG integration, CB PPI takes the PAI indicators and international guidelines into account; see the table below:

Principal adverse impact indicator under SFDR	Undertaken actions (in line with environmental and social characteristics, including engagement)	Sustainability indicator as used for the defined contribution scheme	Relevant investment category
CO ₂ footprint of enterprises invested in	ESG integration	CO ₂ /EVIC	Shares (fund), corporate bonds (fund)
Exposure to enterprises active in the fossil fuel sector	Exclude	Involvement in coal and tar sands, shale oil and gas, arctic oil and gas with a sales threshold of >5%	Shares (fund), corporate bonds (fund)
Exposure to controversial weapons	Exclude	Involvement in manufacturers of controversial weapons	Shares (fund), corporate bonds (fund)
Violations of UN Global Compact, OECD Guidelines for Multinational Enterprises and UN Guiding Principles on Business and Human Rights	Exclude	Involvement in companies that systematically violate international norms	Shares (fund), corporate bonds (funds)

Countries with social rights violations in which investments are made	Exclude	Involvement in countries in which human rights violations, labour rights violations and corruption occur	Government bonds (fund)
---	---------	--	-------------------------

3. Environmental or social characteristics of the financial product – Article 27

The defined contribution scheme promotes the following environmental or social values:

- CO₂ reduction. The CO₂ footprint of the portfolio is compared against that of the benchmark. Additionally, the portfolio has the goal of reducing the CO₂ footprint: in 2030, this must be at least 50% lower than that of the 2020 benchmark. To achieve this, greenhouse gas emissions will first be reduced by 30% at once and then by an average of 7% annually until 2030. The long-term objective is to have a climate-neutral portfolio by 2050.
- Exclusion policy. The following investments are excluded:

Country exclusions (categories)	Enterprise exclusions (categories)*
Countries in which the ruling regime systematically commits gross violations of fundamental human rights (for a fundamental guideline, see the Dutch Sanctions Act (<i>Sanctiewet 1977</i>)).	Companies that manufacture controversial weapons
Countries violating the non-proliferation treaty (for a fundamental guideline, see the Dutch Sanctions Act (<i>Sanctiewet 1977</i>))	Companies that engage in conduct that systematically violates the norms set out in the UN Global Compact, the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights (including human rights, labour standards, environmental protection and anti-corruption)
Countries with poor performance in the areas of human rights, labour practices and corruption according to the Freedom in the World index, the ITUC Global Rights index and the Corruption Perception Index	Producers of tobacco products
	Enterprises that earn sales from extraction and/or electricity generation from fossil fuels, as described in the Achmea IM SRI policy
	Companies in which an excluded country holds a majority interest, as described in the Achmea IM SRI policy

* Companies that perform very poorly in the area of good governance are also excluded, as a legally required element of the classification under Article 8.

4. Investment strategy – Article 28

The defined contribution scheme maintains the following policy principles, which are the fundamentals of the investment strategy:

1. Taking investment risks increases the chances of attractive long-term returns.
2. The strategic allocation is most decisive for the end result.
3. We do not believe that active management contributes to a better pension result.
4. We do believe that factor investments can add value.
5. Diversification is needed to reduce the likelihood of a non-conforming pension result.
6. Dividend tax is a type of return.
7. Low costs mean more pension.
8. Derivatives are not optimal to cover the currency risk and inflation risk.
9. Derivatives can be an efficient way to cover interest rate risk.
10. Socially responsible investing is in line with a pension objective: sustainable sectors are growth sectors.

For more about the investment principles, see the page on our website: [The 10 investment principles \(centraalbeheerppi.nl\)](https://www.centraalbeheerppi.nl). This includes a consideration of the environmental and social characteristics (see above).

For the defined contribution scheme, CB PPI invests primarily in investment institutions. These investment institutions adhere to certain good governance criteria for the investments.

Enterprises that perform poorly in the area of good governance are excluded by default. This determination includes, at a minimum, a review against the legal requirements concerning:

- good management structures;
- employee relations;
- remuneration of relevant personnel;
- compliance with tax legislation.

