# ATHORA NETHERLANDS

## Stewardship Policy

ATHORA

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# 1. Introduction

**At Athora Netherlands, we understand that the complex environmental and social challenges facing the world today present not only risks but also opportunities for investors. Our stewardship approach, which is integral to our Sustainable Investment Policy, reflects this understanding. We use stewardship activities across our investments, influencing and collaborating with companies, third-party managers and sometimes governments to guide them along sustainable transition pathways. We believe that entities adept at navigating these transitions, will emerge more resilient and more valuable in the long term. Our stewardship is characterized by collaboration, meaningful and long-term engagements, a focus on real-world sustainability impacts, encouragement of innovation, and an integrated, goal-oriented, and transparent approach.**

Our Sustainable Investment Policy defines how we, as an investor, can help guide the transition towards a sustainable society. In the Sustainable Investment Policy we explain how the entities in which we invest will both impact the success of the transition and be impacted by it. We outline how we will contribute and address themes such as climate change, biodiversity loss, water use, materials use and waste management, fairer societies and organizational behaviour and integrity.

Our stewardship approach, as laid down in this Stewardship Policy, is an integral part of our overarching Sustainable Investment Policy and is embedded in our processes, from direct investments to our interactions with third-party managers and, if relevant, other counterparties. It applies in general to the own account investments of Athora Netherlands as well as the investments for account of policyholders (unit linked portfolio). Where applicable we indicate in this Stewardship Policy where different types of stewardship activities apply to different types of investments and/or portfolios. In general, we acknowledge the importance of not just financing and or owning entities as part of our investment activities but also directly or indirectly engaging with them, voting at Annual General Meetings (AGMs), and setting clear sustainability objectives aligned with our targets. Our approach considers the unique challenges and contexts of the entities, third-party managers and sometimes governments we engage with. This nuanced approach extends to our investment strategies, integrating stewardship into our broader investment decision-making processes.

## 2. Stewardship strategies and practices

**Our stewardship activities are rooted in the conviction that engagement and voting are powerful tools to drive companies towards embracing and acting on the sustainability transitions currently underway. Our approach is carefully aligned with our Sustainable Investment Framework as described in our Sustainable Investment Policy, ensuring that our investments support entities capable of adapting to and thriving in a sustainable future.**

Our stewardship is not just about dialogue but about setting clear objectives, monitoring progress, and, if necessary, taking decisive actions such as voting against board members, filing shareholder resolutions, or adjusting capital allocation. We understand that engagements may not always bring the desired outcomes, and we therefore remain transparent and realistic in our approach.

Most of our investments (for our own account as well as unit linked portfolios) are structured in funds or mandates that are managed by third-party managers. As a result, many of the stewardship strategies and practices as described in paragraph 2 to paragraph 9 of this Stewardship Policy are in practice performed by these third-party managers. In that context, this Stewardship Policy lays down what we expect from our third-party asset managers in terms of stewardship. Many of our efforts on this matter are focused on assessing, coordinating, and/or monitoring the stewardship activities and performance of our third-party managers with the objective to seek alignment with our Sustainable Investment Policy and the strategies and practices as described in this Stewardship Policy, as much as possible. Further explanation on the assessment and monitoring of and coordination with third-party managers is described in paragraph 10 of this policy. In specific circumstances and where stewardship activities are not performed by third-party managers, Athora Netherlands may use external (stewardship) service providers that execute stewardship activities and act on our behalf.

Our stewardship approach is grounded in the following principles for effective stewardship:

**Collaboration** – engagement is more efficient and impactful when managers collaborate, not just for the investors, but for the entities too (who will field fewer, but higher conviction, engagements from their investors); we collaborate with other investors and market organizations that drive sustainable investment practices.

**Quality over quantity** – we are interested in meaningful engagements, seeking tangible results with strong reporting.

**Long-term** – we encourage long-term relationships with companies. Successful stewardship can take many months, maybe even years.

**Real world impact** – we are interested in engagement on topics that contribute to positive real-world sustainability impact and address systemic issues (such as, reduction in absolute carbon emissions).

**Innovation** – we encourage innovation, for example, we use satellite-based engagement towards zero-deforestation.

**Integrated** – stewardship contributes to investment decisions, i.e. may lead to changes in capital allocation.

**Goal-oriented** – we set objectives and work towards those; if progress is not meaningful, we will consider escalation including voting against board members or changes in capital allocation.

