

Achmea's SRI Policy | Appendix B

Due Diligence Process

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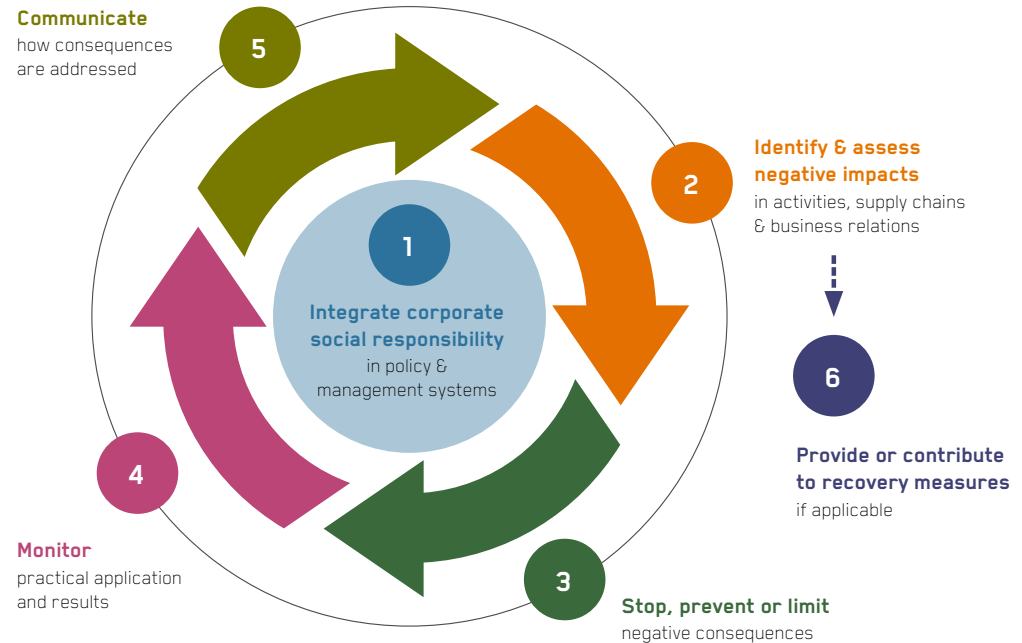
Achmea makes an appropriate, careful assessment (due diligence) of the risks in relation to companies in which it invests. In particular, it looks at whether these companies adhere to socially responsible corporate behaviour.

Due diligence aims to identify, prioritize and analyse the most important adverse effects of investment decisions on sustainability factors; with the aim of preventing and reducing them as well as to account for how Achmea deals with the identified effects. This concerns the negative impact on society and the environment in both the investment portfolio and in potential investments. As stated in the SRI policy, Achmea periodically screens companies in its investment portfolio for violations or potential violations of international standards.

This process is called the due diligence process.

In this appendix we will discuss the various steps of the due diligence process in more detail. In doing so, we will adhere to EU sustainability legislation and the Instrumentarium of the Covenant for International Socially Responsible Investment in the insurance sector. See also Figure 1.

Figure 1: The due diligence process & supporting measures



Step 1: Embedding ESG in relevant policies and management systems

As an investor, Achmea endorses the ESG due diligence steps in accordance with the OECD guidelines. We strive for (social) long-term value creation through our investments. We identify and assess the actual and potential negative impact in the investment portfolio by means of a due diligence screening. This ESG due diligence screening is performed by Achmea Investment Management based on information from ESG data providers ISS ESG and MSCI ESG.

Step 2: Identifying and assessing the most important adverse effects of investment decisions in the investment portfolio and in potential investments

When screening our investment portfolio (equities and corporate bonds), (potential) negative impacts on society and the environment are identified. These are the most important adverse effects of our investment decisions on sustainability factors.

The impact of the company's behaviour on society and/or the environment and its seriousness, scale and irreversibility (nature) of the violation are then assessed. This includes the following:

- Seriousness refers to the severity of the negative impact.

- Scale refers to the scope of the impact, for example the number of people affected or likely to be affected or the magnitude of environmental damage.
- Irreversibility refers to the limits to the possibilities of restoring the situation of affected persons or the environment to the situation prior to the negative impact.