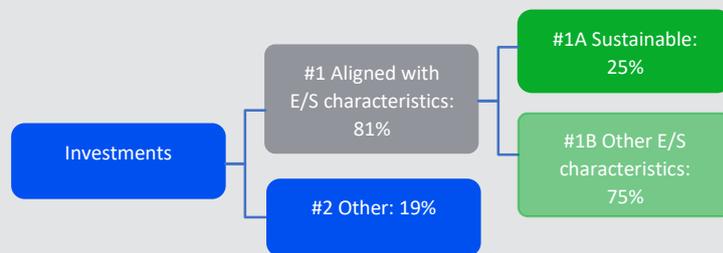
The investment institutions enforce a policy that requires the Achmea IM SRI policy to be applied both before and after the purchase of investments. The determination of whether an enterprise is performing well in the area of good governance is based on ESG data from third parties. If an enterprise in which CB PPI invests is no longer performing well after a certain point, that enterprise is then excluded in accordance with the standardised exclusion process.

5. Percentage of investments – Article 29

A minimum of 81% of the investments must belong to category #1 in line with E/S characteristics. A maximum of 19% of the investments must fall under category #2 Other.

#1 – 81% are investments in line with environmental or social (E/S) characteristics on the basis of application of exclusions and the CO₂ reduction strategy where relevant.

#2 - 19% under the category Other. Exclusion or ESG integration in accordance with CB PPI policy for the defined contribution scheme is not applied on all investments. These include, for example, listed property funds, cash and cash equivalents and derivatives.



#1 Aligned with E/S characteristics comprises the investments of the financial product used in order to fulfil the environmental or social characteristics that the financial product promotes.

#2 Other comprises the other investments of the financial product that are not aligned with the environmental or social characteristics and which do not qualify as sustainable investment.

The category **#1 Aligned with E/S characteristics** comprises:

- The sub-category **#1A Sustainable** comprises sustainable investments with environmental or social objectives.

- The sub-category **#1B Other E/S characteristics** comprises investments that are aligned with the environmental or social characteristics that do not qualify as sustainable investments.

6. Monitoring of environmental or social characteristics – Article 30

To determine whether the defined contribution scheme is in compliance with the environmental or social characteristics, the following sustainability indicators are considered:

- CO₂ footprint. The CO₂ footprint indicates the greenhouse gas emissions financed by the portfolio. To determine this CO₂ footprint, we first calculate the total emissions of greenhouse gases per year of every enterprise in the portfolio. This includes both the emissions caused by the company's own business activities (scope 1 according to the Greenhouse Gas Protocol) and those associated with the production of energy purchased by the company (scope 2 according to the Greenhouse Gas Protocol). That figure is then divided by the enterprise value including cash (EVIC). The result shows the greenhouse gas emissions of the company for every euro of financing. To then arrive at the CO₂ footprint of the entire portfolio, we calculate the weighted average of the CO₂ footprints of all enterprises invested in. Thus, companies in which a lot of funds are invested carry more weight in this calculation.
- Exclusion policy. This indicator is expressed by the percentage of excluded enterprises of the investment portfolio based on CB PPI's exclusion policy for the defined contribution scheme.

The environmental or social characteristics that are promoted by the defined contribution scheme quantified by means of sustainability indicators. These sustainability indicators are monitored over the lifetime of the defined contribution scheme and reported annually by the ESG services provider (hereinafter: Achmea IM). This is reported in Appendix 4 in the SFDR level 2 report. Quality standards and management measures in the form of a data provision contract with the data providers apply to this reporting process; this provides a guarantee of data and plausibility verification checks.

7. Methodologies – Article 31

The following methodologies are used to measure how the environmental or social characteristics are being achieved by the defined contribution scheme. The methodologies listed below are applied in the Achmea IM investment fund and the criteria can be found on the Achmea IM website:

<https://www.achmeainvestmentmanagement.nl/-/media/files/documenten-inst-en-part/uitgangpunten-voor-mvb.pdf>.

Exclusions

Controversial weapons

Every six months, the independent research agency ISS ESG determines what enterprises are involved in the production of controversial weapons. In making this determination the agency looks at the entire investment universe. Wherever the agency establishes such involvement, this results in exclusion.

Violators of norms

To gain insight into whether companies comply with international standards as expressed in the UN Global Compact, the OECD guidelines and the UN Guiding Principles on Business and Human Rights, Achmea IM, as the manager of the investment funds, screens the investments in the portfolio on a quarterly basis. The ESG service provider (Achmea IM) uses information from ISS ESG (an independent ESG data provider) to this end.

This means that the investment universe is checked for companies that violate human rights, labour standards, environmental standards and anti-corruption rules. The impact of the company's behaviour on society and/or the environment and the severity, scale, irreversibility and likelihood of the violation are taken into account in this regard.

