

Engagement Guidelines

Achmea Investment Management

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Introduction

The Engagement Guidelines (hereafter: Guidelines) reflect the expectations of Achmea Investment Management (Achmea IM) towards the companies it invests in. The Guidelines guide our engagement activities, the selection of engagement cases and the goals we set. Achmea IM also uses the Guidelines as reference to participate in collective engagement initiatives and to endorse investor statements. Furthermore, the Guidelines complements Achmea IM's voting and exclusion policies. The list of topics and themes in this document is not exhaustive and additional engagement topics and criteria can be selected based on societal developments and the input we receive from our clients and other stakeholders. The Guidelines apply to our corporate investments and guide our engagement with sovereigns if applicable.

The Guidelines are structured in line with the five focus themes of Achmea IM's SRI policy: human rights, labour standards, biodiversity, health, and climate. Responsible business conduct is the foundation for these different themes. Across all themes, Achmea IM expects companies to incorporate and respect the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct (OECD Guidelines), the principles of the United Nations Global Compact, and the United Nations Guiding Principles on Business and Human Rights (UNGP's). Furthermore, the Guidelines refer to specific internationally accepted codes, standards and initiatives that companies are expected to adhere to. Although the Guidelines are context specific, Achmea IM expects that for each material theme or topic, a company:

- Ensures that the topic or theme is integrated in the company's strategy and governance as well as its risk management, and that there is board-level oversight in place.
- Has policies in place, which includes clear goals and targets.
- Monitors the progress towards achieving the goals and targets.
- Engages in dialogues with experts and relevant stakeholders, aligns with leading stakeholder initiatives and cooperates with its business partners.
- Is transparent about the progress and reports on the results and impacts of its activities.

Monitoring and ongoing dialogue are necessary for effective engagement. Achmea IM monitors its engagement activities and reports on progress through the publication of its semi-annual SRI Half-year Report.



1 Responsible business conduct

The OECD Guidelines provide a framework for companies to avoid and address adverse impacts related to workers, human rights, the environment, bribery, consumers, and corporate governance that may be associated with their operations, supply chains and other business relationships. The OECD Guidelines also contribute to avoiding financial and reputational risks. The OECD guidelines are reflected in the criteria of our core themes. Achmea IM also has overarching expectations from companies regarding responsible business conduct. This means that companies are expected to:

- Have a code of conduct that sets out the approach to responsible business conduct, which is pro-actively communicated to all employees and is publicly available.
- Disclose performance and progress on sustainability topics by publishing an integrated report or separate sustainability report in accordance with (inter)national legislation, good governance practices and sustainability reporting frameworks, such as the Global Reporting Initiative (GRI), International Sustainability Standards Board (ISSB) and the European Sustainability Reporting Standards (ESRS).
- Mitigate adverse impacts in their supply chains, by integrating relevant social, environmental, or governance-related conditions into supplier codes of conduct, contracts, and other agreements with suppliers. Environmental-related conditions include requirements on GHG emissions, and where applicable on biodiversity. Governance-related conditions should at a minimum include requirements on bribery, corruption, and tax transparency.
- Include sustainability-related performance objectives in executive remuneration policies.
- Be transparent about their lobbying activities.
- Have anti-corruption programmes and risk management systems in place, from which the effectiveness is monitored by analysing, among others, how bribery, corruption incidents as well as tax evasion-related shall be addressed.
- Provide an overview of its organisational structure, including subsidiaries, joint-ventures or local branches, and their ownership structure, specifically in jurisdictions with no or low corporate tax rates.
- Provide transparency on their beneficial owners, including name, legal status, and share of ownership, if applicable.
- Disclose country-by-country data, including revenues, profits, FTEs, costs, subsidies, and payments to governments, such as taxes and concession fees, to ensure transparency and responsible tax practices.
- Be transparent about tax rulings with authorities of jurisdictions with which the company is involved in and, if any, how tax disputes are resolved.



2 Human rights

Respect for human rights reflects the belief that all people are entitled to basic rights and freedoms, regardless of their nationality, race, age, ethnicity, gender, language, sexuality, religion, political, physical ability or other. Achmea IM's approach to human rights is guided by the UNGPs that are based on the 'Protect, Respect, Remedy Framework.' These principles provide a global standard for preventing and addressing the risk of adverse human rights impacts linked to business activities. Achmea IM has a Human rights and Labour Rights Statement that outlines how we respect human and labour rights, promote equal opportunities, and increase inclusiveness. This statement also guides our expectations from companies on this theme. Regarding human rights, Achmea IM expects companies to:


