

## Comfort Invest Mandate

# Sustainable Finance Disclosure

### Summary

This section summarises the entire document., the same headings are used for clarification purposes. A detailed description of this information can be found in subsequent sections of the document.

#### No sustainable investment objective

The Comfort Invest Mandate<sup>1</sup> (hereinafter "the Mandate") promotes the following environmental and social characteristics. Investments within the Mandate are selected based on the ESG risk rating. The Mandate does not have a sustainable investment objective<sup>2</sup> in accordance with the European Sustainable Finance Disclosure Regulation (SFDR).

#### Environmental and social characteristics of the financial product

The Mandate promotes the following environmental and social characteristics:

- ▶ Selecting investments that have a positive ESG performance;
- ▶ Exclusion of investments that do not follow good corporate governance practices;
- ▶ Exclusion of companies involved in controversial activities;
- ▶ Exclusion of government bonds in controversial countries.

#### Investment strategy

The Mandate's Portfolio Manager makes conscious choices to build a portfolio of investments that promote environmental and social characteristics. The companies in

which the Mandate invests set an example of how to strike a balance between people, planet and profit. The Mandate can invest in equities, corporate bonds, government bonds and funds. Funds can be managed by ABN AMRO Investment Solutions or by external managers.

In order to be included in the portfolio, investments must comply with the following binding elements to attain the environmental and social characteristics it promotes: positive selection based on ESG risk rating (best-in-class methodology), good corporate governance practices, exclusion of companies based on controversial activities, exclusion of government bonds based on controversial countries. For external investment funds, the binding element is that the investment fund falls under SFDR article 8 and makes use of some exclusions.

#### Proportion of investments

Our internal investment standards require that at least 90% of the portfolio investments (excluding cash, money market instruments and derivatives<sup>3</sup>) must meet the criteria for the Mandate's environmental and social characteristics.

To ensure portfolio diversification, a maximum of 10% of the portfolio can be invested in investments which do not meet the environmental and social characteristics promoted.

#### Monitoring of environmental and social characteristics

<sup>1</sup> In this document, the Comfort Invest Mandate refers to the underlying Comfort Invest investment fund.

<sup>2</sup> Sustainable investment: an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not

significantly harm any environmental or social objective and the investee companies follow good governance practices.

<sup>3</sup> The Mandate does not use derivatives to promote environmental and social characteristics.

The following sustainability indicators<sup>4</sup> are used:

- ▶ At least 90% of the portfolio, excluding funds managed by external providers, contain investments that have an above average ESG performance;
- ▶ The portfolio does not contain investments in companies that do not follow good corporate governance practices;
- ▶ At least 90% of the portfolio, excluding funds managed by external providers, does not contain companies engaged in controversial activities;
- ▶ At least 90% of the portfolio, excluding funds managed by external providers, does not contain companies engaged in controversial behaviour;
- ▶ At least 90% of the portfolio, excluding funds managed by external providers, does not contain government bonds issued by controversial countries.

### Methodologies

External data providers Morningstar, Sustainalytics, ISS and MSCI provide us with the necessary data for the above sustainability indicators.

### Data sources and processing

The data providers have been selected following a thorough due diligence process. Also after selection we remain in continuous dialogue with the data providers on the quality of the data, the investments for which data is available and the need for additional data to support the investment decisions. Data from data providers are processed through our own internal systems which compile data per Mandate.

The data which is provided from data providers can include estimations. In certain situations ABN AMRO may interpret this data and use it accordingly. ABN AMRO communicates with the data provider to mitigate any data gaps. ABN AMRO addresses any found data quality issues and data gaps in a swift and good manner.

### Limitations to methodologies and data

The methodologies used have limitations as outlined in the section below. However, in ABN AMRO's opinion, these limitations should not have a material impact on the extent to which the environmental and/or social characteristics can be achieved. For the majority of the assets in the investment universe, data is currently available and if no data is available for a financial instrument, it may be excluded from this Mandate.

