de volksbank

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1. Introduction

Being a financial institution, we aim to contribute to the preservation and strengthening of biodiversity. Our goal is for all our loans and investments to have a net positive impact on biodiversity by 2030. This policy paper explains how we apply our sustainability criteria when it comes to biodiversity.

Biodiversity is one of the three pillars of our sustainability policy. The other pillars are climate and human rights. Before investing in a company or project, we first ascertain whether it is taking measures to limit global warming and reduce biodiversity loss, and we assess whether it respects labour rights and human rights.

Description and importance of biodiversity

What do we mean by 'biodiversity'?
We apply the definition of the 1992 Convention on Biological Diversity (CBD)[1] when defining 'biological diversity', or 'biodiversity'. The CBD describes biodiversity as:

"*The variability among living organisms from all sources including, inter alia, terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are part; this includes diversity within species, between species and of ecosystems.*"

Through ecosystems,[2] biodiversity provides products and services that are essential for humankind. It literally forms the foundation of our society and economy. These ecosystem services are divided into various categories and have economic, social and cultural values; see Figure 1.

Provisioning services include the supply of food, water and materials (including genetic materials) for medicine development. Regulating services provide, for example, clean air, clean water (such as drinking water) and pollination of crops and prevent erosion. Supporting services such as photosynthesis and the nutrient cycle support all other ecosystem services. Finally, biodiversity provides cultural services, such as recreation and ecotourism. These also include the aesthetic or religious value of nature for the indigenous people of a specific area, for instance.

The ecosystems that provide these services keep a fragile balance between the various animal, plant and micro-organisms. This balance is severely under pressure from increasing population growth and the corresponding consumption of raw materials. Research by the Stockholm Resilience Centre[3] has shown that some planetary boundaries have already been crossed.

[1] Convention on Biological Diversity, *UN Earth Summit Report*, 1992.
[2] An ecosystem is a dynamic complex of plant, animal, and micro-organism communities and the non-living environment, interacting as a functional unit. This definition has been taken from the Millennium Ecosystem Assessment (2005).
[3] https://www.stockholmresilience.org/

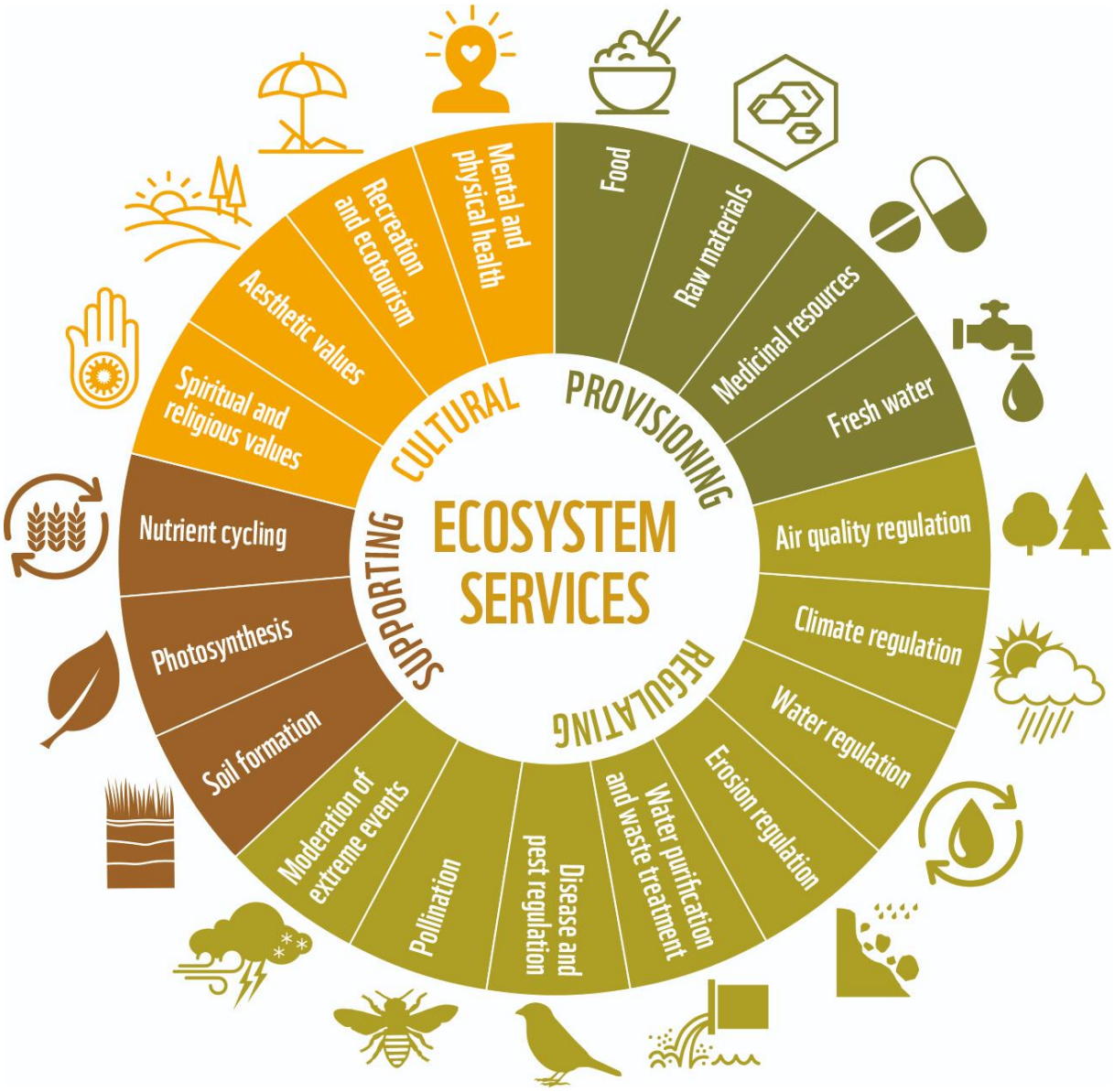

Figure 1: Ecosystem services are divided into various categories and may have economic, social or cultural values.

