

## Sustainable Fund Mandate

# Information about promoting ESG characteristics

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

### Integration of sustainability risk

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.

The Morningstar Sustainability Rating (also called Globes) is used to assess the sustainability risk of a fund. The globes provide an objective way to evaluate how portfolios are meeting ESG challenges, based on underlying company ESG Risk Ratings from Sustainalytics. 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 breaches of the UN Global Compact principles. The globes have a 1 to 5 scale, where 5 is the best and thus the lowest sustainability risk.

### 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 globes can be used to assess the possible impact on return. Selecting funds with above average environmental and social performance (more Globes) 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 Funds Mandate is a broadly based portfolio of sustainable investment funds. The portfolio managers select funds together with ABN AMRO Investment Solutions (“AAIS”), a specialist in fund selection. Funds can be managed by AAIS together with an investment delegate or managed by an external manager. So the mandate benefits from the expertise of different fund managers with their own perspectives on sustainability.

The mandate promotes environmental and social characteristics. This means that funds with above average environmental and social performance are selected. However, the exact environmental and social characteristics promoted can differ for each selected fund and it’s manager. This starts with an exclusion of controversial activities and/or countries in combination with good ESG performance and good corporate governance. A positive contribution to the [United Nations Sustainable Development Goals](#) (“SDGs”) can be part of their thematic investment approach. The fund manager should also have a solid engagement policy and

be signatory of the [Principles of Responsible Investment](#) ("PRI").

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?

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. Funds can be managed by AAIS together with an investment delegate or managed by an external manager. If a fund is managed by AAIS the fund portfolio has to comply with: 1) positive selection based on ESG performance, 2) exclusion of controversial activities, 3) exclusion of controversial countries and 4) good corporate governance practices.

### Positive selection based on ESG performance

The ESG performance of a company or country is assessed and compared to the ESG performance of other companies or countries. Either the actual ESG performance the trend (improving or deteriorating) can be assessed.

### 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 and involvement in incidents that constitute controversies with high impact or breaches of the UN Global Compact are used to assess corporate governance practices.

If a fund is managed by an external manager the ESG performance of the fund should be above average. The ESG performance of a fund is assessed using external data and an extensive manager due diligence and sustainability due diligence.

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 equity funds and bond funds. At least 70% of the portfolio (excluding cash) has to promote environmental or social characteristics. The remainder can consist of cash, cash equivalents and money market instruments or other instrument that do not promote environmental or social characteristics. It is possible that part of the actual portfolio can be considered a sustainable investment, but the mandate is not committed to make one or more sustainable investments. Except for cash and cash equivalents the mandate is invested in funds. The portfolio manager of the Sustainable Fund Mandate will not use derivatives. The selected Funds can and will use derivatives for optimizing their portfolio management.

## Can I find more product specific information online?

More product-specific information can be found on the website, [here](#).

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