**Transparency** – some engagements, perhaps even many, will be unsuccessful.

**Third-party manager** —in practice most of our stewardship activities are performed by third-party managers as these manage the majority of our assets through a fund or mandate. How we address third-party managers is described in paragraph 10.

In the sections below, we explain how these principles are put into practice.

# 3. Who to engage?

**Engagement activities are used to encourage entities to respond to ongoing sustainability transitions. This involves in-depth dialogue focused on how entities can reduce sustainability-related risks or negative impacts, but also on how they can seize opportunities brought about by the transition or enhance positive contributions towards a sustainable society. Engagements are tailored to each entity's unique context, with an emphasis on engaging within collaborative groups and undertaking long-term dialogues that foster real-world impact and systemic change.**

Our investment decisions are linked to a company's adaptive capacity as defined in our Sustainable Investment Framework. We invest in entities classified as 'Adapting', 'Sustainable', and 'Positive Impact' and under conditions in entities classified as 'At Risk'. Consistent with our principles, we aim not to invest in companies that are classified as 'Harmful' (involvement in activities such as tobacco production, gambling, or controversial weapons production among others) or 'Violating International Standards'. In addition, we aim not to invest in companies that are classified as 'Non-Adaptive' according to our framework. This approach stems from our belief that these entities, due to their inability or unwillingness to adapt, pose potentially unacceptable levels of both financial risks and negative real-world impact.

Our stewardship efforts are thus for a large part focused on entities that are actively managing their transition pathways and have the capacity to contribute positively to a sustainable future. We align our engagement priorities with the environmental and social targets we have set, related to the relevant sustainability transitions, as described in our Sustainable Investment Policy. Entities that are considered as 'At Risk' and 'Adapting' still have significant improvements to make to their business models to decrease their negative impacts and increase positive impacts. We prioritise engagements with these entities because based on our assessments they demonstrate a willingness and capacity to transition. We see a large potential for achieving sustainability improvement with these entities and we most likely will achieve concrete outcomes by focusing on these adapting entities. Stewardship efforts for entities classified as 'Sustainable' and 'Positive Impact' are focused on encouraging a deliberate focus on real-world impact objectives through their supply chains, operations, products and services, and being transparent about how they achieve this.

When deciding to play a lead role in an engagement either within a collaboration or individually, a number of factors are considered, including: the company's performance and progress on the relevant and related topics (beyond the 'At Risk', 'Adapting', or 'Sustainable' classification), whether it is already engaged via other initiatives and to what extent, and the size of the company. The size and market cap of a company are taken into account as a means of determining how engageable it may be. While this is not the only factor, efforts should focus on where we most likely can have meaningful dialogue and use our influence.

# 4. What to engage on?

We prioritise engagements with entities on the topics presented under 'Main engagement topics' below. These topics are relevant and material from an investment perspective and considered the most urgent for achieving system resiliency. Our focus is not only on the immediate sustainability performance of an entity but also on its broader contribution to issues that align with the major environmental and social transitions we have identified. We may publish transition plans or strategy documents on Climate, Nature and People which describe more specific targets, timelines, as well as specific actions we will pursue to make progress on these targets. These transition plans and strategies provide the input to set priorities and allow us to focus. Through engagement we aim to discuss similar topics with multiple entities within one value chain (for example, all the players along the commodity value chain from retailers to producers) or with multiple companies within a sub-sector. This leads to a better understanding of the challenges and complexities of achieving progress or implementing solutions to complex issues. It also helps to set better-informed objectives for dialogues. The topics on which we focus in our engagements are listed below.

**<u>Main engagement topics:</u>**

**Climate**

- Decreasing fossil fuel use
- Alternative energy sources
- Carbon capture
- Energy storage
- Lower emitting industrial processes
- Adapt to physical risks

**Nature**

*Biodiversity*

- Reduction of natural land conversion to agricultural, livestock or human occupation
- Deforestation
- Impacts of fertilizers, pesticides & chemical pollution
- Sustainable agriculture & reforestation
- Plant-based proteins

*Water*

- Reducing freshwater use for human, agricultural and industrial processes in water scarce areas
- Water pollution
- Impacts on oceans through pollution
- Wastewater treatment