Six of the nine planetary boundaries have now been crossed – these are biodiversity loss, climate change, nitrogen and phosphorus cycles, land use and recently also pollution[4] and the freshwater supply for plants[5]. Crossing the planetary boundary of biodiversity jeopardises the well-being of people, animals and plants.

If we cross this boundary too far, abrupt and even irreversible changes may occur that will put pressure on the quality of life on our planet. Ecosystems and the corresponding ecosystem services could disappear or their availability could be greatly reduced. These unexpected changes

[4] Outside the Safe Operating Space of the Planetary Boundary for Novel Entities
Linn Persson, Bethanie M. Carney Almroth, Christopher D. Collins, Sarah Cornell, Cynthia A. de Wit, Miriam L. Diamond, Peter Fantke, Martin Hassellöv, Matthew MacLeod, Morten W. Ryberg, Peter Søgaard Jørgensen, Patricia Villarrubia-Gómez, Zhanyun Wang, and Michael Zwicky Hauschild. Environmental Science & Technology 2022 56 (3), 1510-1521. DOI: 10.1021/acs.est.1c04158

[5] Wang-Erlandsson, L., Tobian, A., van der Ent, R.J. et al. A planetary boundary for green water. Nat Rev Earth Environ 3, 380–392 (2022). https://doi.org/10.1038/s43017-022-00287-8

are also referred to as 'tipping points'. Once we have passed a tipping point, it is virtually impossible to return to the former balanced situation. We are in dangerous territory dominated by uncertainties.

Recent publications have shown that biodiversity is under severe pressure and is rapidly declining. This is also known as the 'sixth mass extinction'. According to the 2022 Living Planet Report (LPR) of the World Wildlife Fund (WWF), the populations of wildlife – mammals, birds, amphibians, reptiles and fish – have declined by an average of 69% since 1970.[6]

The importance of biodiversity for the financial sector

Nature also has a financial value, with the loss of biodiversity having far-reaching economic consequences. The World Wildlife Fund has estimated that global economic activities depending on ecosystem services total 125 trillion dollars annually.[7] Biodiversity loss also puts the financial sector at great risk, as is apparent from a research report of the Dutch Central Bank (De Nederlandsche Bank; DNB) and the PBL Netherlands Environmental Assessment Agency (Planbureau voor de Leefomgeving; PBL) published in 2020. The report, "Indebted to nature"[8], concludes that it is highly important for the financial sector to identify and properly control the potential financial risks resulting from biodiversity loss.

The loss of biodiversity is threatening the availability of ecosystem services, such as timber production, pollination, water and air purification, and soil fertility. Many of our economic activities depend on this. Dutch financial institutions, such as insurers, banks and pension funds, have globally invested 510 billion euros in loans with a high or very high dependency on these ecosystem services.

2019 IPBES report

Another important report is the IPBES report,[9] which was published in 2019 as the first report since 2005 to analyse the status of biodiversity at a global level. The Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) is the main independent body of the United Nations on the topic of biodiversity.[10]

The 2019 IPBES report on biodiversity is very important because it outlines the causes, risks – i.e. risks that directly affect our food supply, water regulation, erosion and climate adaptation – and possible solutions. The effects will be even more severe for the most vulnerable people and future generations. Over 1.5 billion people – including 350 million indigenous people – depend on nature for their basic needs, such as food, energy and water.[11] The conclusions and predictions of IPBES and the Stockholm Resilience Centre reveal that we are on our way towards an uninhabitable planet if we fail to address the causes of biodiversity loss.

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[6] WWF (2022) Living Planet Report 2022 – Building a nature-positive society. Almond, R.E.A., Grooten, M., Juffe Bignoli, D. & Petersen, T. (Eds). WWF, Gland, Switzerland.

[7] WWF. 2018. Living Planet Report - 2018: Aiming Higher. Grooten, M. and Almond, R.E.A. (Eds). WWF, Gland, Switzerland.

[8] Indebted to nature: Exploring biodiversity risks for the Dutch financial sector. Joris van Toor, Danijela Piljic, Guan Schellekens – DNB; Mark van Oorschot, Marcel Kok – PBL. June 2020.

[9] IPBES (2019): Summary for policymakers of the global assessment report on biodiversity and ecosystem services of the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services. IPBES secretariat, Bonn, Germany.

[10] The Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) is an independent body of various governments. Established in 2012 by more than 130 different countries and a number of UN organisations, IPBES aims to bring scientific knowledge about the state of nature and policymakers closer together, thereby contributing to the protection and sustainable use of biodiversity and ecosystems. https://ipbes.net/

[11] IPBES (2019): Summary for policymakers of the global assessment report on biodiversity and ecosystem services of the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services.

IPBES believes a system change is needed to end the biodiversity crisis, which means that our political, economic, social and technological systems require a complete overhaul. If we do not make these changes, the quality of life on our planet will come under pressure and there will be no rich biodiversity for future generations. We must take action now if we are to prevent this.

UN Biodiversity Conference: COP 15 in Montreal

Fortunately, there is positive news to share, too. At the UN Biodiversity Conference in Montreal (2022), the 195 participating countries concluded a historic agreement to halt the loss of biodiversity and to start restoring biodiversity instead. The UN Global Biodiversity Framework lays down four goals for 2050 and 23 targets for 2030. By 2030, the downward trend is to have stopped and 30 percent of the land surface and 30 percent of the seas are to have a protected status. The global target of 30x30 is regarded as the equivalent of the 1.5 degrees mentioned in the Paris Agreement.

It was also decided that countries are to ensure that large companies and financial institutions will identify and report on their impact and dependencies on biodiversity and the risks of biodiversity loss in their own business operations, their value chains and their portfolios.

Long-term goal for 2030

Biodiversity is the foundation of everything that keeps us and our society alive. As biological diversity is rapidly declining and as this development will have a major impact on people globally, we are committed to preserving, protecting and restoring biodiversity.

We have set ourselves a long-term biodiversity goal for all our investments. Our goal is to prevent further biodiversity loss and contribute to a net biodiversity gain, which ensures that we actively contribute to strengthening nature in the Netherlands and elsewhere. We have committed ourselves to this by phrasing the following target: our total investments and loans are to have a net positive impact on biodiversity by 2030. This means that, overall, we improve biodiversity more than we put pressure on it.

