



# AAF Boston Common Emerging Markets ESG Equities

Website Product Disclosure



## Summary

### No Sustainable Investment Objective

This financial product promotes environmental or social characteristics, but does not have as its objective sustainable investment.

### Environmental/social characteristics

The analysis of ESG factors is systematically integrated into the investment decision making process of ABN AMRO Funds Boston Common Emerging Markets ESG Equities (the “Sub-Fund”). The External Investment Manager defines ESG integration as the process of recognising the financial materiality (or significance) of environmental, social and corporate governance factors as part of the investment process. The Sub-Fund will use a selection of securities complying with ABN AMRO Investment Solutions (the “Management Company”) ESG responsibility criteria. The External Investment Managers must comply with the Management Company's standards of quality and go through a qualitative selection process before being retained. This process involves an in-depth analysis of the External Investment Manager's corporate social responsibility policy as well as its overall sustainability strengths going from the analysis of ESG professionals, philosophy and investment process. Under the ESG responsibility criteria of the Management Company, the External Investment Manager is committed to conducting both negative and positive screenings as well as taking engagement actions when necessary. The Sub-Fund will be composed of issuers that are flexible in ESG best-practice.

The Sub-Fund promotes both environmental and social characteristics. On the environmental front, the Sub-Fund promotes climate risk management. The social characteristics promoted by the Sub-Fund focus on global human rights, labour standards as well as diversity, equity and inclusion.

### Investment Strategy

The External Investment Manager integrates ESG analysis at every stage of its investment process in order to build a diversified portfolio of companies with strong ESG profiles that align with three long-term sustainable themes namely climate change and earth renewal, inclusion and empowerment as well as health and community well-being. The integrated investment process begins with screening the initial universe based on ESG and financial considerations. In addition to these exclusions, the External Investment Manager will exclude companies that do not meet its overall Comprehensive ESG Guidelines. The External Investment Manager's ESG research department has built a proprietary research process to evaluate the sustainable characteristics of a broad set of companies. Beyond the initial universe screening, the focus of the External Investment Manager's research process is bottom-up and fundamental. The External Investment Manager has developed a dynamic “monitor list” drawing upon the fundamental inputs from both the ESG and the financial analysts teams. Using an ESG lens, the External Investment Manager examines the material risks and opportunities that impact companies in a specific sector, benchmarking leaders and laggards in each sector. Similarly, the financial analysts use their global sector experience and expertise to generate stock specific ideas in their sectors. As a result, the monitor list is narrowed down to a focus list. The portfolio management team draws from the names on the focus list to create a diversified portfolio, using the stocks which have been vetted and approved by both teams. The External Investment Manager assesses the financial and ESG risks and opportunities and prefers to buy the companies that have a large exposure in revenues (>50%) to the three long-term sustainable themes. The External Investment Manager seeks companies that are sustainability leaders, with responsible practices and innovative products or services. However, in order to build a diversified portfolio, the External Investment Manager may also invest in high quality companies that meet or exceed their Comprehensive ESG guidelines but are not yet leaders in sustainability. In these instances, the External Investment Manager aims to raise the sustainability profile of the equity holdings through active shareholder engagement.

### Proportion of Investment

The Sub-Fund plans to invest at least 90% of its net assets in assets that have been determined as “eligible” as per the ESG process in place (hence in investments that are aligned with the promoted environmental and social characteristics). Consequently, up to 10% of the investments may not be aligned with these characteristics.

## Monitoring of the Environmental/Social characteristics

The Management Company and the External Investment Manager independently perform an assessment of the attainment of the Sub-Fund's environmental and/or social characteristics.

The External Investment Manager has implemented both pre-trade and post trade controls for the monitoring of the environmental and/or social characteristics of the portfolio. The controls are coded by the Compliance team, in their order management system, and certain ESG restrictions are monitored directly by the ESG Research Team. In addition, the analysts and portfolio construction teams of the External Investment Manager discuss risk factors to ensure that the portfolio's active exposures are consistent with both the investment strategy and the diversification requirements defined. If a trade is flagged as a breach in pre-trade, the portfolio managers reach out to their Compliance team. In case any material breach is detected, the Compliance team escalates it to the Chief Compliance Officer, who will work with the portfolio manager and trading team to determine how best to address the breach and ensure remediation for the client. Finally, through their investments, the External Investment Manager seeks to address direct and indirect physical and transition risks.

