



AAIS Responsible Investment Policy

October 2025

For professional investors

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Introduction

ABN AMRO Investment Solutions (AAIS), a subsidiary of ABN AMRO Bank N.V. (ABN AMRO), specialises in asset management and investment solutions. As a pioneer in multi-asset management since 1998, AAIS is a pure player in open architecture, offering a selection of external and sub-advisory funds through exclusive partnerships. With a fund range covering different asset classes and geographical areas, AAIS provides the European market with access to unique strategies that integrate environmental, social and governance (ESG) considerations as well as sustainability criteria.

AAIS places a strong emphasis on ESG and sustainability investing as core principles of its investment philosophy, aligning with ABN AMRO's commitment to the United Nations Principles for Responsible Investment (UN PRI). The UN PRI comprises six voluntary principles guiding investors to incorporate ESG factors into their decision-making and ownership practices. Signatories commit to these principles to foster sustainable financial markets, aiming for long-term value creation and societal well-being. As ABN AMRO has signed onto the UN PRI, AAIS pledges to integrate ESG factors into its strategies.

As a pioneer in sub-advisory services, AAIS has a strong focus on ESG due diligences. AAIS conducts comprehensive analyses, assessing the CSR principles of asset managers and evaluating ESG integration at the fund strategy level, offering a holistic view. This thorough process helps uncover risks that traditional financial analysis might overlook, thereby enhancing investment value for clients while promoting sustainable business practices. It incentivises asset managers and companies to improve their ESG performance and align investments with client values and regulatory standards.

By aligning with the principles of the UN PRI and leveraging due diligence capabilities, AAIS ensures that investments contribute to a resilient and equitable future, embodying the ethos of ABN AMRO's commitment to "Banking for better, for generations to come."

AAIS Responsible Investment Policy stands as a cornerstone of AAIS' unwavering commitment to integrating ESG considerations into investment processes. In today's dynamic regulatory landscape, where sustainability investing is increasingly pivotal, AAIS embraces these principles wholeheartedly. AAIS' approach not only adheres to regulatory mandates but also goes beyond, striving to set new benchmarks in responsible investment practices. At AAIS, responsible investment is a proactive strategy ingrained in the business model.

I. Sustainability Frameworks and Principles

Scope of Application

General Scope of Application:

- This policy applies to all strategies onboarded on AAIS platforms (Levels 1 to 4), with a few exceptions.

Exceptions:

- Private equity strategies¹
- Private debt strategies
- Invested active and passive external funds.
- Passive strategies replicating an ESG Leader or SRI benchmark or equivalent.
- Discretionary and customised strategies on clients' request.
- Derivative instruments

A. Our Product Range

AAIS Responsible Investment methodology aligns seamlessly with the European Sustainable Finance Disclosure Regulation (SFDR), which mandates clear and standardised disclosure of ESG factors in financial products. The SFDR sets out mandatory ESG disclosures requirements for asset managers to comply with. A fund may only integrate sustainability risks (i.e., answering the prerequisites outlined in SFDR Article 6), but may also include additional sustainability-related characteristics. For instance, on top of sustainability risks, a fund may ensure issuers' compliance with good governance practices, all while promoting environmental/social characteristics and/or while having environmental/social sustainable investment objectives (i.e., answering SFDR Article 8 or 9).



¹ For private equity strategies, AAIS employs a master-feeder structure. Under this framework, AAIS allocates capital to the feeder fund, which in turn invests in the master fund. All engagement activities and voting responsibilities are carried out exclusively by the master fund. AAIS does not intervene in, nor does it report on, the stewardship actions undertaken by the master fund.

The AAIS product range is categorised based on varying levels of ESG and sustainability integration, demonstrating a commitment to implementing responsible investment practices. Each product category is compliant with one of the 3 disclosure regimes of SFDR described above, ensuring transparent and standardised disclosure of ESG factors. AAIS product classification framework (Levels 1 to 4) facilitates clear identification of the extent of ESG integration within each product, accommodating diverse sustainability preferences and investment objectives. The table below summarises how each category aligns with SFDR regulations, providing clarity for investors in making informed and ESG choices. The description of the elements² listed in the table are outlined below.

	Level 1	Level 2	Level 3	Level 4
SFDR Disclosure Regime	 Art.6	 Art.8	 Art.8	 Art.9
Fund ESG-Related Naming³	No	No	Depends on the Product	Yes
Exclusion Framework Level	Level 1	Level 2	Level 3	Level 4
Sustainability Risks	Mandatory	Mandatory	Mandatory	Mandatory
Good Governance	Not Mandatory	Mandatory	Mandatory	Mandatory
Engagement	Recommended	Recommended	Recommended	Recommended
Voting	Mandatory (if applicable)	Mandatory (if applicable)	Mandatory (if applicable)	Mandatory (if applicable)
Sustainability Indicators	Not Mandatory	Mandatory	Mandatory	Mandatory
Sustainable Investments	Not Mandatory	Not Mandatory	Not Mandatory	Mandatory

For each of the components, the criteria used for assessment will be further detailed in the corresponding section below. Some of the financial products distributed by AAIS may apply further requirements and criteria on top of the ones outlined in this document. Please refer to product-specific documentation for more information.

B. Sustainability Risk Approach

Scope of Application

General Scope of Application:

- ▶ Issuer type in scope: corporates (equities and bonds)

In accordance with Article 3 of the SFDR, AAIS integrates sustainability risks into its investment process. These risks are defined as environmental, social or governance events or conditions that, if they occur, could cause an actual or a potential material negative impact on the value of the investment.

² These policies come on top of any other policy that may be applied by the Delegated asset manager when building the portfolio. Some of the financial products distributed by ABN AMRO Investment Solutions may thus apply further requirements and criteria on top of the ones outlined in this document. Please refer to product-specific documentation for more information regarding the investment strategy and exclusions applied by a financial product.

³ The ESMA Final Report, which provides guidelines on fund names incorporating ESG or sustainability-related terms, is accessible [here](#).

AAIS employs a comprehensive tiered approach to sustainability risk assessment that recognizes the varying complexity and sustainability focus of different fund classifications. AAIS applies universal screening criteria based on UN Global Compact principles assessment and systematic controversies monitoring. This foundational layer ensures that sustainability risks are identified and assessed across the entire investment universe regardless of fund type or investment strategy. For funds classified as Level 2, 3, and 4, AAIS implements enhanced assessment procedures that include ESG risk assessment. This tiered approach ensures that funds with greater sustainability focus receive more intensive analysis and monitoring.

The key indicators used as part of AAIS sustainability risk assessment are the following:

- **UN Global Compact:** AAIS evaluates all investments against the 10 Principles of the UN Global Compact, serving as a fundamental component of its sustainability risk assessment framework. This evaluation encompasses principles related to human rights, labor standards, environmental protection, and anti-corruption, ensuring a comprehensive and aligned approach to responsible investing.
- **Controversies:** AAIS maintains an ongoing approach to identifying, assessing, and monitoring ESG-related controversies that may impact portfolio holdings. This process includes continuous monitoring of ESG-related controversies across multiple data sources and media outlets, with particular attention to the severity. The assessment evaluates company responses to controversies, including remediation efforts, policy changes, and engagement with stakeholders. The controversies assessment is integrated into investment decision-making, with material controversies requiring explicit consideration in buy, hold, and sell decisions.
- **ESG risk assessment:** For funds classified as Level 2, 3, and 4, AAIS implements an enhanced ESG risk assessment framework that utilizes quantitative ESG risk scores from a recognized third-party data provider. The ESG risk scoring framework categorizes investments into risk levels to facilitate appropriate risk management and decision-making. High-risk investments, defined as those with ESG risk scores above predetermined thresholds, require enhanced due diligence procedures and specific risk mitigation measures.

Prior to making any investment decisions within its directly managed portfolios, AAIS conducts a comprehensive sustainability risk assessment for all potential investments. This process ensures that sustainability risks are identified, evaluated, and integrated into the decision-making framework. Furthermore, AAIS implements an ongoing monitoring procedures to ensure that sustainability risk assessments remain accurate, and relevant throughout the duration of the investment holding period.

Escalation thresholds are clearly defined and tailored to the specific requirements of different fund types. These thresholds are accompanied by well-documented procedures for addressing investments that exceed established risk tolerance levels. In cases where exceptions to standard risk tolerance guidelines are warranted, override mechanisms are in place.

C. Exclusion Framework

Scope of Application

General Scope of Application:

- Applicable to all strategies⁴

⁴ Our labelled funds adhere to the standards of their respective labels and may therefore apply exclusion frameworks that are stricter than those outlined below.

As part of the policies developed to integrate ESG issues into investment analyses and decision-making processes, AAIS applies a proprietary Exclusion Framework which defines companies and countries that are ineligible for investment across in-scope investment products.

AAIS Exclusion Framework covers both corporate and sovereign issuers as follows:

- ▶ **For corporate issuers:** Exclusions are based on a combination of revenue thresholds derived from controversial activities deemed harmful to society and/or the environment, and violations of international norms, as well as ABN AMRO and AAIS policies.
- ▶ **For sovereign issuers:** Exclusions are based on international conventions.

1. Exclusionary Framework

AAIS' Exclusion Framework relies on two approaches to exclusions: first, excluding issuers based on controversial activities and norms-based criteria, and second, utilising proprietary ABN AMRO and AAIS topical exclusion lists. These two approaches are complementary, with topical exclusions from ABN AMRO and AAIS sometimes overlapping with controversial activities and norms-based exclusions but adding to one another (i.e., ABN AMRO Controversial Weapons List adding to controversial weapons controversial activities exclusions).

Corporate Exclusions – International Conventions and Controversial Activities

		Level 1	Level 2	Level 3	Level 4
INTERNATIONAL CONVENTIONS					
	Non-Compliant with International Norms and Conventions <i>(Detailed list of norms and conventions is available in the Explore Further section)</i>	Excluded	Excluded	Excluded	Excluded
FUNDAMENTAL RIGHTS (thresholds mentioned are based on percentage of revenues)					
	Adult Entertainment Production	-	-	>5%	>5%
	Controversial Weapons direct involvement ⁵	>0% ⁶	>0% ⁶	>0%	>0%
	Controversial Weapons indirect ownership involvement	>35%	>35%	>10%	>10%
	Military Contracting Weapons	-	-	>0%	>0%
	Military Contracting Weapons related products and/or services	-	-	>5%	>5%
	Small Arms	-	-	>0%	>0%
	Fur and specialty leather production	-	-	>5%	>5%
	Palm Oil Production and/or Distribution <i>(threshold only applies to non RSPO-members)</i>	>5%	>5%	>5%	>5%
FOSSIL FUELS (thresholds mentioned are based on percentage of revenues)					
Exclusions Pertaining to Fossil Fuels in the Paris-Aligned Benchmark Regulation:					

⁵ Controversial weapons address core weapon systems that are tailor-made and essential for the lethal use of the weapon.

⁶ In case of involvement in nuclear weapons, the company is excluded if it contributes to the nuclear programs of states other than the United States, the United Kingdom or France, in accordance with the ABN AMRO Group policy.

	► Hard Coal & Lignite: companies that derive 1 % or more of their revenues from exploration, mining, extraction, distribution, or refining	-	-	Per Product Terms ⁷	Excluded ⁷
	► Oil Fuels: companies that derive 10 % or more of their revenues from the exploration, extraction, distribution, or refining	-	-	Per Product Terms ⁷	Excluded ⁷
	► Gaseous Fuels: companies that derive 50 % or more of their revenues from the exploration, extraction, manufacturing, or distribution	-	-	Per Product Terms ⁷	Excluded ⁷
	► Power Generation: companies that derive 50 % or more of their revenues from electricity generation with a GHG intensity of more than 100 g CO2 e/kWh.	-	-	Per Product Terms ⁷	Excluded ⁷
	Thermal Coal Extraction	-	>10%	>5%	>5%
	Thermal Coal Power Generation	-	>10%	>10%	>10%
	Unconventional fossil fuels (Arctic oil & gas exploration, oil sands and shale energy extraction methods)	-	-	Combined Revenues >5%	Combined Revenues >5%
HEALTH & ADDICTION (thresholds mentioned are based on percentage of revenues)					
	Cannabis (recreational purposes)	-	-	>5%	>5%
	Gambling	-	-	>5%	>5%
	Genetically Modified Organisms	-	-	>5%	>5%
	Tobacco Producing Companies	>0%	>0%	>0%	>0%
	Tobacco Products Related Products/Services	-	-	>5%	>5%
	Tobacco Products Retail and/or Distribution	-	-	>5%	>5%

Sovereign Exclusions – International Treaties

		Level 1	Level 2	Level 3	Level 4
	Non-ratification of the Treaty of the Non-Proliferation of nuclear weapons	Not excluded	Excluded	Excluded	Excluded
	Non-ratification of the Paris Agreement	Not excluded	Excluded	Excluded	Excluded
	Non-ratification of the ILO Conventions 182 on the Worst Forms of Child Labour	Not excluded	Excluded	Excluded	Excluded

For any of the Corporate and Sovereign exclusions mentioned in the above two tables, a detailed description is available in the [Explore Further](#) section of this document. Every description entails the rationale behind this exclusion, the scope of issuers concerned, and any other information deemed relevant for the understanding of the exclusion and its threshold or exclusion criterion.