- Strictly and without reservation commit to respecting human rights as described in the International Bill of Human Rights and the UNGPs. Companies are also encouraged to report in line with the UNGP reporting framework.
- Have a publicly available human rights policy that reflects the company's commitment to respect human rights.
- Have due diligence processes in place to identify, prevent and mitigate actual and potential adverse human rights-related adverse impacts related to its activities and supply chain. If activities are linked to conflict affected and high-risk areas (CAHRAs), heightened due diligence should be in place.
- Have grievance mechanisms for individuals, organisations and communities who may be adversely impacted.
- Have a process in place to provide remedy and reparation to victims of human rights abuses they have caused or are involved in.
- Publicly disclose the results of due diligence processes and actions taken to provide remediation.
- Actively protect, in context where civic space is restricted, the rights of human and environmental rights defenders, including civil society organisations, trade unions, activist, and journalists. Companies should include zero tolerance for reprisals, support for freedom of expression and assembly, and proactive engagement to ensure these actors can operate safely and freely.

In addition to adhering to the 'Protect, Respect, Remedy Framework,' companies should more specifically:

- Not accept any form of discrimination based on nationality, race, ethnicity, age, gender, language, sexuality (including LGBTQIA+), religion, political beliefs, physical ability, or any other characteristic.
- Respect the UN Women's Empowerment Principles and have a strategy on gender equality, which includes training programs to reduce gender-based discrimination in its internal business operations. When relevant, the company also takes measures to address gender-based discrimination for clients.
- Aim to have at least 35% of the senior functions in the company filled by women and enable this by taking sufficient actions in relation to training programs and recruitment processes.
- Respect the local tenure rights and the rights of local communities and Indigenous peoples. In interactions with local communities and Indigenous peoples, companies should implement Free, Prior and Informed Consent (FPIC) and grievance mechanisms, especially to avoid and prevent conflicts over land rights or in cases where natural resources are acquired or extracted.
- Adopt the Voluntary Principles on Security and Human Rights when working with public and private security providers, to ensure human rights are respected. When companies operate in weak political regions or conflicted areas, they should ensure solid and fair corporate governance, to minimise risks of violating human rights
- Set requirements on employment practices in procurement and outsourcing policies and contracts with suppliers, which include criteria on respecting human rights, such as non-discrimination and gender diversity.

Controversial arms trade

The export of weapons can contribute to severe violations of human rights when sold to repressive regimes or sanctioned countries. To prevent risks of violating human rights, we expect companies to:

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- Prevent controversial arms trade based on the EU Common Military list and the criteria outlined in the EU Council Common Positions defining common rules governing the export of military technology and equipment. This includes ensuring that companies do not supply arms to countries and/or groups that severely violate human rights. Companies should also not supply arms to countries and/or groups that are in conflict, unless these countries or groups act in accordance with the or those subject to binding resolutions adopted by the UN Charter.
 - Have a due diligence process in place to ensure that they do not supply weapons to countries that use arms to violate international humanitarian law, fragile states or countries with widespread corruption.
 - Treat dual use goods as if they have a military purpose. This means that these goods should be assessed against regulations for the export of military goods laid down in the EU Council Common Position.



3 Labour standards

Many companies worldwide still do not provide sufficient (legal) certainty for their employees when it comes to labour rights and working conditions. Respect for workers' rights and compliance with internationally recognised labour standards are the foundation of decent work. Respecting labour standards by paying a living wage also contributes to eradicating poverty. Our approach to this topic is based on the core conventions as set out in the ILO Declaration on Fundamental Principles and Rights at Work, including the rights of workers across its supply chain. Regarding respecting labour standards, Achmea IM expects companies to:

- Not tolerate any form of forced or compulsory labour. Modern slavery or human trafficking are not accepted.
- Not tolerate any form of child labour and protect the rights of children.
- Respect freedom of association and the right to collective bargaining.
- Recognise that maternity protection is essential for gender equality in the workplace, and have provisions in place in line with the ILO Maternity Protection Convention.
- Prevent discrimination in employment, remuneration and recruitment practices.
- Provide a safe and healthy working environment. Companies should have a health and safety policy and establish a culture that ensures good health and safety practices by implementing a clear management system. In case of accidents companies have an adequate, periodically evaluated contingency plan.
- Pay their employees a living wage and demonstrate efforts to ensure that workers in the supply chain also receive a living wage.
- Adhere to working hours in compliance with applicable laws and regulations. Where such laws are absent, international ILO-standards on working hours apply
- Ensure that equal working conditions apply to home workers, migrant and informal workers.
- Have programmes for employee training in place and stimulate the development of its employees.
- Establish procedures to address employee complaints and take corrective actions, if needed, to comply with norms on labour rights and working conditions.
- Have a whistleblower policy and procedures in place that protects whistle-blowers against retaliation and provide opportunities to solve employee complaints and conflicts.
- Have a code of conduct for suppliers, which is integrated in procurement and outsourcing policies and contracts, which includes criteria on labour rights and working conditions, such as health and safety, working hours and collective bargaining.



