

ABN AMRO Parnassus US Sustainable Equities



Transparency Code

for SRI funds open to the public – 2018 edition

Updated: July 2019

The Code is promoted by:



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0. Introduction

This Transparency Code is the French version of the European Transparency Code that was designed and approved by the French Asset Management Association (AFG), the French Social Investment Forum (FIR) and the European Sustainable Investment Forum (EUROSIF). It is mandatory for all SRI funds open to the public managed by management companies that are AFG or FIR members. By adhering to this Code, management companies agree to respond to the questions asked for each of the SRI funds open to the public they manage.

This 2018 update of the Transparency Code was prepared to best reflect changes in the responsible investment market in France and Europe.

In a regulatory context highly favourable to ESG and the fight against climate change, the responses to the questions in this code will allow management companies' SRI funds to comply with the provisions of Article 173 (paragraph VI) of the Law on Energy Transition for Green Growth (Loi sur la Transition Énergétique pour la Croissance Verte - LTECV) No. 2015-992 of 17 August 2015. Questions relating to Article 173 are indicated by **Art. 173**

As a reminder, according to the spirit of the law and an incentive-based approach, responses to the questions relating to Article 173 must be provided based on the "comply or explain" principle.

Responding to the questions in the Code ensures compliance with regulatory requirements. Signatories must refer to this Transparency Code in all their documents, website, etc.

The promotion of this Code is motivated by two key factors

The objectives are to make SRI funds easier to understand and more transparent for investors, savers and all other stakeholders and to contribute to more proactive self-regulation that encourages the development and promotion of SRI funds by establishing a common, unifying set of best practices for transparency.

Guiding principle

Signatories to the Code must disclose accurate, adequate and up-to-date information in language that is clear and understandable by a wide audience to enable all stakeholders, particularly investors and savers, to better understand the policies and practices regarding the integration of ESG issues into the fund's investment policy.

Compliance with the Transparency Code

The ABN AMRO Investment Solutions management company is committed to transparency and we believe that we are as transparent as possible given the current regulatory and competitive environment in the country in which we operate. We are solely responsible for the responses to the questions in the Code.

1. Fund to which this Transparency Code applies

1.1 Fund name

- ABN AMRO Parnassus US Sustainable Equities

1.2 Fund assets at 31/12/2018

- €161.9 million

1.3 Dominant strategy

- Best-in-class

1.4 Additional strategies

- Sector and normative exclusions
- Engagement

1.5 Main asset class

- US equities

1.6 Exclusions applied by the fund

- Controversial countries
- Alcohol
- Weapons
- Nuclear energy production
- Gambling
- Tobacco
- Furs
- Fossil-fuels
- Companies in violation of the Global Compact

1.7 Labels

- LuxFLAG ESG (effective 1 July 2019)

1.8 Link to fund-related documents

- KIID
- Prospectus
- Annual reports (with portfolio details) and half-yearly reports

www.abnamroinvestmentsolutions.com/fr/fund-range/Prospectus

2. General information about the management company

2.1 Name of the management company responsible for the fund to which this Code applies

ABN AMRO Investment Solutions

Registered office: 3 avenue Hoche
75008 Paris-France
Tel: +331 56 21 60 60
Fax: +331 56 21 61 65
www.abnamroinvestmentsolutions.com

ABN AMRO Investment Solutions is the management company responsible for the ABN AMRO Parnassus US Sustainable Equities fund. ABN AMRO Investment Solutions is the asset management company of the ABN AMRO group. It serves the entire ABN AMRO international network as well as external clients.

ABN AMRO Investment Solutions is a global asset management company that serves the ABN AMRO group and its clients in the Netherlands, France and internationally.

ABN AMRO Investment Solutions has delegated financial management of the fund to Parnassus Investments to benefit from its experience in US markets and its expertise in responsible investment.

Parnassus Investments began operations in 1984 and is a pioneer in responsible investment in the United States.

The partnership between ABN AMRO Investment Solutions and Parnassus Investments gives European clients access to the combined expertise of these two asset management companies.

2.2 What are the history and principles of the management company's responsible investment approach?

History

Our management company, ABN AMRO Investment Solutions, has been involved in sustainable development for many years.

- In 2003, the management company offered its clients a first “responsible” direct management solution.
- In 2006, ABN AMRO Investment Solutions added external SRI funds to its list of recommended funds.

- Between 2012 and 2014, ABN AMRO Investment Solutions developed a comprehensive range of SRI funds for Europe.
- In 2014, the management company integrated ESG criteria into its external fund analysis tools.
- In 2017, ABN AMRO Investment Solutions selected its asset management partners (including Parnassus Investments) to provide financial management of the first SRI funds in its Luxembourg platform.
- In 2017, the ABN AMRO group made firm commitments to expand its activities to include socially responsible investments.
- In 2018, new SRI strategies (and new delegated managers) joined the platform managed by ABN AMRO Investment Solutions.
- In 2018, the management company decided to delegate its internal direct management to another asset manager, Candriam, thereby focusing on open architecture solutions.

Principles of our responsible investment approach

ABN AMRO Investment Solutions, the asset management company responsible for the fund:

Today, the workings of our organisation are deeply rooted in our sustainable development approach, which resonates broadly with our clients, partners and employees.

ABN AMRO Investment Solutions offers its clients socially responsible investment that consistently seeks to combine value creation with respect for future generations. The integration of ESG criteria enables both a better analysis of risks and the emergence of opportunities.