### Due diligence

All investments in this Mandate are assessed to ensure that they are in line with the sustainable investment objective of the Mandate, using our internal methodologies and data from our data providers. Internal and external controls are in place, including in relation to using the expertise of ESG and data specialists, and a thorough Due Diligence process for data providers and fund managers that we work with.

### Engagement policies

ABN AMRO uses various ways of engagement, some of which apply to the Mandate:

- ▶ Delegated Engagement: Partnering with EOS at Federated Hermes Limited, a leading stewardship service provider, to leverage collective investor strength for impactful engagement.
- ▶ Theme-Driven Engagement: Participating in collaborative initiatives like Climate Action 100+ to address specific sustainable business practices.
- ▶ Investment Insight Engagement: Engaging for informed stock selection and portfolio monitoring, addressing ESG risks and opportunities.
- ▶ Multifaceted Engagement: Tackling specific issues not covered by other strategies, assessing financial exposure, ESG risks, and feasibility of engagement.

### Designated reference benchmark

The Mandate has not designated a reference benchmark to determine the attainment of the environmental and social characteristics it promotes.

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<sup>4</sup> Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are achieved.

## No sustainable investment objective

The Mandate promotes environmental and social characteristics, but has no sustainable investment objective.

## Environmental and social characteristics of the financial product

The Mandate promotes the following environmental and social characteristics:

- ▶ Selecting investments that have a positive ESG performance;
- ▶ Exclusion of investments that do not follow good corporate governance practices;
- ▶ Exclusion of companies involved in controversial activities;
- ▶ Exclusion of government bonds in controversial countries.

At least 90% of the portfolio investments (excluding cash, money market instruments and derivatives) must meet the criteria for the Mandate's environmental and social characteristics. No index has been designated as a reference benchmark meet the environmental or social characteristics of the Mandate.

## Investment strategy

The Mandate Portfolio Manager makes conscious choices to build a portfolio of investments that promote environmental and social characteristics. The companies in which the Mandate invests set an example of how to strike a balance between people, planet and profit. The Mandate can invest in equities, corporate bonds, government bonds and funds. Funds can be managed by ABN AMRO Investment Solutions or by external managers. External managers may use different methodologies, criteria and data to promote the environmental and social characteristics.

The Mandate applies the following internal binding elements to select investments to attain the environmental and social characteristics it promotes: positive selection based on ESG risk rating (best-in-class methodology), good corporate governance practices, exclusion of companies based on controversial activities, exclusion of government bonds based on controversial countries. For external investment funds, the binding element is that the investment fund falls under SFDR article 8 and makes use of some exclusions.

## Positive selection based on ESG performance (best-in-class methodology)

The ESG performance of a company is assessed based on the ESG risk rating from data provider Sustainalytics. Only companies with an ESG risk rating that is in the top 50% are eligible for investment. In exceptional cases, the risk score may be outside the best 50%, provided that the ESG risk rating is expected to improve. This may be the case, for example, for companies that may disrupt the industry.

## Good corporate governance practices

To be considered as an appropriate investment, all the portfolio's investments must apply good governance practices.

For direct investments in equities and corporate bonds, as well as for funds managed by ABN AMRO Investment Solutions within the portfolio, we assess governance practices of investee companies based on four elements: We assess a company's corporate governance based on data from our third party data provider Sustainalytics. A company is excluded if it breaches the UN Global Compact principle on anti-corruption. A company is also excluded if it has a high or severe controversy related to corporate governance. This controversy screening comprises six metrics:

- ▶ Sound management structures;
- ▶ Employee relations;
- ▶ Remuneration of staff;
- ▶ Tax compliance.

ABN AMRO has determined quantitative and qualitative eligibility criteria for these 4 elements. Companies that demonstrate the poorest governance practices compared to peers are deemed in breach of our criteria for good governance practices.

External fund managers use their own methodology and data to assess for good governance. These methodologies will differ from our internal methodologies and may be less stringent. We select external funds that fall under Article 8 of the SFDR, which requires good governance practices.