Exclusions based on Internal Frameworks for Corporates and Sovereigns

ABN AMRO and AAIS have developed proprietary exclusion frameworks. Based on these frameworks, both entities periodically issue lists of issuers that are not authorised for investments.

⁷ Except for green bonds instruments.

	Level 1	Level 2	Level 3	Level 4
CORPORATE EXCLUSIONS				
 Companies listed on ABN AMRO Investment Exclusion List (IEL)	Excluded	Excluded	Excluded	Excluded
 Companies listed on ABN AMRO Controversial Weapons List (CWL)	Excluded	Excluded	Excluded	Excluded
 Companies listed on AAIS Good Governance Blacklist	Not excluded	Excluded	Excluded	Excluded
SOVEREIGN EXCLUSIONS				
 Governments listed on AAIS Countries Blacklist	Excluded	Excluded	Excluded	Excluded

Companies listed on ABN AMRO Investment Exclusion List (IEL). The Investment Exclusion List (IEL) follows the Sustainability Risk Policy for Investments of ABN AMRO and contains companies excluded for their environmental, social, or ethical risk (such as tobacco) and/or because engagement with the listed companies has been proven to be unsuccessful or impossible.

Companies listed on ABN AMRO Controversial Weapons List (CWL). A company is excluded if: The company is involved in the production, selling and/or distribution of (parts of) controversial weapons⁸ and this involvement concerns the core weapon system, or components/services of the core weapon system that are tailor-made and essential for the lethal use of the weapon. In case of indirect involvement through ownership, the company is excluded if the ownership exceeds 35%. In case of involvement in nuclear weapons, the company is excluded if it contributes to the nuclear programmes of states other than the United States, United Kingdom or France (i.e., the nuclear powers that are part of the Treaty on the Non-proliferation of Nuclear Weapons and the NATO).

AAIS Good Governance Blacklist – Please refer to the good governance section.

AAIS Countries Blacklist – AAIS is committed to its gatekeeper role and implements practices for Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT). In that regard, the Compliance Team of AAIS updates a dedicated sanctions list forbidding investment in certain countries, or binding investment to enhanced due diligence on specific countries' practices. The AAIS Countries Blacklist is based on multiple countries sanctions lists issued by national, regional, and international organisations, such as the Financial Action Task Force (FATF), the European Union, the French Government.

2. Monitoring of the Exclusions Lists

AAIS monitors the above-mentioned exclusions to ensure the compliance of the internally managed and delegated portfolios. This monitoring is done through internal control mechanisms. The monitoring is different depending on the type of exclusion: it can be done through formal lists of excluded issuers (i.e., internal policies exclusions), or through the implementation of thresholds regularly monitored by internal control teams. Due to divergent information across providers, the exclusion of certain securities may be subject to further discussions, either internal to AAIS/ABN AMRO, or with Delegated asset managers or with external service providers.

⁸ ABN AMRO considers the following weapons controversial: Cluster weapons; nuclear weapons; Anti-personnel mines; Biological weapons; Chemical weapons; White phosphorus weapons; Depleted uranium; Fully autonomous weapons.

D. Controversy Management Approach

Scope of Application

General Scope of Application:

- Issuer type in scope: corporates (equities and bonds)

AAIS' controversy management approach is designed to identify, assess, and mitigate sustainability risks associated with its investments, ensuring compliance with regulatory requirements. This approach enables AAIS to safeguard its financial assets and uphold the reputation of its portfolios, recognizing that controversies can have significant financial and reputational consequences in both the short and long term.

Additionally, AAIS' comprehensive framework for identifying, preventing, managing, and monitoring conflicts of interest is outlined in the AAIS Conflict of Interest Management and Execution Policy⁹.

1. AAIS Controversy Identification Framework

AAIS relies on Sustainalytics, its principal controversy management data provider, for identifying and assessing controversies. Sustainalytics employs a variety of sources, including media coverage, NGO reports, and publicly available data, to conduct its comprehensive assessments. Through its detailed controversy analyses, Sustainalytics provides critical insights that act as key triggers for AAIS to initiate and refine its monitoring process. Controversies are evaluated using an "intensity scale" ranging from 0 (no controversy) to 5 (severe controversy) for corporate issuers. Sustainalytics' classification methodology follows a structured approach, analysing incidents, events, and broader controversies. An incident refers to an individual negative issue, which may then be grouped into a broader event. Multiple related events are aggregated to form a comprehensive controversy assessment. The intensity scale escalates based on the frequency and severity of incidents.

AAIS further utilizes Sustainalytics' proprietary classification system to identify and categorize issuer controversies within its internal framework. Controversies are classified into three categories: levels 1 to 3 fall under "Low to Moderate," level 4 is categorized as "High," and level 5 is designated as "Severe."

2. Controversy Screening Process

AAIS uses a proactive pre-investment screening process for directly managed portfolios serving as a key part of its sustainability risk management framework. The integration of ESG criteria and the approach to handling controversies are tailored to each fund's unique ESG profile. Beyond pre-investment screening, AAIS maintains a rigorous post-investment monitoring process, tracking controversies within existing holdings and updating risk assessments as needed. This comprehensive approach is applied to both directly managed portfolios and those managed through delegation.

a. Pre-Investment Controversy screening

For internally managed funds, AAIS conducts an analysis of potential or existing controversies related to target issuers prior to any investment decision. This assessment leverages data from specialized ESG and controversy data provider (e.g. Sustainalytics) as well as other relevant information sources, enabling AAIS ESG team to evaluate the severity, scope, and potential financial implications of identified issues. The controversy analysis covers a wide range of topics, depending on the nature of the issuer, including

⁹ <https://www.abnamroinvestmentsolutions.com/en/footer/regulatory-information.html>

environmental incidents, labour practices, governance failures, regulatory breaches, and social responsibility concerns. Issuers presenting material controversy risks that conflict with a fund's ESG investment philosophy are excluded from the investment universe. This exclusion process is based on both quantitative scoring metrics and qualitative assessment.

For delegated funds, the controversy management approach is determined by the Delegated asset manager.

b. Post-Investment Controversy screening

AAIS implements a robust post-investment monitoring framework to identify and evaluate controversies across both internally managed funds and those managed through delegation. This monitoring is conducted daily through advanced digital control systems, with predefined parameters set. Flagged cases are reviewed within a designated timeframe, allowing the ESG team to thoroughly analyse and deliberate on potential risks, ensuring swift and informed decision-making.

For delegated portfolios, the value chain incorporates a broader array of stakeholders compared to internally managed portfolios. AAIS entrusts its delegated managers with responsibility for investment management, including the integration of extra-financial analysis, with controversy management being a critical component of this process. As part of its thorough due diligence process, AAIS ensures that the selected delegated asset managers possess a deep understanding of the extra-financial risks linked to flagged controversies within the targeted investment strategy. Once selected, AAIS, in its role as a Management Company, maintains stringent oversight to ensure ongoing compliance with its extra-financial commitments and as outlined below.

AAIS ESG control systems allow to track issuers with egregious controversy levels in its portfolios. AAIS ESG team analyses, and monitors these controversies through a structured process including:

- 1. Material Controversy Identification:** In alignment with the AAIS Controversy Identification Framework and each fund's specific ESG investment philosophy, controversies deemed material to a portfolio are flagged for further review.
- 2. Delegate Consultation (for delegated portfolios only):** AAIS holds ultimate responsibility for the issuers included in its portfolios. When a material controversy is flagged in a delegated portfolio as part of the material controversy identification process, AAIS collects the controversy assessment provided by the external delegate. Collaboration with the ESG team of the delegated investment manager plays a pivotal role in this process. These discussions aim to gain a holistic understanding of the delegate's assessment of the issuer's response to the controversy. The delegate's evaluation is enriched by proprietary research, direct interactions with issuers, and, where applicable, engagement analysis.
- 3. Controversy Assessment:** The AAIS ESG team leverages all available information to assess the controversy according to its severity, recurrence, and relevance to the fund's ESG investment philosophy. Expert insights play a crucial role, and the team consults data providers (e.g., Sustainalytics), the delegate's ESG experts if applicable, and its external engagement provider. By integrating diverse perspectives, historical data, and forward-looking insights, AAIS ensures a holistic approach to assessing extra-financial risk. This analysis paves the way for further internal team discussions surrounding the controversy situation.
- 4. Strategic ESG deliberation:** AAIS ESG team deliberates on the identified controversy in its dedicated ESG alert meeting, considering factors such as its severity, the status of the controversy, the ESG investment philosophy of the fund holding the issuer, and AAIS' perspective on the potential resolution of the issue. Upon reaching a decision, AAIS ESG team can choose from a range of strategic options, including, but not limited to, maintaining the current position, requesting detailed engagement actions

from delegates or external engagement providers, directly engaging with the issuer, or, as a last resort, pursuing divestment.

5. Ongoing Monitoring and Follow-Up (if issuer retained): Following AAIS ESG team's deliberation, additional follow-up actions may be required, such as tracking engagement initiatives, monitoring company responses, or assessing ongoing developments. This ensures comprehensive oversight and effective tracking of the situation. Continuous monitoring is carried out with structured review cycles to ensure that issuers remaining in the portfolio consistently uphold adequate sustainability risks standards.

Close monitoring is lifted once AAIS ESG team confirms that the issuer has made considerable progress toward resolving the controversy. Given the complexity of such situations, issuers may remain under monitoring for an extended period and as long as necessary. If the controversy is deemed incompatible with the fund's ESG profile, the [AAIS Engagement Guidelines](#) outlines a clear escalation process. This process includes measures such as initiating or intensifying dialogue, placing the issuer under heightened surveillance, or, if warranted, recommending partial or full divestment to the portfolio management teams. Additionally, the Guidelines specifies the types of actions to be taken and the corresponding timelines, tailored to the severity of the controversy.

E. Good Governance Approach

AAIS uses two different governance approaches. The first applies to most strategies classified as Level 2, 3, or 4 in the AAIS product framework. The second approach is used only for FGR Passive Screened Strategies. The SFDR regulation requires that products promoting environmental and/or social characteristics (Article 8) and products with a sustainable investment objective (Article 9) do not invest in (securities issued by) companies that do not follow good governance practices. In line with the regulation, AAIS has defined its own Good Governance Approaches, allowing for the identification of companies that do not follow good governance practices, and their exclusion from the initial investment universe of financial products. As per the SFDR regulation, the assessment of good governance practices of the investee companies should include an assessment of 4 elements: (i) sound management structures, (ii) employee relations, (iii) remuneration of staff, (iv) tax compliance. AAIS has determined eligibility criteria for these 4 elements and pass fail tests to assess whether a company follows good governance practices.

a. First Good Governance Approach

Scope of Application

General Scope of Application:

- Issuer type in scope: corporates (equities and bonds)
- Strategies that qualify in Level 2, 3 or 4 of the AAIS product frameworks, except FGR screened strategies

AAIS uses the ISS Governance Quality Score (GQS) methodology as well as Principles N°3-6 and 10 of the UN Global Compact as criteria.