Link to the pages of the website dedicated to responsible investment:

<https://www.abnamroinvestmentsolutions.com/en/socially-responsible-investment-abn-amro-investment-solutions/index.html>

Parnassus Investments, delegated management company, financial management of the fund:

After a long selection process, in 2017 Parnassus Investments became the financial manager of our ABN AMRO Parnassus US Sustainable Equities fund. We share the same responsible investment philosophy with our delegated manager, Parnassus Investments:

“We are seeking to compound wealth in a responsible way for our investors.”

Todd C. Ahlsten, CIO Parnassus Investments

We maintain relations with our delegated manager and work together to develop responsible investment processes.

Link to the pages of our delegated manager's website dedicated to responsible investment:

www.parnassus.com

2.3 How has the management company formalised its responsible investment approach?

Internet link to the responsible investment policy:

www.abnamroinvestmentsolutions.com/fr/socially-responsible-investment-abn-amro-investment-solutions/Methodology

Internet link to the voting rights policy:

www.abnamroinvestmentsolutions.com/fr/footer/informations-reglementaires

Internet link to the engagement policy **Art. 173:**

www.abnamroinvestmentsolutions.com/fr/footer/informations-reglementaires

2.4 How is the issue of ESG risks/opportunities, including those linked to climate change, factored in by the management company **Art. 173?**

General principles of our risks/opportunities approach

- To minimise ESG risks, we have developed a set of sustainability prerequisites (described below).
- To monitor ESG risks/opportunities, we have developed a set of ESG assessment processes (described below).
- We have defined a set of ESG metrics and methodologies to detect ESG risks and opportunities, including those linked to climate change and energy transition.
- The ESG methodology and the list of the scores used are described below.
- The identification of the contribution of sectors and players to climate change is detailed in the “Law on Energy Transition for Green Growth” report, which is updated annually and published on the ABN AMRO Investment Solutions website (ESG risk analysis).

www.abnamroinvestmentsolutions.com/fr/footer/informations-reglementaires.html

Sustainability prerequisites common to all our internal managed solutions

PRI AND UN GLOBAL COMPACT

All management companies with which we work must be signatories (or agree to become signatories) to the UN-PRI and the UN Global Compact or must have implemented (or agree to implement within a reasonable period of time) similar practices (integration of ESG and controversies).

In some cases, we educate (regular contact) and support our counterparties who are not very accustomed to communicating on these issues (such as hedge funds and other alternative strategies) by identifying, for example, best practices in their decision-making process (active engagement).

PROHIBITED SECURITIES - DIVESTMENT

All our investment decisions must pass through our exclusion filter based on our own list of prohibited securities. These securities have a very high operational and reputational risk profile.

The list includes countries “under embargo” that blatantly and deliberately violate international treaties and companies involved, either directly or indirectly, in the manufacture of controversial weapons. This list of "prohibited" issuers is reviewed periodically and distributed by and within the ABN AMRO group.

In addition to this "Group" list, ABN AMRO Investment Solutions publishes a list of companies involved in tobacco production and a list of companies that blatantly and repeatedly violate the 10 principles of the Global Compact.

Assessment of the sustainability of our funds

OUR FUND SELECTION PROCESS

We have developed ESG questionnaires designed for ESG/SRI funds which we are currently implementing for all our funds (including those not classified as ESG/SRI). These questionnaires allow our teams to assess the way in which the selected management companies and funds take ESG and responsible finance issues into account.

They apply to all solutions, whether external (selection of external funds, which will then be promoted on our list of funds in the external funds category) or internal (delegation mandate, which will also be promoted on the list of funds in the ABN AMRO funds category).

VALIDATION OF THE SELECTED MANAGEMENT COMPANY/FUND

At the end of these processes (which may take several months), ratings are assigned internally by each of the teams. The solution is presented to an ad hoc committee, which is responsible for reviewing and validating the solution. Validation by the committee triggers the administrative phase. When this phase is completed, the marketing and promotion phase begins (sales support, reporting, presentation, etc.). At the same time, the product is integrated into all other internal due diligence procedures.

MONITORING OF THE SELECTED MANAGEMENT COMPANY/FUND

Our goal is to regularly update the information available on the questionnaires (max. every two years) and the questionnaires themselves (development of an interactive tool).

These questionnaires may be reviewed at any time, in a detailed manner when a major event occurs during the fund's existence, in order to assess whether this event can substantially alter the management style and expectations of the selected fund. In all cases, the committee must confirm whether or not the fund should remain on the list.

In any event, day-to-day contact is maintained within the ABN AMRO Investment Solutions teams to maximise coordination and between the ABN AMRO Investment Solutions teams and the managers of the selected funds.

MONITORING OF PORTFOLIO SUSTAINABILITY

Compliance with the portfolio management rules is verified on a daily basis by the operational control and market risk teams.

The team of ESG/SRI specialists periodically (quarterly) ensures that the required level of portfolio sustainability is sufficient by monitoring the ESG sustainability and controversy metrics developed by Morningstar for the funds (Sustainability Rating, Product Involvement).

Carbon measurement ratios (carbon intensity, carbon risks) are also analysed even if they are not management objectives defined as priorities in the fund's investment strategy.