The next step is to use engagement to prevent or mitigate the negative impact of companies or to allow remedial measures to be taken and/or compensation to be paid.

Achmea IM may proceed to exclusion if there is insufficient progress. For this, a company must have a verified violation by ISS ESG and have taken insufficient measures to resolve the violation.

If companies have taken sufficient measures, we will not immediately proceed to exclusion, but will put the company on a watchlist for more intensive monitoring. In addition, companies that have been put on the escalation list (including alleged violators) can be put on the exclusion list after having taken insufficient measures.

The progress and impact of the engagement policy is monitored on a semi-annual with an SRI report. Through this policy, we factor in any margins of error in the assessment process.

Based on the data from research agency ISS ESG, Achmea IM determines whether an enterprise has involvement in activities and/or events that violate international norms like the UN Global Compact, the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. ISS ESG considers the entire investment universe.

Where an enterprise is assessed as “Red”, meaning a violation is established, the ESG service provider makes a determination of whether this enterprise must be placed on the exclusion list or the watch list:

- The watch list is made up of enterprises that in the first two years of the assessment as Red took sufficient steps to remedy the violation. The degree of remedy and recovery and the course of the engagement is considered in the determination.
- If after two years there is no change in the Red assessment, the enterprise is placed on the exclusion list¹. Achmea IM evaluates all violations annually for the exclusion decisions on the basis of the recommendations and analyses of Achmea IM’s SRI team.
- The exclusion list is made up of enterprises that systematically violate international norms and have taken insufficient steps to remedy the violations. These enterprises are excluded upon the next update of the exclusion list after the violation is established by ISS ESG.

Achmea IM reviews the entire investment universe against this criterion each year.

Tobacco

Involvement of individual companies is established on the basis of sales generated from the production and distribution of tobacco products. These sales figures are obtained from the external independent data supplier ISS. A company is excluded if its tobacco-related turnover is >50% of sales. Twice per year all enterprises in the investment universe are reviewed against this criterion, and an enterprise can be excluded based on the result.

Fossil fuels

Based on MSCI ESG data, Achmea IM establishes whether based on sales figures enterprises have an exposure of more than 5% in thermal coal, tar sands, shale oil and gas, and Arctic oil and gas. Any enterprises that do are excluded. Twice per year all enterprises in the investment universe are reviewed against this criterion, and an enterprise can be excluded based on the result.

The coal policy is focused on the mining and use of thermal coal (including lignite, bitumen, anthracite and steam coals). Enterprises are excluded from investment if:

- a. The enterprise’s sales originating from coal-related activities exceed 5%. The extraction of thermal coal (including lignite, bitumen, anthracite and steam coals) and the sale of these coals to external parties are relevant in the determination of the coal-related sales. Revenues from trading in coals is not yet included in this calculation due to limitations in the data.
- b. The enterprise’s sales originating from electricity generation from thermal coal (including lignite, bitumen, anthracite and steam coals) exceeds 5%.

¹ There is an option to depart from the results of the assessment if deemed appropriate on the basis of Achmea IM’s qualitative assessment.

Country exclusions

Government bonds of states that systematically fail to comply with international conventions and treaties are excluded from investments. For the country policy, the following conventions and treaties are observed:

- The Universal Declaration of Human Rights (human rights)
- The Declaration on Fundamental Principles and Right at Work (labour standards)
- The United Nations Convention Against Corruption (anti-corruption)

Data sources

The research results from the indexes of the following institutions have been found relevant and usable for determining the degree to which the conventions and treaties are being complied with in the individual countries:

- a. Freedom House, with the Freedom in the World index on human rights.
- b. ITUC, with the ITUC Global Rights index on labour standards.
- c. Transparency International, with the Corruption Perception index in regard to anti-corruption.

Standard-setting

For the country policy, minimum standards are set on the performance against the indexes listed above. These standards are:

- a. The freedom rating on the Freedom in the World index must be lower than 7 (average of Political Rights and Civil Liberties).
- b. The ITUC rating on the ITUC Global Rights index must be 5+ (No guarantee of rights due to the breakdown of the law).
- c. The CPI score on the Corruption Perception index must be <19.

Implementation

If the country fails to meet the set standard on any of the three indexes, the country is subject to exclusion. For this determination Achmea IM determines the performance of the individual countries on the specified indexes at the end of each year.