The ISS GQS methodology evaluates corporate governance risks across 4 categories: board structure, compensation, shareholder rights, and audit & risk oversight. Each company is assessed for their governance practices and scored compared against other companies within its region. Companies are assigned deciles scores as integers from 1 through 10. For example, a score of 1 means the company is in the 1st decile, which indicates that it has the 10% highest quality governance practices. AAIS considers companies with a 3-year average ISS GQS exceeding an internally defined threshold to be in violation of good governance practices. Where appropriate, this quantitative assessment of governance may be supplemented with additional qualitative evaluations. In addition, AAIS uses Sustainalytics research for

compliance with the UN Global Compact principles. Sustainalytics assesses the extent to which a company causes, contributes to, or is linked to violations of the UN Global Compact principles. Companies that are non-compliant with the relevant principle are deemed to be in breach of the good governance practices. For delegated portfolios, an independent evaluation of issuers' governance practices may be conducted by the managers as an additional layer of oversight.

SFDR Topic	Metric
Sound Management structures	ISS GQS - Pillars: Board Structure and Shareholder Rights UN Global Compact Principle N°10 ¹⁰
Employee Relations	UN Global Compact Principle N°3 to 6 ¹¹
Remuneration of staff	ISS GQS - Pillar: Compensation UN Global Compact Principle N°6
Tax Compliance	ISS GQS - Pillar: Audit and Risk Oversight UN Global Compact Principle N°10

b. Second Good Governance Approach

General Scope of Application:

- ▶ Only FGR Screened Strategies that qualify as Level 2,3, or 4

SFDR Topic	Metric
Sound Management structures	UN Global Compact Principle N°10 ¹⁰
Employee Relations	UN Global Compact Principle N°3 to 6 ¹¹
Remuneration of staff	UN Global Compact Principle N°6
Tax Compliance	UN Global Compact Principle N°10

F. Sustainable Investment

Scope of Application

General Scope of Application:

- ▶ Issuer type in scope: corporates (equities and bonds)
- ▶ Strategies that qualify in Level 4 of the AAIS product framework

¹⁰ Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

¹¹ Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of child labour; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

Financial products that aim at making sustainable investments must answer sustainability requirements that are more stringent. To be considered as sustainable under the SFDR regulation, an investment needs to comply with the below elements:

1. **Contribution to Sustainable Investment Objective(s):** The investment is in activities that contribute to an Environmental or Social Sustainable Investment Objective.
2. **Do No Significant Harm (DNSH):** The investment does not significantly harm any environmental or social objective.
3. **Good Governance Practices:** The investment's issuer follows good governance practices. For more details, please read the above section "Good Governance Approach."

G. Sustainability Indicators

Scope of Application

General Scope of Application:

- Strategies that qualify in Level 2, 3 and 4 of the AAIS product framework

This section outlines the sustainability indicators that AAIS may rely on to ensure the compliance of its financial products with the defined responsible investment objectives.

As ESG analysis is systematically integrated into the investment decision making process of the financial products concerned, and as part of its ESG and Sustainable Investment Frameworks, AAIS has defined a **non-exhaustive** list of preferred environmental and social characteristics (Level 2 and Level 3 Funds) and sustainable investment objectives (Level 4 Funds) that its financial products could promote.

Sustainable Objectives and Characteristics Promoted	Scope of application	
Environmental	Levels 2 & 3	Level 4
► Climate risk management	✓	✓
► Greenhouse gas reduction targets	✓	
► Positive contribution to environmentally Sustainable Development Goals	✓	
Social	Levels 2 & 3	Level 4
► Global human rights and labour standards	✓	✓
► Diversity, Equity, and Inclusion	✓	✓
► Positive contribution to social Sustainable Development Goals	✓	
Multi-themed	Levels 2 & 3	Level 4
► ESG Performance	✓	✓
► Controversies	✓	✓
► United Nations Global Compact	✓	✓
► Principal Adverse Impact indicators ¹²	✓	✓

¹² Depending on the financial product's objective(s) and level of sustainability integration, the Principal Adverse Impact indicators considered may vary.

AAIS has defined a list of relevant sustainability indicators to measure the achievement of each of the environmental or social characteristics promoted and sustainable investment objectives promoted by financial products. Please refer to the [Explore Further](#) section of this document for further information on the indicators used.

H. Climate Approach

Scope of Application

General Scope of Application:

- ▶ Applicable to all NZAM eligible strategies
- ▶ Issuer type in scope: corporates (equities and bonds)

1. What is climate change?

The sun constantly emits solar energy, some of which reaches Earth. Around 30% of this energy is reflected into space by the atmosphere, while the remainder warms the Earth's surface. As the surface heats up, it emits infrared radiation, which in turn warms the surrounding atmosphere. While some of this radiation escapes into space, a sizeable portion is trapped by greenhouse gases (GHG), such as carbon dioxide, which then re-radiates the energy, further warming the atmosphere. Without these gases, Earth would be significantly colder.

The energy balance between the Sun and Earth is maintained when the trapped radiation stabilizes the atmospheric temperature. Historically this balance has changed due to natural factors, such as volcanic eruptions releasing gases and particles, or shifts in Earth's orbit around the sun. These changes in the energy balance have led to ice ages and periods of natural warming where the ice sheets have melted. However, since the mid-20th century, global temperatures have been rising at a much faster pace driven by the industrial use of fossil fuels for activities like manufacturing, transportation, and power generation.

What is climate change?

The United Nations Framework Convention on Climate Change (UNFCCC) defined climate change as a change of climate which is attributed directly or indirectly to human activity that alters the composition of the global atmosphere, and which is in addition to natural climate variability observed over comparable time periods.

2. What is net zero?



Net Zero refers to achieving a **balance** between the GHG **emitted into the atmosphere** and those **removed from it**. It does not mean that there are no emissions at all. Instead, it focuses on reducing emissions as much as feasible and offsetting any remaining emissions by removing an equivalent amount from the atmosphere.

Net Zero is a concept that emerged from the global effort to combat climate change, particularly highlighted during the COP21 summit in December 2015. At this summit, world leaders came together to form the Paris Agreement, a groundbreaking commitment to tackle climate change by investing in a low-carbon future. The agreement sets a clear objective: to keep global warming well below 2°C above pre-industrial levels, and to strive to limit the temperature increase to 1.5°C. The agreement furthermore states that parties should be "making finance flows consistent with a pathway towards low greenhouse

gas emissions”¹³. AAIS fully acknowledges its role in participating to the achievement of the Paris Agreement objective and has taken actions as part of its investment by joining the Net Zero Asset Manager initiative.

The Glasgow Financial Alliance for Net Zero (GFANZ) was launched in April 2021 to coordinate efforts across all sectors of the financial system. This alliance comprises a coalition of independent net zero financial initiatives, including the Net Zero Asset Managers (NZAM) initiative, which aims to support the asset management industry to commit to the goal of net zero. The NZAM initiative represents a global coalition of asset managers committed to supporting the goal of net zero GHG by 2050, in alignment with global efforts to limit temperature rise to 1.5°C. Members of this initiative pledge to work collaboratively with clients to achieve this objective by integrating climate considerations into their investment strategies and engaging with companies to drive decarbonisation efforts. AAIS has joined the Net Zero Asset Managers initiative (NZAM), which specifically addresses the asset management sector in October 2023.

3. AAIS Net Zero Dual Objective

By joining the NZAM initiative, AAIS has committed to achieve net zero emissions across 100% of its eligible¹⁴ Assets under Management (AuM) by 2050¹⁵. AAIS has developed its own methodology that adapts existing target-setting frameworks to suit the specific context of sub advisory. AAIS methodology is designed to achieve a 50% reduction in CO2 emissions by 2030 and to achieve net zero by 2050 across 100% of our eligible AuM. Central to this approach is guaranteeing that an ever-growing proportion of AAIS AuM aligns with a net zero pathway, guided by the establishment of intermediary targets.

► Objective 1 Increase Alignment of Eligible AuM with a Net Zero Pathway

AAIS is dedicated to increasing the proportion of its NZAM eligible AuM that are aligned to a net zero pathway. The goal is to have 50% of AAIS’ eligible scope achieving net zero by 2030 and 100% by 2050. To assess a fund’s alignment with a net zero pathway, AAIS evaluates whether each single manager fund meets a set of key criteria that contributes to the overall AuM alignment objective:

1. The fund must disclose its financed emissions; and
2. The fund must either:
 - Have a weighted average carbon intensity (WACI) reduction target set and on track to meeting it; or
 - Have targets set and on track to meeting it following any other methodologies related to the SBTi Financial Institutions or the Net Zero Investment Framework (NZIF) methodologies that may be considered by AAIS and its external managers to be defined as aligned with net zero

► Objective 2 Increase our NZAM Eligible Scope

Alongside engaging with external managers to achieve net zero across 100% of eligible AuM, AAIS will explore strategies and asset classes that are not yet eligible. These efforts are designed to increase the proportion of AuM encompassed by its NZAM commitment.

¹³ Paris Agreement Article 2.1(c)

¹⁴ Our NZAM eligible scope is specifically focused on the single manager fund segment of our AuM, as this is where we currently have the ability to establish targets from both a methodological and transparency standpoint. Within this segment, the NZAM commitment excludes sovereign/ aggregate bonds, money market, and private equity funds. Our NZAM committed scope, on the other hand, covers the funds that are aligned to a net zero pathway, as defined by AAIS (more information is available in the Our Dual Objective section). The remainder of the AuM that are not eligible under the NZAM framework consists of multi-mandate products, such as profiled funds or fund-of-mandates, as well as client-dedicated funds.

¹⁵ For more detailed information, please visit ABN AMRO Investment Solutions Climate Report

I. Biodiversity Approach

Scope of Application

General Scope of Application:

- ▶ Applicable to all strategies
- ▶ Issuer type in scope: corporates (equities and bonds)

Biodiversity—the contraction of “biological” and “diversity”—represents the extraordinary variety of life on Earth in all its forms and interactions. This encompasses:

- ▶ Genetic diversity,
- ▶ Species diversity,
- ▶ Ecosystem diversity,
- ▶ As well as the interactions within and between these three units and their evolutions.

AAIS recognizes biodiversity loss as both a critical environmental risk and a material financial risk that threatens long-term value creation. The current rate of species extinction and ecosystem degradation poses unprecedented challenges to global economic stability and sustainable development.

1. Framework: Nature-Economy Interdependencies

Drawing on the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) framework, AAIS assesses biodiversity risks and opportunities through two critical lenses: economic dependencies on nature and economic pressures on biodiversity.

a. Dependencies on Nature

Companies are dependent on nature. This is referred to as dependence on ecosystem services, meaning a reliance on resources and processes provided by nature that are essential for the proper functioning of economic activities. These services can be grouped into four categories:

- ▶ **Provisioning Services:** this includes the supply of natural resources such as water, food, and other raw materials like timber. Products from these services can be traded in the market, self-consumed, or exchanged through barter.
- ▶ **Regulation Services:** Non-excludable, these services demonstrate the ability of ecosystems to moderate or regulate phenomena beneficial to humans, such as climate, various aspects of the water cycle, and the frequency and intensity of diseases. They also contribute to protection against catastrophic events.
- ▶ **Cultural Services:** These encompass all uses of ecosystems for recreational, aesthetic, spiritual, or educational purposes.
- ▶ **Supporting Services** includes water cycling, photosynthesis, nutrient cycling, and soil formation. These allow for the other Ecosystem services to be rendered. Without these, there would be no food supply, flood regulation or water purification.

Recognizing the economic impact of dependencies on nature is crucial as it allows issuers to understand and mitigate the risks associated with the depletion of ecosystem services. These are often undervalued and poorly understood. By integrating ecological information into economic decision-making, AAIS can better assess the irreplaceability and bundling of services. Enhancing the access to crucial biodiversity

information can enhance efficiency and address the 'tragedy of the commons' through informed choices that benefit human well-being.

b. Pressures on Biodiversity

The IPBES has identified five major pressures, meaning five categories of negative impacts that economic activities can have on biodiversity. These pressures result in negative impacts on biodiversity, such as species extinction, deforestation, and the loss of ecosystem functionality.

- ▶ Land and sea use change includes both transformation and habitat fragmentation, particularly due to urbanization or infrastructure development,
- ▶ Resource exploitation,
- ▶ Climate change,
- ▶ Pollution, and
- ▶ Invasive alien species.