2.5 What teams are involved in the management company's responsible investment activity?

All the management company's teams are involved, mobilised and continuously trained in understanding and integrating ESG issues:

- Board members: definition/validation of ESG/SRI development priorities
- ESG/SRI specialists: development of the processes, assessment, advice, voting and engagement policy, reporting, training, certification, facilitating the monthly SRI committee meeting, relations with ESG suppliers and the financial market, cross-functional technical support
- Management company/fund analysts: ESG assessment, development of ESG/SRI/Impact solutions, engagement
- Sales representatives, Marketing, RFP: presentation document, website, events, internal and external client relations, relations with third parties and distributors
- Internal managers: fund selection, market transactions, performance and market monitoring, management report
- Quantitative research team: ESG filters and analysis, trends and themes, methodologies
- Operational Risk Team, Risk Management Team, Compliance Team: ESG reporting, monitoring of risk limits, monitoring of investment ratios (thresholds), regulatory watch and monitoring (Art. 173), monitoring of countries and distribution of the prohibited securities list, voting policy compliance
- Data Management team: verification of the proper integration and reporting of ESG/controversy/carbon variables and implementation of ex-post and ex-ante exclusion filters.

- Product Management team: Updating and creation of prospectuses that integrate ESG criteria, monitoring of fund administration and preparation of annual reports, relations with regulators
- Structuring team: Setup of delegation agreements, establishment of detailed management rules (including ESG rules), overall relations with delegated managers (distribution of exclusion lists)

2.6 How many SRI analysts and SRI managers are employed by the management company¹?

At ABN AMRO Investment Solutions, asset management company:

- Number of general fund analysts: 11
- Number of specialist ESG/SRI analysts: 3
- Number of operational analysts: 3

At Parnassus Investments, delegated fund manager:

- Number of portfolio managers dedicated to the fund: 2

2.7 In what Responsible Investment initiatives is the management company a stakeholder?

ABN AMRO Investment Solutions, asset management company

GENERAL INITIATIVES

- UN-PRI (ABN AMRO & ABN AMRO Investment Solutions by affiliation)
- Global Compact (ABN AMRO & ABN AMRO Investment Solutions by affiliation)
- AFG Responsible Investment Committee and AFG Corporate Governance Committee (ABN AMRO Investment Solutions)
- Partner of the “Sustainable Finance and Responsible Investment Chair”
- Finance For Tomorrow (Neuflize OBC and ABN AMRO Investment Solutions by affiliation)

ENVIRONMENT/CLIMATE INITIATIVES

- Climate Bond Initiative (ABN AMRO)
- Green Bond Principles (ABN AMRO & ABN AMRO Investment Solutions)
- PCAF Platform Carbon Accounting for Financials (ABN AMRO)

¹ Indicate the number of full-rate employees (excluding those on fixed-term contracts and interns) who work on ESG/SRI issues. These individuals do not spend all their work time on ESG/SRI, but these issues are an integral part of their activity based on current processes and development.

- RSPO Roundtable for Sustainable Palm Oil (ABN AMRO)

SOCIAL INITIATIVES

- Annual Report on Human Rights (ABN AMRO)

Parnassus Investments, delegated fund manager

GENERAL AND ENVIRONMENTAL INITIATIVES

- Ceres
- US Sustainable Investment Forum

2.8 What is the amount of the management company's total SRI assets under management?

ABN AMRO Investment Solutions, asset management company

At the end of December 2018:

- Assets under management eligible as “responsible”² totalled €9.4 billion spread over 47 funds.
- Assets under management eligible as “SRI”³ totalled €1.3 billion spread over 11 funds.

2.9 What is the percentage of SRI assets of the management company in relation to its total assets under management at 31/12/2018? **Art. 173**

Total assets (management and advisory): €27 billion

Total assets under management: €16.1 billion

The assets of managed funds totalled €16.1 billion spread over 74 funds.

Total “responsible” assets under management: €9.4 billion

Assets for which sustainability is at least “average” are considered “responsible” and total €9.4 billion, i.e. 58% of assets under management⁴.

Level of Sustainability	No. of Funds	Net assets € millions	% total assets
High	12	1,376	8.5%
Above average	16	4,422	27.4%
Average	19	3,630	22.5%
Subtotal	47	9,429	58.4%

² As defined by the asset management company

³ As defined by the asset management company

⁴ Excluding advisory

Total assets of managed funds considered “SRI funds”: €1.3 billion

Managed funds are considered “SRI funds” if they have:

- the best internal ratings as assessed by ABN AMRO Investment Solutions
- the highest sustainability levels as defined by Morningstar (“high” and “above average”)
- and for which ESG issues are indicated in their prospectus and are central to their investment strategy.

SRI fund assets totalled €1.3 billion at end-December 2018, i.e.:

- 4.8% of total assets (management and advisory)
- 8.0% of assets under management
- 13.9% of "responsible" assets

2.10 What SRI funds open to the public are managed by the management company at 31/12/2018?

We manage 11 SRI funds⁵ open to the public, which represent total assets under management of €1.362 billion at 31/12/2018:

Fund name	Net assets in euros
AAMMF EdenTree Eurp Sust Equities	137,980,513
AAMMF Parnassus US Sust Equities	169,218,909
ABN AMRO Dana US Sustainable Equities	128,020,064
ABN AMRO Euro Sustainable Bonds	8,335,363
ABN AMRO Euro Sustainable Equities	154,866,153
ABN AMRO Euro Sustainable Money Mkt	207,421,848
ABN AMRO Global Sustainable Equities	299,763,018
ABN AMRO Liontrust Eurp Sust Equities	126,878,546
ABN AMRO Sustainable Bal Profile	77,953,772
ABN AMRO Sustainable Dyn Profile	19,032,979
ABN AMRO Sustainable Mod Profile	32,538,797

Internet link to the list of SRI funds:

www.abnamroinvestmentsolutions.com/fr/socially-responsible-investment-abn-amro-investment-solutions/Sri-range/index.html

3.