We aim to achieve this in five ways:

- **Developing and sharing an open-source methodology for calculating impacts**: we have developed the Biodiversity Footprint for Financial Institutions (BFFI) method in collaboration with PRé and Crem. We use it to calculate our ecological footprint and to monitor the progress we are making.[12] This open-source methodology has been further developed in the past few years and the quality of data is also continuously improved. By publishing our ecological footprint and sharing the open-source methodology, we help financial institutions gain a better understanding and become more aware of their impact on biodiversity, allowing them to make better choices that enhance biodiversity.

- **Reducing biodiversity loss**: we aim to reduce the biodiversity loss associated with our loans and investments to the greatest extent possible. Chapter 2 explains how we intend to do this. Since 2015, we have been measuring the impact our investments are expected to have on biodiversity. This helps us understand at the portfolio level where the largest negative impact on biodiversity is found and where we can work towards a positive impact on biodiversity.

[12] Please refer to BFFI for more background information about this methodology: https://www.asnbank.nl/web/file?uuid=14df8298-6eed-454b-b37f-b7741538e492&owner=6916ad14-918d-4ea8-80ac-f71f0ff1928e&contentid=2453.

- **Increasing biodiversity gains**: we work towards increasing biodiversity gains in several ways. In 2021, ASN Impact Investors created ASN Biodiversiteitsfonds with the aim of investing in activities that contribute to biodiversity protection, carrying capacity and restoration. The fund invests in four themes: sustainable forestry, agroforestry and regenerative agriculture, sustainable use of the seas and sustainable fisheries, and ecotourism.

- **Developing a global biodiversity standard**: we seek to encourage sustainable progress by investing in a sustainable future ourselves as well as by inspiring and energising other financial institutions. We aim to make a greater positive impact by collaborating with other parties. An important challenge and condition for actually making this positive impact is standardising the biodiversity impact measurement and data. Against this backdrop, in 2020 we set up the Partnership for Biodiversity Accounting Financials (PBAF)[13] in concert with five other financial institutions. Together with this group of presently more than 50 financial institutions, we are developing a global standard for measuring the impact the financial sector has on biodiversity.

- **Support and collaboration**: we collaborate with nature organisations, water companies and other civil society organisations that develop biodiversity projects. We actively participate in the Dutch Central Bank's Biodiversity Working Group and are one of the initiators of this platform. We also actively take part in many financial-sector initiatives, such as the Taskforce on Nature-related Financial Disclosures (TNFD).

2. Basic principles underlying the policy

The purpose of our investment activities is to contribute to the preservation, protection and, where possible, strengthening of the existing biodiversity. That is why our definitions and objectives and the basic principles underlying our sustainability criteria are based on various international biodiversity conventions and agreements.

For example, we endorse the objective of the Convention on Biological Diversity (CBD), which was signed by most UN countries in 1992. The goals of the CBD are the conservation of biological diversity, the sustainable use of biodiversity and the fair and equitable sharing between countries of the costs and benefits arising from biodiversity. We also endorse the UN COP 15 agreement, which was recently concluded in Montreal and lays down four goals for 2050 and 23 targets for 2030 as part of the Global Biodiversity Framework that has been set up. By 2030, the downward trend is to have stopped and 30 percent of the land surface and 30 percent of the seas are to have a protected status.

Our investments are in line with the standards drawn up by the International Finance Corporation.[14]

They provide the preferred order to be applied when offsetting adverse impacts:

1. Avoiding adverse impacts (prevention);
2. Reducing the adverse impacts;
3. Repairing the damage that has occurred;

[13] https://www.asnbank.nl/nieuws-pers/kennisplatform-onderzoekt-positieve-impact-biodiversiteit-investeringen.html
[14] https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/policies-standards/performance-standards/ps6

4. Offsetting the remaining damage.

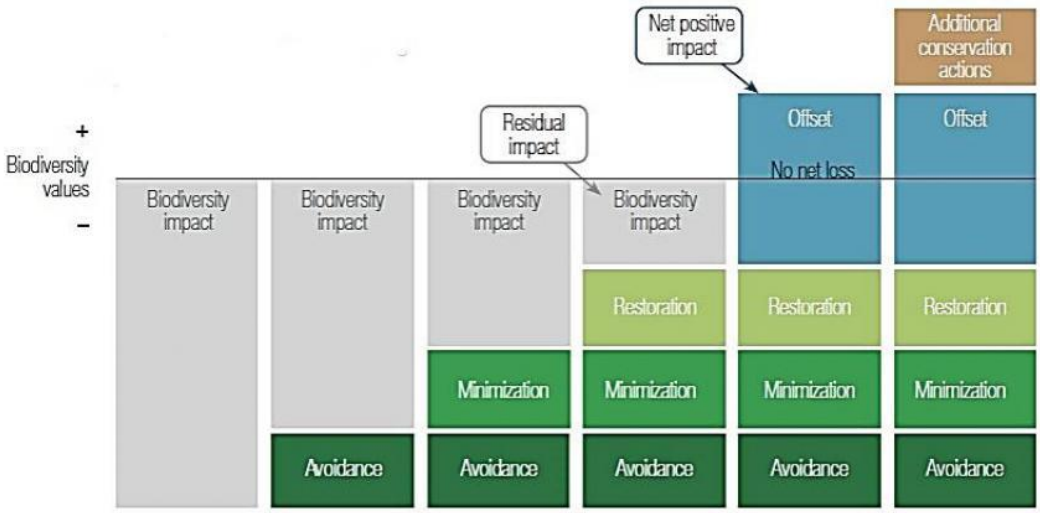

*Image adapted from: UN Global Compact and IUCN 2012 Publication: A Framework for Corporate Action on Biodiversity and Ecosystem Services (pg 14). http://www.unglobalcompact.org/docs/issues_doc/Environment/BES_Framework.pdf

Our principles are based on the Millennium Ecosystem Assessment[15] (2005) and the later 2019 IPBES Global Assessment Report. Both reports conclude that humankind is responsible for the large-scale loss of nature and biodiversity, which results from the continuous growth in the world's population and the corresponding increase in the use of raw materials, energy, water and land.