These pressures have an adverse effect on biodiversity as a whole and can directly impact the quality of the eco-systemic services many issuers rely on as part of their business models. Understanding and mitigating these pressures allows issuers to lower their extra-financial risks throughout their value chain. As investors we often have interests throughout the full lifecycles of the products and services in commercialized by issuers in our portfolios and as such have a direct financial interest in reducing the pressures on biodiversity.

2. Investment Implementation

AAIS' biodiversity integration approach is strategically integrated within its investment exclusion criteria, targeting key drivers of biodiversity degradation. Through avoidance of investments in companies with substantial exposure to high-impact product involvement AAIS actively tries minimize its portfolio's contribution to biodiversity loss.

AAIS acknowledges that effective biodiversity protection extends beyond its current exclusion framework, and remains committed to continuously evaluating and enhancing its approach.

Mapping of AAIS' exclusions with a high impact on biodiversity.

Theme	Biodiversity related theme	Dependencies on ecosystem services	Theme-Shared IPBES Pressures	Theme-Specific IPBES Pressures	Scope of Application AAIS
 Oil & Gas & Coal	General	<ul style="list-style-type: none">▶ Provisioning Services▶ Regulation services▶ Supporting services	<ul style="list-style-type: none">▶ Destruction and artificialization of natural environments▶ Overexploitation of natural resources and illegal trafficking	<ul style="list-style-type: none">▶ Pollution of oceans, freshwater, soil, and air▶ Global climate change	The exclusion criteria are contingent upon the type of fuel utilized. Some exclusions are in place for AAIS Level 2, 3, and 4
 Palm Oil	Deforestation			<ul style="list-style-type: none">▶ Global climate change	All AAIS Levels
 GMO	Pollution			<ul style="list-style-type: none">▶ Pollution of oceans, freshwater, soil, and air	AAIS Level 3 and 4

Source : AFG Guide Professionnel Biodiversité et investissement : Le Guide Pratique pour les Sociétés de Gestion

J. External Service Providers

ESG and sustainable indicators are monitored using external data providers enabling the assessment and control of ESG characteristics of portfolios. AAIS conducts regular assessment of data quality and coverage, recognizing that ESG data availability and quality can vary significantly across different markets, sectors, and company sizes. Procedures for handling data gaps and uncertainties include supplementary research, and conservative assumptions where data is unavailable or unreliable. AAIS acknowledges potential limitations in ESG data availability and incorporates these limitations into risk assessment and decision-making processes. Regular review and updating of data provider relationships ensures that AAIS benefits from ongoing improvements in data quality and coverage, while fostering a critical and proactive approach to understanding data limitations and addressing potential biases.

External Data Provider	AAIS purposes served by provider's services
Morningstar Sustainalytics	<ul style="list-style-type: none"> ▶ Controversy Analysis ▶ ESG Risk scoring (corporate and sovereign) ▶ Exclusion Framework ▶ Principal Adverse Impacts
Bloomberg	<ul style="list-style-type: none"> ▶ Use of Proceeds Bonds
ISS	<p>Climate analytics Corporate Governance research Energy & Extractive Screening Exclusion Framework Principal Adverse Impacts Proxy Voting recommendations Taxonomy alignment UN Sustainable Development Goals contribution Vote to Annual General Meetings (AGM) and Extraordinary General Meetings (EGM)</p>

III. Stewardship Principles

Scope of Application

General Scope of Application:

- ▶ This policy applies to all strategies onboarded on AAIS platforms (Levels 1 to 4), with a few exceptions.

Exceptions:

- ▶ Private equity strategies
- ▶ Private debt strategies
- ▶ Invested active and passive external funds.
- ▶ Discretionary and customised strategies on clients' request.

A. Engagement Guidelines



Engagement is an effective means of **initiating positive change on ESG issues** and encouraging the implementation of **innovative approaches and solutions**. Engagement refers to interactions between the investor and actual or potential investees (which may be companies, governments, municipalities, etc.) to **address and improve practices related to environmental, social and governance (ESG) issues**.

1. Core Principles of Engagement at AAIS

As a responsible asset manager, AAIS recognises its stewardship responsibilities and aims to use its position of influence to drive positive change. AAIS seeks to build a relationship of trust with investee issuers, and to support them on their journey towards more sustainable business practices. AAIS believes that engagement enables investors to influence corporate behaviour while encouraging issuers to align with long-term sustainability objectives. In addition, and occasionally, AAIS delegated managers may engage with governments.

AAIS considers that engaging with (corporate) issuers on sustainability topics allows to:

Improve **sustainability performance** of an underperforming company to:

1. — Minimise negative (financial) impacts and/or sustainability adverse impacts
- Meet the sustainability criteria of the financial product

2. Enhance company value

3. Improve quality of non-financial disclosures

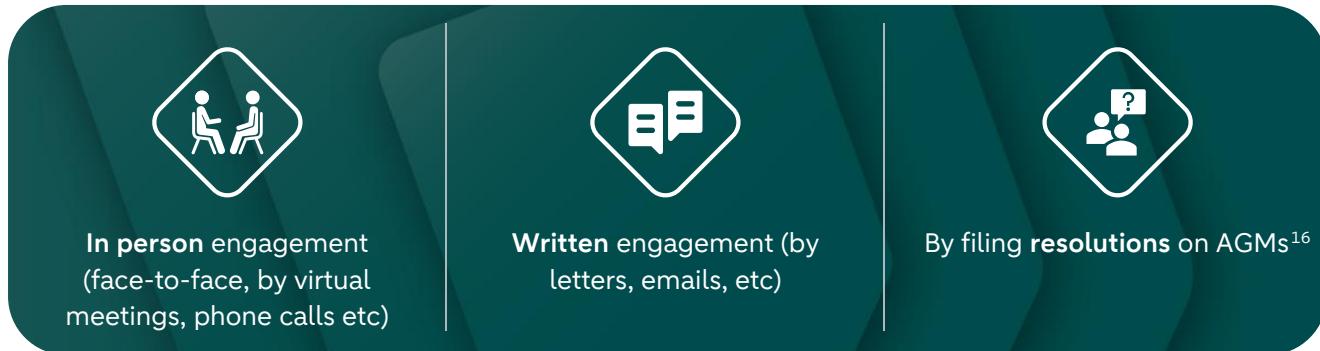
4. Help a frontrunning company to **improve** even more and lead its industry

5. Support the **enhancement of sectors' standards**

AAIS identifies the following types of engagement:

- ▶ **Individual** engagement trajectories with companies
- ▶ **Collaborative** engagement trajectories with companies (e.g., collaboration with other asset managers, engaging through initiatives, etc.)
- ▶ **Thematic** engagement trajectories (usually targeting an industry)
- ▶ Engagement via **proxy voting**

The **methods of engagement** can differ:



— Engagement Trajectory, Timeline, and Escalation

When an engagement trajectory is defined to address an underperformance issue, AAIS follows a result-oriented approach, with a predetermined timeline. This timeline will be different for each engagement trajectory.

2. Human and External Resources

AAIS leverages a combination of in-house expertise from its ESG team, the external engagement provider EOS and the rigorously selected delegated asset manager to implement its ESG engagement policy. The AAIS ESG team plays a supervisory role, overseeing all engagement activities conducted on its behalf.

Actor	Role
AAIS ESG Team	AAIS ESG Team is responsible for the overall supervision of ESG engagements. The team oversees all engagement activities made on its behalf and may directly engage with companies when necessary.
Engagement Service Provider (EOS)	AAIS collaborates with its parent company ABN AMRO which has contracted the external engagement service provider EOS, to carry out engagement with investee companies. On behalf of AAIS and a number of other parties, EOS engages with companies on sustainability issues to promote the interests of investors.
Delegated Asset Managers	Delegated Asset Managers are responsible for initiating and conducting ESG engagements for issuers within the portion of the portfolio they manage on behalf of AAIS, ensuring alignment with the portfolio's ESG investment philosophy and objectives. These managers are selected through a rigorous due diligence process, which evaluates their engagement framework, including escalation procedures, and their track record in engaging.

¹⁶ Although AAIS executes the voting for the funds on its delegation platforms, the External Asset Managers are free to file resolutions on an AGM for their own funds. Such resolutions could also be resulting from in-person and/or written previous engagements.

3. AAIS Direct Engagements Process

AAIS selects candidates for direct engagement on a case-by-case basis. Engagements at AAIS start with a clear and well defined stating of goals for the issuer. AAIS clearly states these objectives to issuers at the beginning of any engagement. Transparency on the offset reinforces accountability and encourages disclosure from all parties. These targets serve as a barometer for following the engagements and are of paramount importance to define whether or not an engagement is successful. Objectives are fixed in conjunction with a precise timeframe, typically of three years. This duration allows for issuers to implement change on the long term. Although some engagements can be shorter due to exemplary progress or the initiation of an escalation process, the AAIS engagement framework is geared towards a formal assessment at the end of the three year engagement cycle. This final assessment is also based on the yearly interim milestones. Prior to holding talks with issuers, AAIS drafts a timeline for engagements which includes milestones and final objectives. These objectives are subject to evolution depending on the feedback given by the issuer which helps AAIS set the most precise, structured, realistic and performance-based goals possible.

The success or failure of an engagement is first and foremost determined by the extent to which the goals set for the dialogue are achieved. A refusal by an issuer to engage in dialogue is viewed by AAIS as a rejection of efforts to improve or resolve a situation that warrants specific attention. For that reason, refusal to engage will be addressed via the escalation process.

As issuers are active members of the communities they serve, they are also subject to the changes associated with such a public life. AAIS supports issuers in navigating their challenges, acknowledging that conjunctural shifts may require engagement objectives to evolve. However, while context helps to understand strategic choices, AAIS considers that it should explain actions, not excuse inaction. The key criterion remains the issuer's capacity to adapt and implement positive change.

Once an engagement reaches its final steps, AAIS ESG team evaluates the performance of the issuer against the baseline and the objectives set in the preliminary stages. Depending on the results which are evaluated during this assessment, AAIS may decide to finalize the engagement, allow more time to the company to introduce change or proceed with the escalation process.

The process following unsuccessful engagements ensures that persistent concerns are addressed effectively and transparently. When engagement efforts with issuers fail to yield satisfactory outcomes, AAIS takes progressive measures to escalate its response. These measures are differentiated in three different categories: enhanced dialogue, public actions, and portfolio management actions.

- Enhanced dialogue includes actions such as sending formal letters to management to outline concerns and expectations, as well as filing shareholder proposals to initiate constructive change through direct engagement. This can also include leveraging voting rights to influence critical management decisions.
- Public actions are taken when enhanced dialogue does not yield satisfactory outcomes. These actions may involve making public statements to amplify the issue and draw broader attention to the concerns.
- In more significant cases, the escalation may extend to acts of management. These represent the final level of escalation if no improvement is observed and may include recommending partial or total divestment of the issuer to the portfolio manager. When divestment is agreed upon it must be done within the defined period allowing for the portfolio managers to exit in best market conditions. AAIS Chief Investment Officer is responsible for taking divestment decision.

4. ESG Collaborative Engagement Initiatives: Selection criteria and Governance

The selection of collaborative initiatives in which AAIS participates is determined through a formal decision-making process whereby the AAIS ESG team presents recommendations to the AAIS Executive Committee. This selection process encompasses a comprehensive evaluation of potential collaborative

partnerships and industry initiatives that demonstrate alignment with AAIS' ESG framework, while ensuring material relevance to AAIS' investment portfolio and strategic objectives. The ESG team conducts rigorous due diligence assessments of prospective collaborative opportunities, evaluating their potential impact on investment outcomes, resource allocation requirements, materiality to investment decision-making processes, and strategic complementarity with ABN AMRO Group's existing commitments. Such recommendations are formally presented to the AAIS Executive Committee for deliberation and approval, ensuring that AAIS' participation in collaborative initiatives maintains strategic coherence, delivers material value to investment activities, and optimizes collective impact through coordinated engagement with ABN AMRO Group while preventing duplication of efforts and resources.

B. Voting Policy

1. Introduction

This section presents the conditions under which ABN AMRO Investment Solutions (AAIS) exercises its voting rights attached to securities held by portfolios. As a management company, AAIS looks after the interests of its investors through active participation in the general meetings of companies in which the UCIs it manages directly or by delegation hold stakes. In accordance with the provisions R533- 16, L533-22 of the Code Monétaire et Financier, the purpose of this section is to present AAIS' voting policy.