⁵ These funds always integrate ESG criteria into their investment process (included in their prospectus); they have Morningstar sustainability ratings of at least “above average”.

3. General information about the SRI fund presented in this transparency code

3.1 What is the objective of integrating ESG criteria into the fund?

The integration of ESG criteria occurs during the basic analysis, which allows a better understanding of the model developed by the issuer.

The ESG analysis also allows a better understanding of the risks and opportunities not yet identified by the markets.

The ESG analysis is also used to identify opportunities for engagement with the company in order to improve ESG best practices. It is also an opportunity to establish a constructive dialogue with the issuer, which can ultimately lead to financial value for investors.

3.2 What internal and external resources are used for the ESG assessment of the issuers that make up the fund's investment universe⁶?

Internal resources

- Number of dedicated fund analysts: 2
- Number of dedicated ESG specialists: 3
- Number of dedicated portfolio managers: 2

External resources

- Sustainalytics: ESG rating agency, provider of ESG, carbon and controversy data at the issuer level and provider of analysis of private and public issuers
- Morningstar Direct: provider of ESG, carbon and controversy data and analysis/ranking of investment funds
- ISS Ethix: Provider of carbon analysis and impact of Sustainable Development Goals
- ISS Governance: Voting recommendation and automation of voting procedures
- 2ii: Carbon impact analysis and climate scenarios

⁶ Indicate the number of full-rate employees (excluding those on fixed-term contracts and interns) who work on the ESG/SRI assessment. These individuals do not spend all their work time on this assessment, but it is an integral part of their activity based on current processes and development.

3.3 What ESG criteria are taken into account by the fund?

Below are the main criteria taken into account by the portfolio manager, Parnassus Investments

E environment	S social	G overnance
<ul style="list-style-type: none"> ▶ Energy & water use ▶ Life cycle ▶ Carbon footprint ▶ Waste management 	<p>Working conditions</p> <ul style="list-style-type: none"> ▶ Diversity ▶ Well-being ▶ Safety ▶ Engagement ▶ Supply chain <p>Community</p> <ul style="list-style-type: none"> ▶ Stakeholder relations ▶ Philanthropy ▶ Human rights <p>Customer</p> <ul style="list-style-type: none"> ▶ Product safety ▶ Post-sale management of returns ▶ Privacy 	<ul style="list-style-type: none"> ▶ Governance of the company ▶ Business ethics ▶ Compensation ▶ Management turnover ▶ Political lobbying

3.4 What principles and criteria linked to climate change are taken into account by the fund? Art. 173

Climate-related risks and opportunities as defined by Article 173 taken into account

PHYSICAL RISKS: NOT DIRECTLY TAKEN INTO ACCOUNT

The fund's investment strategy does not specifically take into account physical risks (defined in Art. 173, such as exposure to physical consequences directly caused by climate change).

TRANSITION RISKS: INCLUDED IN THE ANALYSIS CRITERIA

The fund's strategy takes into account transition risks (defined in Art. 173 as exposure to changes caused by the transition to a low-carbon economy). The manager analyses the issuer's position on environmental issues in terms of use and management of resources (energy and water), waste recycling and carbon footprint management.

LOW-CARBON OPPORTUNITIES: INCLUDED IN THE ANALYSIS

Opportunities favouring a low-carbon economy are reviewed, particularly when they involve the development of disruptive and alternative technologies with high potential for penetration among populations.

Analysis methodology applied to issuers in terms of climate

GREENHOUSE GASES: MEASURED

At this stage, the investment strategy takes into account measurements of each issuer's direct and indirect past, current and/or future greenhouse gas emissions. The weighting of this variable differs from one sector to another.

2°C SCENARIO ALIGNMENT: NOT ASSESSED AT THIS STAGE

The investment strategy does not yet systematically take into account the compatibility of the issuer's development goals with the international objective of limiting global warming (scenario limiting global warming to +2 degrees). The fund does not specifically apply a low-carbon strategy, but gives priority to issuers that apply best environmental practices in their business sector. Therefore, the portfolio's carbon footprint should generally be below that of its benchmark.

3.5 What is the ESG analysis and assessment methodology (construction, rating scale, etc.)?

In addition to financial criteria, Socially Responsible Investment entails integrating three non-financial criteria into the issuer selection process: Environment, Social and Governance.

These criteria are used to assess the way in which companies respond to major challenges such as respect for the environment, employees, subcontractors, local populations and shareholders. We also include an assessment of major controversies involving the company.

The information provided below does not apply to government issuers, which are assessed based on other sub-criteria.

Methodological philosophy

The methodology described below is that used by the asset management company, ABN AMRO Investment Solutions, to assess the sustainability of assets under delegated management; Parnassus Investments has developed its own methodology and takes into account SRI principles as defined by ABN AMRO Investment Solutions.

ESG score of a private issuer assessed by the portfolio manager, Parnassus Investments

A qualitative analysis of ESG factors is conducted jointly by the management team and Parnassus Investments' ESG analysts.

The internal score weights ESG factors differently based on the issuer's business sector.

The final score combines assessment criteria from the basic analysis and non-financial information.

The exclusion and analysis filters result in a concentrated portfolio of approximately 40 issuers from an overall universe of around 1,000 issuers.