*Materials*

- Reducing impacts of industrial processes and their use of natural resources, through overexploitation of scarce resources, environmental impact of the extraction and processing

- Pollution of byproducts affecting air, earth and water
- Moving towards a circular economy
- Waste management

**People**

*Basic Needs Provision*
- Clean water
- Nutrition
- Healthcare
- Access to energy, housing & financial services

*Fairer Society*
- Equal opportunities through access to education & training, income & work
- Diversity and gender equality
- Community support

*Governance*
- Strong governance that considers the impacts of activities on people, communities & environment
- Respecting minimum standards, right to unionize
- Stakeholder capitalism

# 5. How to perform engagement?

**Our principles for effective stewardship lay out how we approach and expect our third-party managers to approach engagement. We note that in many cases it is more effective when engagement is done collaboratively. As such, we and our third-party managers may work together with other investors and organisations with topical expertise that drive improved stewardship and sustainable investment practices.**

As part of the development of engagement programs we, our third-party manager or our stewardship service provider may join collaborations as either a lead investor or participating investor. As the lead investor, a central and proactive role is required in driving the engagement efforts with a target entity including:

- Formulating the engagement strategy
- Identifying the entity's current policies, programs and processes related to the engagement topic
- Serving as the contact point and liaison between the investor group and the entity, organising meetings, facilitating discussions and ensuring alignment on messaging and objectives
- Developing the roadmap for the engagement process
- Information sharing and dissemination of relevant information and insights gained
- Decision-making about the direction of the engagement, and evaluating success
- Reporting and transparency

In shaping the engagement programs participated in we, our third-party manager or our stewardship service provider can be involved in supporting the development of the program methodology, providing feedback on the sector and company focus, and devising the objectives.

# 6. Participation in policy discussions

Participating in policy development can help shape a regulatory environment that aligns with our investment principles and values. We believe policy engagement is an important lever that can influence advancements related to environmental transitions, social equity, and effective corporate governance. The aim is to contribute to an investment landscape that awards long-term value creation. As such, policy participation is a natural extension of our corporate engagement approach. We recognise the need to improve the sustainability of the market as a whole and to mitigate sustainability risks at the market level. Effective regulation would mean that all companies within a sector would need to adhere to set standards and be incentivised to develop sustainable business models and create solutions for social and environmental challenges. Engagement in policy discussions also increases our knowledge about the broader context in which our investees operate, bringing credibility to our corporate engagements. We contribute our expertise and experience, directly or by means of our third-party mangers or stewardship service provider, by responding to relevant consultations on for instance sustainable investment regulations.

We also use our knowledge and influence, directly or by means of our third-party asset managers or stewardship service provider, to advance the integration of sustainability and transition into financial decision making. In practice this is done by participation in working groups, contributing our expertise where appropriate, and listen to and learn from others across our business. We constantly strive to increase our sustainability expertise across our investment and fund management teams. We, our third-party asset managers and/or our stewardship service providers, are members of and contribute to a range of organisations that (partly) address sustainable investing and/or insurance, which include:

- Finance for Biodiversity Pledge
- Verbond van Verzekeraars
- Network for Studies on Pensions, Aging and Retirement (Netspar)
- IIGCC – The Institutional Investors Group on Climate Change
- Investor Alliance for Human Rights
- PLWF – Platform for Living Wage Financials
- PRI – UN Principles for Responsible Investment

# 7. Voting and shareholder resolutions as stewardship tools

**Voting activities are part of our stewardship strategy, mainly in respect of our unit linked portfolios, where the majority of listed equity exposure is allocated. In that area we aim to vote at all shareholder meetings of the companies where we have voting rights. Most of the funds in our unit linked portfolio are managed by external fund manager Cardano. We align with their applicable voting policy, which can be found here: Sustainable Investment Policy - Appendix: Voting Policy 2025. The policy provides detailed guidelines on how voting will be performed at shareholder meetings to promote better oversight of sustainability issues, better management of risks and encourage taking advantage of opportunities. The policy is based on internationally recognized best practice for corporate governance and incorporates our sustainability beliefs. Through voting, expectations on specific sustainability topics can be communicated and companies can be encouraged to make progress on their sustainability journey. Votes are cast to support actions that align with transitions and to hold management boards of companies accountable for their roles in this process.**

For our unit linked portfolios engagement and voting activities are linked to our investment decisions. Observations made during engagements often inform voting activities, as well as decisions about exclusions and inclusions. This comprehensive approach ensures that stewardship activities are not isolated but are integrally linked to our overall investment decisions.