The Management Company, through its Business Control & Oversight team, performs periodic ex-post controls to ensure that the portfolio complies with the commitments made. If a "non-compliant matter" is detected by the Management Company, its Business Control & Oversight team will first analyse it and engage in dialogue with the External Investment Manager if necessary. Depending on the nature of the non-compliance, the Management Company's ESG team may decide to monitor it using its proprietary "ESG Watchlist". If the non-compliance persists over time, an escalation process is put in place by the Management Company to ensure a timely remediation plan in the best interest of shareholders.

## Data sources and processing

The Management Company monitors the attainment of the environmental and/or social characteristics of the Sub-Fund using its own data providers. The Management Company uses three external data providers as its main sources. Once collected from these sources, the data is integrated and stored in the internal front-to-back tool and/or available in the Management Company's dedicated data management system (which directly and continuously obtains data from the providers). Information is also available via dedicated portals developed by external data providers, access to which is limited to specific users of the Management Company.

The External Investment Manager has developed a proprietary research process to assess the environmental and/or social characteristics of companies. The research process includes proprietary internal research, which is supported and supplemented by third-party research. External service providers used for ESG data, controversies and product involvement include ISS, MSCI, Moody's, RepRisk and Sustainalytics. Where possible, the team will rely on diverse data sources to corroborate information or reveal otherwise missing data, thus allowing for enhanced data accuracy and quality.

## Due Diligence

As part of their Due Diligence process, the External Investment Manager starts by screening an initial universe through exclusions based on ESG and financial considerations, and Comprehensive ESG Guidelines. The External Investment Manager then conducts fundamental bottom-up research on the stocks of this universe, assessing the material risks and opportunities that impact companies in specific sectors. This research is enhanced through the integration of ESG risk and opportunity factors, as the External Investment Manager employs a separate, in-house ESG Research team, who works closely with the Financial Research team, together forming the Integrated Investment Team. The External Investment Manager only invests in companies rated "approved for purchase" following this thorough review, and based on the External Investment Manager's guidelines and detailed process.

The Management Company carries out due diligences for the selection of delegated strategies as well as for open-ended investment funds. The Manager Due Diligence analysts' team (MDD) identifies and selects high quality investment strategies and monitors the universe of approved strategies. The MDD team focuses on all investment and sustainability-related elements of an investment strategy. The Management Company's in-depth analysis is based on a "5-P approach": Parent, People, Process, Portfolio and Performance. Each of the previously outlined aspects is evaluated and ultimately leads to a final rating of the strategy. As part of the monitoring process, the MDD team periodically reviews the performance of the strategy to ensure that it remains aligned with the investment style of the portfolio. The ESG team supports the MDD team in reviewing the process and methodologies implemented by the external asset managers when considering ESG and sustainability issues. The ESG team provides qualitative feedback during the selection phase and supports the MDD team throughout its analysis process, using the "5-P approach" aforementioned. In addition, during the monitoring phase, the ESG team will monitor the Sub-Fund's characteristics and performance related to the environmental and/or social characteristics defined (including the review of underlying investments).



## No sustainable investment objective

This financial product promotes environmental or social characteristics, but does not have as its objective sustainable investment.



## Environmental/social characteristics of the financial product

The analysis of ESG factors is systematically integrated into the investment decision making process of ABN AMRO Funds Boston Common Emerging Markets ESG Equities (the “Sub-Fund”). The External Investment Manager defines ESG integration as the process of recognising the financial materiality (or significance) of environmental, social and corporate governance factors as part of the investment process. The Sub-Fund will use a selection of securities complying with ABN AMRO Investment Solutions (the “Management Company”) ESG responsibility criteria. The External Investment Managers must comply with the Management Company's standards of quality and go through a qualitative selection process before being retained. This process involves an in-depth analysis of the External Investment Manager's corporate social responsibility policy as well as its overall sustainability strengths going from the analysis of ESG professionals, philosophy and investment process. Under the ESG responsibility criteria of the Management Company, the External Investment Manager is committed to conducting both negative and positive screenings as well as taking engagement actions when necessary. The Sub-Fund will be composed of issuers that are flexible in ESG best-practice.