ESG score of a private issuer assessed by the asset management company, ABN AMRO Investment Solutions

THE SUSTAINALYTICS NON-FINANCIAL RATING AGENCY⁷

⁷ <https://www.sustainalytics.com/>

Sustainalytics is a rating agency with 25 years of experience in Europe and North America that provides non-financial information on companies, governments and public institutions worldwide. We use ratings calculated by Sustainalytics and benefit

from the qualitative analysis of companies and governments. We also receive controversy analysis, companies' level of involvement in certain controversial sectors and behavioural analysis of companies and countries in relation to major international treaties.

To date, the agency has formed partnerships with, among others: Morningstar (fund and index analysis), Glass Lewis (provider of ESG research and voting solutions for meetings), Stoxx (index provider) and FTSE Russell (index provider).

PHILOSOPHY BEHIND THE ESG SCORES CALCULATED BY SUSTAINALYTICS

Sustainalytics' ESG assessment methodology is based on numerous assessment criteria and a global qualitative and quantitative approach.

The company is viewed at the sector level (more than 40 sectors identified, 75 to 90 indicators per peer group), with the following four aspects taken into account:

- The company's adaptability to material risk management
- The company's transparency in relation to market and regulatory ESG requirements
- The company's quantitative performance based on the ESG query matrix
- The company's qualitative performance based on the controversy analysis

SUSTAINALYTICS E, S, G SCORES QUERY MATRIX

(for a private issuer – not applicable for analysis of a government)

Sustainalytics has developed a set of ESG indicators (which may change in order to remain relevant). Each E, S and G pillar is assigned a matrix of criteria considered the most relevant. The E, S and G scores result from the weighted average of the raw scores of the criteria of each E, S and G pillar. These raw scores are assigned in increments of 25 points (from 0 to -100) by Sustainalytics' specialised analyst in charge of the sector.

Let's take an example: Sub-criterion E1.1 of pillar E, Environment

E.1.1 Formalisation of the environmental policy

<u>Type of response</u>	<u>Score</u>
The issuer has a strong, detailed E policy	100
The issuer has a relatively strong E policy	50
The issuer has an overall E policy that is not very detailed	25
The issuer has no E policy	0

At the end of the process, the analyst provides a report detailing the E, S and G ratings, which includes the raw scores, a qualitative assessment, an explanation of the sources and the final results.

EXAMPLES OF ESG INDICATORS (not a complete list)

Environment	Social	Governance
<p>56 criteria relating to the direct or indirect impact of the company's activity on the environment, such as:</p> <ul style="list-style-type: none"> • Water use reduction programme • Participation in the Carbon Disclosure Project (organisation that publishes companies' greenhouse gas emissions) • Report on hydrocarbon treatment conditions 	<p>60 criteria relating to the direct or indirect impact of the company's activity on stakeholders, such as:</p> <ul style="list-style-type: none"> • Official policy on the elimination of discrimination • Workplace accident reduction programme • Human rights policy • Awareness of local populations 	<p>34 criteria relating to the way in which the company is managed, administered and controlled, such as:</p> <ul style="list-style-type: none"> • Signing of the UN Global Compact • Separation of powers • Independence of directors • Anti-corruption policy

OVERALL ESG SCORE

The final ESG score assigned to the company under review results from the application of a weighted matrix. These weightings vary from one sector to another depending on the relevance of the impacts and exposure to ESG risks. Companies are currently divided into 42 groups of activities (based on the GICS classification).

The variation ranges of these weightings are as follows:

Environment:	25% to 45%
Social:	30% to 50%
Governance:	15% to 35%

Sustainalytics currently uses two different matrices to assess large companies (ESG issues often detailed and identified) and small/medium companies (ESG issues less detailed and identified).

Controversies

INTEGRATION

In addition to the ESG selection process, we also include the monitoring of major controversies for companies only. Their evolution and seriousness are key indicators of the risks that have been or may be incurred by the issuer and therefore of the potential impact on performance. These controversies may pertain to the three ESG areas (corruption, pollution, misleading marketing practices for customers, etc.).

This integration gives managers greater insight into the risks and value creation potential associated with a company's behaviour.

SUSTAINALYTICS ASSESSMENT METHOD

Sustainalytics defines controversy as an event or series of events relating to an environmental, social or governance topical area likely to negatively affect stakeholders. These events are the result of all communications released by the company, the media or other channels.

Sustainalytics identifies and classifies these controversies into 10 main topical areas under one of the three E, S and G pillars. These controversy indicators are assessed by analysts on a scale of 1 to 5: the lower the level, the less controversial and therefore the less risky is the company.

Environment	Social	Governance
<ul style="list-style-type: none"> • Operational incident • Environmental incident in the supply chain • Environmental incident relating to products and services 	<ul style="list-style-type: none"> • Social incident in the supply chain • Social incident affecting communities and society • Customer incident • Employee incident 	<ul style="list-style-type: none"> • Governance incident • Incident relating to public policies • Incident relating to business ethics

Aggregate portfolio scores

AGGREGATE PORTFOLIO ESG SCORE

The aggregate ESG score of a portfolio results from the weighted average of the positions in the portfolio of each overall ESG score (excluding cash and derivatives). The aggregate portfolio ESG score is re-based on 100%. An ESG coverage ratio is also provided to assess the relevance of the overall aggregate score.

AGGREGATE PORTFOLIO CONTROVERSY SCORE

We apply the same method as that used to calculate the aggregate portfolio ESG score.

Changes in indicators and methodology

Major progress has been made with respect to ESG issues by both private and public stakeholders.