Are we all equally responsible for the biodiversity loss? No, we are not. It is mostly the Western countries that, for decades, have focused on economic growth in a system of economic globalism and a 'linear economy' of 'take, make and waste'.

We have listed the main threats leading to the loss of nature and biodiversity[16] below:

- Land use change and degradation of nature
- Overexploitation
- Climate change
- Invasive and alien species
- Pollution

Scientists believe that the collective impact of all people is so substantial that we are affecting the functioning of the global ecosystem and have entered a new epoch: the Anthropocene, i.e. the era of humankind.[17,18]

[15] https://www.millenniumassessment.org/en/index.html
[16] IPBES (2019): Summary for policymakers of the global assessment report on biodiversity and ecosystem services of the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services.
[17] WWF. 2018. Living Planet Report - 2018: Aiming Higher. Grooten, M. and Almond, R.E.A. (Eds). WWF, Gland, Switzerland.
[18] Waters, C.N. et al. The Anthropocene is functionally and stratigraphically distinct from the Holocene. Science 351 (2016).

3. Biodiversity selection criteria for companies and projects

3.1 CONDITIONS FOR A POSITIVE ASSESSMENT

Companies, institutions or projects may have a positive or negative impact on biodiversity. Companies that recycle valuable raw materials, purify water or generate solar energy while respecting flora and fauna have a positive impact. We expect companies with a negative impact to show a sense of responsibility for their impact – not just because they have a major impact on ecosystems, but also because their business operations largely depend on the ecosystem services outlined in the introduction.

We expect companies, institutions and projects to comply with our biodiversity policy and to be free from misconduct. We believe it is important for them to have phrased a biodiversity policy, to have implemented this policy and to monitor it. Moreover, we believe it is appropriate for them to report on this in line with the Global Reporting Initiative (GRI) standards on biodiversity, for example.

3.2 BIODIVERSITY AND THE SELECTION OF PROJECTS AND COMPANIES

In addition to the criteria mentioned in this policy paper, for project loans we also adhere to the Equator Principles. Providing a framework for determining, assessing and managing environmental risks and social risks associated with project loans, the Equator Principles require projects to meet IFC Performance Standard 6 for biodiversity: Biodiversity Conservation and Sustainable Natural Resource Management. Our aim is not only to prevent project loans from becoming directly involved in activities that threaten biodiversity, but also to prevent them from becoming indirectly involved in investments in such activities. Finally, we analyse whether our investments and project loans comply with local biodiversity laws and regulations, such as the EU Habitats and Birds Directives.

Seeking to achieve our biodiversity goals, we have developed criteria that indicate when specific activities qualify for investment or a loan. The aim here is to minimise the adverse impacts on biodiversity or to prevent them altogether. The five threats to biodiversity guide us in this respect. We exclude unsustainable companies, institutions and projects.

The five threats to biodiversity are explained below, followed by our policy and the corresponding criteria. The details of the selection criteria can be found in our **Sustainability Criteria Guide**.

Land use change

Explanation	Land use change causes the natural habitats of species to become smaller or to be lost entirely, potentially leading to the disappearance of populations and species or their reduction in size and to decreasing genetic diversity within a population. Increasing demand for agricultural land in particular is causing a large-scale loss of biodiversity, for example due to deforestation that takes place to create agricultural land.
Relevant sectors	• Agriculture, especially the cultivation of crops such as soy, palm oil, coffee, cocoa, tea and sugar cane • Foodstuffs industry • Livestock farming and fish farming • Forestry, the paper and packaging industries, large-scale paper consumers • Biofuels sector
Our policy	We expect companies to prevent land use change and to use existing agricultural land to the greatest extent possible. We also expect them to demonstrably apply a circular and sustainable approach. Agricultural crop suppliers must meet internationally recognised standards.
Activities to be excluded	• The production of first-generation biofuels[19] • Activities that negatively impact protected or recognised nature conservation areas • The felling of old-growth forests, tropical rainforests, forests with a high carbon content (High Carbon Stocks; HCS) and mangrove forests • Land use changes that have an adverse impact on Red List species.[20] These are not necessarily nature conservation areas, but areas on which Red List species depend. • Wetland reclamation • Peat extraction • Activities in High Conservation Value Areas (HCVAs). In addition to areas protected by law, these are areas having a high biodiversity value that are not protected, or not yet protected.
Our criteria	We expect: • purchasers of agricultural products, such as soy, palm oil, coffee, sugar cane, cotton, tea or cocoa, to have endorsed relevant and internationally recognised standards; • companies to avoid the use of illegally logged or traded **timber**. If a company is active in countries that are not rich OECD countries, we expect the activities to be at least two thirds FSC certified. If the company operates in rich OECD countries, it is sufficient for two thirds of the activities to be PEFC certified.[21] The company must also aim to be fully certified; • the company or institution to adhere to the IUCN Guidelines for Applying Protected Area Management Categories (**ecosystems**). The company or institution does not develop activities classified in categories I-IV of the IUCN, the UNESCO World Heritage Convention or the Ramsar Convention on Wetlands. The company or institution restores the original ecosystem after terminating its activities on site.

[19] First-generation biofuels are extracted from edible crops. We do not want biofuels to compete with the food supply.
[20] IUCN Red List (January 2010), www.iucnredlist.org.
[21] The Forest Management Standard of the Sustainable Forest Initiative (SFI), the North American PEFC member, also meets our criteria. The SFI applies specifically to North America. It is sufficient for a company to be two thirds certified according to the SFI.

