



AAF Private Portfolio Bonds

Website Product Disclosure



Summary

No Sustainable Investment Objective

ABN AMRO Funds Private Portfolio Bonds (the “Sub-Fund”), 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 Private Portfolio Bonds (the “Sub-Fund”). ESG integration is defined 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 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 and labour standards as well as diversity, equity and inclusion.

Investment Strategy

To select eligible securities, the Management Company performs both a financial and non-financial analysis, using ESG criteria in combination with exclusions filters. The materiality map helps to utilize context specific analysis for individual companies and identifies key criteria for each potential sustainability leadership within their industry.

The process of selecting companies starts with applying quantitative screens on a global universe by using the external ESG data provider Sustainalytics. These screens consist of activity-based and norm-based exclusions (negative filters) and ESG risk scores classification (positive filters). The purpose of the negative filters is to eliminate from investment, companies that violate international standards, activities that might have a negative effect on society and on environment (as tobacco and thermal coal). The Management Company will then rank the securities according to their ESG risk score as evaluated by Sustainalytics. The purpose of the ranking is to better allocate the ESG risk score in the portfolio. The Management company will only retain securities with an ESG risk score that is either negligible, low, medium or high. Investing in severe ESG risk score (>40) is not allowed. Moreover, as part of the controversy assessment and using Sustainalytics as the data source provider, the Management company will exclude companies with the highest controversy score (i.e level 5-severe out of 6 levels from 0 to 5).

The management team may invest in external or internal funds to expose the Sub-Fund on specific market (as emerging markets, for example).

The management team will select the securities within the eligible universe as filtered above and will construct the portfolio based on financial criteria (top-down and bottom up) to attain the financial objectives of the fund.

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 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 pre-trade controls based on the indicators and objective set in the precontractual document as well as 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.

Data sources and processing

The Management Company assesses the E/S characteristics of the Sub-Fund's constituents using the external data provider Sustainalytics. The Management Company uses mainly the following sources of data providers :

- Sustainalytics for ESG risk scores, controversies, product involvement as well as alignment with global standards (e.g. OECD Guidelines for Multinational Enterprises) and some Principal Adverse Impact indicators.
- ISS to measure the carbon-related indicators, to retrieve data on some Principal Adverse impacts indicators and as a proxy voting solution.

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)

Due Diligence

The ESG team of the Management Company is actively carrying out due diligences on the underlying assets of the Sub-Fund. The ESG team reviews the process and methodologies implemented when considering ESG and sustainability issues to make sure that all capabilities are in place to deliver a proper engagement action plan. The ESG team supports also the investment manager teams via an interactive dialogue.

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



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 Private Portfolio Bonds (the "Sub-Fund"). ESG integration is defined 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. Under the ESG responsibility criteria of the Management Company, the Sub-Fund is committed to conducting both negative and positive screenings as well as taking engagement actions when necessary. The Sub-Fund will use a selection of securities complying with Environmental, Social and Governance (ESG) responsibility criteria.

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the financial product.



Investment Strategy

Description of the strategy

To select eligible securities, the Management Company performs both a financial and non-financial analysis, using ESG criteria in combination with exclusions filters. The Sub-Fund's assets are predominantly allocated into investments that comply with the defined standards in respect to the promoted environmental and social characteristics. The Sub-Fund invest mainly in companies and in Sovereigns via debts instruments ("the securities") and may also invest in units or share of undertakings for collective investments including exchange traded funds - ETF ("the investment funds").

The process of selecting the eligible securities starts with applying quantitative screens on a global universe by using the external ESG data provider Sustainalytics. These screens consist of activity-based and norm-based exclusions (negative filters) and ESG risk scores classification (positive filters). The purpose of the negative filters is to eliminate from investment, companies that violate international standards, activities that might have a negative effect on society and on environment (as tobacco and thermal coal). The Management Company will then rank the securities according to their ESG risk score as evaluated by Sustainalytics. The purpose of the ranking is to better allocate the ESG risk score in the portfolio. The Management company will only retain securities with an ESG risk score that is either negligible, low, medium or high. Investing in severe ESG risk score (>40) is not allowed. Moreover, as part of the controversy assessment and using Sustainalytics as the data source provider, the Management company will exclude companies with the highest controversy score (i.e. level 5-severe out of 6 levels from 0 to 5).