If a country fails to meet one of these standards, it is added to or kept on the list of excluded countries. Positions in the country are then to be sold within a reasonable period of time. If a country subsequently manages to meet the standard it had previously failed to meet, it is removed from the list of excluded countries. Positions in that country can then be taken again.

State enterprises

Further to the country policy, CB PPI chooses not to invest in companies in those countries in which the excluded country holds a majority stake, as described in the Achmea IM SRI policy. Based on MSCI ESG data, Achmea IM determines the companies that an excluded country holds a stake of 50% or more. These companies are excluded. Achmea IM reviews the entire investment universe against this criterion every six months.

ESG integration

Incorporating ESG information into the investment process is also referred to as “ESG integration”. Incorporating ESG information is a structural part of this process. To do this Achmea IM uses MSCI ESG data. The ESG data has an effect on the composition of the portfolio.

We use the following measures of MSCI ESG data:

- CO₂ footprint (CO₂/EVIC). The CO₂ footprint indicates the greenhouse gas emissions financed by the portfolio. To determine this CO₂ footprint, we first calculate the total emissions of greenhouse gases per year of every enterprise in the portfolio. This includes both the emissions caused by the enterprise's own business activities (scope 1 according to the Greenhouse Gas Protocol) and those associated with the production of energy purchased by the company (scope 2 according to the Greenhouse Gas Protocol). That figure is then divided by the enterprise value including cash (EVIC). The result shows the greenhouse gas emissions of the company for every euro of financing. To then arrive at the CO₂ footprint of the entire portfolio, we calculate the weighted average of the CO₂ footprints of all enterprises invested in. Thus, companies in which a lot of funds are invested carry more weight. Enterprises for which the data is lacking are effectively assigned the average for the portfolio.
- ESG rating. This indicates how an enterprise scores on environmental, social and governance criteria.

Green bonds

As administrator of the investment funds, Achmea IM uses its own independent framework to establish that the revenues from green bonds are actually being used for green projects. This framework is structured along the lines of the international guidelines of the Green Bond Principles and the Climate Bonds taxonomy from the Climate Bonds Initiative. The Green Bond Principles relate to the process by which green bonds are brought to the market, and they comprise:

- Principles concerning the use of the capital raised.
- Principles concerning the process of project assessment and selection.
- Principles concerning the management of the capital raised.
- Principles concerning reporting.

In the assessment, Achmea IM devotes explicit attention to the degree to which a green bond fits into the general strategy of the issuing institution. The taxonomy of the Climate Bonds Initiative serves as the framework for the assessment of financed projects and is intended to contribute to the confidence that the projects financed with the revenues have a demonstrably positive effect on the environment or climate.

Sustainable investment objectives

As administrator of the investment fund, Achmea IM measures the sustainable investment objective of the investment fund (climate mitigation) against the degree of the EU Taxonomy Alignment. The degree of the EU Taxonomy Alignment is assessed by reviewing the publicly available information of the issuer (green bond framework, Second Party Opinion and/or impact rapport) against the EU Taxonomy Compass. In order to establish the degree of Taxonomy Alignment, the projects of the green bond must be reviewed against all four components of the EU Taxonomy, namely:



1. Contribution to environmental target
2. Substantial Contribution
3. Do No Significant Harm
4. Minimum standards

The degree of Taxonomy Alignment can be established for each underlying project of the green bond. If a green bond finances more than one project, then this can be established for a project that meets the Taxonomy Alignment without the other underlying projects of the green bond having to be in compliance with the above components. The methodology applies a strict policy to the fulfilment of these components, which means that only where there is sufficient certainty can the Taxonomy Alignment be established.

Avoidance of CO₂ emissions

For this sustainability indicator, Achmea IM as administrator of the investment fund uses an approach for the total CO₂ emissions avoided for the green bonds in which the investment fund invests via the Achmea IM Caballero Green Bond Fund. For this Achmea IM adds together all emissions avoided by the green bonds in the fund times the proportion of our holding in the bonds in question. The results are documented in Achmea IM's Green bond database in accordance with the current SRI documentation procedure for the purposes of green bond data. The report of CO₂ emissions avoided assumes CO₂/€mil as reported by the issuer of the green bond. This is based on either an annual average or the most recent year for which reporting is available. A standardisation method for correction has also been defined.