Climate change

Explanation	Climate change poses an increasing threat to biodiversity. Greenhouse gas emissions, which are the result of human activity, are warming up the Earth. Climate change is threatening species and ecosystems. Ecosystems are changing as they get drier, wetter or warmer. Many plant and animal species are unable to adapt to climate changes in time. Climate change may also destroy ecosystem functions. For example, there is a high risk of the large-scale disappearance of corals as the amount of CO_2 in the atmosphere increases, since this acidifies the oceans.
Relevant sectors	• Forestry companies, paper factories, large-scale paper consumers (publishers) • Agricultural companies • Energy-intensive industries and the fossil energy sector • Chemical and metal industries
Our policy	Climate change has far-reaching consequences for the lives of people all over the world and these consequences are becoming more and more serious. That is why we do not invest in the fossil energy sector and why we avoid investments in activities that contribute substantially to greenhouse gas emissions.
Activities to be excluded	• The exploration, production and refining of fossil resources. Fossil resources are all raw materials with a fossil origin, i.e. lignite, coal, natural gas, shale gas, tar sand and oil • The industrial production of electricity using fossil resources • Companies that, as suppliers, are strongly intertwined with operation, production and refining in the fossil resources industry and whose turnover is generated by these activities for more than five percent • Products that require large amounts of fossil energy in the use phase, such as road and air transport powered by combustion engines • Companies that operate in petrochemistry based on primary fossil resources. These are companies that convert petroleum into bulk material for the chemical industry, such as ethylene and polymers • Cement production • Deforestation
Our criteria	The Climate issue is one of our three pillars. The sustainability criteria for the Climate issue can be found in our **Climate Policy Paper**.

Introduction of invasive alien species

Explanation	The introduction of invasive alien species is often overlooked as a cause of the disappearance of native species. The addition of 'invasive' is important, as not all alien species are a threat to native species. The introduction of a single invasive alien species could threaten the continued existence of local species, as everything is connected in an ecosystem. An invasive alien species could disrupt the balance, thereby threatening the continued existence of local species. Invasive alien species could take over the new area. Invasive alien species played a role in at least half of the cases where species were lost in the past few centuries.
Relevant sectors	• International transport companies (aviation and shipping) • Tourism • Garden centres, zoos and pet shops • Agriculture and horticulture • Fisheries
Our policy and criteria	We expect companies that are at risk of introducing invasive species to have a policy to prevent this.

Overexploitation

Explanation	If resources are used in a manner that is not sustainable, this is overexploitation. Overexploitation of ecosystems has contributed significantly to the extinction of hundreds of species and to endangering many more species. There are plenty of examples, including small animals such as insects, as well as large animals such as whales. But this is not just about animals. Numerous plants and fungi are becoming increasingly rare or are on the brink of extinction. Most of the extinctions in the past few centuries were the result of overexploitation due to hunting, fisheries, agriculture and deforestation. This could have major consequences for the rest of an ecosystem.
Relevant sectors	• Agriculture, forestry, fisheries • Biofuels sector • Textile production • Luxury goods • Tourism • Foodstuffs industry
Our policy	We expect companies to handle natural resources in a sustainable manner and to prevent overexploitation.
Activities to be excluded	• The trade in, or the hunting of, endangered animal species (like whales) on the Red List • Unsustainable agriculture, forestry, fisheries
Our criteria	We expect: • companies to refrain from using Red List species. This does not include institutions that make specific efforts to protect endangered animal species through breeding programmes, for example. The company must comply with CITES.[22] The IUCN is responsible for identifying Red List species,[23] with each country having its own Red List specifying which animal and plant species are endangered; • companies active in forestry or agriculture to use recognised quality labels such as FSC (Forest Stewardship Council) for timber and MSC (Marine Stewardship Council) for fish, or a comparable method; • companies producing agricultural commodities with a large ecological impact to have joined recognised quality labels such as the Rainforest Alliance for coffee, tea and cocoa, RTRS for soy and RSPO for palm oil.

[22] 'CITES' stands for 'Convention on International Trade in Endangered Species of Wild Fauna and Flora'. The CITES Convention contains rules on the protection of endangered plants and animals.

[23] https://www.iucnredlist.org/

Pollution

Explanation	Involving such substances as organic or chemical substances, pollution poses a threat to many species and ecosystems. Especially organisms at the top of the pyramid – such as humans – run the risk of accumulating excessive concentrations of toxic substances in their bodies. This is caused partly by the discharge of large volumes of waste water, which may result in life disappearing from rivers, lakes and coastal waters entirely.
Relevant sectors	• Agriculture, forestry, fisheries • Genetic engineering companies • Chemicals • Foodstuffs industry • Mining, oil and gas extraction • Metalworking • Electronics • Waste processing • Textile production • Pharmaceutical industry
Our policy	We expect companies to refrain from genetic pollution, from introducing into the environment substances that have not been shown to be safe, and from developing activities during which substances are discharged into ecosystems in quantities that are so large that these are processed insufficiently, if at all.
Activities to be excluded	Activities that may result in 'genetic pollution', such as genetic engineering, in which genes end up in species where they are not found naturally. The company does not apply genetic engineering to animals or plants for non-medical purposes. Activities during which substances that have not been shown to be safe are discharged into the environment. Activities during which substances (such as fertilisers) are discharged into ecosystems in quantities that are so large that these are processed insufficiently, if at all.
Our criteria	We expect companies: • working with GMOs[24] (genetic modification) to comply with the applicable laws and regulations and, consequently, with the Cartagena Protocol;[25] • not to discharge unpurified substances into the air, water or soil; • not to export crop protection agents and to adhere to the Rotterdam Convention;[26] • to adhere to the Basel Convention[27] for chemical waste; • to adhere to the Stockholm Convention[28] for persistent organic pollutants (POPs); • to adhere to the Montreal Protocol[29] for ozone-depleting substances; • to apply the guidelines of, and participate in, REACH[30] (applicable in the EU) and GHS[31] for chemical substances.

[24] See also our Consumer Protection policy paper, which addresses genetic modification in more detail.
[25] The Cartagena Protocol is an international agreement on biosafety that aims to protect biodiversity from potential risks that genetically modified organisms may carry. The Netherlands has ratified this Protocol.
[26] The Rotterdam Convention is a treaty on mutual responsibilities in the international trade in hazardous substances and pesticides.
[27] The Basel Convention is a treaty on the control and disposal of hazardous wastes.
[28] The Stockholm Convention limits the production and use of persistent organic pollutants (POPs). These are toxic substances that are resistant to degradation.
[29] The Montreal Protocol contains arrangements on protecting the ozone layer, for example by phasing out the use of hydrochlorofluorocarbons (HCFCs).
[30] REACH provides rules for the registration, evaluation, authorisation and restriction of chemicals.
[31] The purpose of the Globally Harmonised System of Classification and Labelling of Chemicals (GHS) is to arrive at a single global, harmonised system for the hazard classification of substances (including symbols to be placed on labels).