In practice, the support of external proxy voting providers is used to cast votes according to the applicable guidelines. The process surrounding voting activities, as performed by Cardano as the fund manager for most of our unit linked funds or, if relevant, by a specialised service provider for our own account investments, is as follows:

**Voting activities process:**

*Annual update policy and guidelines*

- Incorporate evolving expectations and best practice developments

*Tracking*

- Check vote outcomes
- Communicate to companies
- Report to clients and other stakeholders

*Monitoring*

- Priority votes and companies
- Look for connections with engagements

*Proxy voting provider*

- Implementation of policy
- Vote execution
- Access to all our voting activities in online platform

In select cases, shareholder resolutions may be initiated to help accelerate dialogues with investee companies. The (co-)filing (filing in collaboration with other investors) of resolutions is considered to be one of the most effective forms of influence that allows to use formal rights as asset owners to escalate important issues. The following factors will be considered when deciding to (co-)file a resolution:

- Whether the resolution is in line with Athora Netherlands' Sustainable Investment Framework and with one of the environmental or social transitions identified
- Whether progress on the resolution topic will help to achieve one or more of our sustainability targets
- How responsive the specific entity has been to investor engagement efforts or in addressing the relevant topic
- Whether progress on the topic will reduce the sustainability-related risks the specific entity faces or will encourage them to take advantage of opportunities (i.e. to what extent voting will be effective)

# 8. Combining tools to be more effective

**As described, multiple engagement tools available to us are used in combination with each other to maximize effectiveness. Different tools can influence entities in various ways:**

**Voting and shareholder resolutions:** These may have a direct impact on corporate decisions, disclosure or policies.

**Engagement:** While also impacting the above, this can help build long-term relationships and influence strategy development.

**Policy participation**: Using this tool can create a more favourable regulatory landscape which ultimately creates and supports the market conditions for engagement efforts to be beneficial.

**Combination:** The tools used can complement each other. Engagement with management can be more effective when backed by a pending shareholder resolution, or after one is filed and voted and receives a significant positive outcome. Votes against management may also be used as an escalation, helping to accelerate the dialogues.

**Transparency:** Often entities are informed on when a vote has been made to escalate a certain topic, which helps to explain views, the voting rationale and can also re-open a dialogue.

The order of our application may vary, depending on the specific circumstances of each case. For example, engagement might precede a voting decision to allow for constructive discussions, or co-filing may follow unfruitful engagement attempts to escalate the dialogue or urgency. The interconnectedness of these tools is considered, recognizing that collective impact can lead to advances in the progress of entities on making their business models more sustainable.

Entities are evaluated on how they respond to specific engagement efforts and how they progress on the related topics. If an entity consistently fails to address concerns despite efforts, the assessment of the entity, including the classification of it according to our framework, may change. As shown in the image in the next section, this may result in a change in capital allocation (exclusion from the investment universe). Innovative ways to enhance the stewardship impact are also considered. This includes novel approaches like satellite-based monitoring for zero-deforestation initiatives, demonstrating the commitment to using advanced tools and technologies to support our stewardship objectives.

