ABN·AMRO MeesPierson

Impact Mandate

Sustainability information

Summary

The sustainable objective of the mandate is to invest in companies with economic activities that contribute to the whole spectrum of the UN Sustainable Development Goals ("SDGs"), provided that such investments do not significantly harm the other SDGs and the investee companies follow good corporate governance practices. The SDGs is a set of 17 goals for the benefit of people and the planet to be achieved by 2030, like no poverty, gender equality and climate action.

The portfolio managers select companies based on those criteria, but will also perform a thorough qualitative bottom up analysis. This analysis includes, among others:

- Exposure to long term trends like climate change;
- Corporate governance aspects, like integrity and track record of the management, board structure, corporate governance factors and the management's transparency toward shareholders;
- Contribution to the SDGs. Does a company positively contributes or does it harm the SDGs?

The mandate invests in direct holdings and funds. At least 70% of the portfolio (excluding cash) needs to have sustainable investments as objective. The actual portion can vary over time. The remainder can consist of cash, cash equivalents and money market instruments or other investments without sustainable investment as objective. The only derivates that can be used are interest rate and foreign exchange derivatives.

Securities in the portfolio have to comply with:

1. Positive selection based on environmental, social and governance ("ESG") performance
2. Exclusion of controversial activities
3. Exclusion of controversial countries
4. Positive contribution to the SDGs
5. Do no significant harm
6. Good corporate governance practices.

To measure the attainment of those characteristics the following sustainability indicators are used:

- The average Sustainalytics ESG Risk Rating of the portfolio
- Carbon emissions of the portfolio
- Alignment with the objective of the Paris Agreement to keep global warming well below 2 degrees Celsius
- Alignment with the SDGs

To measure attainment of the environmental and social characteristics and the sustainability indicators data of 2 leading data providers is used, Sustainalytics and Institutional Shareholder Services group of Companies ("ISS").

Companies in the portfolio can be included in the thematic or collaborative engagement. The objective of engagement is to improve the performance of the company, including ESG performance.

No significant harm to the sustainable investment objective

Data from ISS is used to assess if a company contributes to, does not impact or harms the different SDGs. This assessment is based on the revenues of the company, so the products a company makes or the services it delivers. A company can contribute to one SDG while harming another SDG. Therefore only companies that have a positive net impact are selected. Companies that do significant harm are excluded.

Also involvement in incidents that constitute controversies with high impact or breaches of the principles of the UN Global Compact can be indicators that the activities of the company harm the sustainable objective. The principles above are derived from: the Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention Against Corruption. Companies involved in severe incidents or breaching the principles of the UN Global Compact are excluded.

Sustainable objective of the financial product

The sustainable objective of the mandate is to invest in companies with economic activities that contribute to the whole spectrum of the SDGs, provided that such investments do not significantly harm the other SDGs and the investee companies follow good corporate governance practices. The SDGs is a set of 17 goals for the benefit of people and the planet to be achieved by 2030, like no poverty, gender equality and climate action. In plain, language, this mandate can be considered dark green.

The EU is developing criteria to determine if and to what extend an economic activity can be classified as environmentally sustainable as defined in the EU Taxonomy Regulation. Because those criteria are still under development and not applicable those criteria cannot be taken into account.

Investment strategy

Equities, corporate bonds and government bonds have to comply with: 1) positive selection based on environmental, social and governance ("ESG") performance, 2) exclusion of controversial activities, 3) exclusion of controversial countries, 4) positive contribution to the SDGs, 5) do no significant harm and 6) good corporate governance practices.

Positive selection based on ESG performance

The ESG performance of a company or country is assessed, using the ESG Risk Rating (companies) and the Country Risk Rating of data provider Sustainalytics. A best-in-class approach is applied, which means that the Risk Rating is compared to the Risk Rating of similar companies or other countries. Companies with a market cap above EUR 10m should have an ESG Risk Rating in the best 50%, Smaller companies can have a lower ESG risk rating (in best 75%) as smaller companies tend to have less extensive policies, which negatively affects the ESG Risk rating. These companies can however still be very impactful, either directly or as a pioneer in their sector.

Exclusion of controversial activities

- Exclusion of the following controversial activities:
  - Companies with involvement in weapons production, including companies that have 10% or more ownership in companies with involvement in controversial weapons;
  - Companies with involvement in tobacco production (growers and manufacturers);
  - Companies that are breach the principles of the UN Global Compact;
- Companies with involvement (exceeding 5% of total turnover) in:
  - Cannabis for recreational purposes;
  - Addictive gambling;
  - Animal fur and specialty leather;
  - Arctic drilling, shale gas and oil sand extraction methods;
  - Coal mining;
  - Adult entertainment;
  - Genetically Modified Organisms (GMOs);
  - Animal testing, unless i) legally required and ii) commitment to perform in the least harmful way
- Companies with involvement (exceeding 15% of total turnover) in thermal coal power generation;
- Companies with involvement (exceeding 50% of total turnover) in trading and/or wholesale of tobacco.