For example, in October 2018, our main ESG data provider, Sustainalytics, provided us with an enhanced version 2.0 ESG assessment of an issuer that includes the notions of "manageable risk" and "unmanageable risk" identified with respect to various sustainable finance issues.

This new generation of indicators incorporating forward-looking data should enable ESG risk monitoring with better cross-sector comparability.

ABN AMRO Investment Solutions has decided to take these indicators into account and, following an evaluation, to implement these new scores in its tools in 2019.

3.6 How often is the ESG assessment of issuers reviewed? How are controversies managed?

Frequency at which ESG/controversy ratings are reviewed by Sustainalytics

ESG ratings: annually or earlier in case of a major event

Controversy ratings: Several times a month

Frequency at which ESG/controversy ratings are updated in our tools
Monthly

Management of controversies

PARNASSUS INVESTMENTS, DELEGATED PORTFOLIO MANAGER

The portfolio manager has its own rating scale for controversies. It manages the worsening of a controversy independently (triggering a sale or an engagement procedure). However, it is required to take into account ABN AMRO Investment Solutions' list of prohibited issuers as described below.

ABN AMRO INVESTMENT SOLUTIONS, ASSET MANAGEMENT COMPANY

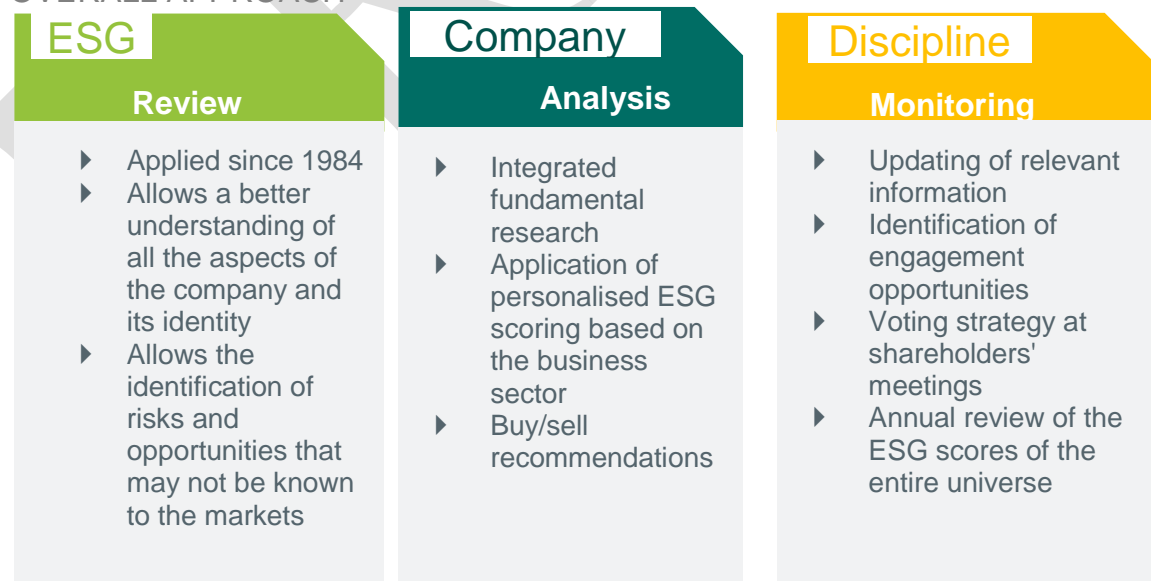
The asset management company has its own rating scale for controversies. If the worsening of a controversy reaches the maximum level 5 and was triggered by a serious and repeated breach of one or more of the 10 principles of the UN Global Compact, the issuer is added to the list of prohibited securities within three months. The portfolio manager (Parnassus Investments) will then be notified and must sell the security within five business days.

4 Management process

4.1 How are ESG research results taken into account in the portfolio construction process?

Parnassus Investments, the delegated portfolio manager

OVERALL APPROACH



INVESTMENT PROCESS.

The initial universe includes approximately 1,000 companies, all of which are analysed based on ESG criteria.

A first quantitative/qualitative filter (proprietary model) selects approximately 40% of the companies with a value-added profile. The universe is reduced based on sector

exclusions (negative filters) and classified according to the ESG scores and fundamental scores (relevance of the business model, assessment of the operational environment, management integrity). At the end of this process, an average of 400 companies are selected.

The universe is then reduced by approximately 150 companies by applying a best-in-class classification (which selects only the best students from each sector under review).

Lastly, the portfolio manager evaluates the best companies based on the “opportunity-risk” ratio in terms of financial valuation, business diversification and the potential for interaction with the company's management (engagement). At the end of the process, the manager constructs a concentrated portfolio of approximately 40 companies.

4.2 How are climate change-related criteria taken into account in the portfolio construction process? Art. 173

Some of the climate change-related criteria as defined in Article 173 are included in the criteria used to assess the ESG profile of the selected company. For instance, the level of CO₂ emissions is reviewed in the environmental pillar and the fund will give priority to the least carbon-intensive companies and activities.

During the basic analysis, renewable energies and waste and wastewater recycling and treatment companies may be part of the investment universe if their operating or service models are considered disruptive and alternative technologies with high penetration potential. Moreover, the fund will not invest in polluting energies as they are identified as “high-risk”.

The fund's objective is not limited to addressing issues related to climate change.