The Sub-Fund promotes both environmental and social characteristics. On the environmental front, the Sub-Fund promotes climate risk management. The social characteristics promoted by the Sub-Fund focus on global human rights, labour standards as well as diversity, equity and inclusion.

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.



## Investment Strategy

### Description of the strategy

The External Investment Manager integrates ESG analysis at every stage of its investment process: in the initial selection of the investable universe, in the idea generation process, in the stock analysis phase through detailed company research, identifying leaders and laggards, and in the portfolio construction phase. In the portfolio construction phase, the External Investment Manager's goal is to build a diversified portfolio of companies with strong ESG profiles.

The integrated investment process begins with screening the initial universe based on ESG and financial considerations (e.g., company involvement in weapons manufacturing, gambling, alcohol, tobacco, coal mining). In addition to these absolute exclusions, the External Investment Manager will exclude companies that do not meet its overall Comprehensive ESG Guidelines. The External Investment Manager's ESG research department has built a proprietary research process over the past couple decades (supported by and complemented with third-party research) to evaluate the sustainable characteristics of a broad set of global companies.

Beyond the initial universe screening, the focus of the External Investment Manager's research process is bottom-up and fundamental. The External Investment Manager has developed a dynamic “monitor list” drawing upon the fundamental inputs from both the ESG and the financial analyst teams. Using an ESG lens, the External Investment Manager examines the material risks and opportunities that impact companies in a specific sector. The ESG team presents the analysis of the material issues in each sector, highlighting emerging issues, best in class practices, risks, and opportunities. They also benchmark leaders and laggards in each sector, providing ideas for the financial analysts. Similarly, the financial analysts use their global sector experience and expertise



to generate stock specific ideas in their sectors, monitoring holdings and candidate stocks while tracking sector, industry and market dynamics. The External Investment Manager combines the financial analyst's rigorous bottom-up analysis with the holistic understanding of the company's ESG profile. As a result of this integrated financial and ESG analysis, the monitor list is narrowed down to a focus list. The portfolio management team draws from the pool of names on the focus list to create a diversified portfolio. Using the stocks which have been vetted and approved by both teams, the portfolio manager constructs the portfolio. The External Investment Manager assesses the financial and ESG risks and opportunities and prefers to buy the companies that have a large exposure in revenues (>50%) to the three long-term sustainable themes mentioned above (i.e., the External Investment Manager will qualify them as "Solutions Providers"). The External Investment Manager seeks companies that are sustainability leaders, with responsible practices and innovative products or services. However, in order to build a diversified portfolio, the External Investment Manager may also invest in high quality companies that meet or exceed the External Investment Manager's Comprehensive ESG guidelines but are not yet leaders in sustainability. In these instances, the External Investment Manager aims to raise the sustainability profile of the equity holdings by urging the management of the portfolio companies to improve upon their policies and operations through the External Investment Manager's active shareholder engagement. Methodological limitations can be assessed in terms of: nature of ESG information (quantification of qualitative data), ESG coverage (some data are not available for certain issuers) and homogeneity of ESG data (methodological differences).

## Good governance practices

As part of its "Good Governance Policy", the Management Company of the Sub-Fund determines if a company does not follow good governance practices. Companies that do not follow good governance practices are excluded from the initial investment universe of the Sub-Fund and will fall in the Good Governance exclusion List. The Good Governance principles, integrated into the AAIS "exclusion policy" are data driven and qualitative in nature. For purposes of the Good Governance test, the Management Company has defined criteria related to widely recognized industry- established norms, as set forth below:

SFDR Component	Indicator	Exclusion Criteria	Description
Sound Management Structure	UN Global Compact - Principle 10	Watchlist and Non-Compliant status	Principle 10 of the UN Global Compact is related to anti-bribery and corruption and states businesses should work against corruption in all its forms, including extortion and bribery.
	Governance controversy assessment	High & Severe Levels	As part of the controversy assessment, the following topics are included: accounting irregularities, bribery and corruption, anti-competitive practices, sanctions as well as board composition.
Employee Relations	UN Global Compact – Principles 3, 4, 5 and 6	Watchlist and Non-Compliant status	Principle 3, 4, 5 and 6 of the UN Global Compact are related to labour conditions. The principles state that businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; the elimination of all forms of forced and compulsory labour; the effective abolition of child labour; and the elimination of discrimination in respect of employment and occupation.
	Social Controversy Assessment	High & Severe Levels	As part of the controversy assessment, the following topics are included: freedom of association, child/forced labour, health and safety, community relations, respect of human rights, labour standards, discrimination and harassment.
Tax Compliance	Governance Controversy Assessment	High & Severe Levels	As part of the controversy assessment, taxes avoidance and evasion are taken into consideration.
Remuneration of Staff	Governance Controversy Assessment	High & Severe Levels	As part of the controversy assessment, remuneration is taken into consideration.