8. Data sources and data processing – Article 32

The Achmea IM Investment Funds in the defined contribution scheme use external data as input for our sustainable investment processes. Where possible, we prefer to rely on standardised data such as data from independent research agencies ISS ESG and MSCI ESG. Achmea IM investigates all potential data providers in advance in order to establish whether the data (i) is suitable for the purpose for which the data will be used, (ii) corresponds with the investment universe, and (iii) is of suitable quality.

The table below presents a list of the data sources used for each SRI instrument.

SRI instrument	Subject	Data source
Exclusions*	Controversial weapons	ISS ESG
	Violators of norms	ISS ESG
	Tobacco	ISS ESG
	Fossil fuels	MSCI ESG
	Country exclusions	Freedom in the World index from Freedom House, ITUC Global Rights index, Corruption Perception index from Transparency International
	State enterprises	MSCI ESG
ESG integration	CO ₂ reduction (CO ₂ /EVIC)	MSCI ESG/Factset**
	ESG rating	MSCI ESG
Target investments	Green bonds	Achmea IM assessment framework for green bonds

* Companies that perform very poorly in the area of good governance are also excluded, as a legally required element of the classification under Article 8. The data source for this is MSCI ESG.

** Achmea IM uses data from MSCI ESG for monitoring purposes. Asset managers who have been given the assignment to achieve CO₂ reductions in the portfolio can consult their own data sources.

Quality and processing of the data

The data from the selected external independent research agencies (data providers) are, in most cases, the primary guideline for the application of the exclusion policy and the ESG integration.

Achmea IM investigates the data quality of each data provider during the due diligence assessments in the selection process for each data provider. This comprises activities such as the assessment of the data model, statistical controls and evaluation of the data's coverage of the benchmarks and portfolios. Where relevant, the impact of various data sources on our investment decisions is reviewed ex ante. With these steps, Achmea IM strives to achieve a sufficient degree of confidence in the selected data and data providers.

Achmea IM performs random checks of the data on an ongoing basis. Any significant observations are discussed with the data provider in question. This can lead to ad hoc adjustments of external data or systemic modifications in the use of data. Any overwriting of data and/or use of alternative data must be substantiated and documented. Periodically, a more extensive evaluation of the selected data providers and selected data is conducted. This evaluation can lead to the termination of the partnership with a data provider or the selection of a different data provider.

Formal use of the selected data for specific investment decisions is approved by the Investment Committee and the Fund Management Committee of the ESG service provider, and in many cases also by the board of the ESG service provider. A number of specific exclusions is submitted to the Fund Management Committee of the ESG service provider in order to validate that the correct process was completed and the correct resolutions were taken regarding the exclusions.

Where possible, the data is automated in the Achmea IM administration system and imported via an API (a data link between the data provider and our systems) and, via the administration system, used for investment processes and reporting purposes. For some investment processes access to the data is via third-party platforms. The data for the exclusion processes is processed in a database and shared with the asset managers by automatically generated Excel templates.

The data sources used to promote environmental or social characteristics are generally (with the exception of CO₂ data) qualitative in nature. Achmea IM categorizes, organises and labels available data sources, and converts them into numerical values for the purposes of descriptive analyses and evaluation results. This means that largely, this data is modelled. Achmea IM does not itself make estimates in the data, but purchases data. If no data is available, there is no ground for action.

The degree to which reported CO₂ data is available, and the scope of the CO₂ data (in terms of scopes as defined in the GHG Protocol) differs for each investment category. For shares in developed markets, the percentage of enterprises that publish both scope 1 and scope 2 CO₂ data and for which this data meets the quality requirements under the Carbon Disclosure Protocol is relatively high. When scope 3 data is added, then the percentage of enterprises that reports on all 15 scope 3 subcategories is low. This is the result of the lack of available scope 3 data. As soon as enterprises begin reporting their scope 3 emissions, this data becomes available via the ESG data provider. CO₂ data availability and quality is markedly lower for other investment categories and regions.

9. Methodological and data limitations – Article 33

There are a few limitations in the methodology and data used. The most significant can be described as follows:

Limitations on the data for exclusions relating to tobacco products and controversial weapons

For the product-based exclusions, Achmea IM relies on the external determination of the selected data provider. In drafting its assessment in regard to an enterprise, the data provider uses both sources originating from the enterprise in question and sources from publicly available documents. These may originate from social organisations, academic or scientific publications, sector organisations, inter-governmental organisations, local/regional authorities, etc. On the basis of the available sources, the external data provider makes an informed estimate of whether and to what degree an enterprise is involved in a product for which an exclusion applies.