4. Application of the biodiversity policy

The purpose of our sustainability policy covering biodiversity is to invest in companies, institutions and projects that contribute to biodiversity protection or enhancement, or that take effective measures to avoid or minimise threats.

4.1 BIODIVERSITY AND ENGAGEMENT WITH COMPANIES

Engagement is one of the ways in which we put sustainable banking into practice. Engagement means starting a dialogue with a company or institution with the aim of making the company more aware of sustainability and improving its sustainability performance. We engage with a company about biodiversity whenever misconduct has been found that prevents the company from meeting our sustainability criteria. This may ultimately lead us to sell the relevant investment.

4.2 BIODIVERSITY AND VOTING AT SHAREHOLDERS' MEETINGS

We are able to exercise our voting rights at shareholders' meetings. Our voting policy is closely intertwined with our sustainability policy and focuses on the topics of human rights, climate and biodiversity. If investments and measures for reducing water consumption or strengthening or restoring biodiversity are put to the vote, we will vote in favour of the motion. The ASN Investment Funds Prospectus contains the full voting policy.

5. Our own business operations and management

We have also tailored our biodiversity policy to our own business operations.

When managing our biodiversity impact, we focus on the climate, circularity in fitting out our office building and paper consumption, as these are the most material aspects of our office organisation.

We make a sustainable contribution in these areas:

- reduction in actual CO_2 emissions per FTE;
- full use of green electricity;
- full offsetting of all CO_2 emissions;
- a lease scheme aimed at reducing greenhouse gas emissions;
- organic catering (as part of our sustainable procurement policy);
- waste reduction, with the primary focus on reducing the use of plastics and separating waste flows;
- reuse, refurbishment or circular procurement of office furniture as far as possible.

6. Appendices

We have defined specific selection criteria for a number of issues that are the subject of public debate on account of the social and ecological problems associated with them. We have also developed a vision and policy for these issues.

Palm oil

Introduction
Palm oil is a vegetable oil extracted from the fruit of oil palms. Originating from West and Southwest Africa, oil palms grow best in countries around the equator because of the high humidity and tropical temperatures. Malaysia, Indonesia, Thailand, Columbia and Nigeria are the main producers. Palm oil is found in approximately half of the products we consume every day; it is found in food products like biscuits, peanut butter and margarine and in personal hygiene products like soap and cosmetics.[32]

Problems
Although there is nothing wrong with palm oil in itself, the method and scale of palm oil production leave a lot to be desired.

- Scale: the palm oil sector is highly industrialised, with international companies owning gigantic plantations to produce palm oil for the global market. The Netherlands is the largest importer and exporter of palm oil of all EU countries.[33]
- Deforestation: tropical rainforests are being logged for the establishment of large palm oil plantations.[34]
- Wildfires: old-growth forests and peat bogs are being burnt on a large scale to make way for palm oil plantations, which causes serious health problems in the region and contributes to climate change.[35]
- Biodiversity: unique plant and animal species are threatened with extinction due to deforestation and wildfires.[36] Moreover, palm oil plantations are mostly monocultures that pose a threat to biodiversity because of the large-scale use of fertilisers and pesticides.[37]
- Expropriation of land: palm oil companies drive the local population from their land by means of legal ploys, harassment or violence, thereby depriving the original population not only of their land but in many cases also of their income.[38]
- Human rights violations: misconduct abounds on palm oil plantations, for instance in terms of child labour. The work is physically demanding and is poorly paid. Workers are required to use crop protection agents, and mostly without protection.[39]

Sustainability policy

[32] https://milieudefensie.nl/red-het-regenwoud/veelgestelde-vragen-over-ontbossing-en-palmolie
[33] https://www.cbs.nl/en-gb/news/2018/12/palm-oil-imports-on-the-rise-again
[34] https://milieudefensie.nl/red-het-regenwoud/veelgestelde-vragen-over-ontbossing-en-palmolie#1--wat-is-palmolie-
[35] https://eerlijkegeldwijzer.nl/verzekeringswijzer/praktijkscores/bosbouw/?s=
[36] https://milieudefensie.nl/red-het-regenwoud/veelgestelde-vragen-over-ontbossing-en-palmolie
[37] https://masarang.nl/nl/artikelen/kritiek-van-masarang-op-duurzame-palmolie/
[38] https://milieudefensie.nl/red-het-regenwoud/veelgestelde-vragen-over-ontbossing-en-palmolie
[39] https://milieudefensie.nl/red-het-regenwoud/veelgestelde-vragen-over-ontbossing-en-palmolie#1--wat-is-palmolie-

As the climate, human rights and biodiversity misconduct outlined above is mostly found at the beginning of the palm oil chain, we avoid producers and refineries.[40] We do not support a palm oil boycott. Although palm oil can be replaced by alternatives such as olive oil, sunflower oil or rapeseed oil in many cases,[41] we do not consider this to be part of the solution.[42] If all palm oil were to be replaced by other vegetable oils, the same production volume would require more agricultural land, more fertiliser and more pesticides. Moreover, oil palm cultivation is the livelihood of millions of farmers. Boycotting palm oil would not end palm oil production and the associated problems.[43]

Where do we draw the line?
Do: We can invest in companies that buy palm oil or that include palm oil in their products, provided that the palm oil is demonstrably purchased in a sustainable way. This means that the company has an NDPE policy in place and/or is a member of the Roundtable on Sustainable Palm Oil (RSPO) and reports on this issue.
Don't: We do not invest in the use of palm oil as a biofuel/biodiesel, as it is a first-generation biofuel.[44]

Sustainability criteria
We expect companies to refrain from large-scale land use and activities that further increase the loss of natural habitat and biodiversity. That is why we take a critical look at companies operating in the foodstuffs, consumer goods and personal care products industries.