*Tools to make stewardship effective:*

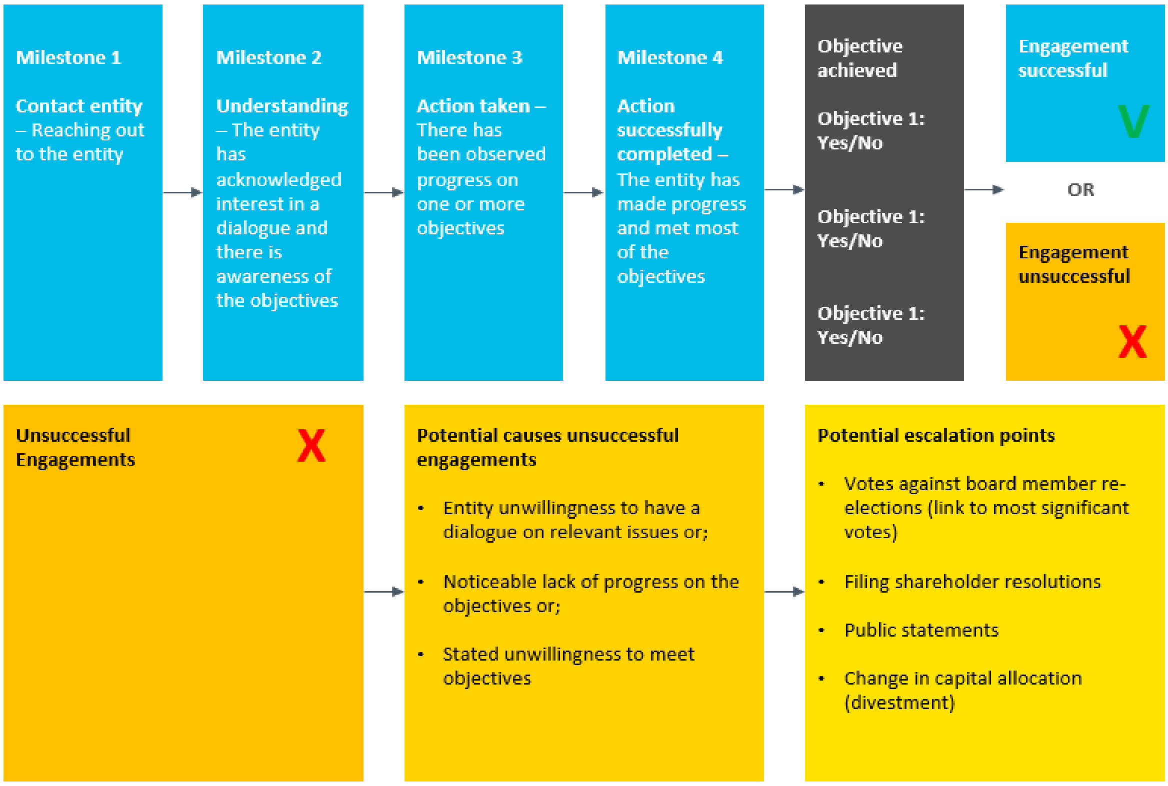
- Engaging the value chain
- (Co-) filing shareholder resolutions
- Public policy participation
- Public statements
- Collaborative engagement with common ambitions
- Proxy voting

# 9. Monitoring and tracking engagement progress

**Athora Netherlands understands that stewardship is a lengthy ongoing process, and not every activity will lead to outcomes in the short term. A system for monitoring the status of each of the individual direct engagements has been developed, through milestones and objectives.**

Objectives are set at the outset and can be refined throughout the engagement trajectory. They define the goals of the engagement. For example, asking an entity to set and disclose scope 3 emissions reduction targets. Milestones are used to track the progress of the engagement as shown below.

*Monitoring of engagement progress.*



## 10. Engaging with third-party managers

**In this section, we set out the process and tools we use to ensure that third-party managers align to our Sustainable Investment Policy including this Stewardship Policy. By ways of assessment, discussions and/or negotiations we aim to improve the sustainability standards applied by our third-party managers if deemed necessary. We do that in the following way.**

**Third-party manager selection**

The assessment of sustainability risks and opportunities when entering into a relationship with a third-party manager, through a fund investment or mandate, starts with sending out our ESG DD questionnaire. When creating the questionnaire we used generally accepted reporting and assessment frameworks (such as outlined by PRI and ICSWG).Through a detailed review of the received information, combined with potential other information gathered, each fund and/or mandate managed by a third-party manager (as deemed applicable) receives a sustainability rating across policies, product & integration, engagement and reporting.

**Policy** – does the manager have a sustainable investment (or equivalent) policy in place, what's included in the policy, how is it implemented and how does it relate to our own Sustainable Investment Policy?

**Product & integration** – does the manager integrate sustainability issues in investment decisions, are sustainability issues integrated throughout the investment life-cycle, and is the third-party manager prepared to exit an investment if the asset does not meet sustainability related targets or expectations?

**Stewardship and engagement** – does the third-party manager have a stewardship policy in place, how does it compare to our own Stewardship Policy, is the third-party manager a signatory to a stewardship code (or equivalent), and how has the third-party manager voted on sustainability issues?

**Reporting** – does the third-party manager report on sustainability issues and does the third-party manager report on for instance climate-related metrics, such as greenhouse gas emissions?