As a signatory to the UN PRI via its parent company ABN AMRO Bank N.V., AAIS and its parent company are bound to act in the best long-term interests of their stakeholders. In line with this fiduciary duty, AAIS integrates ESG considerations into investment analysis and decision-making processes. This commitment extends to promoting high ESG performance standards in its funds. This dedication is also reflected in AAIS active ownership approach, which aligns with its dual objective of achieving financial returns while promoting social and environmental goals as a socially responsible shareholder. Therefore, AAIS' voting activities are key to guiding companies towards positive change.

2. Proxy Voting Procedures

a. Exercise of voting rights

The exercise of AAIS' voting rights is coordinated and overseen by AAIS ESG Team, composed of 4 full-time analysts. This ESG Team, while not solely dedicated to voting, is responsible for updating the policy to reflect evolving trends and heightened standards as well as instructing the votes. Additionally, AAIS ESG Team leverages the expertise of ISS Proxy Voting advisors to inform its voting decisions.

Proxy votes are exercised in alignment with ISS Governance's SRI proxy voting guidelines as well as AAIS' internal proxy voting guidelines. The ISS SRI Proxy Voting Guidelines is updated periodically by AAIS' provider ISS Governance to incorporate regulatory changes and best voting practices. This policy is publicly available on [ISS' Governance website](#). Additionally, AAIS has a customized voting policy that outlines specific elements and takes precedence over the voting recommendations from the ISS SRI Proxy voting guidelines. Resolutions are automatically executed in accordance with pre-defined voting instructions, as outlined under either AAIS' internal policy or the ISS SRI policy.

In certain cases, however, AAIS may choose not to follow the recommendations from either policy. This may occur when the recommendations (i) do not consider specific elements (e.g., new factors related to environmental or social resolutions) or (ii) the voting recommendation does not appear to align with the engagement activities carried out by AAIS' delegates or its third-party engagement partner EOS. (For more information, see section F on Voting and Engagement.)

AAIS does not systematically analyse all resolutions. Instead, the ESG Team selectively analyses those deemed most material. Factors that may trigger closer scrutiny include, but are not limited to:

- Significant ESG controversies involving the issuer, flagged by AAIS' data provider Sustainalytics.

- High exposure to climate-related risk,
- Governance concerns, highlighted by ISS Data Desk
- Active engagement by EOS or AAIS' delegates with the issuer.

When such resolutions are identified, the ESG Team draws on a broad range of information sources, including the issuer's proxy statement and related materials, AAIS' own research, as well as contributions from its partners such as the Institutional Investors Group on Climate Change (IIGCC). The same expertise, data, and analytical resources that underpin AAIS' investment activities are also mobilized in the voting process, ensuring consistency across stewardship activities. By integrating research and voting, AAIS can allocate resources efficiently, apply a forward-looking perspective, and align its voting decisions with its overall ESG strategy.

Selected resolutions are then discussed during a dedicated Voting Committee, composed of all members of the ESG team and chaired by the Head of ESG and Sustainable Investment. This Committee provides oversight and ensures internal deliberation and collective decision-making. The final decision not to follow the voting recommendations from AAIS' voting policy is at the discretion of the Head of the ESG team or the Chief Investment Officer, who will uphold the interests of all shareholders.

b. Voting Implementation

To streamline the implementation of AAIS' voting policy, the ESG team has dedicated access to the digital platform provided by ISS Governance. This platform houses and archives various elements and documents necessary for analysing a general meeting and the resolutions presented for voting. If digital voting is not feasible, AAIS will utilize other available methods, such as postal voting.

c. Voting Scope

AAIS exercises its voting rights for all UCIs, including SICAVs, for which it provides financial management directly and indirectly (when management has been entrusted to delegates). By exception, and in accordance with current legislation, the management company does not exercise voting rights for Employee shareholding funds (FCPEs).

The scope defined by AAIS for participating in general meetings does not require minimum holding thresholds for the securities subject to vote. Therefore, any position is eligible if voting rights are attached. It is important to note that, in certain cases, difficulties in obtaining voting forms and documents from issuers and/or centralizers and custodians may make the goal of systematic participation in general meetings challenging to achieve. AAIS will not vote if (i) it is found that the documents related to the concerned general meeting are unavailable or incomplete, (ii) if the voting documents are not translated into French or English, (iii) if the documents do not reach the management company within the minimum timeframe required by the centralizers before the general meeting, (iv) shareholders' meetings require share blocking.

Furthermore, AAIS exercises its voting rights considering the various categories of shares present in its portfolio. For instance, any multiple voting rights attached to a position are exercised without restriction for the relevant portfolios. Regarding temporary transfers of securities, the management company does not allow third-party borrowers to use its voting rights.

d. Prevention of Conflict of Interest

AAIS strives to prevent and manage any conflicts of interest. AAIS has put in place a procedure to prevent, detect and manage any potential conflicts of interest. Details on this procedure can be found on AAIS' internet site, in the section on [managing conflicts of interest](#). In the event of a potential conflict of interest, the ESG team will refer the matter to the Head of Compliance, which will examine any potential conflicts of interest.

The Voting Policy of AAIS is implemented without consideration of business ties, shareholding, or any type of relationships that may exist between the concerned company and the subsidiaries of the ABN AMRO

Group. However, in the interest of the shareholders and to preserve the reputation of the ABN AMRO Group in its engagement actions with companies, certain resolutions may be discussed between AAIS and ABN AMRO teams prior to voting. It is important to note, however, that AAIS remains the final decision-maker.

Moreover, AAIS has decided not to vote on any resolutions issued during the general meetings of ABN AMRO Bank N.V. and its entities to prevent any conflict of interest.

e. Voting Rights Transparency

All information relating to AAIS' votes is publicly available online using [ISS Vote Disclosure Services tool](#).

In addition, AAIS publishes annually a Stewardship Report dedicated to its voting and engagement practices.

f. Voting and Engagement

AAIS believes that the practices of a company should be assessed dynamically over time, rather than through a static snapshot. To that end, voting decisions are further enriched by engagement insights provided by AAIS' delegates and by EOS at Federated Hermes, AAIS' third-party engagement partner. These dialogues often reveal information that is not captured in proxy statements or related disclosures. Accordingly, AAIS may request updates from its delegates on recent engagement outcomes prior to instructing a vote, ensuring that decisions reflect the most current context. Similarly, the ESG Team may draw on EOS' planned or ongoing engagement activities to further inform its voting decisions.

These engagement insights from EOS and AAIS' delegates provide valuable perspective of an issuer's progress, responsiveness to investor concerns, and credibility of remediation plans. This enables AAIS to incorporate the company's trajectory into its voting decisions. For example, the ESG Team may, by exception, override its internal voting guidelines or those of ISS SRI and support a resolution it would normally have opposed if engagement indicates that the company has demonstrated meaningful progress, and the delegate and/or EOS provides a positive assessment of the issuer's responsiveness. On the contrary, if engagement reveals insufficient action or failed dialogue, voting may serve as an escalation tool to signal concerns to the issuer's management and board.

In this way, engagement and voting are closely interconnected: engagement informs more nuanced voting decisions, while voting outcomes can reinforce the objectives of ongoing or future engagement.

3. Voting Principles

The following section sets out AAIS' general voting principles on a number of key issues that commonly arise at general assembly meetings, such as board elections, compensation, and shareholder proposals. These principles are intended to provide clarity on AAIS' approach and to ensure consistency with its fiduciary duty and commitment to responsible investment. They do not, however represent an exhaustive list of all potential voting items.

a. Board of Directors

AAIS believes that effective corporate governance is crucial for ensuring that companies are managed in the best interests of shareholders, while also considering the alignment with key stakeholders such as customers, employees, and impacted communities. At the heart of this governance system is a corporation's board of directors, which holds ultimate responsibility for overseeing the conduct of the business. The role of directors in publicly held corporations is to serve as effective guardians of shareholders' interests, a responsibility that has evolved in recent years. Voting on directors and board-related issues is a significant use of the shareholder rights, serving as more than just a routine proxy item. Even in uncontested elections, shareholder opposition can signal dissatisfaction, prompting management response.

1. Board Independence and Diversity

AAIS advocates for diverse and independent boards, recognizing their critical role in fostering effective governance and strategic decision-making. Diversity brings varied perspectives, enhancing innovation and decision-making while reflecting market inclusivity and representation, which strengthens stakeholder connections. It mitigates risks by preventing groupthink and attracts top talent valuing inclusivity, boosting the company's reputation, and aligning with social responsibility standards. Independence ensures objective decision-making, free from management influence, fostering ethical governance and minimizing conflicts of interest. An independent board also provides effective oversight, enhancing transparency and accountability, which bolsters investor confidence and aligns decisions with long-term strategy and stakeholder expectations. Together, diversity and independence contributed to stronger governance practices, supporting both strategic effectiveness and high ethical standards.

To uphold these principles, AAIS will vote against or withhold votes from:

- **Maintaining Majority Independence in Board Director Nominations:** Non-independent director nominees when independent directors¹⁷make up less than 50% of Board members for non-controlled companies and 33% in the case of controlled companies¹⁸.
- **Ensuring Independence in Key Committee Membership:** Non-independent members of nomination, remuneration, and audit committees

2. Advocating for Leadership Role Separation

AAIS advocates for the roles of Chair and CEO to be separated to enhance governance through independent oversight of the CEO's performance. This approach helps mitigate conflicts of interest, ensuring board discussions remain objective and unbiased. By balancing power dynamics, it prevents concentration in a single individual and promotes fair decision-making. The separation improves accountability, allowing the board to hold the CEO responsible for company operations while the Chair leads governance efforts. Focused leadership enables the CEO to manage daily operations, while the Chair addresses board governance, thereby enhancing organizational effectiveness.

When the roles of Chair and CEO are combined, AAIS expects explanations for this dual function and strongly recommends appointing a Lead Independent Director (LID) with clearly defined responsibilities. The LID is crucial for maintaining balance within the board, ensure governance integrity, and function as an intermediary for directors and shareholders. In cases where the Chair and CEO roles are combined without sufficient counterbalancing measures, AAIS may oppose the (re)election of the Chair and/or nomination committee members.

3. Board Accountability and Risk Oversight

AAIS may choose to vote against individual directors or committee members when there are significant deficiencies in governance, stewardship, risk oversight, or fiduciary responsibilities, particularly regarding the management of ESG risks.

AAIS may also oppose directors due to:

- **Accountability in Board Attendance:** Directors who have attended fewer than 75% of board meetings.

¹⁷ Criteria for classifying directors as non-independent include, but are not limited to: Current or former officers or employees of the company or its affiliates, including interim officers serving over 18 months, Individuals identified as non-independent by the board or holding significant voting power (over 50%), Officers or partners in joint ventures or partnerships with the company, or former officers of acquired companies, parent firms, or predecessor firms within the past five years., Immediate family members of current or former officers or employees of the company or its affiliates, particularly where multiple family connections exist, Directors or their immediate family members providing professional services exceeding \$10,000 annually, or involved in material transactional relationships with the company or its affiliates.

¹⁸ Different thresholds can be applied based on geographical locations and market practices.

- **Inadequate Management Succession and Replacement:** Failure to replace management when necessary.
- **Board Membership Limits for CEO and Non-CEO Directors:** CEOs serving on more than two outside boards and non-CEO board members serving on more than five total boards.
- **Lack of Sustainability Reporting and ESG Risk Management:** The absence of sustainability reporting in the company's public documents or website, coupled with inadequate management or mitigation of ESG risks.
- **Failure to Establish an Effective Climate Strategy:** Directors who are accountable for the lack of meaningful measures or strategies to address climate change. For more information, please refer to the Environmental Issues section of this report.

b. Compensation

AAIS believes that compensation should be fair, transparent, and aligned with long-term company performance. Pay structures must incentivize long-term, sustainable value creation while discouraging excessive risk-taking.

Say on Pay (SOP) proposals are shareholder votes on executive compensation packages, allowing investors to express their approval or disapproval of the compensation plans for top executives. AAIS assesses these proposals and related items case-by-case and expect companies to provide clear and comprehensive disclosures that enable shareholders to assess the rationale behind pay outcomes. This includes transparency on performance metrics, equity awards, and severance or change-in-control provisions.