Score	
Insufficient	The company is not an RSPO member and/or does not have an NDPE policy[45] and/or is involved in serious misconduct[46] in palm oil production.
Poor	The company has an NDPE policy and/or is an RSPO member, but does not publish proof of implementation, such as an online list of suppliers, an up-to-date list of complaints and misconduct, a reintegration protocol or a progress report.
Sufficient	The company has an NDPE policy and/or is an RSPO member, but *selectively* publishes information (such as an out-of-date online list of suppliers). The company adequately responds to any complaints or misconduct.
Good	The company has an NDPE policy and/or is an RSPO member, has a complaints handling procedure and regularly publishes up-to-date proof of implementation. For example, the company is transparent about any complaints submitted and any action taken, or the list of suppliers is up to date.
Excellent	The company qualifies as *excellent* if it qualifies as *good* and also compensates for the loss of biodiversity according to the 'no net loss of biodiversity' principle.

Background information and our vision of RSPO

[40] We can occasionally make an exception for small-scale projects; we consider them on a case-by-case basis. Our conditions include that no forest is being logged and that no pesticides are used.
[41] https://milieudefensie.nl/red-het-regenwoud/veelgestelde-vragen-over-ontbossing-en-palmolie#7--bestaat-duurzame-palmolie-
[42] https://www.milieucentraal.nl/milieubewust-eten/tropische-producten/palmolie/
[43] https://www.mvo.nl/waarom-het-boycotten-van-palmolie-geen-oplossing-is
[44] See also our biomass sustainability policy.
[45] 'RSPO' stands for the 'Roundtable on Sustainable Palm Oil'; 'NDPE' stands for 'No Deforestation, No Peat and No Exploitation'. See the appendices below for an explanation of RSPO and NDPE.
[46] For example, a company purchases palm oil from a plantation where child labour is permitted. The company is aware of this but systematically ignores this fact, postpones an investigation and/or does not take any steps.

Established in 2004, the Roundtable on Sustainable Palm Oil (RSPO) aims to promote growth in and the use of sustainable palm oil. Currently being considered the main certification standard for sustainable palm oil use, this organisation has now been joined by international growers, processors, food companies, investors and environmental organisations. Approximately 20% of all palm oil globally is presently RSPO certified.[47]

One of the requirements is that the cultivation of sustainable palm oil may not be detrimental to forests or the habitats of endangered animal species. Other requirements address the use of pesticides, waste water management, energy and greenhouse gases and respect for the rights of employees and local residents. RSPO tightens its requirements every few years.[48]

RSPO membership is voluntary and non-binding. To become RSPO certified, growers are assessed every five years to verify whether they fully comply with the principles and criteria. In some cases, RSPO demands that companies go beyond what national legislation requires them to do. Members that are not fully compliant must show in a plan how they intend to address the shortcomings.[49] Members are required to publish their annual progress, and RSPO also has a complaints system in place.[50]

RSPO was heavily criticised last year, particularly for its inadequate monitoring of compliance with the RSPO guidelines. Various organisations have stated that RSPO cannot guarantee that the certified palm oil has been produced fully in line with the arrangements made.[51] We understand this criticism and RSPO might do well to operate in a more reliable, transparent and effective way. Nevertheless, we still regard RSPO certification as a major instrument for more sustainable palm oil production.

We believe that, compared with other standards, RSPO applies the most stringent criteria for palm oil certification. The certification standards of palm oil-producing countries like Malaysia and Indonesia are less stringent when it comes to biodiversity protection, for example.[52] Moreover, RSPO focuses on many issues that are relevant to us. In addition to biodiversity, these are compliance with laws and regulations, preservation of natural resources and responsible treatment of employees. Finally, we appreciate the fact that RSPO keeps tightening its requirements and we follow developments surrounding the voluntary add-on module RSPO NEXT with great interest. RSPO NEXT contains more stringent criteria on deforestation, fire, peat, human rights and landscapes.[53,54]

Background information and our vision of NDPE

'NDPE' stands for 'No Deforestation' (a total ban on logging forests for palm oil), 'No Peat' (no planting on peat/peat bogs) and 'No Exploitation' (no exploitation or violation of human rights). This does *not* entail certification such as RSPO; rather, it is a method of establishing a sustainable palm oil procurement policy.[55] Most large international traders and refineries now apply NDPE

[47] https://www.rspo.org/impact

[48] https://keurmerkenwijzer.nl/keurmerken/rspo/

[49] https://www.sustainablepalmoil.org/wp-content/uploads/sites/2/2015/09/Efeca_PO-Standards-Comparison.pdf

[50] https://www.sustainablepalmoil.org/wp-content/uploads/sites/2/2015/09/Efeca_PO-Standards-Comparison.pdf

[51] https://milieudefensie.nl/red-het-regenwoud/veelgestelde-vragen-over-ontbossing-en-palmolie#1--wat-is-palmolie- and https://www.milieucentraal.nl/milieubewust-eten/tropische-producten/palmolie/

[5252] https://www.sustainablepalmoil.org/wp-content/uploads/sites/2/2015/09/Efeca_PO-Standards-Comparison.pdf

[53] https://rspo.org/certification/rspo-next and https://rspo.org/news-and-events/news/rspo-next-taking-the-principles-and-criteria-to-the-next-level

[54] https://www.eco-business.com/news/rspo-launches-new-stricter-palm-oil-label/

[55] https://proforest.net/proforest/en/publications/infonote_04_introndpe.pdf

procurement policies demanding that suppliers refrain from developing plantations on peat bogs and forested land. Suppliers that breach the policy are excluded from the supply chain.[56] Since 2018, NDPE has also been part of the RSPO principles and criteria.[57,58] Not all NDPE policies are equally stringent; companies are free to phrase the policy as they see fit. Obviously, there are several ways to structure a complaints procedure or a sanctions mechanism.[59] We consider this a weakness of NDPE. We believe that NDPE policy can be effective, *provided that* a company also publishes proof of the implementation of its NDPE policy. This means that transparency is key. A company may, for example:

- publish an up-to-date list of palm oil suppliers to ensure that the palm oil can be traced to specific plantations;
- publish an up-to-date list of complaints and any misconduct at suppliers, including the actions the company has taken and the results (such as suspension of a supplier where misconduct has been found);
- introduce a protocol for the re-entry of a supplier that has been guilty of misconduct (such as the reversal of deforestation);
- publish regular reports on the progress made.[60]

If implemented properly, NDPE policy can in fact be effective, especially where misconduct has economic consequences. For instance, when becoming aware of misconduct on a palm oil plantation, purchasers of palm oil could demand an action plan to tackle the misconduct. If misconduct becomes apparent again, the purchaser could suspend the supplier contract until the palm oil producer addresses the misconduct and introduces improvements.