The degree of probability is also taken into account. The screening process takes place four times a year based on the findings of the research agency ISS-ESG¹.

Thematic focus areas resulting from due diligence

The results of the due diligence screening are categorized into thematic focus areas and assessed on the level of involvement of the company and the impact on society or the environment. The company is given a qualification of red, orange or green in the prioritization assessment based on the ISS-ESG data. This qualification is then used to prioritise the thematic areas of focus.

The thematic areas of focus for Achmea are related to human rights, labour standards, environment and anti-corruption. Companies

that do not adhere to these standards are considered (potentially) risky for society or the environment. The chapter below sets out the (international)

1. ISS-ESG's methodology for assessing the severity, scale, irreversibility, and probability of violations is available on their [website](#)

standards that are used in the thematic focus areas. These thematic focus areas have been an integral part of the standards framework of Achmea. Achmea prioritizes the actual and potential negative impact based on severity and probability and uses its influence for all identified cases to prevent and/or mitigate the negative impact. No further prioritization is made between thematic areas of attention, location where the actual or potential negative impact occurs or the size of our position in a company.

Step 3 Prevent and/or mitigate negative impacts and step 6 (recovery and recovery) planned measures

When companies in our investment portfolio cause or threaten to cause (potential) negative impact, we use our influence to prevent and/or mitigate this negative impact and, if necessary, to enable recovery measures and/ or compensation. We do this via engagement. Where necessary and possible, we exert additional influence by voting at shareholder meetings. When companies in which we invest have caused or contributed to a negative impact², we require them to implement remedial measures and/or offer or contribute to compensation to injured parties. You can find further details of our engagement and voting policy in the SRI Annual Report. In extreme cases, we may decide to divest and exclude the company from investment.

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2. Negative impact is determined at least twice a year based on the findings of the research agency ISS-ESG. Companies with a rating of 'Red' by ISS ESG are considered to have negative impact.

Step 4 Monitoring of implementation and results

The progress and impact of our engagement policy with regard to the identified negative impact is monitored through a semi-annual SRI report from our SRI service provider Achmea Investment Management.

Step 5 Accountability

In the SRI Annual Report, Achmea accounts for the measures taken to mitigate the (potential) negative impact on society and the environment identified in this process. This is done via the explanation of the SRI instruments engagement, voting and exclusion.

Overview of standards used in thematic areas of interest

Human rights

Human rights are one of the four main themes of the UN Global Compact and are addressed by the first two principles of the UN Global Compact (see also table below). However, these principles do not stand alone and are linked to and elaborated in various guidelines and treaties (see Table 1). These guidelines and treaties are taken into account by ISS-ESG when screening companies for possible violations of human rights. The UN Guiding Principles on Business & Human Rights (UNGPs) specifically describe how companies should deal with these guidelines and treaties and what their responsibilities are. Or as the author of the UNGPs, Professor John Ruggie, states:

“The Guiding Principles’ normative contribution lies not in the creation of new international law obligations but in elaborating the implications of existing standards and practices for states and businesses; integrating them within a single, logically coherent and comprehensive template; and identifying where the current regime falls short and how it could be improved”.

Table 1: Principles of the un global compact and related treaties on human rights

Theme by Principle	UN Global Compact Principle	Contents Principle	Relevant chapters OECD-guidelines	Relevant treaties
Human Rights	Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights	IV. Human Rights V. Employment and Industrial Relations	Universal Declaration of Human Rights UN Declaration on the Rights of Indigenous Peoples
	Principle 2	Businesses should make sure that they are not complicit in human rights abuses	VIII. Consumer Interests IV. Human Rights	ILO Convention 169: The Indigenous and Tribal Peoples Convention Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy The Geneva Conventions Hague Convention Universal Declaration of Human Rights

In practice, human rights violations in the investment universe often have the following character:

- Restriction of the right to self-determination.
- Activities in controversial countries contrary to humanitarian law.
- Failure to respect the rights of indigenous peoples.
- Restriction of freedom of expression.