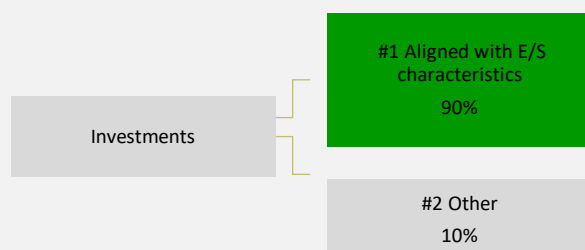
The External Investment Manager believes that strong transparency and accountability mechanisms should lead to improved management of ESG risks and opportunities. This External Investment Manager assesses prospective investments for issues relating but not limited to ownership and control, board structure, board diversity, pay practices, accounting and tax practices, political and lobbying practices, and stakeholder engagement. The External Investment Manager reviews policies, such as codes of conduct and anti-bribery and corruption policies, as well as compliance infrastructure to assess governance practices. The External Investment Manager examines the history and pattern of corporate behaviour going back five years and assesses remediation of governance controversies.



## Proportion of investments

The Sub-Fund invests at least 90% of its net assets in assets that have been determined as “eligible” as per the ESG process in place (hence in investments that are aligned with the promoted environmental and social characteristics (#1 Aligned with E/S characteristics)).

Up to 10% of the investments are not aligned with these characteristics (#2 Other). “#2 Other” includes derivatives, funds (including Exchange Traded Funds), bank deposits at sight, including cash held in current accounts with a bank accessible at any time. These are used for Investment, hedging and efficient management portfolio purposes. There are no minimum environmental or social safeguards associated with these investments. A more detailed description of the specific asset allocation of this Sub-Fund can be found in the prospectus.



### #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.



## Monitoring of environmental or social characteristics

When the Management Company delegates part of the management of the Sub-Fund to External Investment Managers, controls are performed at two levels. With respect to pre-trade controls, the External Investment Manager performs controls using their own frameworks as well as including the guidelines given by the Management Company. With respect to post-trade controls, these are performed at both the External Investment Manager's and the Management Company's level, each using their own frameworks.

The External Investment Manager has implemented both pre-trade and post trade controls for the monitoring of the environmental and/or social characteristics of the portfolio. These controls are coded by the External Investment Manager's Compliance team in their order management system – an integrated suite for trading and back-office functions. When certain ESG restrictions cannot be monitored by this compliance engine, the External Investment Manager's ESG Research team is responsible for their monitoring. On top of that, the External Investment Manager also relies on a global database that enables an acceleration of the clearing and settlement of trades, as well as better management and reduction of the counterparty risk.

In addition, the External Investment Manager monitors factor risks on a regular basis. The analysts and portfolio construction teams discuss risk factors to ensure that the portfolio's active exposures are consistent with the investment strategy and the diversification requirements defined. To ensure that the process is working as expected, models are reviewed regularly by the External Investment Manager, risk factor exposures are cross-referenced, and annualized ex-post tracking error is evaluated.

When a breach is detected, it is the responsibility of the External Investment Manager's Compliance team, which is the only team that is allowed to override a breach. If a trade is flagged as a breach in pre-trade, the External Investment Manager's portfolio managers need to reach out to their Compliance team to discuss the remedy. In case any material breach is detected, the Compliance team escalates it to the Chief Compliance Officer, who will then work with the portfolio manager and trading team to determine how best to address the breach and ensure remediation for the client.

Finally, through their investments in future-prepared and innovating companies, the External Investment Manager seeks to address direct and indirect physical and transition risks. Using a third party data and analytics provider, the External Investment Manager also assesses climate-related risks at portfolio-level.