Our assessment of the due diligence questionnaire results in a preliminary sustainability score for the fund, and/or mandate managed by the third-party manager (as deemed applicable). The sustainability score, tiered in 'sufficient', 'almost sufficient' and 'insufficient', depends on the degree of alignment with our Sustainable Investment Policy.

**Improving sustainability characteristics**

After the preliminary sustainability score has been determined, discussions/negotiations can be started with the third-party manager with the goal to further increase alignment with our Sustainable Investment Policy and the targets we have set. For funds and mandates we may use side letter arrangements and/or (amendment of) investment guidelines to improve such alignment through integration of, for example:

- Our, quarterly updated, exclusion list;
- Targets on CO2e emissions reduction;
- Targets on green, social, sustainable and sustainability linked bonds;
- (Regulatory) reporting requirements and other regulatory requirements;
- Other specific exclusion criteria.

When the discussions/negotiations are finalised a final sustainability score will be determined. This score needs to be ‘sufficient’ or ‘almost sufficient’ at a minimum in order for the fund, or mandate managed by the third-party manager to be eligible for investment.

**Monitoring**

Once invested through a fund or mandate managed by a third-party manager our regular monitoring process starts. There are several tools available to (re)proceed or start discussions with our third-party managers with the objective to seek further alignment with our sustainable investment policy and targets. Topics we typically discuss are, amongst others, the application of exclusion criteria, CO2 reduction targets in line with our Net Zero commitment, sustainability data delivery and reporting and targets on positive impact investments. Ways to address this include, for example:

- Attending AGM’s for fund investments;
- Addressing sustainability matters during regular monitoring calls;
- Ad-hoc communication by email, phone or call to discuss for instance recent operational or strategic developments;
- Communicating Athora Netherlands’ sustainability related objectives to the General Partner of private funds;
- Use advisory board meetings to draw attention to Athora Netherlands sustainability related objectives.

In order to monitor progress on our efforts, we require a periodical update from the third-party managers in a form and frequency as deemed suitable for the type of relationship we have with the third-party manager and the level of alignment with our sustainable investment policy. Should the third-party manager not show sufficient progress we have additional escalation instruments at our disposal, for instance:

a. Start conversations at (executive) board level;
b. Inform the third-party manager that Athora Netherlands will not invest in follow-up funds of the specific third-party manager; and
c. In case of a mandate: the termination of the mandate and appointment of another third-party manager.

**Voting**

If deemed applicable, we may encourage our third-party managers to use their right to vote. We monitor (amongst other things):

- How each third-party manager has voted (to the extent they have voting rights associated with the strategy);
- The voting process: whether voting is carried out directly or through a proxy service provider and, if through a service provider, the level of service in place;
- Where applicable, details of what the third-party manager deems to be the "most significant" votes cast and their rationale for their inclusion as significant;

**Quality of dialogue**

We believe impactful engagement and effective stewardship flows from high quality dialogue with the managers. We aim to achieve this through:

*Education*

- Our approach as an investor is to prefer cooperation (working with our third-party managers to improve standards) over automatic exclusion;
- We actively work with our third-party managers to educate them on what sustainability integration and real-world sustainability impact means to us and our clients, as well as the expectations we have of their role and responsibility in the process.

*Consistent Communication*

A critical part of effective engagement is making clear our expectations around sustainability factors and real-world sustainability impact. We provide this through:

- Regular, active dialogue on relevant issues through the monitoring that we carry out.
- Regular communication to all third-party managers, setting out our beliefs and expectations around sustainability factors and real-world sustainability impact.
- Informing our third-party manager periodically with the outcome of our review and how they were rated in a form as deemed applicable. By doing so, third-party managers are enabled to further improve their sustainability performance.

We use communication to engage with third-party managers, by articulating clear milestones for specific sustainability initiatives to be in place and corresponding implications. We recognize that structural change is a process. While we prefer to work with third-party managers to bring about change, we are prepared to sell or exclude where a third-party managers have consistently not delivered on ESG based milestones. For third-party managers with low sustainability ratings, we communicate what aspects we want to see improvement on.

**Reporting and governance**

Every six months we publish an overview of all our active engagements for our own account and unit linked portfolio on our website through the following link: Policies and Reports. The governance related to this Stewardship Policy is similar to the governance for the Sustainable Investment Policy (of which this Stewardship Policy forms an integral part of).

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