## Exclusion of companies involved in controversial activities

The Mandate excludes the following controversial activities:

- ▶ Companies on ABN AMRO's controversial weapons list;
- ▶ Companies on ABN AMRO's security sanctions list;

- ▶ Companies involved in farming and manufacturing tobacco;
- ▶ Companies not complying with the UN Global Compact's 10 principles;
- ▶ Companies for which more than 50% of total turnover comes from:
  - Gas exploration, extraction, manufacturing or distribution;
  - High carbon intensity electricity production, high Carbon intensity is defined as electricity production with lifecycle GHG emission over 100g CO2 per kWh electricity produced;
- ▶ Companies for which more than 10% of total turnover comes from:
  - the production of weapons (including key components), retail distribution of weapons and military contracts for the supply of weapons;
  - Oil exploration, extraction, distribution or refining;
- ▶ Companies with a stake above 10% in companies involved in controversial weapons;
- ▶ Companies for which more than 5% of total turnover comes from:
  - Military contracts for products and services related to weapons;
  - Cannabis for recreational purposes;
  - Addictive gambling services;
  - Animal fur and special leathers;
  - Combined exposure to arctic drilling, shale gas and oil extraction from tar sands methods;
  - Thermal coal power generation;
  - Sex industry;
  - Genetically modified organisms (GMOs);
  - Tobacco trade and/or wholesale;
- ▶ Companies for which more than 1% of total turnover comes from thermal coal exploration, extraction, distribution or refining.

- ▶ Countries guilty of violations of social rights described in international treaties and conventions, UN principles and national law where applicable;
- ▶ Countries with a poor human rights performance.

The Mandate may also include funds issued by external fund providers of which the methodologies differ from our internal methodologies. The Mandate applies the following internal binding elements in the selection of external investment funds.

#### External investment funds are subject to other binding elements

- ▶ The investment funds fall under SFDR Article 8;
- ▶ Good corporate governance practices;
- ▶ ESG has to be core to the external fund's strategy;
- ▶ The external fund excludes:
  - Companies involved in farming and manufacturing tobacco;
  - Companies involved in producing, selling or distributing controversial weapons;
  - Companies involved in fossil fuel;
  - UN Global Compact and OECD guideline violations;
  - Countries that have not signed the Paris Agreement.

#### Exclusion of government bonds in controversial countries

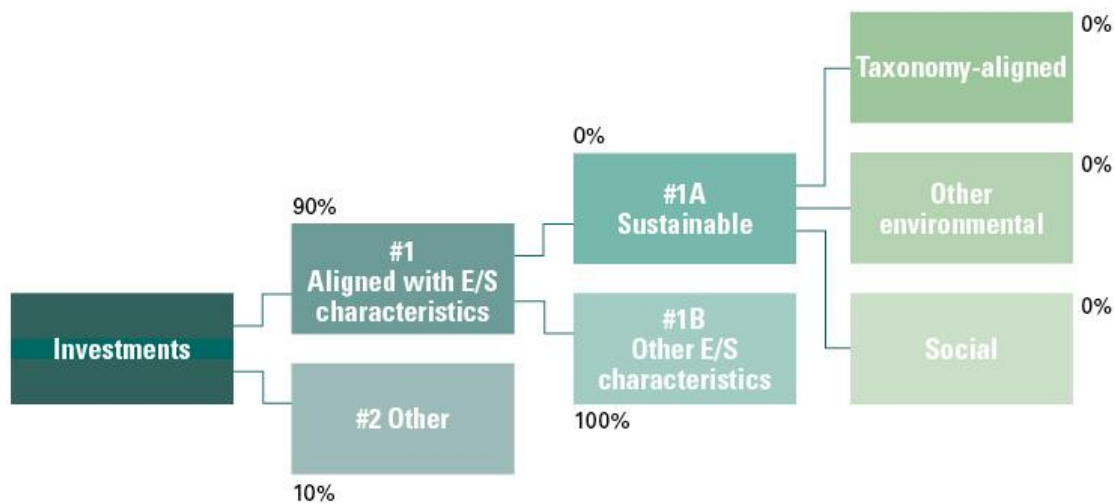
The Mandate excludes the following controversial countries:

