ABN·AMRO MeesPierson

Sustainable Finance Disclosure

Integration of sustainability risks

In the context of the Sustainable Finance Disclosure Regulation (SFDR), the Bank hereby informs you about the way in which sustainability risks are integrated into its investment decisions and about the results of the assessment of the potential impact of sustainability risks on the return of the financial products it makes available.

Sustainability risks

The sustainability risk of investments refers to an environmental, social or governance (ESG) event or condition that, if it were to occur, may have an actual or potential material negative impact on the value of the investment.

All investments that ABN AMRO actively manages and monitors make up the investment universe and are used to provide investment advice. The investments include investment funds, ETFs (Exchange Traded Funds), individual equities and bonds as well as structured products. Depending on the investment instrument, ABN AMRO uses measurements and analysis from external data providers to assess sustainability risks.

To mitigate sustainability risk, ABN AMRO's investment recommendations are at least 70% (excluding cash, money market instruments and derivatives) aligned with the binding elements below. To diversify the portfolio, the investment advice for up to 30% of the investments may not comply with the binding elements below. However, this 30% category may not deviate from ABN AMRO's minimum safeguards. As per these minimum safeguards, the Mandate excludes all investments in companies or government that are subject to sanctions, or that are involved in tobacco or controversial weapons. Furthermore, all investments in the portfolio will meet the good governance requirements.

<u>Equity and bonds</u>

For individual equities and corporate bonds, ABN AMRO uses the ESG risk rating of third party data provider 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 means a smaller unmanaged sustainability risk and is therefore better than a higher rating in terms of ESG. 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 subsector, the company’s specific exposure to ESG issues and ESG incidents involving the company, such as controversies and violations of the United Nations (UN) Global Compact.

Although Sustainalytics allocates the ESG risk ratings based on extensive research, it remains an assessment from just one data provider. Consequently, other data providers, for example, may have different views on the company’s sustainability risks.

To mitigate sustainability risk, we apply the following binding elements:

- Exclusion of companies that do not follow good corporate governance practices;
- Exclusion of companies engaged in controversial activities;
- Exclusion of government bonds issued by controversial countries.

In addition to the above positive selection and exclusions, ABN AMRO engages with certain companies, in line with the ABN AMRO engagement policy.

Investment funds

Funds can be managed by ABN AMRO Investment Solutions (AAIS) or by external managers. Funds managed by AAIS will comply with the methodology of ABN AMRO to select equities and bonds. External managers may use different methodologies, criteria and data to promote the environmental and social characteristics. These methodologies will differ from our internal methodologies and may be less stringent. When selecting these external funds, we take into account the environmental and social characteristics the Mandate promotes.

External funds are subject to the following binding elements:

- The investment funds fall under SFDR Article 8;
- Good corporate governance practices;
- The external fund excludes:
  - Companies involved in farming and manufacturing tobacco;
  - Companies involved in producing, selling or distributing controversial weapons;
  - UN Global Compact and OECD guideline violations.

Structured products

For structured products, ABN AMRO accounts for the sustainability risks associated with the underlying instruments.

Impact on return

The sustainability risk may have a negative impact on the asset value and expected cash flow (such as dividends). Examples of this in recent years include major environmental accidents and fraud cases that have led to fines/penalties or additional operational costs. Nevertheless, it is still difficult to statistically model the value of sustainability in the investment performance. The Sustainalytics ESG risk ratings can be used to mitigate the potential negative impact of sustainability risk on returns.