Limitations on the data for exclusions relating to violations of norms

For the conclusions based on violations of norms, Achmea IM relies on the external determination of the selected data provider. There are, however, no sharply defined criteria that determine whether specific conduct is in fact a violation of a norm. This remains a qualitative, value-based assessment. Conduct observed that appears to be in conflict with our framework of norms and values must be properly documented and assessed in a valid and explicit manner. This is the only way to ensure that Achmea IM evaluates all violations in the same manner. A given case is discussed within the Achmea IM Fund Management Committee on the basis of the file compiled by the external services provider before a decision for exclusion is made.

Limitations on CO₂ data

An effective CO₂ footprint measurement requires a detailed understanding of the greenhouse gas emissions from the investments in the portfolio. We assess the data quality of the CO₂ data as high for the investments in both developed and developing markets on the basis of the Platform for Carbon Accounting Financials (PCAF) score table. For all positions, the outstanding amount in the company is known. Verified emissions data from the company's own activities (scope 1) and electricity consumption (scope 2) are also known for the majority of the portfolio; these are derived using the framework of the Greenhouse Gas (GHG) protocol. Where emissions data is not directly available, it is modelled by the ESG data provider using a number of different methods.

Another limitation in the use of the scope 1 and scope 2 CO₂ data is the delay with which the reported CO₂ data becomes available to investors. This means that a CO₂ footprint is by definition a “look back”.

For the time being, most companies focus on measuring the emissions from their own activities and electricity consumption using the scope 1 and scope 2 framework of the GHG protocol. The assessment of greenhouse gas emissions in the entire value chain is a complex matter. The number of enterprises that are truly offering transparency on greenhouse gas emissions for each

of the 15 categories of scope 3 emissions (including, but not limited to: purchased goods and services, transport and distribution, and use of sold products) is very limited. Multiple studies have demonstrated that the methods for modelling scope 3 emissions currently in use still have significant shortcomings. For this reason, we do not currently use scope 3 data for our investment decisions.

The expansion of the scope of CO₂ footprint measurements into developing markets and less liquid asset classes leads to a lower availability of verified emissions and less precise emissions modelling. All this ultimately leads to generally lower data quality across the entire portfolio. For this reason we are, for now, not using this data.

Limitations to ESG ratings

The most important limitation is that ESG ratings are inherently subjective and are therefore determined in part through a qualitative value judgement by a data provider. No ESG materiality matrices exist on which a market-wide consensus has been reached. The ESG rating is therefore highly dependent on the relative importance a data provider attaches to different attributes – one data provider may, for example, value greenhouse gas emissions over employment practices while another data provider may not – which leads to subjectivity in the ESG rating. In addition, inconsistencies in the underlying raw data from the companies may lead to an inability to compare the companies on the same basis. This may result in different assessments for equal companies in a sector.

Additional shortcomings are a lack of coverage of a specific sector or type of entity, especially in specific fixed-interest value portfolios, insufficiently detailed data and a lack of transparency with regard to the methods that have been used for the specific elements of the ESG rating. Both with regard to the due diligence process for data providers and with regard to the choice of whether or not to base the investment decisions on these ESG ratings, the ESG service provider takes into account these limitations.



10. Due diligence – Article 34

The investments in the Achmea IM investment funds go through a periodic due diligence cycle to identify the actual and potential negative impact of the investments on sustainability factors, this in order to prevent and reduce such impact and to facilitate accounting on how CB PPI is handling the risks identified for the defined contribution scheme. This due diligence is intended to identify, prioritise and analyse the principal adverse impacts of investment decisions on sustainability factors. The various steps of the due diligence process are explained in more detail in the PAI statement. This information follows the model of the terminology of the International Socially Responsible Investment for Pensions Funds Covenant.



11. Engagement policy – Article 35

The administrator of the investment funds (Achmea IM) enters into discussions with enterprises in which CB PPI invests for the defined contribution scheme (engagement). In addition, the administrators of the investment funds make active use of shareholder rights (voting) to promote long-term value creation at the enterprises invested in. This includes attention to the strategy, sustainability and corporate governance of the enterprises.



12. Designated reference benchmark – Article 36

There is no all-encompassing reference benchmark at the level of the defined contribution scheme for determining whether it is aligned with the environmental and/or social characteristics promoted. Consequently, this heading does not apply.