- ▶ Countries on ABN AMRO's security sanctions list;
- ▶ Countries that have not signed the Non-Proliferation of Nuclear Weapons Treaty;
- ▶ Countries that have not signed the Paris Agreement;
- ▶ Countries that have not signed ILO Convention 182 on the Worst Forms of Child Labour;

## Proportion of investments

Our internal investment standards require that at least 90% of the portfolio's investments (excluding cash, money market instruments and derivatives<sup>5</sup>) must meet the criteria for the Mandate's environmental and social characteristics. If investment instruments have the same characteristics and risk/return profile, the investment that is best suited to the Mandate's environmental and social characteristics is preferred.

To ensure portfolio diversification, this Mandate's environmental and social criteria may not be met by up to 10% of the investments. This may be the case if this type of investment is not available or if insufficient information is available to determine whether the investments meet the criteria. The investments in this 10% category must not deviate from the general ABN AMRO exclusion criteria. Cash, money market instruments and derivatives are excluded from this 90% and 10% category.



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1A Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

<sup>5</sup> The Mandate does not use derivatives to promote environmental and social characteristics.

## Monitoring of environmental and social characteristics

The following sustainability indicators are used to measure the extent to which the environmental and social characteristics are attained:

- ▶ At least 90% of the portfolio, excluding funds managed by external providers, contain investments that have an above average ESG performance;
- ▶ The portfolio does not contain investments in companies that do not follow good corporate governance practices;
- ▶ At least 90% of the portfolio, excluding funds managed by external providers, does not contain companies engaged in controversial activities;
- ▶ At least 90% of the portfolio, excluding funds managed by external providers, does not contain companies engaged in controversial behaviour;
- ▶ At least 90% of the portfolio, excluding funds managed by external providers, does not contain government bonds issued by controversial countries.

Periodic checks are carried out to see whether the Mandate promotes the proposed environmental and social characteristics. Data from data providers Morningstar, Sustainalytics, ISS and MSCI is used for this purpose. The Portfolio Managers have access to this data. Internal controls include data testing by Analysts and checking for outliers, as well as checking if the reported data does not deviate significantly from expectations. The assessment of collected and shown data is an important part of the selection process and may affect the investment universe. There is direct communication between the data providers and ABN AMRO. If we are of the opinion that the data quality is not satisfactory, we can ask the data providers to carry out quality checks.

The annual investment report informs clients on the Mandate's performance in terms of the above sustainability indicators. Portfolio indicators may change over time, for example if new and/or more suitable indicators become available in the future. For more information on the methodologies used, see the following section.

## Methodologies

The methodology for each sustainability indicator used is described below.

### ESG risk rating

ABN AMRO uses the ESG risk rating of Sustainalytics to analyse the sustainability risks of companies. The ESG risk rating measures the extent to which a company's economic value is at risk because of unmanaged sustainability risks. A lower rating stands for sustainability risks that are not left unmanaged and is therefore better than a higher rating. A company's ESG risk rating is determined by assessing its exposure to sustainability risks and how well it manages them. The difference between these two is the unmanaged sustainability risk or the ESG risk rating. A company's exposure to sustainability risks depends on important ESG issues for the sub-sector, the company's specific exposure to ESG issues and ESG incidents involving the company, such as controversies and UN Global Compact violations. Sustainalytics allocates the ESG risk ratings based on extensive research, but it is still an opinion and other data providers may have different views on the company's sustainability risks.

### CO2 emissions

The portfolio's CO2 emissions are measured to ensure that the Mandate's environmental characteristics are promoted. The portfolio's CO2 emissions are expressed in absolute emissions, the weighted average carbon intensity and the carbon footprint (CO2 equivalent emissions per million euros invested) based on the Scope 1 and Scope 2 emissions. The data comes from ISS. ISS uses reports from the companies themselves where available. For companies that do not report their emissions themselves, ISS has developed an advanced emissions estimation approach, which may differ from their actual carbon emissions.