At Management Company level, The monitoring of environmental or social characteristics of the investment product is ensured through a dedicated control framework. The Management Company, through its Business Control & Oversight team, performs periodic ex-post controls to ensure that the portfolio complies with the commitments made. If a "non-compliant matter" is detected by the Management Company, its Business Control & Oversight team will first analyse it and engage in dialogue with the External Investment Manager if necessary. Depending on the nature of the non-compliance, the Management Company's ESG team may decide to monitor it using its proprietary "ESG Watchlist". If the non-compliance persists over time, an escalation process is put in place by the Management Company to ensure a timely remediation plan in the best interest of shareholders.



## Methodologies

ESG analysis is systematically integrated into the investment decision making process. As part of its ESG framework, the Management Company uses the following sustainability indicators to measure the achievement of each of the environmental or social characteristics promoted by the Sub-Fund:

- Absence of companies that do not meet the criteria defined in the Management Company's Exclusion List and that are deemed incompatible with the E/S promotion (e.g. tobacco, controversial weapons).
- Controversy Level Assessment - Controversy involvement is a key measure of ESG performance. Controversy level assessment reflects a company's level of involvement in issues and how it manages those issues.
- Compliance with the UN Global Compact - 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 Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention Against Corruption.

- ESG Risk Scores - ESG risk scores measure a company's exposure to material industry-specific ESG risks and how the company manages those risks. This multi-dimensional way of measuring ESG risk combines the concepts of management and exposure to arrive at an absolute assessment of ESG risk.
- Scope 1 GHG Emissions - Scope 1 emissions emanate from a company's internal operations, including on-site energy production, vehicle fleets, manufacturing operations, and waste.
- Scope 2 GHG emissions - Scope 2 emissions are indirect emissions generated by the production of energy used by the company.



## Data sources and processing

The Management Company monitors the attainment of the environmental and/or social characteristics of the Sub-Fund using its own data providers.

The Management Company uses three external data providers as its main sources:

- The Management Company assesses the environmental and/or social characteristics of the Sub-Fund's constituents using the external data provider Sustainalytics. The Management Company uses Sustainalytics for ESG risk scores, controversies, product involvement as well as alignment with global standards (e.g., OECD Guidelines for Multinational Enterprises).
- The Management Company uses Morningstar to analyse the Sub-Fund's peer group, as well as for various ESG data calculations at portfolio level.
- The Management Company uses the data provider ISS for climate and impact data.

Once collected from these sources, the data is integrated and stored in the internal front-to-back tool and/or available in the Management Company's dedicated data management system (which directly and continuously obtains data from the providers). Information is also available via dedicated portals developed by external data providers, access to which is limited to specific users of the Management Company. The Management Company verifies that the data is available, reported (or calculated), and dependable over time. On a case-by-case basis (e.g., if an ESG score is missing), the Management Company may use other sources of information to form its own opinion regarding the ESG suitability of any investment opportunity with the Sub-Fund's strategy.

The External Investment Manager has developed a proprietary research process to assess the environmental and/or social characteristics of companies. The research process includes proprietary internal research, which is supported and supplemented by third-party research. External service providers used for ESG data include ISS, MSCI, Moody's, RepRisk and Sustainalytics. Where possible, the team will rely on diverse data sources to corroborate information or reveal otherwise missing data, thus allowing for enhanced data accuracy and quality.

- ESG data points: the main data providers used by the External Investment Manager are MSCI and Moody's. Once collected, the quantitative data is incorporated into a written ESG Research Report using a standard format.
- Controversies: for the continuous monitoring of Controversies, the External Investment Manager refers to data from the external providers (Moody's, MSCI, and RepRisk), as well as news alerts and data collected from engagement activities.
- Product Involvement: product involvement data is collected from Moody's, MSCI, and Sustainalytics.

Both the Management Company and the External Investment Manager have a thorough data provider selection process in place. After selection the Management Company and the External Investment Manager remain in continuous dialogue with the data providers on the quality of the data, the companies for which data is available and the need for additional data to support the investment decisions. Both the Management Company and the External Investment Manager ensure access to source data via the data providers' web portals or in their respective data management systems feeding the appropriate analysis tools.