[56] https://chainreactionresearch.com/wp-content/uploads/2017/11/unsustainable-palm-oil-faces-increasing-market-access-risks-final-1_updated-july-2018.pdf
[57] https://news.mongabay.com/2018/11/rspo-adopts-total-ban-on-deforestation-under-sweeping-new-standards/
[58] https://eia-international.org/news/new-rspo-principles-criteria-released-no-deforestation-set-adopted/
[59] https://chainreactionresearch.com/wp-content/uploads/2017/11/unsustainable-palm-oil-faces-increasing-market-access-risks-final-1_updated-july-2018.pdf
[60] https://chainreactionresearch.com/wp-content/uploads/2017/11/unsustainable-palm-oil-faces-increasing-market-access-risks-final-1_updated-july-2018.pdf

Water scarcity

Introduction

Climate change and excessive consumption are leading to a shortage of drinking water for an increasing number of people. Officially, water is scarce if less than 1,000 m^3 of water is available per person per year. According to predictions of the International Resource Panel (IRP), by 2030[61] nearly half of the world's population will face water stress.[62] Water scarcity hits various parts of the world disproportionally hard, whereas other parts of the world experience hardly any limitations. The Aqueduct Rankings of the World Resource Institute (WRI) clearly reflect which countries suffer from water scarcity or even severe water scarcity. Water is used in many production chains. The mining and metal industries, the oil and gas industry, the chemicals and packaging industries and utility companies in particular apply water-intensive production processes.[63] As water consumption is expected to increase even more in the next few decades, it is important that the local population and ecosystems are considered when allocating water supplies.

Problems

The problems associated with water scarcity are mainly rooted in overexploitation and pollution. Overexploitation means that the volumes of water consumed are so large that not everyone has access to sufficient fresh water. The potential consequences for the local population and ecosystems are:

1. A serious water shortage significantly increases the risk of disease, malnutrition and death among children.[64] UNICEF research reveals that 600 million children will grow up suffering from extreme water scarcity by 2040.
2. Water is withdrawn from local ecosystems, which can no longer provide their ecosystem services as a result. Important ecosystem services are water purification and food supply. Large-scale water consumption is threatening biodiversity in ecosystems, which actually contribute to water purification. Land that is drying out also presents problems. As peatlands in the Netherlands dry out, the soils of these lands settle, releasing large amounts of CO_2.

In order to prevent adverse consequences for the local population and ecosystems, it is important for companies to use the water that is available in a responsible way. Companies must take risk-mitigating measures to meet the water requirements of the local community and ecosystems. Companies operating in water-scarce areas must make a water scarcity impact assessment.

The problem with pollution is that the water quality changes during companies' production processes. If water is discharged into the source without being purified, this could result in serious pollution. Companies can prevent this by using a water management system, for example, which could promote water reuse.

Sustainability policy

In water-scarce areas, the local population, ecosystems and companies fight over water. We expect companies in such areas to use water responsibly and not to make the water even

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[61] https://www.unenvironment.org/news-and-stories/press-release/half-world-face-severe-water-stress-2030-unless-water-use-decoupled

[62] [62]Water stress means that less than 1,700 m^3 of water is available per person per year.

[63] https://ec.europa.eu/eurostat/statistics-explained/index.php/Archive:Water_use_in_industry

[64] https://www.unicef.org/media/49621/file/UNICEF_Thirsting_for_a_Future_ENG.pdf

scarcer. We expect companies operating in water-intensive industries to take measures to limit their own use of fresh water and to reuse this water. Water-intensive sectors are the mining and metal industries, forestry, the oil & gas industry, the chemical and packaging industries, the food industry, agriculture, and utility companies. Other sectors or companies may also face water scarcity due to the location of certain supply chains, such as the agricultural sector.

Where do we draw the line?
Do: We can invest in companies that limit and control their water consumption by ensuring that the impact of the water consumption is minimal. They may do so, for example, by implementing measures resulting from an impact assessment in water-scarce areas. In addition, the company takes into account the water needs of the local population and ecosystems.
Don't: We do not invest in water-intensive companies operating in water-scarce areas if they do not make a water scarcity impact assessment, or if they do not take restrictive measures or do not take into account the water needs of the local population and ecosystems.

Sustainability criteria
We expect companies operating in water-scarce or water-stressed areas to use water responsibly. We also expect companies operating in water-intensive sectors to take measures to limit the use of fresh water. Industries that consume a lot of water are the mining and metal industries, the oil & gas industry, the garment industry, the chemical and packaging industries, and utility companies. Other sectors or companies may also face water scarcity due to the location of certain supply chains, such as the agricultural sector.

Score	
Insufficient	The company has no policy or vision to combat water scarcity and/or misconduct is known.
Poor	The company is aware of the water supply in the areas where it will develop new activities. There is no known misconduct.
Sufficient	The company has a policy to use water responsibly or to reduce its water consumption, and it prevents water pollution. It may work in compliance with the ISO 14046 guidelines, for example, or it may publish a water scarcity impact assessment in compliance with the ISO 46001 guidelines or other guidelines.
Good	The company publishes a water scarcity impact assessment and also considers the water needs of local communities and ecosystems. In addition, the company avoids having an adverse impact on areas where it operates and where water is scarce. The company has joined internationally recognised initiatives such as the UN CEO Water Mandate.
Excellent	The company satisfies the points above and does not develop new activities in water-scarce areas, and these activities do not compete with the needs of local communities. The company only operates in countries of the 'medium to high' water stress category of the World Resource Institute or better.