### Alignment with the goal of the Paris Agreement

To ensure alignment with the CO2 reduction measures, ISS provides a robust method for assessing alignment with the Paris Agreement. The approach is inspired by the emission reduction initiative of the Sectoral Decarbonisation Approach (SDA) developed by the Science Based Target initiative (SBTi). The SDA has been developed based on the scenarios of the International Energy Association (IEA). This approach allocates a CO2 budget to each sector. These budgets determine how much CO2 may be emitted to stay within a certain scenario, for example 2 degrees Celsius. Companies exceeding their 2 degrees Celsius budget are not aligned with the objective of the Paris Agreement. This data is aggregated to determine to what extent the Mandate is aligned with the objective of the Paris Agreement in 2050.



## Data sources and processing

The measurement of the sustainability indicators and the extent to which environmental and social characteristics are promoted depends on data we obtain from Morningstar, Sustainalytics, ISS and MSCI.

### Morningstar

Morningstar is a data provider. For more information, visit <https://www.morningstar.com/en-nl/company>.

### Sustainalytics

Sustainalytics is a data provider. For more information, visit [www.sustainalytics.com/legal-disclaimers](http://www.sustainalytics.com/legal-disclaimers).

### ISS

ISS is a data provider. For more information, visit [www.issgovernance.com](http://www.issgovernance.com).

### MSCI

MSCI is a data provider. For more information, visit [www.msci.com](http://www.msci.com)

The data providers have been selected following a thorough due diligence process. Even after the selection process, we remain in constant dialogue with the data providers about the quality of the data, the investment universe for which data is available and the need for additional data to support investment decisions. The Portfolio Managers and Analysts have access to the source data via the data providers' web portals and the integrated data and software solution (FactSet) and/or use data shared on other portals.

Data from data providers is processed via our own internal systems, which collect the data by investment and across all portfolio compositions. Data from data providers may be estimates. ABN AMRO will not change this data in any way, but will interpret and implement the data. ABN AMRO may communicate with the data provider to fill in any data gaps. Direct communication with our data providers allows us to efficiently address any data quality issues and data gaps.

## Limitations to methodologies and data

The methodologies and data used generally have the following limitations:

- ▶ Although the number of companies analysed by the data providers increases over time, it is possible that a specific company is not assessed by the data provider. ABN AMRO will then ask the data provider whether the company can be added to the universe.

- ▶ Companies do not always report the data that is needed for a proper assessment by the data provider. In that case, the data provider may ask the company to provide or publish the necessary data. In some cases, the data providers may estimate missing data points, such as for CO2 emissions. ABN AMRO does not estimate any missing data itself.
- ▶ Different data providers may use different methods to assess the ESG performance of investments, which may lead to different ESG performance assessments. The outcome of their assessment is subjective to some extent. The Portfolio Managers will therefore also form their own opinions. We have selected our data providers after a thorough due diligence process to ensure their methodology is in line with the best practices.

However, in ABN AMRO's opinion, these limitations should not have a material impact on the extent to which the environmental and/or social characteristics can be promoted. A majority of the assets in the investment universe currently have data available and if no data is available for a company, the assets may be excluded from the investment universe. ABN AMRO aims to have verifiable sustainability data for a majority of the investment universe. If no data is available for a certain investment, ABN AMRO will ask the data providers to include this data in the database. Our Portfolio Managers and Analysts are trained to assess the quality of the sustainability and ESG data.

## Due diligence

The Portfolio Managers follow the insights of the ABN AMRO Global Investment Committee (GIC) on sector and region allocations. Deviations, however, may arise because of lacking investment opportunities within a sector resulting from the environmental and social characteristics.

The Portfolio Managers aim to achieve a diversified portfolio with investments showing:

- ▶ Strong long-term growth prospects driven by ESG themes;
- ▶ Robust fundamentals;
- ▶ Attractive valuations.

