ABN·AMRO MeesPierson

Impact Fund Mandate

Transparency integration sustainability risks Impact Fund Mandate

Sustainable investment objective of the financial product

The sustainable objective of the Impact Fund Mandate (hereafter: 'the Mandate') is to invest in funds with underlying investments in companies with economic activities that contribute to the United Nations Sustainable Development Goals (UN SDGs), provided that such investments do not significantly harm the other UN SDGs and the investee companies follow good corporate governance practices. The Mandate can also invest in funds with underlying investments in government bonds if those align to SDGs, like green bonds, social bonds or SDG bonds. Bonds from development financial institutions are also eligible.

The sustainable objective is attained by applying:

- positive selection based on environmental, social and governance ("ESG") performance;
- exclusion of controversial activities;
- selection of government bonds with a sustainable objective;
- positive alignment to the SDGs;
- the Do No Significant Harm ('DNSH')-principle; and
- screening of businesses on good corporate governance practices.

There is no requirement that a minimum portion of the portfolio should be invested in environmentally sustainable investments as defined by the EU Taxonomy regulation. It is, however, possible that the funds and their underlying investments comply with the EU Taxonomy regulation.

Funds can be managed by ABN AMRO Investment Solutions or by external managers. External managers may use different methodologies, criteria and data to achieve the sustainable investment objective.

Integration of sustainability risks

ABN AMRO defines integration of sustainability risks in the investment-decision making process as systematically taking into account those ESG factors that have a material effect on investment risk and return.

Sustainability risks in this context mean an environmental, social or governance ("ESG") event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment.

For the asset classes equities and fixed income, we use our external data providers to assess the sustainability risk of a specific instrument. They provide an objective way to evaluate how companies and countries are meeting ESG challenges and the degree to which a company's economic value is at risk driven by unmanaged sustainability risk. For the equities and fixed income investments, we use the Sustainalytics ESG Risk Rating as the framework to identify material ESG issues per sector.

The process of selecting equities and corporate bonds starts with a screening of activity-based and norm-based exclusions (such as tobacco and thermal coal). Then, companies are ranked within their sub-industries based on their ESG risk scores. Only the companies that pass the exclusions and are within the top 50% of their sub-industry peer group are investable ("best-in-class") for the equity and fixed income funds that the Mandate invests in. For government bonds, the analysis is carried out on a country level. When investing in green, social sustainability of SDG bonds, the screens may not be applied, but the use of proceeds will be analysed and made sure that the bond's use of proceeds is verified by a third party.

This allows us to retain the best-in-class ESG performance companies within a sub-industry, by means of exclusion of companies with an ESG Risk Percentile greater than or equal to 50% at the subindustry level.

Next to analysing the data provided by these external parties, our portfolio advisors prepare a detailed investment case on every prospective addition to any investment portfolio. The investment case includes strategic and financial information, as well as a thorough analysis of ESG risks and opportunities based on available ESG data. Such an analysis can lead to a decision not to invest in a company even though it is a part of the investment universe. Environmental, social, or governance issues that are material to a specific sector or company can be a risk to the performance of the portfolio.

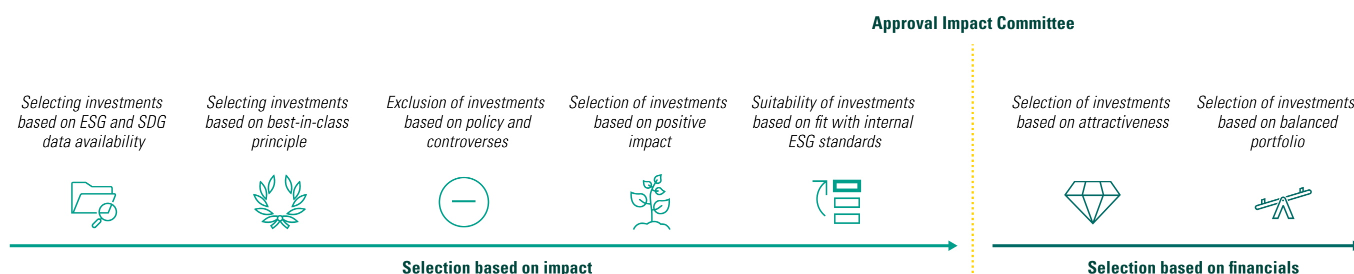
For example: In the electric utility sector, carbon emissions in operations have a high weight, whereas for medical devices, product governance and safety has the highest weight.