Restriction of the right to self-determination

The right of peoples to self-determination is included in the Universal Declaration of Human Rights and is further elaborated in two binding UN treaties: 'Civil and Political Rights' (CIP) and 'Economic, Social and Cultural Rights' (ECSoCu). These treaties were adopted in 1966 and entered into force in 1976. The individual right to self-determination can be seen as an element of personal freedom and thus as a foundation of human rights. As a result, issues in which corporations contribute to a restriction of the right to self-determination constitute a human rights violation.

Activities in controversial countries contrary to humanitarian law

With regard to the issue of 'Activities in controversial countries contrary to humanitarian law', it is important that companies respect internationally recognized human rights with regard to those who suffer consequences from their activities. The 'UN Guiding Principles on Business & Human Rights', which are integrated into the OECD Guidelines, offer companies a manageable policy framework on the application of human rights and the UN Global

Compact principles. Specifically for the activities of companies that are involved in wars or occupations, the Geneva Convention also offers a suitable framework.

Failure to respect the rights of indigenous peoples

The UN adopted a 'Declaration on the Rights of Indigenous Peoples' in 2007. The rights of indigenous peoples have only been formally recognised in recent years. The 'UN Guiding Principles on Human Rights for Business' refer to the land rights and other rights of indigenous peoples. Several countries with significant indigenous minorities voted against the declaration, including the US, Canada, New Zealand and Australia. The most important treaty is the ILO Convention (no. 169) on Indigenous and Tribal Peoples in Independent Countries. For this assessment, the provision is that companies must respect the human rights 'of persons belonging to specific (population) groups requiring special attention', if they may have an adverse effect on the human rights of those persons.

Restriction of freedom of expression

Freedom of expression is the freedom of citizens to express their beliefs without fear of persecution by the state. Freedom of expression is often considered an integral concept in democracies but is sometimes less evident in other forms of government. The freedom to express one's opinion without fear of persecution is explicitly stated in the 'Universal Declaration of Human Rights' Labour standards.

Respecting labour standards is one of the four main themes of the UN Global Compact and is addressed by principles 3,4,5 and 6. These principles are linked to and elaborated in various guidelines and treaties (see Table 2). These guidelines and treaties are taken into account by ISS-ESG when screening companies for possible violations of labour standards.



Table 2: Principles un global compact and related treaties on labour rights

Theme by Principle	UN Global Compact Principle	Contents Principle	Relevant chapters OECD-guidelines	Relevant treaties
Labour Rights	Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	V. Employment and Industrial Relations	ILO Convention 87: Freedom of Association and Protection of the Right to Organise Convention ILO Convention 98: Right to Organise and Collective Bargaining Convention
	Principle 4	Businesses should uphold the elimination of all forms of forced and compulsory labour	V. Employment and Industrial Relations	ILO Convention 29: Forced Labour Convention ILO Convention 105: Abolition of Forced Labour Convention
	Principle 5	Businesses should uphold the effective abolition of child labour	V. Employment and Industrial Relations	ILO Convention 138: Minimum Age Convention ILO Convention 182: Worst Forms of Child Labour Convention UN Convention on the Rights of the Child
	Principle 6	Businesses should uphold the elimination of discrimination in respect of employment and occupation	V. Employment and Industrial Relations	ILO Convention 100: Equal Remuneration Convention ILO Convention 111: Discrimination (Employment and Occupation) Convention

In addition to the UN Global Compact principles on labour standards, the international agreements on minimum labour standards are important, which are laid down in Conventions of the International Labour Organisation of the United Nations: the ILO Conventions. These offer an internationally widely accepted framework to assess companies. The 'UN Guiding Principles on Business & Human Rights' also offer a practical framework to assess where the responsibilities of companies in labour rights begin and end.

In practice, labour standards violations in the investment universe often have the following character:

- Restriction of freedom of association and the right to collective to negotiate.
- Use of forced labour in the supply chain.
- Child labour in the supply chain.
- Discrimination in relation to employment and occupation.
- Worker safety.

Restriction of freedom of association and the right to collective bargaining

Freedom of association is mentioned in the third guideline of the UN Global Compact. It states: "Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining." ILO Conventions 87 and 98 state that trade unions must be able to negotiate freely with employers on working conditions and that freedom of association and thus the right to join a trade union belongs to the fundamental human rights. The Netherlands has both treaties ratified.