To uphold these principles, AAIS will vote against or withhold votes from Say on Pay proposals and/or compensation committee members, in the following situations:

- **Alignment with shareholders' interests:** Persistent misalignment between CEO Pay and company performance.
- **Engagement with shareholders:** Poor communication and responsiveness to shareholders' feedback, especially when a previous SOP received significant opposition.
- **Compensation rewarding success:** Significant amount of non-performance-based equity and cash awards.
- **Integration of E&S Metrics:** Lack of disclosure on long-term and short-term performance metrics related to environmental and social criteria.

c. Capital Structure

AAIS advocates capital authorization requests that respect shareholder rights and adhere to dilution limits. AAIS votes against:

- Capital increases without pre-emptive rights exceeding 10% of the company's share capital, including associated greenshoe¹⁹ options. Such authorizations can significantly dilute existing shareholders and are only acceptable within strict limits. For capital increases with pre-emptive rights, AAIS supports requests that do not exceed 50% of issued capital.
- Any capital-related resolutions that may be used as anti-takeover mechanisms, including poison pills, share repurchase programs executable during a takeover period, or any structure designed to entrench management at the expense of shareholder interests. AAIS is particularly cautious with proposals that lack transparency or appear to serve defensive purposes over legitimate strategic needs.

¹⁹ A greenshoe option is an over-allotment provision allowing the issuance of additional shares if demand exceeds expectations during a public offering.

d. One Share, One Vote

AAIS believes in the equitable treatment of all shareholders and the fundamental principle of “one share, one vote.” Voting rights are a core mechanism through which shareholders exercise oversight over corporate governance. Any deviation from this principle must be scrutinized to avoid undermining minority shareholder rights. Therefore, AAIS opposes proposals seeking to introduce or confirm mechanisms that grant multiple voting rights to certain shareholders, as these structures may concentrate control in the hands of a few and weaken the accountability of boards to the remaining shareholders. Such arrangements often distort governance dynamics and can entrench management or controlling shareholders at the expense of long-term value creation and fair representation.

e. Environmental Issues

Aligned with AAIS commitment to the Net Zero Asset Managers (NZAM) initiative, AAIS employs proxy voting to advocate for companies to adopt climate targets. Therefore, AAIS may vote against or withhold support from the incumbent chair of the responsible committee, or other directors on a case-by-case basis, when the company fails to take essential steps towards aligning with a Net Zero by 2050 trajectory. Essential steps include, but is not limited to, implementing board governance measures, corporate strategies, metrics, and targets, and a decarbonization strategy.

By holding directors accountable for their roles in managing these critical areas, AAIS reinforces its commitment to sustainability and responsible corporate practices. This strategy ensures that companies are actively working towards reducing their environmental impact and promoting long-term value creation. It aligns with AAIS' sustainability objectives by promoting transparency, accountability, and initiative-taking measures.

Similarly, management proposals requesting shareholders to approve the company's climate transition action plan ('Say on Climate' proposals) will be assessed depending on several elements, including the strategy's alignment with a net zero trajectory, the quality of the company's climate-related disclosures and their alignment with international recognized frameworks, and the alignment of the company's lobbying activities with its climate strategy.

f. Shareholders proposals

A shareholder proposal is a recommendation or request made by shareholders to a company's board of directors, typically presented, and voted on at the annual general meeting. These proposals can cover a wide range of topics, including corporate governance, environmental practices, executive compensation, and social responsibility. Shareholder proposals are a way for investors to influence company policy and hold management accountable by suggesting changes or actions they believe will benefit the company and its stakeholders. While not all proposals are binding, they can signal shareholder concerns and priorities, prompting the board to consider their implementation.

AAIS views these resolutions as a key component of the constructive dialogue between companies and their investors, serving as a pivotal mechanism to advocate for sustainable and enduring performance. Through its votes on shareholder proposals, AAIS aims to drive meaningful change that aligns corporate practices with the strategic interests of stakeholders, ensuring companies remain responsive and forward-thinking in their approach.

Like for management proposals, AAIS does not systematically analyse all shareholder proposals but evaluates the most salient ones on a case-by-case basis, prioritizing those with significant potential impact on shareholders and broader stakeholder interests. In-depth review of proposals raising material ESG concerns ensures that AAIS voting decisions reflect both the company's circumstances and the long-term interests of its clients. Please refer to the section *Exercise of Voting Rights* above for more information on the situations that may lead to a more in-depth analysis and discussion.

AAIS analysis is grounded in the merits of the request, the company's current practices, and informed by AAIS internal ESG expertise. To ensure a fair and contextualized evaluation, AAIS expects companies to provide sufficient disclosure, including the identification of the proposal's lead filer.

AAIS supports proposals that promote responsible business conduct and seek to enhance environmental, social, or workforce-related practices when they are aligned with long-term value creation and sound risk management. AAIS is particularly supportive of proposals that aim to improve transparency or align company practices with recognized international standards. However, AAIS may oppose proposals that are overly prescriptive, lack clear rationale, or do not reflect the company's context or progress.

IV. Explore Further

A. Exclusions - Glossary and Explanations

1. International Norms & Conventions

The norms-based exclusions of AAIS addresses companies deemed to be non-compliant with international norms and conventions and according to Sustainalytics. Sustainalytics applies its own guidelines to assess company compliance with relevant international norms, assigning one of the following three statuses: “Non-Compliant,” “Watchlist” or “Compliant”²⁰.



UN Global Compact Principles.²¹ The United Nations Global Compact is the world largest corporate sustainability initiative aimed at encouraging businesses and firms worldwide to adopt sustainable and socially responsible policies, and to report on their implementation. The UN Global Compact is a principle-based framework for businesses, stating ten principles in the areas of human rights, labour, the environment, and anti-corruption. The Ten Principles of the United Nations Global Compact are derived from: the Universal Declaration of Human Rights, the International Labour Organisation’s Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention Against Corruption. The exclusion of AAIS addresses companies deemed to be non-compliant with the UN Global Compact Principles and according to Sustainalytics.



Human Rights

- **Principle 1:** Businesses should support and respect the protection of internationally proclaimed human rights;
- **Principle 2:** make sure that they are not complicit in human rights abuses.



Labor

- **Principle 3:** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- **Principle 4:** the elimination of all forms of forced and compulsory labour;
- **Principle 5:** the effective abolition of child labour; and
- **Principle 6:** the elimination of discrimination in respect of employment and occupation.



Environment

- **Principle 7:** Businesses should support a precautionary approach to environmental challenges;
- **Principle 8:** undertake initiatives to promote greater environmental responsibility; and
- **Principle 9:** encourage the development and diffusion of environmentally friendly technologies.

²⁰ Sustainalytics analyses publicly reported allegations of adverse impacts caused by businesses and provides assessments based on principles recognised under the UN Global Compact principles. The terms “Watchlist” and “Non-Compliant” should be understood to be Sustainalytics’ opinion and a normative assessment of a company regarding the UN Global Compact principles.

²¹ For more details, please refer to: www.unglobalcompact.org



OECD Guidelines for Multinational Enterprises²² – The OECD Guidelines for Multinational Enterprises are recommendations addressed by governments to multinational enterprises operating in or from adhering countries. They provide non-binding principles and standards for responsible business conduct in a global context consistent with applicable laws and internationally recognised standards. The Guidelines are a part of the 1976 OECD Declaration on International Investment and Multinational Enterprises, a policy commitment by adhering governments to provide an open and transparent environment for international investment and to encourage the positive contribution MNEs can make to economic and social progress. The Guidelines clarify adhering government expectations on responsible business conduct and aid multinational enterprises to ensure their operations are in harmony with government policies. Balancing an open investment climate with the responsibilities of enterprises is key. The Guidelines cover all major areas of business ethics. Their recommendations are set out in 11 chapters and cover topics such as information disclosure, human rights, employment and labour, environment, anti-corruption, consumer interests, science and technology, competition, and taxation. The exclusion of AAIS addresses companies deemed to be non-compliant with the OECD Guidelines for Multinational Enterprises and according to Sustainalytics.



UN Guiding Principles on Business and Human Rights – The UN Guiding Principles on Business and Human Rights is a set of guidelines for States and companies to prevent and address human rights abuses committed in business operations. The Guiding Principles contain three pillars: (i) protect (i.e., the state duty to protect human rights), (ii) respect (i.e., the corporate responsibility to respect human rights) and (iii) remedy (i.e., access to remedy for victims of business-related abuses). Each of the chapters defines concrete, actionable steps for governments and companies to meet their respective duties and responsibilities to prevent human rights abuses in company operations and provide remedies if such abuses take place. The exclusion of AAIS addresses companies deemed to be non-compliant with the UN Guiding Principles on Business and Human Rights and according to Sustainalytics.



Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work²³ – The ILO Declaration on Fundamental Principles and Rights at Work, adopted in 1998 and amended in 2022, is an expression of commitment by governments, employers' and workers' organisations to uphold basic human values - values that are vital to social and economic lives. There are eight core conventions, which affirm the obligations and commitments that are inherent in membership of the ILO, and which cover the following principles:

- Freedom of association and the effective recognition of the right to collective bargaining.
- The elimination of all forms of forced or compulsory labour.
- The effective abolition of child labour.
- The elimination of discrimination in respect of employment and occupation; and
- A safe and healthy working environment.

The exclusion of AAIS addresses companies deemed to be non-compliant with the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and according to Sustainalytics.

²² For more details, please refer to: <https://mneguidelines.oecd.org/>

²³ For more details, please refer to: <https://www.ilo.org/global/lang--en/index.htm>



International Bill of Human Rights - In 1948, for the first time, countries agreed on a comprehensive list of inalienable human rights. In December of that year, the United Nations General Assembly adopted the Universal Declaration of Human Rights (UDHR), a milestone that would profoundly influence the development of international human rights law. In December 1966, the UN General Assembly adopted two international treaties that would further shape international human rights: the International Covenant on Economic Social and Cultural Rights (ICESCR), and the International Covenant on Civil and Political Rights (ICCPR). These are often referred to as “the International Covenants.” Together, the UDHR and these two Covenants are known as the International Bill of Human Rights. The exclusion of AAIS addresses companies deemed to be non-compliant with the International Bill of Human Rights and according to Sustainalytics.

2. Controversial Activities – Fundamental Rights Related

+18

Adult Entertainment Production - Adult Entertainment includes entertainment materials that explicitly represent the human body or sexual activity with the goal of sexual arousal and/or sexual relief and fall into the following categories: sex shops, producers of adult movies, cinemas that show adult movies, adult entertainment magazines, and the broadcasting of adult entertainment. Adult entertainment is associated with significant social risks, such as the degradation of human dignity and human trafficking. The industry raises concerns about exploitation, the objectification of individuals particularly women, and workplace conditions. Global legislation on adult entertainment varies significantly from country to country, requiring operators who distribute content internationally to navigate a complex web of laws, which presents significant compliance challenges. Additionally, the industry lacks safeguards regarding consent or the removal of video material at the actor’s request as well as the principle of equal treatment between men and women.

The exclusion of AAIS addresses companies involved in the production of adult entertainment and/or owning/operating adult entertainment establishments.



Fur and specialty leather production – Fur and specialty leather refer to materials derived from animal pelts and hides, used primarily in the fashion and textile industries. Fur comes from the thick coats of animals like mink, fox, and rabbit, and is often crafted into clothing and accessories such as coats and hats. Specialty leather is produced from the hides of less common animals, including alligators, snakes, and ostriches, valued for their unique textures and appearances in luxury items like handbags and shoes.

The production of fur and specialty leather is associated with significant social and environmental concerns. Socially, there are major animal welfare issues, as practices in fur farming and exotic skin harvesting often involve inhumane treatment. Additionally, the industry can raise cultural sensitivities and ethical debates, particularly when involving species of cultural significance, as well as concerns about poor labour practices and hazardous working conditions.

Environmentally, the industry contributes to pollution from toxic chemicals used in tanning, and is highly resource-intensive, consuming substantial water, land, and feed. Waste management is also a challenge, with potential pollution from by-products and chemical waste.

The exclusion of AAIS addresses companies with direct involvement to fur and specialty leather meaning companies manufacturing products made from fur or specialty leather, including products made from animals solely hunted or bred for their skin and fur.