Portfolio Managers select investments based on the investment strategy, but also perform a thorough, high-quality, bottom-up analysis. This analysis includes:

- ▶ Exposure to long-term trends such as climate change;

- ▶ Good corporate governance practices.

Internal and external controls ensure that the investment universe has sufficient data for the assessment of the ESG and sustainability performance. ESG specialists perform internal controls, their knowledge makes it possible to assess the outcome of the due diligence process as objectively as possible. In terms of external audits, our data providers from Morningstar, Sustainalytics, ISS and MSCI provide an overarching picture of compliance with international standards and data quality. ABN AMRO is committed to ESG and sustainable investing and has set up a strong due diligence process for this that is in line with the necessary legal principles.

### Engagement policies

ABN AMRO defines stewardship as the process through which investors influence companies' business practices, mainly with the focus on enhancing the management of Environmental, Social, and Governance (ESG) issues through engagement and voting. ABN AMRO uses engagement as a tool to foster sustainability and systemic change by aggregating assets to exert influence on portfolio holdings, advocating for enhanced transparency, improved governance, and better environmental and social practices. In addition, ABN AMRO is involved in various initiatives that underscore its commitment to responsible investment and stewardship. For example, the bank is a member of the Climate Action 100+, a global investor initiative that aims to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. Furthermore, the bank's asset management entity, ABN AMRO Investment Solutions (AAIS), is committed to transition through its participation in the Net Zero Asset Managers initiative and the Net Zero Engagement Initiative, aiming for net-zero emissions in its investments by 2050.

Engagement occurs when an area for improvement is identified within a portfolio company. Triggers may include structural adjustments, ESG rating changes or company controversies. In addition, sustainability issues that affect entire industries or regions, such as climate change, data protection or board governance, among others, offer opportunities for targeted corporate engagement.

The objectives of engagement mainly include:

- ▶ Improve the quality of non-financial disclosures;
- ▶ Improving a company's sustainability performance;
- ▶ Enhancing company value;

- ▶ Supporting ESG pioneers in advancing sustainable business practices;
- ▶ Elevating sector standards through dialogue.

ABN AMRO engages with investee companies, which represent investments made on behalf of clients' assets. These include existing corporate bond holdings and listed equity investments. In addition, the bank evaluates potential new investments for engagement opportunities. This approach helps transform companies towards sustainable practices and avoids those with low ambitions with regards to their ESG profile and sustainable business practices.

ABN AMRO employs a multifaceted engagement approach, categorised into four strategies:

1. Delegated Engagement: Partnering with EOS at Federated Hermes Limited, a leading stewardship service provider, to leverage collective investor strength for impactful engagement.
2. Theme-Driven Engagement: Participating in collaborative initiatives like Climate Action 100+ to address specific sustainable business practices.
3. Investment Insight Engagement: Engaging for informed stock selection and portfolio monitoring, addressing ESG risks and opportunities.
4. Multifaceted Engagement: Tackling specific issues not covered by other strategies, assessing financial exposure, ESG risks, and feasibility of engagement.

As an asset manager, ABN AMRO Investment Solutions (AAIS) actively exercises voting rights to positively influence corporate governance. AAIS votes all its financial products (including delegated portfolios). As such, AAIS has a voting policy outlining the conditions under which it exercises the voting rights belonging to securities held in portfolios managed by AAIS. Additional information is available in the AAIS Voting Policy.

ABN AMRO is committed to transparency and accountability in its stewardship activities. Ensuring that clients and stakeholders are kept informed about the bank's stewardship activities is an important aspect of fulfilling these responsibilities. ABN AMRO routinely assesses responsible investment and stewardship guidelines to maintain their relevance, considering factors such as



evolving market trends or suggestions from external stakeholders. Engagement activities are tracked on an ongoing basis and documented accordingly. The gathered engagement data is analysed to retrieve insights for future engagements, themes and outcomes. Additional information is available in ABN AMRO's sustainability policy, AAIS Stewardship Report and AAIS' voting records.

### **Designated reference benchmark**

The Mandate has not designated a reference benchmark to determine the attainment of the environmental and social characteristics it promotes.

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