The Management Company may invest in external or internal funds to expose the Sub-Fund on specific market (as emerging markets, for example). Those investment funds promote environmental and social characteristics and qualifies as an investment product in accordance with article 8(1) of Regulation (EU) 2019/2088 on sustainability related disclosures in the financial services sector ("SFDR article 8") or contributes to environmental and social objectives and qualifies as an investment product in accordance with article 9 of Regulation (EU) 2019/2088 on sustainability related disclosures in the financial services sector ("SFDR art.9"). External investment funds are selected in accordance with the Management Company's standards of quality and go through a qualitative ESG selection process before being retained. This process involves an in-depth analysis of the overall sustainability strengths going from the analysis of philosophy and investment processes to the capabilities in place and the portfolio construction. External funds may not apply the same set of exclusions and thus may deviate from the "Sustainability Investment Policy" of the Management Company (i.e., applicable only to direct investments).

The management team will select the securities within the eligible universe as filtered above and will construct the portfolio based on financial criteria (top-down and bottom up) to attain the financial objectives of the fund.

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. The data source used for all below mentioned criteria and to define the pass/fail good governance test of the Management Company is Sustainalytics.

| 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 (equivalent to levels 4/5 and 5/5) | As part of the controversy assessment, the following topics are included : accounting irregularities, bribery and |

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| | | | 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 (equivalent to levels 4/5 and 5/5) | 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 (equivalent to levels 4/5 and 5/5) | As part of the controversy assessment, taxes avoidance and evasion is taken into consideration. |
| Remuneration of Staff | Governance Controversy Assessment | High & Severe Levels (equivalent to levels 4/5 and 5/5) | As part of the controversy assessment, remuneration is taken into consideration. |

The good governance requirements outlined in the SFDR regulation are only applicable to investments in companies.



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)).

Consequently, up to 10% of the investments may not be aligned with these characteristics (#2 Other). “#2 Other” includes investment funds (inc. ETF) that are not classified as “SFDR article 8” or “SFDR article 9”, derivatives, bank deposits at sight, including cash held in current accounts with a bank accessible at any time. These are used for investment or hedging or 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 of this Sub-Fund.



#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

The pre-trade and post-trade monitoring and oversight of the environmental and social characteristics promoted by the Sub-Fund are undertaken by the Management Company. 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 pre-trade controls based on the indicators and objective set in the precontractual document as well as 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

The analysis of ESG factors is integrated into the investment decision making process. The attainment of the promoted environmental and social characteristics is assessed via the application of a proprietary ESG assessment methodology.

On the Corporate side:

- 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.

On the Sovereign side:

- Absence of countries that do not meet the criteria defined in the Management Company's Exclusion List and that are deemed incompatible with E/S promotion (i.e. countries listed on ABN AMRO Sanctions List, ratification of the Treaty of the Non-Proliferation of nuclear weapons, ratification of the Paris Agreement, ratification of the ILO Conventions 182 on the Worst Forms of Child Labour).
- Country Risk Scores - The Country Risk Scores measure the risk to a country's long-term prosperity and economic development by assessing how sustainably it is managing its wealth.
- Government emissions.



Data sources and processing

The Management Company assesses the E/S characteristics of the Sub-Fund's constituents using the external data provider Sustainalytics. The Management Company uses mainly the following sources of data providers :

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- ISS to measure the carbon-related indicators, to retrieve data on some Principal Adverse impacts indicators and as a proxy voting solution.

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.



Limitations to methodologies and data

The methodologies and data used have the following limitations:

- **Data quality:** the approach followed includes quantitative analysis and qualitative analysis of a company's sustainability credentials. The methodology is subject to limitations, including reliance on the quality of data provided by investee companies or third-party research providers as well as quantification of qualitative data.
- **Coverage:** The overall analysts, ESG team and management team in charge of the analysis of the Sub-Fund is not 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 ratings:** The Data used for the analysis of the Sub-Fund is obtained from different data providers that have different methodologies for assessing ESG/Sustainability 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 score or ESG ratings, some of the more technical calculations are based on estimated data.



Due diligence

The ESG team of the Management Company is actively carrying out due diligences on the underlying assets of the Sub-Fund. The ESG team reviews the process and methodologies implemented when considering ESG and sustainability issues to make sure that all capabilities are in place to deliver a proper engagement action plan. The ESG team supports also the investment manager teams via an interactive dialogue. The ESG team monitors the Sub-Fund's underlying investments against the overall sustainable investment objective, as well as the sustainability indicators for all of the Sub-Fund's holdings. If a holding is identified as not meeting the sustainability characteristics of the Sub-Fund, the ESG team will further investigate the issue through an internal analysis. 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.



Engagement policies

To ensure the homogeneity of the voting for its all range of funds, the Management Company undertakes the responsibility of voting and will vote for the Sub-fund (when securities are eligible). As part of its sub-advisory business model, the engagement policy of the Management Company does not include any direct engagement actions with companies. Nonetheless, engagement on material issues may be carried out at Management Company Group level (via, among other, a collaborative engagement programme).

The engagement and voting policies of the Management Company are available on its website.



Designated reference benchmark

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