

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 Flexible Mandate (hereinafter “the Mandate”) promotes environmental and social characteristics, but has no sustainable investment objective¹.

Environmental and social characteristics of the financial product

The Mandate promotes the following environmental and social characteristics:

- 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.

The Mandate does not focus on investments with an environmental objective that is aligned with the EU taxonomy. However, the portfolio may include investments qualifying as such. Furthermore, the Mandate does not set a reference benchmark to determine the attainment of the environmental and social characteristics that it promotes.

Investment strategy

The investment strategy of the Mandate is to construct an investment portfolio that promotes environmental and social characteristics by selecting investments that adequately manage environmental and social risks.

The environmental and social characteristics apply to at least 70% of the investments in the portfolio. Throughout this report the portfolio is considered as all investments, excluding cash, money market instruments and derivatives. The Mandate can invest directly in equities, corporate bonds and government bonds. Or indirectly by investing in a fund. Funds can be managed by ABN AMRO Investment Solutions or by external managers.

Funds managed by AAIS will comply with the methodology of ABN AMRO to select investments. 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. We only select external funds whose fund methodologies adhere to a minimum subset of our internal ESG requirements.

1 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.

Proportion of investments

Our internal investment standards require that at least 70% of the portfolio investments (excluding cash, money market instruments and derivatives²) must meet the criteria for the Mandate's environmental and social characteristics.

To ensure portfolio diversification, a maximum of 30% of the portfolio can be invested in investments which do not meet the environmental and social characteristics promoted.

Monitoring of environmental and social characteristics

The following sustainability indicators³ are used:

- The portfolio does not contain investments in companies that do not follow good corporate governance practices;
- At least 70% of the portfolio, excluding funds managed by external providers, does not contain companies engaged in controversial activities;
- At least 70% 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 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.

2 The Mandate does not use derivatives to promote environmental and social characteristics.

3 Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are achieved.

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.

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:

- 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.

The environmental and social characteristics apply to at least 70% of the investments in the portfolio.

Throughout this report the portfolio is considered as all investments, excluding cash, money market instruments and derivatives. The Mandate can invest directly in equities, corporate bonds and government bonds. Or indirectly by investing in a fund. Funds can be managed by ABN AMRO Investment Solutions or by external managers.

Funds managed by AAIS will comply with the methodology of ABN AMRO to select investments. 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. We only select external funds whose fund methodologies adhere to a minimum subset of our internal ESG requirements.

The Mandate does not focus on investments with an environmental objective that is aligned with the EU taxonomy. However, the portfolio may include investments qualifying as such. Furthermore, the Mandate does not set a reference benchmark to determine the attainment of the environmental and social characteristics that it promotes.

Investment strategy

The investment strategy of the Mandate is to construct an investment portfolio that promotes environmental and social characteristics by selecting investments that adequately manage environmental and social risks. This includes:

- 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.

These criteria apply to at least 70% of the direct investments in equities, corporate bonds and government bonds, as well as to funds managed by AAIS within the portfolio. For funds, including ETF, issued by external fund providers other than AAIS, the criteria for the selection of investment of the external fund provider apply. The criteria, methodologies and data that they use differ from ABN AMRO's methodologies and may be less or more stringent. When selecting these fund providers, we take into account the environmental and social characteristics the Mandate promotes by ensuring that the funds' methodologies will comply with a minimum subset of our internal requirements.

The Mandate applies the following internal binding elements in the selection of the direct investments in equities, corporate bonds and government bonds, as well as for funds managed by AAIS within the portfolio:

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 with involvement in tobacco production (growers and manufacturers) and/or electronic cigarettes;
- Companies not complying with the UN Global Compact's 10 principles;
- Companies for which more than 10% of total turnover comes from:
 - Thermal coal mining;
 - Thermal coal power generation.

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 against Child Labour.

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.