Exclusion of controversial countries

Securities issued by governments of the following countries are excluded:

- Countries on ABN AMRO's Security Sanctions List;
- Countries that have not ratified the Non-Proliferation of Nuclear Weapons Treaty*;
- Countries that have not ratified the Paris Agreement*;
- Countries that have not ratified the ILO Convention 182 on Child Labour*.

* Unless it concerns a green bond.

Positive contribution to the SDGs

Data from ISS is used to assess if a company contributes to, does not impact or harms the different SDGs. This assessment is based on the revenues of the company, so the products a company makes or the services it delivers. A company can contribute to one SDG while harming another SDG. Therefore only companies that have a positive net impact are selected.

The positive impact of government bonds is difficult to assess. Therefore only green bonds or social impact bonds issued by governments will be selected. Or bonds from quasi-sovereign issuers and supra-national issuers (for example development financial institutions) that tie in with the SDG's will be selected.

Do no significant harm
To assess if a company does significant harm to the SDGs the same data from ISS is used as to assess the positive contribution to the SDGs. Companies that do significant harm are excluded. Also involvement in incidents that constitute controversies with high impact or breaches of the UN Global Compact can be indicators that the activities of the company harm certain SDGs. Those companies are excluded.

Good corporate governance practices
The corporate governance practices is assessed based on data from Sustainalytics. The ESG Risk Rating is used to assess corporate governance practices. Also involvement in incidents that constitute controversies with high impact or breaches of the UN Global Compact can be indicators that the company does not follow good governance practices. Sustainalytics' ESG Risk Rating is available here https://www.sustainalytics.com/esg-ratings/

Besides direct investments in equities and bonds, part of the portfolio can be invested in funds. Funds that have sustainable investment as its objective are eligible, provided that such investments do not significantly harm the other SDGs and the investee companies follow good corporate governance practices. Funds that comply with the criteria above qualify for the mandate It is possible that the fund manager applies different criteria or data, but that the fund still has a sustainable investment as objective.

Proportion of investments
The mandate invests in direct holdings and funds. At least 70% of the portfolio (excluding cash) needs to have sustainable investments as objective. The actual portion can vary over time. The remainder can consist of cash, cash equivalents and money market instruments or other investments that do not have sustainable investment as objective. For example when data is lacking or if the investment is needed for a balanced portfolio.

The only derivates that can be used are interest rate and foreign exchange derivatives. Those derivatives allow the portfolio managers to offset the risks posed by interest rate and exchange rate volatility in the bond portfolio. This type of derivatives has no relation with environmental or characteristics.

Monitoring of sustainable investment objective
The sustainable objective of the mandate is to invest in companies with economic activities that contribute to the whole spectrum of the SDGs, provided that such investments do not significantly harm the other SDGs and the investee companies follow good corporate governance practices. Data from Sustainalytics and ISS is used to assess if companies and countries contribute to the objective and are eligible for the mandate. From Sustainalytics these are the ESG Risk Rating, Country Risk Rating, UN Global Compact screening, controversy screening and product involvement screening. And from ISS the SDG screening. The portfolio managers have access to this data.

To measure the attainment of the sustainability objective the following sustainability indicators are used:

- The average Sustainalytics ESG Risk Rating of the portfolio;
- Carbon emissions of the portfolio;
- Alignment with the objective of the Paris Agreement to keep global warming well below 2 degrees Celsius;
- Alignment with the United Nations Sustainable Development Goals ("UN SDGs").

See the next section for more information on the methodologies used. Cients are informed on a quarterly basis how the portfolio performs on those sustainability indicators.

Methodologies
External data providers are used to assess the sustainability indicators.

ESG Risk Rating
Tthe ESG Risk Rating of Sustainalytics is used to analyse sustainability risk for corporates. The ESG Risk Rating measures the degree to which a company's economic value is at risk driven by unmanaged sustainability risk. A lower score represents less unmanaged sustainability risk and is thus better than a high score. To determine the ESG Risk Rating of a company the company's exposure to sustainability risk is assessed and how well a company is managing the sustainability risks it is exposed to. The difference between those two is the unmanaged sustainability risk or the ESG Risk Rating. A company's exposure to sustainability risk depends on material ESG conditions for the sub-industry, company specific exposure to ESG conditionss and ESG events the company is involved in like controversies and UN Global Compact breaches.

Although Sustainalytics assigns the ESG Risk Rating based on extensive research it remains an opinion and others (e.g. other data providers) can have a different view on the sustainability risk of a corporate.

Carbon emission of the portfolio

Data of the Institutional Shareholder Services group of companies (ISS) is used to monitor carbon emissions of the portfolio. When available ISS will use self-reported data. ISS has developed a sophisticated methodology to estimate the carbon emissions of non-reporting companies, which can be different from their actual carbon emissions.