4 Biodiversity

This theme focuses on the preservation of biodiversity. The loss of biodiversity and ecosystems is one of the most severe risks globally. Companies may contribute to biodiversity loss but can also play a key role in preserving and restoring biodiversity. Achmea IM's expectations of companies on this theme align with the Rio Declaration on Environment and Development, the UN Convention on Biological Diversity and the Kunming-Montreal Global Biodiversity Framework. Achmea IM also supports the work of the Finance for Biodiversity Foundation and works together with industry peers to learn how to assess our impact and find ways to reduce our impact on biodiversity loss, and increase positive impact on nature.

As the expectations around company performance related to biodiversity can be quite different per sector, specific guidelines are formulated for biodiversity conservation and water use, pollution, animal welfare, and for extractive industries, the circular economy, and the seafood industry.

Biodiversity conservation and water use


Regarding biodiversity conservation and water use, Achmea IM expects companies to:

- Have an environmental and/or biodiversity policy that is aligned with key conventions and treaties for nature and the environment. Companies should adhere to the principles of the UNESCO World Heritage Convention, the Ramsar convention on wetlands and the CITES treaty. Furthermore, companies prevent adverse impact in areas classified by the IUCN as category I-V, as well as on the IUCN Red List of Threatened Species.
- Align its business model and strategy with the vision of the Kunming-Montreal Global Biodiversity Framework and its relevant goals and targets and with respecting planetary boundaries related to biosphere integrity and land-system change.
- Prevent negative impacts on areas with a High Conservation Value (HCV) and prevent the elimination of peatland for agricultural production.
- Have robust traceability systems in place to ensure zero deforestation and forest degradation across their operations and supply chains, including the prevention of deforestation in primary and high conservation value forests.
- Assess the nature and biodiversity impacts of its activities or projects, by conducting Environmental Impact Assessments in accordance with leading international standards.
- Disclose biodiversity risk and dependency using standards like TNFD and/or Science based targets for nature. For activities in water scarce regions, water scarcity impact assessments should be conducted.
- Promote resource optimisation when it comes to use of water in products and services. Water use should be monitored carefully to prevent water scarcity, especially where this can harm ecosystems or endanger local communities in their livelihoods. When impacts on water resources occurs, companies are expected to have mitigation measures in place.
- Have adequate policies on how to responsibly deal with products which contain or are developed through GMOs that are in line with the Cartagena protocol.
- Avoid involvement in the production of food- or feed-based biofuels or the generation of power from such sources. Biomass must be sourced without adverse impacts on food availability, nature, or the environment, and all activities should align with the Roundtable on Sustainable Biomaterials Principles.

Pollution

To prevent pollution and contribute to human health, companies are expected to:

- Prevent emissions of polluting substances (of high and very high concern) to soil, water, and atmosphere, and strive to implement Best Available Techniques (BAT).

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- Have a policy in place on how to responsibly deal with sale or production of hazardous substances, including PVC, PFAS or phthalates. Companies are urged to reduce the usage of hazardous chemicals, which are identified and are expected to be banned by law. We expect companies to adhere to the Stockholm Convention regarding Persistent Organic Pollutants (POP's) and phthalates, the Basel Convention on control of Trans Boundary Movements of Hazardous Waste and the Rotterdam Convention on the Prior Informed Consent Procedure for Hazardous Chemicals and Pesticides in International Trade.
 - Have a policy in place on how to responsibly deal with use, sale, or production of ozone depleting chemicals, in line with the Montreal Protocol.
 - Report on emissions of air pollutants identified as having the largest impact on human health, such as particulate matter.