## Limitations to methodologies and data

The Management Company and the External Investment Manager noticed that methodologies and data used have the following limitations:

- Data quality: the External Investment Manager's approach includes qualitative analysis of a company's ESG credentials. The methodology is subject to limitations, including reliance on the quality of data provided by investee companies or third-party research providers.
- Coverage: the External Investment Manager's team of ESG analysts may not be staffed to cover the entire investment universe and methodological limitations exist. In addition, with respect to external data providers, although the number of companies covered by data providers has increased significantly over time, and continues to increase, there may be instances where a specific company is not assessed by them. This is because either the data provider does not cover the company in question, or the company has not provided the data necessary for a proper assessment by the data provider.
- Discrepancy in ESG ratings: The External Investment Manager obtains its data from different data providers that have different methodologies for assessing ESG performance. The result of their assessment may be to some extent subjective and inconsistent.
- Estimated data: Not all data points are reported data and some of the data used are estimated. For example, in the case of carbon data or ESG ratings, some technical calculations may be based on estimated data (by reference to a peer group average for example).



## Due diligence

As part of their Due Diligence process, the External Investment Manager starts by screening an initial universe through exclusions based on (i) ESG and financial considerations, and (ii) the External Investment Manager's Comprehensive ESG Guidelines. The External Investment Manager then conducts fundamental bottom-up research on the stocks of this screened universe, through the assessment of the material risks and opportunities that impact companies in a specific sector.

This research is enhanced through the integration of ESG risk and opportunity factors, as the External Investment Manager employs a separate, in-house ESG Research team, who works closely with the Financial Research team, together forming the Integrated Investment Team.

The financial research analysts use their global sector experience and expertise to generate stock specific ideas in their sectors, monitoring holdings and candidate stocks while tracking sector, industry, and market dynamics.

Simultaneously, based on a proprietary research process, the dedicated ESG staff undertakes their own rigorous review process for new securities across all sectors. The ESG team presents the analysis of the material issues in each sector, highlighting emerging issues, best in class practices, risks, and opportunities, as well as benchmarking leaders and laggards in each sector. While also using third-party research, the External Investment Manager primarily relies on their ESG research team, who has global experience and can ferret out additional information on companies. This process remains independent of the financial research, so as to prevent bias and add an independent perspective. Finally, the External Investment Manager combines the financial analysts' rigorous bottom-up analysis with the holistic understanding of the company's ESG profile.

The External Investment Manager only invests in companies rated "approved for purchase" based on the thorough review conducted by the ESG Team, as well as based on the External Investment Manager's guidelines and detailed process. The External Investment Manager's "Avoid" guidelines steer portfolios away

from all forms of sustainability risks, including physical, transitional, legal, reputational, brand equity, and monetary harm, including via stranded assets.

As part of its business model, the Management Company carries out due diligences for the selection and monitoring of externally managed strategies. The Management Due Diligence (MDD) and ESG teams are actively carrying out due diligences on the underlying assets of the Sub-Fund.

The MDD team identifies and selects high quality external investment strategies and monitors the universe of approved strategies. The MDD analyst team focuses on all investment and sustainability-related elements of an investment strategy, such as organization, team, investment, portfolio construction, process, track record, etc. MDD's research reports include a thorough sustainability due diligence and a separate sustainability rating. For all strategies, MDD analysts assess the External Investment Manager's commitment to and transparency on ESG investing. They also assess to what extent, and at what stages, ESG criteria are integrated into the investment strategies and effectively taken into account in the investment process and the portfolio. This analysis is carried out by means of a questionnaire sent via the Management Company's proprietary platform, Deeligenz, as well as during meetings with the professionals involved in the strategy (e.g. portfolio managers, financial analysts, ESG analysts, management team, etc.). The Management Company's in-depth analysis is based on a "5-P approach": Parent, People, Process, Portfolio and Performance. Each of the previously outlined aspects is evaluated and ultimately leads to a final rating of the strategy.

As part of the monitoring process, the MDD team reviews the performance of the strategy on a monthly basis to ensure that it remains aligned with the investment style of the portfolio. The MDD team has the transparency and regularly monitors the delegated strategy's portfolio. ESG ratings and other environmental and/or social characteristics of the portfolio's underlying assets are monitored regularly. In addition, the MDD analysts have quarterly meetings with the External Investment Managers to discuss recent performance as well as recent transactions, to ensure alignment with the initially selected investment philosophy and promoted environmental and/or social characteristics. To prepare for the meeting, MDD analysts send out a monitoring questionnaire using the Management Company's proprietary platform, Deeligenz, with questions related to the portfolio, performance, and ESG factors. During the calls, the External Investment Manager clarifies if there have been any changes in the team and processes. Analysts and External Investment Manager also discuss their recent engagements and milestones during the period. In addition, the MDD analysts monitor any significant events that may affect the External Investment Manager, e.g., with respect to their investments, financial and ESG analysts, investment process, capacity for engagement. Each significant change may affect the strategy's rating based on the 5-Ps, which may lead to a change in the strategy's ratings, including the sustainability rating.