Non-RSPO Palm Oil - Palm oil is a type of edible vegetable oil derived from the fruit of the oil palm tree, cultivated in many tropical regions around the world, with Indonesia and Malaysia being the largest producers. Palm oil is known for its versatility and is used in a wide array of

products. The production of palm oil has been a topic of environmental debate due to concerns about deforestation and habitat destruction in some regions, leading to efforts for more sustainable production practices. Deforestation and loss of biodiversity are two key concerns. The expansion of palm oil plantations often leads to the clearing of tropical rainforests, which are biodiversity hotspots. This deforestation contributes to the loss of habitat for numerous species, including endangered ones like orangutans, tigers, and rhinos. In addition, palm plantations are typically monocultures which significantly reduce biodiversity and contribute to soil degradation. With deforestation also comes the side effect of carbon dioxide being released exacerbating climate change. There are also social concerns around Human rights violations in the plantations such as labour exploitation, poor working conditions and child labour. In addition, poor practices have an impact on local communities, land conflicts and displacement of Indigenous communities are common challenges. There are efforts to address this issue and the promotion of sustainable palm oil production practices, such as those advocated by the Roundtable on Sustainable Palm Oil (RSPO) is growing. This organisation sets criteria for environmentally and socially responsible production and brings together stakeholders across the supply chain. They seek to develop and implement global standards for producing and sourcing certified sustainable palm oil. This way the crops can provide livelihoods for local communities and palm oil also provides sustainability benefits. The RSPO claims for instance that oil palms have much higher yields than any other vegetable oil crop as they require four to ten times less land than other vegetable oil crops to get the same amount of oil²⁴.

As such, the exclusion of AAIS addresses companies that are not members of the RSPO and that derive revenues from the production and/or distribution of palm oil.



Weapons

Controversial Weapons direct involvement: Weapons are considered controversial when they have a disproportionate and indiscriminate impact on civilian populations. The following weapons are considered controversial: cluster weapons; nuclear weapons; depleted uranium munitions; anti-personnel mines; biological weapons; chemical weapons; white phosphorus weapons; and fully autonomous weapons (i.e., weapons that can select and attack targets without human intervention). This list of weapons is based on several international conventions and treaties, such as the (Oslo) Convention on Cluster Munitions, the Non-Proliferation Treaty, the Ottawa Convention, the Biological and Toxin Weapons Convention and the Chemical Weapons Convention. The exclusion of AAIS addresses companies involved in the production, selling and/or distribution of (parts of) controversial weapons and this involvement concerns the core weapon system, or components/services of the core weapon system that are tailor-made and essential for the lethal use of the weapon.

Controversial Weapons indirect ownership Involvement - The exclusion of AAIS addresses companies that provide through corporate ownership components/services for the core weapon system.

Military Contracting Weapons - Military contracting can be considered controversial for reasons of pacifism, asymmetric defence-related purchasing power between countries, negative effects on economic growth and development particularly in post-conflict areas as a result of defence spending, potential issues around transparency and corruption, and its potential for (re-)fuelling wars and conflicts. The exclusions of AAIS address companies manufacturing military weapon systems, integral tailor-made components of military weapons, and companies providing tailor-made products and/or services that support military weapons.

²⁴ RSPO: [Why Sustainable Palm Oil? - Roundtable on Sustainable Palm Oil \(RSPO\)](#)

Small Arms – Small arms include manufacturers of firearm weapons such as guns, rifles, and pistols, manufacturers of key components of these weapons and retailers. Firearms can be considered controversial as they are reported to be a major factor in the increase of armed conflict worldwide. They are the weapon of choice for many terrorist groups around the world and often hinder smoother rebuilding and development after a conflict has ended. Besides the loss of human life and physical harm, armed violence also has significant (direct and indirect) economic costs. The exclusion of AAIS addresses companies deriving revenue from assault and non-assault weapons sold to civilian customers as well as key components of small arms. Companies selling small arms to military/law enforcement are also excluded.

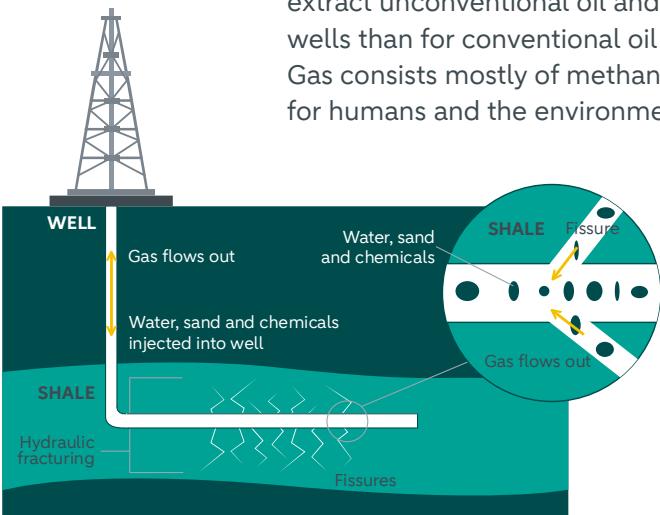
3. Controversial Activities –Fossil Fuel Related



Unconventional Fossil Fuels - Two broad categories of oil and gas can be distinguished: conventional and unconventional. The difference between the two is not so much about the chemical compositions but has more to do with the geological formations around the resources and how those resources are taken out of the ground. Conventional oil and gas are extracted onshore, in shallow waters or offshore at depths of less than 1,000 metres. The term “unconventional oil” refers to oil that is obtained without using the traditional method. Oil & gas companies go to great lengths to reach these often hardly accessible resources. They push their operations onto Indigenous land, into Arctic waters or the deep ocean. They use riskier production techniques that endanger people and the environment. AAIS current exclusions in place are focused in addressing the risks associated with unconventional oil and gas exploration by excluding companies that are involved (up to different revenue thresholds) in Arctic drilling, shale energy (extracting method is fracking) and tar sands extraction methods.

- ▶ **Arctic Oil & Gas:** offshore hydrocarbons production in the Arctic is particularly problematic because potential spills cannot be mitigated in cold waters and would have disastrous consequences for fragile Arctic marine and coastal ecosystems. Onshore production has different, but similarly severe consequences for the region since the ongoing industrialization through new oil and gas developments leads to the fragmentation and degradation of natural habitats. In addition, the exploitation of Arctic fossil fuel resources and the associated black carbon emissions through fossil fuel combustion endanger the region’s immense capacity to reflect solar irradiance, limiting its capacity to address climate change.
- ▶ **Tar Sands:** tar sands are a mix of tar, clay, sand, and bitumen. Bitumen is a very dense and viscous form of petroleum that cannot be pumped like conventional oil. This makes oil from tar sands hard to extract and difficult to process. Producing oil from tar sands is very carbon intensive and has immense impacts on local communities and the environment. There are two ways to produce tar sands oil. When the deposits lie less than 75 meters below ground, the companies use open pit mining. Large areas of forest are cut down. Wetlands are drained and the natural course of rivers and streams is diverted. Left behind are vast areas of destruction. The resource is then transported to a processing plant to separate the bitumen from the clay and sand. This process requires large amounts of water. After the separation, a poisonous slurry remains. This slurry is stored in enormous lakes. The dams, which hold back the tailings often leak and contaminate the surrounding environment. In cases where tar sands deposits are more than seventy-five meters underground, companies extract the bitumen directly. The extraction methods use steam, chemicals, or heat to make the bitumen less viscous so that it will flow to the surface. The extraction also generates wastewater, which is stored and can seep into the surrounding soil and water. After bitumen is extracted, it needs to be upgraded in special refineries. In addition, the transportation of tar sands oil through pipelines poses a severe threat to the environment because conventional technologies cannot tackle spills of tar sands oil.

► **Fracking:** fracking is an extraction method used to access gas and oil trapped in deep rock formations like shale oil/gas. Oil & gas producers drill wells and pump so-called fracking fluid into the ground to crack open the rock and release the trapped oil and gas resources. To extract unconventional oil and gas through fracking, companies need to drill many more wells than for conventional oil and gas production. More wells translate into more gas leaks. Gas consists mostly of methane, a highly potent greenhouse gas. Fracking fluid is dangerous for humans and the environment. It consists of pressurised water, toxic chemicals, and sand.



Source: European Environment Agency

After the oil and gas has been extracted, the companies dispose of wastewater, often by injecting it into underground disposal wells. The high pressure of wastewater injection as well as fracking itself destabilises the ground and increases the risk of earthquakes. Fracking poses a serious threat to ground and surface water. The extensive use of water increases the risk of water shortages and droughts in fracking regions. Oil, gas or fracking fluids can seep through the cracks created in the rock and into the groundwater. In addition, spills, deliberate dumping or inadequate storage and disposal of fracking fluid or wastewater contaminate soil and surface waters.



Thermal Coal – Coal, by its very nature, releases more GHG (scopes 1, 2 and 3) than oil or gas for electricity generation²⁵. In that context, two types of coal have been defined: thermal and metallurgical. Thermal coal defines the exploitation of coal mines as a means of electricity production, while Metallurgical coal defines coal used for steel production. Due to a lack of economically viable substitutes to metallurgical coal, and thus a corresponding lack of data on this type of coal, the commitments and exclusions hereby mentioned refer to Thermal coal.

The exclusion of AAIS addresses companies with direct involvement to thermal coal meaning companies extracting thermal coal for coal mining and exploration as well as companies with indirect involvement to thermal coal meaning companies generating electricity from thermal coal including utilities that own or operate coal-fired power plants. Thermal-coal generation is a significant contributor to incremental global emissions.



Exclusions Pertaining to Fossil Fuels in the Paris-Aligned Benchmark Regulation- ESMA published its final guidelines²⁶ on May 14, 2024, on the use of ESG or sustainability-related terms in fund names. The guidelines are designed to curb greenwashing by addressing unsubstantiated or exaggerated ESG or sustainability claims in fund names. Funds that utilize ESG or sustainability-related terms must exclude investments in companies engaged in controversial activities, as defined by Article 12 of the EU Paris-Aligned Benchmark (PAB) regulation. On December 13, 2024, the ESMA published a Q&A²⁷ stating that bonds issued under the Green Bonds Regulation do not need to be assessed under the PAB exclusions. The PAB exclusions are extensive and encompass not only companies involved in controversial weapons or the cultivation and production of tobacco, or those violating the UNGC principles or the OECD Guidelines for Multinational Enterprises, but also include the following specific exclusions related to fossil fuel activities:

- companies that derive 1 % or more of their revenues from exploration, mining, extraction, distribution or refining of hard coal and lignite;

²⁵ Institutional Investors Group on Climate Change (IIGCC), 'Accelerating the transition to zero emissions in the power sector', November 2020

²⁶ The ESMA Final Report, which provides guidelines on fund names incorporating ESG or sustainability-related terms, is accessible [here](#)

²⁷ <https://www.esma.europa.eu/press-news/esma-news/esma-puts-forward-qas-application-guidelines-funds-names>

- ▶ companies that derive 10 % or more of their revenues from the exploration, extraction, distribution or refining of oil fuels;
- ▶ companies that derive 50 % or more of their revenues from the exploration, extraction, manufacturing, or distribution of gaseous fuels;
- ▶ companies that derive 50 % or more of their revenues from electricity generation with a GHG intensity of more than 100 g CO2 e/kWh.

4. Controversial Activities – Health & Addiction Related



Cannabis (recreational purposes) – The cannabis industry is a global sector that deals with the production, distribution, and sale of cannabis for both medicinal and recreational use. The industry is diverse and includes a wide range of products and applications. Despite the cannabis industry being highly regulated, with laws and regulations focused on consumer protection and ensuring fair practices, the industry can contribute to social problems such as addiction and health risks. Investing in the cannabis industry can be seen as taking advantage of vulnerable individuals who are susceptible to abuse. Environmental risks related to the production of cannabis are high energy and water intensity and pollution of land and water.

The exclusion of AAIS addresses companies that produce cannabis for recreational purposes.



Gambling - The gambling industry is a global sector that deals with the provision of games of chance, where participants wager money in the hopes of winning more money. The industry is diverse and encompasses a wide range of activities and platforms, such as:

- (i) Casinos: physical locations where visitors can participate in various games of chance such as blackjack, roulette, poker, and slots,
- (ii) Online Gambling: websites and mobile apps that offer a variety of slot games, including sports betting, poker, and casino games,
- (iii) Sports betting: wagering on sporting events, which can take place both physically and online. This is one of the fastest-growing segments, especially with the rise of online platforms,
- (iv) Lotteries: games in which participants purchase tickets for a chance to win prizes, often organized by governments or recognized organizations,
- (v) Bingo: popular game that is often played in a social setting, both physically and online.