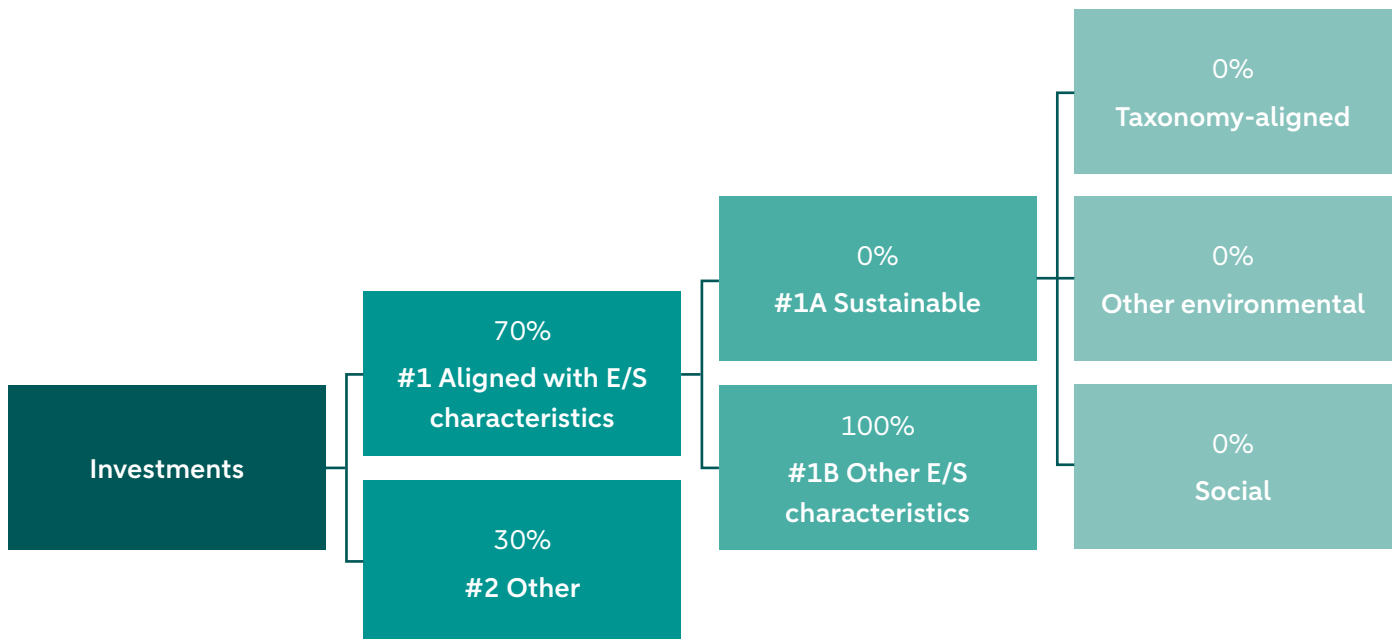
We would like to point out that these internal exclusions may change over time. External investment funds are subject to other binding elements:

- The fund promotes environmental and/or social characteristics by:
 - adhering to the requirements of at least Article 8 of the Sustainable Finance Disclosure Regulation (SFDR);
or
 - consisting solely of government bonds issued by countries that comply with the exclusion criteria for government bonds issued by controversial countries.
- 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.

Proportion of investments

Our internal investment standards require that at least 70% of the portfolio's investments (excluding cash, money market instruments and derivatives) must meet the criteria for the Mandate's environmental and social characteristics.

To ensure portfolio diversification, this Mandate's environmental and social criteria may not be met by up to 30% 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. Cash, money market instruments and derivatives are excluded from this 70% and 30% 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 **#1 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.

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:

- The portfolio does not contain investments in companies that do not follow good corporate governance practices;
- At least 70% of the portfolio, excluding funds managed by external providers, does not contain companies engaged in controversial activities;
- At least 70% of the portfolio, excluding funds managed by external providers, does not contain government bonds issued by controversial countries.

Compliance with the promotion of the proposed environmental and social characteristics of the Mandate is monitored on a regular basis. For this different data from Morningstar Sustainalytics, ISS, and MSCI is used. The portfolio managers have access to this data and assess the environmental and social objectives on a continuous basis.

Clients are informed via periodic reporting on how the Mandate performs on the sustainability indicators described above. Indicators may change over time, for instance in case of new and/or more suitable indicators available in the future. See the next section for more information on the methodologies used.

Internal control mechanisms include analyst tests on the data and checking for outliers, along with ensuring that reported data does not significantly differ from expectations. Reviewing data collected and shown is a key part of the selection process and may influence confirmation of the acceptable investment universe. ABN AMRO engages with our data providers when needed to discuss any differences in expected data values and for the data providers to perform quality checks when needed.

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 comply with the Mandate's environmental characteristics. For this sustainability indicator, we look at absolute emissions, the weighted average carbon intensity and the carbon footprint (CO2 equivalent emissions per million euros invested) based on 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.

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.

ISS

ISS is a data provider. For more information, visit www.issgovernance.com.

MSCI

MSCI is a data provider. For more information, visit 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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ABN AMRO

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