Additionally as a part of the ESG risk assessment, ABN AMRO's portfolio advisors advise the asset managers of the investment funds the Mandate invests on exclusion of companies involved in the highest controversies in order to mitigate sustainability risks.

Within the alternatives asset class[1], investments are made predominantly into non-listed investments and companies with the objective to achieve impact and long-term capital growth. The impact themes currently being targeted include Financial Inclusion, Education, Social Impact, Renewable Energy and Natural Capital. The alignment with the impact investment objective drives the initial screening of a potential investment. An activity based exclusion is applied to address negative principal adverse impacts. The quality of governance is also investigated on the organizations, vehicles and funds managing the ultimate investments, in alignment with international standards such as United Nations Principles of Responsible Investments (PRI). The aim is to invest only in i) SFDR article 9 funds, or ii) non-EU funds that make 100% sustainable investments based on proprietary analysis, and iii) companies and financial instruments deemed to be sustainable based on proprietary analysis.

See the detailed process flow below:

Selection process investments



1 Alternative investments are made through Privium Sustainable Impact Fund (PSIF). For more information on how PSIF integrates sustainability into its investment process, see www.psif.nl

Impact on returns

Sustainability risk can have a negative impact on the asset value and expected cash flow like dividends. Examples over the past years include large environmental accidents or fraud cases that result in fines/penalties or additional operational costs. The likelihood of these sustainability risks affecting the financial performance of the portfolio, is mitigated by our investment process, where we focus on companies that are scoring best-in-class in their sub-sector based on the ESG analysis. Further, we apply different exclusion criteria for example for controversial activities like tobacco production.

Once included in the portfolio, investments are closely monitored for their ESG performance. The best-in-class selection is based on data from Sustainalytics, which contains information about controverses in the current investment equity portfolio and the Impact scores of the companies invested in. Our active investment management strategy process is set up to timely mitigate ESG risks and incidents through company engagement. Depending on the company's response, the holding in the company can be re-assessed.

Examples of ESG risks

ESG risk includes a variety of factors. Two components of ESG risk that can be addressed from a quantitative angle are transition risk and physical risk.

Transition risk is the financial risk associated with the transition to a sustainable, low carbon economy. Examples of risks for companies in this area are policy risk, such as a new carbon tax imposed by national governments, market risk, including a rise in carbon prices, and technology risk, including the potential changes in the relative price or demand for low carbon technologies versus fossil fuel technologies. This results in the risk that some assets may become worthless or "stranded assets".

Physical risk reflects the damaging effects that extreme weather events related to climate change, such as floodings and, fires can have on the assets or operations of companies. This can lead to material and financial damage to companies, interruption of business operations or loss of production capacity.

The possible impact of both risk types on the value of an investment portfolio can be estimated. The calculation used, reflects the company value change due to the imposing costs associated with physical and/or transition risks up to 2050. For the current portfolio (Impact Fund Mandate), Risk profile 4, dated April 1st of 2023, the estimated potential loss of value for transition risk is 6.64%, and for physical risk, this number is 0.33%[2] . Note that this is an estimate. In practice this percentage may be higher or lower. The composition of the portfolio may change in the future.

The calculation of ESG risk is a relatively new development, in an environment where it is complex to make estimations. Data providers are developing methodologies to deliver relevant data. Therefore, the results of their calculations may vary strongly and should be considered as a best estimate, not as an accurate prediction. The numbers mentioned above are based on data from our external data provider ISS. The Bank is in close contact with ISS regarding their methodologies, including on-site due diligence.

2 Data availability is not complete, with a coverage of 87% for the portfolio and 90% for the benchmark.

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