ABN·AMRO MeesPierson

Sustainable Investment Mandate

Information about promoting ESG characteristics

The sustainable investment mandate promotes environmental and social characteristics. More information is available in the Annex.

Integration of sustainability risks

In the context of the sustainable finance disclosure regulation, we inform you herewith of the manner in which sustainability risks are integrated into its investment decisions and of the results of the assessment of the likely impacts of sustainability risks on the returns of the financial products..

Sustainability risk for investments means 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.

2 indicators are used to assess sustainability risk, the ESG Risk Rating and the Country Risk Rating that are both measured at a scale of 0-100. A higher rating means higher sustainability risk.

Corporate sustainability risk

The Sustainalytics ESG Risk Rating 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 conditions and ESG events the company is involved in like controversies and UN Global Compact breaches.

Government sustainability risk

Sustainalytics' Country Risk Rating measures the risk to a country's long-term prosperity and economic development by assessing national wealth of a country and the ability to utilize and manage this wealth in an effective and sustainable manner. The methodology measures national wealth comprised of natural and produced capital, human capital, and institutional capital (together the wealth score), and a country's ability to utilize and manage these capitals in an effective and sustainable manner determined by its ESG performance, ESG trends and ESG events (together the ESG factors score). The aggregate Country Risk Rating combines the wealth score and the ESG factors score to provide a more holistic view of sovereign risk.

Although Sustainalytics assigns the ESG Risk Rating and Country 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 country.

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. Nevertheless, it is still hard to statistically model the value of sustainability into investment performance.

The Sustainalytics ESG Risk Rating and the Country Rating can be used to assess the possible impact on return. The higher the risk rating, the higher the risk that ESG events or conditions will cause an actual or potential material negative impact on the value of the investment. Through the process of positive selection based on ESG performance and negative screening on exclusions (see Investment Strategy), the average sustainability risk of the portfolio is below the average of the benchmark. This can contribute to a lower probability of a sustainability risk occurring and help to improve potential returns of the portfolio.

What environmental and/or social characteristics are promoted by the financial product?

The Sustainable Investment Mandate is an investment portfolio with identifiable investments in public authorities, institutions and companies. The portfolio managers of the Mandate make deliberate choices in order to construct a socially responsible investment portfolio.

The environmental and social characteristics promoted by this financial product are 1) positive selection based on ESG performance, 2) exclusion of controversial activities, 3) exclusion of controversial countries and 4) good corporate governance practices. See the Investment Strategy below for more details.

To measure the attainment of the environmental and social 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 United Nations Sustainable Development Goals ("UN SDGs").

External data providers are used to assess the sustainability indicators.

Further details on the sustainability indicators can be found on the website.

What investment strategy does this financial product follow?

Equities, corporate bonds and government bonds have to comply with the environmental and social characteristics of the mandate.

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. In principle, a company or country is only if eligible if the Risk Rating is in the best 50%.

Exclusion of controversial activities

Companies that manufacture certain products, like weapons and tobacco, are excluded from the portfolio of the mandate. Exclusions can also be based on the business process of a company, for example how energy is extracted. Finally, companies will be excluded if they are involved in severe environmental or social incidents.

Exclusion of controversial countries

Countries that are not committed to address environmental or social issues will be excluded. Those exclusions are based on the ratification of international treaties.

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.

Besides direct equities and bonds, part of the portfolio can be invested in funds. Only funds that promote environmental or social characteristics or funds that have sustainable investment as its objective are eligible, provided that the companies in which the investments are made follow good corporate governance practices.

Further details on the investment strategy, including the full list of exclusions, can be found on the website.

What is the asset allocation planned for this financial product?

The mandate invests in direct holdings and funds. At least 70% of the portfolio (excluding cash) has to promote environmental or social characteristics. in the remainder can consist of cash, cash equivalents and money market instruments or other instruments that do not promote environmental or social characteristics. The mandate is not committed to make one or more sustainable investments, but it is possible that part of the actual portfolio can be considered a sustainable investment.The only derivates 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.

Can I find more product specific information online?

More product-specific information can be found on the website, here.

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