The exclusion of AAIS addresses companies owning and/or operating a gambling establishment, such as a casinos or online gambling. Companies manufacturing specialised equipment used exclusively for gambling, including slot machines, roulette wheels, and lottery terminals are also in scope for exclusion as well as companies providing supporting products/services to gambling operations, such as gambling technology or credit lines to casinos.

Even though the gambling industry is highly regulated, with laws and regulations often focusing on consumer protection, preventing gambling addiction, and ensuring fair practices, the gambling industry can contribute to social problems including gambling addiction and financial problems resulting in negative effects on families and communities. Investing in the gambling industry is seen as potentially benefiting from vulnerable individuals who are prone to addiction.



Genetically Modified Organisms (GMO) – Gene editing is a form of genetic engineering where genes can be deleted or added from the same or similar species. Genetic modifications are typically made to introduce new traits or enhance existing ones and are commonly used in agriculture to create crops that are resistant to pests, diseases, and environmental conditions like drought. GMOs can also be used for medical and pharmaceutical as well as industrial

applications. GMOs can offer significant benefits; however they also pose environmental, health, and socio-economic challenges. The debate over their use is ongoing, with strong arguments on both sides regarding their safety and impact. There is a risk that GMOs may crossbreed with wild relatives, potentially causing ecological imbalances. The long-term environmental impacts remain uncertain but could lead to reduced biodiversity as modified genes spread to non-GMO plants and disrupt ecosystems. Additionally, pests and weeds may develop resistance to GMO traits, potentially escalating chemical use over time and contributing to soil and water pollution. Moreover, the patenting and ownership of GMO seeds by large corporations can create economic challenges for small-scale farmers, negatively impacting their livelihoods and increasing their dependency on proprietary technologies. The use of GMOs also raises ethical concerns regarding food sovereignty and biodiversity.

The exclusion of AAIS addresses companies that grow genetically modified crops as well as companies involved in the development and/or cultivation of genetically modified seed and/or plants.



Tobacco – The tobacco industry produces cigarettes, but also other products such as cigars, pipe, chewing and snuff tobacco as well as the e-cigarette. Cigarettes make up the majority of the sector's turnover. Smoking is one of the leading preventable causes of illness and death worldwide and is strongly linked to conditions such as lung cancer, cardiovascular disease, and chronic obstructive pulmonary disease (COPD). Exposure to so-called 'second-hand smoke' can also cause serious health problems for non-smokers, including children and family members of smokers. The World Health Organization²⁸ estimates that tobacco use causes more than eight million deaths annually, including around 1.2 million deaths from exposure to second-hand smoke. The treatment of diseases related to tobacco use places a heavy burden on healthcare systems and leads to high healthcare costs for individuals and governments. Even though the tobacco industry is strictly regulated, awareness campaigns are running, and a smoke-free environment is promoted, the tobacco industry contributes to social problems including causing smoking-related diseases, deaths and associated high health care costs. This results in negative effects on families and communities and poses a serious threat to public health. Additionally, the cultivation of tobacco contributes to deforestation, especially in developing countries, where trees are cut down for the expansion of tobacco plantations and for drying tobacco leaves. In addition, tobacco production requires large amounts of pesticides and fertilizers, which can lead to soil and water contamination, potentially disrupting ecosystems and affecting biodiversity. Furthermore, cigarette butts, a common form of litter, are non-biodegradable and contribute to environmental pollution.

The exclusion of AAIS addresses companies manufacturing tobacco products, including cigarettes, cigars, tobacco for pipes and snuff, and smokeless tobacco products as well as companies supplying tobacco-related products/services, such as pipes or rolling papers. Companies deriving revenues from the distribution and/or retail sales of tobacco products/services are also part of the exclusions.

5. Ratification of International Treaties



Convention 182 of the International Labour Organisation (ILO) on the Worst Forms of Child Labour - Formally known as Convention No.182, the convention calls for the prohibition and elimination of the worst forms of child labour, which addresses slavery, forced labour and trafficking. The Convention was adopted by ILO member states meeting in Geneva in 1999. It is one of the organisation's eight Fundamental Conventions, which cover issues such as the elimination of forced labour, the abolition of work-related discrimination and the rights to

²⁸ For more details, please refer to: <https://www.who.int/news-room/fact-sheets/detail/tobacco>

freedom of association and collective bargaining²⁹. The exclusion of AAIS addresses countries that have not ratified the Convention No. 182.



Paris Agreement - Climate change is a global emergency that goes beyond national borders. It is an issue that requires international cooperation and coordinated solutions at all levels. To tackle climate change and its negative impacts, world leaders at the UN Climate Change Conference (COP21) in Paris reached a breakthrough in December 2015: the Paris Agreement. The Agreement sets long-term goals to guide all nations to reduce global greenhouse gas emissions to limit the global temperature increase in this century to 2 degrees Celsius while pursuing efforts to limit the increase even further to 1.5 degrees. The Agreement is a legally binding international treaty. 194 Parties (193 States plus the European Union) have joined the Paris Agreement³⁰. The exclusion of AAIS addresses countries that have not ratified the Paris Agreement.



Treaty on the Non-Proliferation of nuclear weapons (NPT) - The NPT is a landmark international treaty whose objective is to prevent the spread of nuclear weapons and weapons technology, to promote cooperation in the peaceful uses of nuclear energy and to further the goal of achieving nuclear disarmament and general and complete disarmament. The Treaty represents the only binding commitment in a multilateral treaty to the goal of disarmament by the nuclear-weapon States. Opened for signature in 1968, the Treaty entered into force in 1970. A total of 191 States has joined the Treaty, including the five nuclear-weapon States³¹. The exclusion of AAIS addresses countries that have not ratified the NPT.

B. Sustainability Indicators – Details and Rationales

1. ESG Performance



ESG indicator is used by AAIS and delegated Delegated asset managers to assess ESG risks associated with companies and investment portfolios. It often evaluates these risks based on a comprehensive analysis of factors such as carbon emissions, human rights practices, labour standards, board diversity, and corporate governance structures. The indicator provides a quantitative assessment that helps AAIS and delegated Delegated asset managers understand the potential sustainability risks and opportunities within a company's operations. The ESG Risk indicator allows AAIS and delegated Delegated asset managers to compare companies/sovereigns, facilitating informed decision-making that integrates sustainability considerations.

2. Controversies

Controversy level indicators are used by AAIS to assess the degree of controversy or ethical concern surrounding a company. These indicators analyse various factors such as environmental practices, social impacts, governance issues, and ethical standards within a company's operations. By evaluating controversies related to labour practices, human rights violations, environmental degradation, or unethical governance, these indicators help AAIS gauge the potential risks and ethical implications of its investments. AAIS relies on an external data provider for controversy alerts. The external data provider relies on publicly available data, media coverage, NGO reports, and other sources to assign a rating or score that reflects the level of controversy associated with a company. Controversy level indicators contribute to promoting responsible investing practices by highlighting companies' behaviours and

²⁹ For more details, please refer to: <https://www.ilo.org/global/lang--en/index.htm>

³⁰ For more details, please refer to: <https://www.un.org/en/climatechange/paris-agreement>

³¹ For more details, please refer to: <https://www.un.org/disarmament/wmd/nuclear/npt/>

practices that may pose risks or ethical concerns. They are integral to assessing corporate sustainability and social responsibility, encouraging companies to improve their practices and mitigate controversies.

3. Climate

Climate Risk is a cornerstone of many international agreements and transition frameworks. Since the 2015 Paris Agreement, many nations across the globe have concluded that the quantity of carbon emissions needs to be drastically reduced in the following decades. AAIS relies on corporate climate-related sustainability indicators, as calculated and interpreted by external service providers.

- Carbon Emissions per Scope
- Carbon Emissions Reduction Targets
- Carbon Emissions Budget
- Weighted Average Carbon Intensity

Carbon Emissions per Scope

For a more efficient and standardised method of identification and classification of corporate carbon emissions, three categories of emissions, known as Scope 1, 2, and 3 emissions, were defined as part of the Greenhouse Gas Protocol³². The definition of all three scopes is outlined in the below table. However, due to a lack of reported data on scope three emissions, AAIS only relies on scopes 1 and 2 emissions.

1	Scope 1	Entails all direct Greenhouse Gas (GHG) emissions, hence all emissions from sources owned or controlled by the entity.
2	Scope 2	Entails indirect GHG emissions from consumption of purchased energy – all consequences of an entity's activity but occurring at sources owned or controlled by another entity.
3	Scope 3	Other indirect emissions, such as the extraction and production of purchased materials and fuels, transport-related activities in vehicles not owned/controlled by the entity, electricity-related activities, outsources activities, etc.

Carbon Emissions Reduction Targets

AAIS uses this metric to evaluate and compare the GHG reduction targets set by different companies. The Science-Based Targets initiative is a key input. The Science Based Targets initiative³³ (SBTi) is a global body that enables businesses to set ambitious emissions reduction targets grounded in climate science. In addition to the official assessment performed by the SBTi, an increasing number of external data providers provide an assessment of issuers' carbon emissions reduction targets, based on proprietary assessment grids. AAIS may rely on external data providers when a company has no approved nor committed SBTi GHG reduction target.

Weighted Average Carbon Intensity (WACI)

AAIS uses this metric to assess and monitor a portfolio's exposure to carbon-intensive companies. Scope 1 and Scope 2 GHG emissions are allocated based on portfolio weights (i.e. the current value of the investment relative to the current portfolio value). AAIS relies on an external data provider for WACI analysis.

³² For more details, please refer to: <https://ghgprotocol.org/>

³³ For more details, please refer to: <https://sciencebasedtargets.org/>

4. Sustainable Development Goals (SDGs)



Upon the 2015 Paris Agreement, the United Nations have come up with the 2030 Agenda for Sustainable Development, a “plan of action for people, planet and prosperity”³⁴, that was adopted by all UN member states. As part of this agenda, the UN defined a list of seventeen goals that would need to be pursued and achieved by countries by 2030. Ranging from SDG 1 “No Poverty”, to SDG 17 “Partnerships for the Goals”, the seventeen objectives cover all dimensions of responsible investment: Environmental, Social, and Governance, making it a particularly useful tool for investors to assess the impact of their investments.

Initially developed for countries to assess their progress against these seventeen Sustainable Development Goals (SDGs), this framework gained traction in the financial sector. Asset managers – such as AAIS – use this framework to assess the level of contribution of an issuer, through its activities, to one or more of the seventeen goals. AAIS relies on an external data provider for UN SDG analysis.

5. Principal Adverse Impacts

Principal Adverse Impact (PAI) indicators are metrics used to assess and disclose the negative effects of investment decisions on sustainability factors. PAI indicators are a cornerstone of the European Union’s Sustainable Finance Disclosure Regulation (SFDR), which aims to enhance transparency and accountability in the financial sector regarding sustainability risks and impacts. Principle Adverse Impacts (PAIs) indicators cover a wide range of topics related to Environmental, Social, and Governance issues.

AAIS takes into consideration depending on the financial product the below PAI indicators:

Indicators for Corporate Issuers

PAI Number	Adverse Sustainability Indicator
Table 1	
1	GHG Emissions
2	Carbon Footprint
3	GHG Intensity of investee companies
4	Exposure to companies active in the fossil fuel sector
5	Share of non-renewable energy consumption and production
6	Energy consumption intensity per high impact climate sector
7	Activities negatively affecting biodiversity sensitive areas
8	Emissions to water
9	Hazardous waste and radioactive waste ratio
10	Violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises
11	Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises
12	Unadjusted gender pay gap
13	Board gender diversity
14	Exposure to controversial weapons
Table 2 (additional indicators)³⁵	
4	Investments in companies without carbon emission reduction initiatives

³⁴ For more information, please refer to: <https://sdgs.un.org/2030agenda>

³⁵ The indicators selected may evolve over time.

Indicators for Sovereign issuers

PAI Number	Adverse sustainability Indicator
Table 1	
15	GHG Intensity of investee countries
16	Investee countries subject to social violations

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ABN AMRO Investment Solutions - AAIS

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