Use of forced labour in the supply chain

The fourth principle of the Global Compact deals with forced and compulsory labour. These are addressed in ILO Conventions 29 and 105, which state, among other things, that companies should not profit from forced labour or slavery.

Child labour in the supply chain

The fifth principle of the UN Global Compact states that companies should make efforts to eliminate child labour. Child labour is also contrary to the OECD Guidelines for International Business and to the ILO conventions on 'fundamental principles and rights at work' and the 'effective abolition of child labour' (ILO Conventions 138 and 182).



Discrimination in relation to employment and occupation

The sixth principle of the UN Global Compact concerns the prevention of discrimination in relation to employment and occupation. ILO Conventions 100 and 111 and the OECD Guidelines provide a framework for companies.

Employee safety

Not explicitly mentioned in the principles of the UN Global Compact on labour rights, but of course linked to principles 1 and 2 on human rights, is the safety of employees in the workplace. The OECD guidelines offer companies tools to give substance to this.

Environment

The environment is the third main theme of the UN Global Compact and is addressed by principles 7, 8 and 9. These principles are linked to and elaborated in various guidelines and treaties (see Table 3). These guidelines and treaties are taken into account by ISS-ESG when screening companies for possible violations of environmental standards.

Table 3: Principles of the un global compact and related treaties on the environment

Theme by Principle	UN Global Compact Principle	Contents Principle	Relevant chapters OECD-guidelines	Relevant treaties
Environment	Principle 7	Businesses should support a precautionary approach to environmental challenges	VI. Environment	The Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal Rio Convention on Biological Diversity Rio Declaration on Environment and Development
	Principle 8	Businesses should undertake initiatives to promote greater environmental responsibility	VI. Environment	Kyoto Protocol United Nations Framework Convention on Climate Change The Paris Agreement
	Principle 9	Businesses should encourage the development and diffusion of environmentally friendly technologies	VI. Environment	Rio Declaration on Environment and Development Agenda 21

The UN Global Compact guidelines on the environment are derived from the Rio Declaration on Environment and Development and state: “Business should support a precautionary approach to environmental challenges”, “Business should undertake initiatives to promote greater environmental responsibility” and “Business should encourage the development and diffusion of environmentally friendly technologies.”

In practice, violations of environmental standards in the investment universe often have the following character:

- Environmental pollution – soil, or water pollution.
- Environmental pollution – threatening biodiversity.

Environmental pollution – soil or water pollution and threaten biodiversity

The prevention and precautionary principles, together with the polluter pays principle, are included in the Rio Declaration and form the basis of the reference framework. A stricter reference framework is provided by the Kyoto Protocol, the Basel Convention (focused on hazardous wastes and their disposal) and the Rio de Janeiro Convention on Biological Diversity. These specific and internationally widely supported treaties and conventions express the responsibilities that companies have for the effects of their activities on air, water, soil, climate, ecosystems, biodiversity and health.

Anti-corruption

Anti-corruption policy is the fourth main theme of the UN Global Compact and is addressed by principle 10. This principle is linked to and elaborated in various guidelines and treaties (see table 4). These guidelines and treaties are taken into account by ISS-ESG when screening companies for compliance with anti-corruption standards. Principle 10 of the UN Global Compact concerns anti-corruption and is derived from the ‘UN Convention against Corruption’ and the ‘UN Convention against Transnational Organized Crime’ and states: “Businesses should work against corruption in all its forms, including extortion and bribery.” Principle 10 of the UN Global Compact states that companies should prevent and combat all forms of corruption, including extortion and bribery. In practice, anti-corruption violations in the investment universe often have the following character:

- bribery practices; and
- extortion practices.

Table 4: Principles of the un global compact and related treaties on anti-corruption

Theme by Principle	UN Global Compact Principle	Contents Principle	Relevant chapters OECD-guidelines	Relevant treaties
Anti-Corruption	Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery	III. Disclosure	UN convention against corruption
			VII. Combating Bribery and Other Forms of Corruption	UN convention against international organized crim
			X. Competition	
			XI. Taxation	