Animal welfare


Animals are widely used in different industries. In addition to the production of food, animal fibres are used for textile production. Animals are also used by pharmaceutical and cosmetic industries for testing purposes. In all these industries there is a risk of harm to animal welfare. Achmea IM recognises that companies with negative impact on animal welfare can also be responsible for other negative impacts, such as climate change, biodiversity loss, environmental pollution, antibiotic resistance and zoonoses (infectious diseases transmissible to humans). Achmea IM is a member of the FAIRR initiative and participates in several collective engagement initiatives that are linked to animal welfare. In relation to animal welfare, Achmea IM expects companies to:

- Use the Five Domains of Animal welfare as a framework to assess, monitor and improve animal welfare.
- Respect the FARMS Responsible Minimum Standards to promote the elimination of restrictive housing methods in animal welfare. For various aspects of animal farming, such as breeding practices, genetics, physical and mental health, feeding, antibiotics use, slaughter methods and transport, and preventing painful and mutilating procedures, company practices should be in line with the FARMS Responsible Minimum Standards.
- Obtain certifications that include requirements on animal welfare. Certification schemes can support companies in understanding best practices on animal welfare. Also, in procurement policies and contracts with suppliers, companies are expected to integrate requirements on animal welfare, or to require relevant certification schemes to be in place.
- Apply animal testing only for medical purposes, and only if animal testing is proved necessary and no alternative for animal testing can be found. Where animals are used in medical research laboratories for the advancement of human health, the principles of the 3Rs - Replacement, Reduction and Refinement, providing a framework for human research on animals - should be applied.
- Have policies in place on how to responsibly deal with sale or production of fur and exotic leather.

Extractive industries

Companies that are active in the extractive industries, such as mining, can have negative impacts on nature and the environment. To minimise these impacts, Achmea IM expects these companies to:

- Operate in accordance with the Principles of the International Council on Minerals & Metals (ICMM) or mineral-specific standards or initiatives.
- Ensure that effects of mining activities on the ecosystem are taken into account in mining development plans. This implies that mining companies are responsible for restoring ecosystems after commercial mining activities have been completed.
- Not engage in mining activities that cause irreversible environmental damage or significantly harm to nature. This includes practices such as mountaintop removal mining, asbestos mining, deep sea mining, and uranium mining. Additionally, the disposal of tailings into rivers or the sea (riverine and sub-marine tailings disposal) is also deemed unacceptable.
- Reduce mining waste (tailing) and treat such waste responsibly with adequate tailing risk management with a 'zero accidents' (failure) target for waste storage sites. Furthermore, companies apply lessons learned regarding health and ecosystem effects from closed extractive operations, in exploration plans of new operations.

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- Conduct supply chain due diligence and demand traceability of suppliers to minimise the risk of being complicit in the use or sale of minerals mined in areas of armed conflict and traded illicitly to finance the fighting and human rights abuse related to the extraction of the minerals.
 - Respect the communities of artisanal and small-scale miners and improve local sustainable economic and social development.

Circular economy

Achmea IM promotes the transition to a circular economy and has engagement objectives to reduce the use of plastics in consumer goods packaging, as well as to increase circularity in the fashion industry. Both plastics use and the fashion industry have a significant impact on nature and the environment. Companies with involvement in the production of plastics are expected to:

- Recognise plastics use as a material risk in its business activities.
- Commit to the reduction of plastics and set targets on plastics use that focus on reducing absolute volumes of plastic packaging, the share of plastics produced from fossil fuels, with the aim to eliminate plastics waste and pollution.
- Disclose the volumes of plastics used, including the most relevant types of plastic.

For the fashion industry, companies are expected to:

- Commit to work towards a circular fashion industry.
- Develop clear targets to measure progress towards circularity.
- Apply a risk management system to address environmental and social risks in the fashion industry.
- Adhere to industry-specific standards and initiatives aimed at making the fashion supply chain more sustainable. Where applicable, companies are encouraged to achieve certification according to the criteria of certification schemes that apply to the fashion industry.

Seafood industry

Achmea IM expects seafood, aquaculture, and fishery companies to operate in accordance with the FAO Code of Conduct for Responsible Fisheries and other relevant codes of conduct or certification schemes including the Marine Stewardship Council (MSC) and the Aquaculture Stewardship Council (ASC). Among other things, this means that they do not use fishing techniques which harm worldwide fish populations. Fishing should always be focused on preventing overfishing and biodiversity loss. We expect companies to:

- Respect Marine Protected Areas, including so called 'no take-zones.'
- Limit their fishing as much as possible to the fish species on which their catches are focused and document catches for tracing purposes.
- Take measures to prevent unintended loss of fishing gear, to prevent ghost fishing and pollution as much as possible.
- Certify aquaculture activities according to standards that take animal welfare into account, address sustainability of nutrition, assure sufficient space, and prevent stress and pain.