4.3 How are the fund portfolio issuers that are not subject to an ESG analysis (excluding UCIs) taken into account? Art. 173

At Parnassus Investments, delegated portfolio manager

All the issuers in the portfolio are pre-selected, ESG-rated based on a proprietary methodology (that also includes Sustainalytics research) and validated at an ad hoc committee meeting by the financial manager of the portfolio, Parnassus Investments.

At ABN AMRO Investment Solutions, asset management company

The asset management company, ABN AMRO Investment Solutions, verifies that its ESG research covers at least 90% of the portfolio. If this ratio is not achieved, ABN AMRO Investment Solutions makes every effort to increase its coverage (rating request from Sustainalytics and request for the investment report from its delegated portfolio manager).

4.4 Has the ESG assessment process and/or management process changed in the last 12 months?

No.

4.5 Is a portion of the assets of the fund(s) invested in solidarity-based entities?

No.

4.6 Does the fund(s) engage in securities lending/borrowing?

No.

4.7 Does the fund(s) use derivative instruments?

No.

4.8 Does the fund(s) invest in UCIs?

No.

5. ESG controls

5.1 What internal and/or external control procedures exist to ensure the portfolio's compliance with the ESG rules defined for the management of the fund(s)?

List of the teams in charge

See section 2.5 of this document.

List of the controls performed to date on the portfolio.

PARNASSUS INVESTMENTS, THE DELEGATED PORTFOLIO MANAGER (EX-ANTE)

- Weekly report on the overall risks to which the portfolio is exposed
- Periodic verification by the portfolio manager of factors that could increase ESG risks

ABN AMRO INVESTMENT SOLUTIONS (EX-POST)

- Daily verification of compliance with the list of exclusions
- Daily verification of the ESG coverage ratio (minimum 90%) and ESG ratings <50
- Monthly verification of the overall level of portfolio sustainability according to the Morningstar method
- Quarterly ESG risk report (ESG/carbon/controversy scores)

Example of operational control performed by ABN AMRO Investment Solutions:

- Trigger: the ESG coverage ratio is 86% (<90%)

- Alert: operational control alerts the SRI team
- Verification & identification: after verification, the SRI team has identified the addition to the portfolio of a new issuer not covered by the analysis of its specialised analyst, Sustainalytics. The SRI team confirms the alert and proposes an action.
- Action proposed: ask the portfolio manager for the ESG investment rationale for the new security (manager's response time: five business days).
- Analysis: the SRI team analyses the rationale and understands that the new issuer, which resulted from the unbundling of the parent company, is expected to receive better ESG ratings than its parent company. At the same time, the SRI team questions its analyst, Sustainalytics, which confirms the update of the ESG score as quickly as possible.
- Response: the SRI team confirms to operational control that the new issuer can initially be assigned its parent company's ESG rating ("conservative" rating) and that the latter is currently being rated by Sustainalytics.
- Closure of the alert procedure (within five business days): the parent company's ESG rating is assigned pending the final rating.

6. Impact metrics and ESG reporting

6.1 How is the ESG quality of the fund(s) assessed?

ROLE OF ABN AMRO INVESTMENT SOLUTIONS, ASSET MANAGEMENT COMPANY

The asset management company is the management company of the fund; it has delegated its role as portfolio manager.

The asset management company is responsible for marketing the fund to its clients.

METHODOLOGY USED

See section 3.5 of this Code.

METHOD OF COMMUNICATION WITH THE FUND'S CLIENTS

- Information meeting
The client meets regularly with the portfolio manager at ad hoc commercial events organised by the asset management company (approximately three times a year).
- ABN AMRO Investment Solutions website
Monthly report
Annual and semi-annual fund reports⁸
Prospectus
LTECV report

⁸ Publication of the detailed fund portfolio

Portfolio manager video

- Various presentations in PDF format (at the client's request)

6.2 What ESG impact indicators are used by the fund(s)?

The main impact indicator calculated and reported for the portfolio to date is carbon intensity (direct and indirect greenhouse gas emissions per million in sales relative to the positions held in the portfolio).

This indicator will be available in the monthly fund reports.

6.3 What media tools exist to inform investors about SRI management of the fund(s)?

FUND INFORMATION SHEET

- Financial data and soon ESG data (currently being enhanced)
- Available on the asset management company's website
- Frequency: monthly

INVESTOR PRESENTATION DOCUMENT (PDF or paper)

- Available on request from the sales team
- Frequency: three times a year

MORNINGSTAR GLOBES

- Available on the Morningstar website
- Frequency: monthly

Article 173 LTECV REPORT

- Available on the asset management company's website
- Frequency: annual

GENERAL PRESENTATION OF SRI MANAGEMENT (fund video and general information)

- Available on the asset management company's website
- Update frequency: based on new developments.

6.4 Does the management company publish the results of its voting policy and engagement policy? Art. 173

Yes.

ISSUER ENGAGEMENT POLICY FOR THE FUND: PARNASSUS INVESTMENTS, DELEGATED PORTFOLIO MANAGER

Engagement policy and engagement report (available only in English)

www.parnassus.com/esg#engagement

VOTING POLICY FOR THE FUND: ABN AMRO INVESTMENT SOLUTIONS, ASSET MANAGEMENT COMPANY

7. Appendices

7.1 AFG definition

ESG criteria	Environment, Social and Governance.
Environmental Dimension	Refers to the direct or indirect impact of an issuer's activity on the environment.
Social Dimension	Relates to the direct or indirect impact of an issuer's activity on stakeholders based on universal values (human rights, international labour standards, anti-corruption, etc.).
Governance Dimension	Set of processes, regulations, laws and institutions that influence the way in which the company is managed, administered and controlled. This dimension also includes relations among the many stakeholders and the objectives that govern the company. These key players include the company's shareholders, management and members of the board of directors.
SRI	"SRI (Socially Responsible Investment) is an investment that aims to reconcile economic performance with social and environmental impact by funding companies and public institutions that contribute to sustainable development regardless of their business sector. By influencing governance and corporate behaviour, SRI contributes to a responsible economy." (AFG - IFR, July 2013)
Issuers	All entities (companies, countries, agencies, supranational agencies or local authorities) that have recourse to the market to finance themselves by issuing equities, bonds and other financial securities.