Alignment with the objective of the Paris Agreement to keep global warming well below 2 degrees Celsius

The Paris Agreement is an international treaty that was adopted in 2015 by 195 member states of the United Nations to combat global warming. Here also data from ISS is used. To see whether a company will achieve the 2 degrees Celsius scenario, ISS has drawn up a calculation method. The expected future emissions are calculated for each company, given the sustainability strategy of the companies and the sectors in which they operate.

Alignment with the SDGs

In total, there are seventeen goals that are closely related to each other. Each goal has underlying targets that help measure progress towards a better world by 2030. The SDGs are the blueprint for achieving a better and more sustainable future for everyone. They address the global challenges the world faces. The aim is therefore to achieve the goals by 2030.

ISS has derived 15 measurable sustainability categories based on the SDGs. These 15 goals are divided into 7 social and 8 environmental goals. The revenues of a company are assessed and it is determined which percentage has a positive, neutral and negative impact on the goal.

Data sources and processing

To measure attainment of the environmental and social characteristics and the sustainability indicators data of Sustainalytics and ISS is used.

Sustainalytics

Sustainalytics, a Morningstar company, is a global leader in ESG and Corporate Governance research and ratings. Over the last 25 years, Sustainalytics has brought together leading ESG research and client servicing professionals to retain that personal touch that has helped us to grow. Today, Sustainalytics supports hundreds of the world's foremost investors who incorporate ESG and corporate governance insights into their investment processes. Sustainalytics is a ESG research provider and does not endorse any product. Sustainalytics information contained herein do not constitute investment advice and cannot be interpreted as an offer or indication to buy or sell securities. For more information, visit http://www.sustainalytics.com/legal-disclaimers

ISS

Founded in 1985, ISS empowers investors and companies to build for long-term and sustainable growth by providing high-quality data, analytics, and insight. With nearly 2,000 employees spread across 30 U.S. and international locations, ISS is today the world's leading provider of corporate governance and responsible investment solutions. For more information, visit https://www.issgovernance.com/

The data providers have been selected after a thorough due diligence process. Also after selection the dialogue is continued with the data providers on the quality of the data, the companies for which data is available and the need for additional data to support the investment decisions.
The portfolio managers and analysts have access to the source data via webportals of the data providers, in FactSet (an integrated data and software solution) and/or data shared via data feeds.

Limitations to the methodologies and data

The methodologies and data used have in general the following limitations:

- Although the number of companies covered by data providers has increased significantly over time, and still is increasing, a specific company cannot be assessed by a data provider. It will than discuss with the data provider if the company can be added to their universe.
- Companies do not always report the data needed for a proper assessment by the data provider. In that case the data provider may engage with the company to obtain or disclose the data. In some cases missing data points can be estimated by the data providers, e.g. for carbon emissions. We do not estimate missing data ourselves.
- Different data providers can have different methodologies to assess ESG performance, which can result in a different opinion on the ESG performance. The outcome of their assessment is to some extend subjective. The portfolio managers will therefor also form their own opinion. The data providers have been selected after a thorough due diligence process to ensure their methodology is in line with best practices.

Due diligence

The portfolio managers incorporate the views of the ABN AMRO Global Investment Committee regarding sector and regional allocations. Deviations may, however, arise because of lacking investment opportunities within a sector resulting from the environmental and social characteristics. The portfolio managers aim at identifying companies exhibiting:

- Strong growth prospects driven by long term sustainable impact themes
- Robust fundamentals
- Attractive valuations

The portfolio managers select companies based on the Investment Strategy, but will also perform a thorough qualitative bottom up analysis. This analysis includes, among others:

- Exposure to long term trends like climate change
- Corporate governance aspects, like integrity and track record of the management, board structure, corporate governance factors and the management's transparency toward shareholders
- Contribution to the SDGs. Does a company positively contributes to the SDGs or does it harm the SDGs?

The portfolio managers can leverage on the expertise of ABN AMRO's sector analysts to get additional insights on the underlying companies.

Engagement policies

Different kind of engagements are distinguished of which some also apply to the Mandate, being:

1. Thematic engagement. This is pro-active engagement where a chosen (ESG) theme is engaged in depth with a group of companies for who the theme is relevant. The actual engagement themes are:
   a. Environment: climate change, natural resources and pollution, waste and circular economy;
   b. Social: human and labour rights, human capital management and conduct, culture and ethics;
   c. Governance: board effectiveness, executive remuneration and shareholder protection and rights;
   d. Other: corporate reporting, risk management and business purpose and strategy.
2. Participation in collaborative engagement. By speaking to companies with an unified voice, investors can more effectively communicate their concerns to corporate management. The result is typically a more informed and constructive dialogue. ABN AMRO is a member of the Platform Living Wage Financials (https://www.livingwage.nl/), which is an alliance of 15 financial institutions that encourages and monitors investee companies to address the non-payment of living wage in global supply chains.
3. Ad-hoc engagements by the portfolio managers.

Companies in the portfolio can be included in the thematic or collaborative engagement if the theme is material for the company. The themes and the portfolio changes over time and therefore so does the number of engagements.

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