Moreover, the Management Company ESG team may support the Management Company analysts team in reviewing the process and methodologies implemented by the External Investment Manager when it comes to consider ESG issues.

The ESG team provides qualitative feedback during the mandate selection phase and supports the MDD team throughout its analysis process, using the "5-P approach" aforementioned. In addition, during the monitoring phase, the ESG team will monitor the Sub-Fund's characteristics and performance related to the promotion of the environmental and/or social characteristics initially defined. The ESG team will also monitor the Sub-Fund's underlying investments against the environmental and/or social characteristics promoted, as well as the sustainability indicators for all the Sub-Fund's holdings. If a holding is identified as not meeting the environmental and/or social characteristics of the Sub-Fund, the ESG team will further investigate the issue through an internal analysis. If the ESG team considers the risk to be insubstantial, it may permit the External Investment Manager to maintain its position in the holding. In addition, the ESG team is responsible for periodically reviewing the exclusion lists, assessing the relevance of the latest ESG information regarding restricted companies, and updating the lists accordingly, thereby adjusting the portfolios. The ESG team also ensures the proper understanding and implementation of regulatory requirements on green finance, such as SFDR, RTS or Taxonomy, throughout the entire product range. Lastly, the ESG team is responsible for the sustainable labelling of the Management Company's product range. Overall, the ESG team plays a very transversal role in the Management Company's organization, as ESG is at the heart of its investment strategy.



## Engagement policies

As part of its sub-advisory business model, the Management Company delegates responsibility for engagement to the selected External Investment Managers. However, the Management Company does not delegate all stewardship activities and is responsible for proxy voting. The External Investment Manager may act as an advisor and guide the Management Company on specific issues that it engages with specific companies. Even when advised, the Management Company remains the final decision maker for the proxy vote.

Active engagement is an important and integrated part of the External Investment Manager's investment process. Several engagement methods are used to further understand, expose, and improve disclosures, policies, and practices of investee companies:

- **Sustained Dialogue:** The External Investment Manager's most common form of engagement is through sustained dialogue with companies regarding how ESG and sustainability issues are integrated into core business practices. The first focus is to better understand companies' governance of sustainability, including board-level oversight and links between compensation and performance. Dialogues tend to focus on overarching sustainability policies, alignment with international norms, response and remedy to controversies, setting ambitious and long-term sustainability goals and targets, and robust and business-relevant disclosures.
- **Collaborative investor engagement (using investor letters and statements):** The External Investment Manager will determine the engagements that should be pursued collaboratively based on a review of the ESG risks and opportunities, as well as the issue's suitability for a wider group of stakeholders.
- **Public policy testimony and rule-making processes:** The External Investment Manager also engages in public policy globally where existing or proposed policy: (1) directly or indirectly erodes shareholder rights; (2) enhances our access to standardized and enhanced corporate ESG disclosure informative to our investment decision-making; or (3) presents the opportunity to fundamentally improve ESG or sustainability management.
- **Working with standard-setting bodies to develop better ESG metrics or key performance indicators.**
- **Benchmarking companies on a specific issue:** The External Investment Manager can engage to learn from the Leaders, and demand improvements from the Laggards among the benchmarked companies. The External Investment Manager establishes a three-year rolling engagement framework to prioritize their resources and effectiveness.

If an investee company is not open for direct engagement or if dialogue stalls, the External Investment Manager will look for other ways, such as:

- **Public statements at annual general meetings or Filing of shareholder proposals (in certain markets):** Each year – in such cases of dialogue stall or lack of engagement will – the External Investment Manager files shareholder proposals with a select group of US companies. These proposals address issues including (but not limited to) board gender or racial diversity, climate change, human rights, political and lobbying disclosure, and certain sector-specific issues.

For more information, please check the External Investment Manager's Engagement Policy: <https://bostoncommonasset.com>.



## Designated reference benchmark

No specific ESG-related index has been designated for this Sub-Fund.