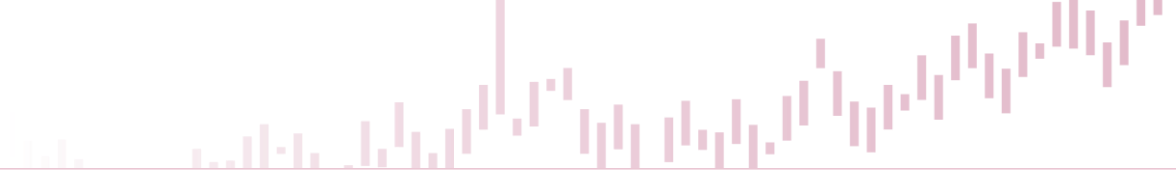
5 Health

Health is also a key theme for Achmea IM. Health has several aspects, such as food and nutrition security, healthy diets, access to medicines and healthcare. Achmea IM has specific engagement themes related to nutrition (Access to Nutrition), healthcare (Access to Healthcare), and is a member of ShareAction's Healthy Markets Initiative. Regarding nutritious and affordable food, Achmea IM expects companies in the food and beverage industries to:

- Recognise nutrition as a key theme and develop goals and targets towards a healthier product portfolio and the affordability of healthy food. Show progress on healthy and affordable nutrition.
- Ensure its marketing activities promote a healthy diet and lifestyle. This includes themes such as responsible alcohol use, marketing directed towards children and promoting breast milk instead of breast milk substitutes.
- Set targets that contribute to the shift from animal-based proteins to plant-based alternative proteins to reduce animal protein consumption.
- Develop products that fit into a healthy diet and lifestyle.
- Provides correct information to consumers about the nutritional values of its products through its packaging.

Regarding healthcare, companies active in the healthcare sector are expected to:

- Recognise access to healthcare as a key theme in its strategy and formulate clear targets on how to improve access to healthcare.
- Translate its access to healthcare strategy into country and/or target groups, which take into account the local situations and specific needs.
- Embed international standards in its policies related to healthcare, including those of the WHO and the OECD, such as the WHO Model Lists of Essential Medicines.
- Include objectives regarding access to healthcare in its variable remuneration policy.
- Recognise the importance of access to healthcare in relation to respecting human rights.
- Have a transparent and responsible pricing policy, which takes into account the price of a product, the health benefits achieved and the development costs.
- Handle patents and licenses responsibly. The use of patents should not result in making medicines or medical products inaccessible to patients who need them.
- In its research & development, take into account the social impact, health benefits, the needs of developing countries and equal access to healthcare within countries.
- Take steps to ensure that its lobbying activities or that sector organisations of which it is a member do not lobby for regulations that restrict access to healthcare and affordable medicine.
- In addition to nutrition and healthcare, Achmea IM has expectations around how companies deal with:
 - Antimicrobial resistance: We expect companies e.g. in the agriculture, food value chain and the healthcare sector to take measures to prevent an increase in antimicrobial resistance, and to work on new antibiotics.
 - Mental health: We expect companies to protect the mental health of their clients and employees regarding the products and services they provide, such as social media, and the working conditions.
 - Environmental impact on health: We expect companies to take into account and to act on the impact of their emissions, products, and services on public health, in line with the precautionary principle. For example, in relation to air and water quality, noise pollution and toxic substances in the emissions or products.



- Tobacco Control: We expect companies and countries to support the implementation of the WHO Framework Convention on Tobacco Control.



6 Climate

In its engagement activities on climate, Achmea IM focuses those sectors and companies that have the highest greenhouse gas (GHG) emissions. In line with our goal of having a net-zero corporate investment portfolio in 2040, we only want to invest in companies with a credible climate transition strategy. On climate we have our own engagement programme, and we support collective engagement initiatives such as Climate Action 100+. To address climate change in general, we expect all companies to:

- Implement a strong governance framework which clearly articulates the board's accountability and oversight of climate change impacts, risks and opportunities.
- Have a climate strategy in line with the Paris Climate Agreement, including (science-based) reduction targets for scope 1, 2 and 3 GHG emissions in line with 1.5°C scenarios and take action to reduce GHG emissions across the value chain.
- Disclose scope 1, 2 and 3 GHG emissions and report on the progress of climate transition plans in line with GHG protocol and international reporting frameworks.
- Disclose climate-related impacts, risks and opportunities through their existing reporting processes using ISSB or ESRS reporting frameworks or voluntary frameworks such as the TCFD recommendations or the CDP framework.
- Ensure consistency between its climate change policy and the positions taken by trade associations of which it is a member and not lobby against (proposed) legal- or other measures aimed at weakening climate policies.
- Set requirements on addressing climate change in procurement and outsourcing policies and contracts with suppliers, which include criteria on reducing GHG emissions.
- Demonstrate awareness of the impact of climate change on its business activities and supply chain, for example on the availability of water, and implements climate adaptation measures.
- Focus their future investments as much as possible on projects with renewable energy sources instead of fossil fuels.