Approaches (as defined by the AFG)

Engagement	Fund whose objective is to influence the behaviour of the companies in which it invests so as to improve their environmental, social or governance practices. Engagement themes must be defined and the monitoring of engagement actions (individual or collective dialogue, voting at shareholders' meetings, submission of resolutions) must be documented.
Exclusion	Funds can apply two types of exclusions: <ul style="list-style-type: none"> - NORMATIVE EXCLUSIONS Normative exclusions entail excluding companies that do not comply with certain international

	<p>standards or conventions (human rights, ILO convention, Global Compact, etc.) or countries that have not ratified certain international treaties or conventions.</p> <ul style="list-style-type: none"> - SECTOR EXCLUSIONS Sector exclusions entail excluding companies from business sectors such as alcohol, tobacco, weapons, gambling and pornography for ethical or public health reasons, or GMOs, nuclear power, thermal coal, etc. for environmental reasons. <p>Exclusions resulting solely from a regulatory ban (e.g. controversial weapons, countries under embargo, etc.) are not sufficient to characterise an exclusion approach.</p>
Impact investing	<p>Funds that invest in companies or organisations which seek primarily to have a positive environmental or social impact. The impact induced by the investments must be quantifiable.</p> <p>In France, impact investing can be likened to solidarity funds that invest in companies of the social and solidarity economy (SSE).</p>
ESG integration	<p>For a management company, ESG integration entails providing its fund managers with Environmental, Social and Governance (ESG) analysis factors that they can incorporate into their investment decisions. ESG integration relies on appropriate resources: organised access to ESG research, the portfolio's ESG or carbon score or any other ex-post monitoring indicator. It is intended to improve understanding of the risks and opportunities associated with each issuer.</p>
ESG selection	<p>This approach entails selecting the issuers with the best environmental, social or governance practices. ESG selection can take several forms:</p> <ul style="list-style-type: none"> - best-in-class: selection of issuers with the best ESG practices in their business sector. This approach includes all economic sectors; - best-in-universe: selection of issuers with the best ESG practices independently from their business sector; - best effort: selection of issuers having demonstrably improved their ESG practices over time.
ESG-themed funds	<p>Funds that specialise in environmental, social or governance themes. They invest in issuers whose products or services contribute to generating profits consistent with the investment strategy. Selected companies must comply with minimum ESG requirements, such as active monitoring of environmental (E), social (S) and governance (G) controversies, and demonstrate their E or S or G impact.</p>

7.3 Engagement of the AFG, the FIR and the Eurosif

The AFG and the FIR will ensure the widest possible promotion and dissemination of this Code. To that end, they agree to publish the list of signatories to this Code on their respective websites.

www.afg.asso.fr

www.frenchsif.org

The AFG and the FIR assume no legal or other liability for incorrect or misleading information provided by the signatories in their responses to this Transparency Code.

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The French Asset Management Association (Association Française de la Gestion Financière - AFG) represents and promotes the interests of third-party portfolio management professionals. It brings together all asset management players from the discretionary and collective portfolio management segments. These companies manage nearly €4,000 billion in assets, including €1,950 billion in French funds and approximately €2,050 billion in discretionary portfolios and foreign funds.

The AFG decided early on to throw its full weight behind the development of socially responsible investing in France.

This involvement is part of a broader effort to promote long-term savings (savings invested in stocks, employee savings and pension savings plans) and asset

quality (corporate governance action), both of which contribute to healthy financing for our economy and the protection of citizens against risks.

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The French Sustainable Investment Forum (Forum pour l'Investissement Responsable – FIR) is a multi-stakeholder organisation that brings together investors, management companies, ESG rating agencies, consultants, members of civil society, NGOs, trade unions and committed public figures: lawyers, researchers, journalists, etc.

The FIR's missions include lobbying public authorities and engaging in dialogue with companies on environmental, social and governance issues. The FIR also sponsors the "Finance and Sustainability" European research award. This award, in association with the PRI (Principles for Responsible Investment), has recognised outstanding academic research every year since 2005. The Forum coordinates Responsible Finance Week, which it created in 2010. The FIR is a founding member of Eurosif.
FIR - 27 avenue Trudaine 75009 Paris – Tel.: +33 (0)1 40 36 61 58
www.frenchsif.org



The European Sustainable Investment Forum is the European association for the promotion of sustainable and responsible investment practices. A non-profit organisation, Eurosif works together with its members, European national forums that share a common mission, through a network of partners. This network encompasses a wide array of stakeholders from the responsible investment industry, from fund managers to their specialised services providers such as non-financial rating agencies. Based in Brussels, Eurosif focuses most of its efforts on lobbying European institutions to support SRI and to integrate sustainable development issues into investment, promoting the European Transparency Code and researching and studying market practices and changes in them. Today, Eurosif is the leading European organisation for all stakeholders interested in the development of responsible investment practices.
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