



AAF Blackrock Euro Government ESG Bonds

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 of the financial product

The analysis of ESG factors is systematically integrated into the investment decision making process of ABN AMRO Funds Blackrock Euro Government ESG Bonds (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 Manager must comply with the Management Company's standards of quality and goes 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 either leading in ESG best-practice or attractive due to their progression in ESG.

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

The Sub-Fund will use a selection of securities complying with Environmental, Social and Governance (ESG) responsibility criteria. The External Investment Manager uses a proprietary ESG framework combining ESG negative and positive selection. The ESG assessment and selection process of the External Investment Manager differs depending on whether the investment is in Sovereign or in companies.

Regarding investments in Sovereigns: the External Investment Manager makes use of its proprietary ESG methodology to assess the ESG scores of the Sovereigns composing its proprietary Sovereign sustainability index (covering to date 99 sovereign issuers). The ESG performance is based primarily of World Bank indicators. The External Investment Manager will consider for investing in the Sub-Fund, Sovereigns that are in the top 75% of its proprietary Sovereign sustainability index (“best-in-universe approach”) and that pass the exclusion policy of the Management Company.

Regarding investments in companies: the External Investment Manager will mainly utilize ESG data sourced from external providers for selecting the eligible companies. The External Investment Manager will consider for investing in the Sub-Fund corporates that are ranked in the highest five ranking categories of the seven ranking categories currently utilized by the External Investment Manager's external ESG provider.

Regarding the portfolio construction, the External Investment Manager uses a two-step process which involves a top-down view being formed by its Investment Strategy Group and relative value discussions leading to portfolio construction decisions made by its European Fixed Income team. Engagement is part of the process but is not systematic and is limited due to the nature of the issuers (mainly Sovereigns).

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

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 Managers perform 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 Managers' and the Management Company's level, each using their own frameworks.

The monitoring and oversight of the environmental and social characteristics promoted by the Sub-Fund are undertaken by the External Investment Manager by way of different dedicated tools with the support of various teams. Ongoing interactions with issuers and other stakeholders by the External Investment Manager as well as learning from ESG research and analysis are providing continued insights into ESG views of issuers and issues.

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's assessment utilizes a range of data and insights from across a large number of resources and of external providers; to deal with all the information, the External Investment Manager hosts a dedicated Data Stewardship team, acting as data asset specialists for third-party ESG vendor data. Data are incorporated in the different tools used by the External Investment Manager. Moreover, the information will include internal (credit and ESG) insights from sell-side brokers, from direct discussion with issuers and stakeholders as well as from the in-house credit analysts teams

Due Diligence

The Management Company carries out due diligences for the selection of delegated strategies as well as for open-ended investment funds. The Management 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 Blackrock Euro Government ESG Bonds (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 Manager 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 either leading in ESG best-practice or attractive due to their progression in ESG.

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 Sub-Fund will use a selection of securities complying with Environmental, Social and Governance (ESG) responsibility criteria. The External Investment Manager uses a proprietary ESG framework combining ESG negative and positive selection. The ESG assessment and selection process of the External Investment Manager differs depending on whether the investment is in Sovereign or in companies.

Regarding investments in Sovereigns: the External Investment Manager makes use of its proprietary ESG methodology to assess the ESG scores of the Sovereigns composing its proprietary Sovereign sustainability index (covering to date 99 sovereign issuers). The ESG performance is based primarily of World Bank indicators. The External Investment Manager will consider for investing in the Sub-Fund, Sovereigns that are in the top 75% of its proprietary Sovereign sustainability index (“best-in-universe approach”) and that pass the exclusion policy of the Management Company.

Regarding investments in companies: the External Investment Manager will mainly utilize ESG data sourced from external providers for selecting the eligible companies. The External Investment Manager will consider for investing in the Sub-Fund, companies that are ranked in the highest five ranking categories of the seven ranking categories currently utilized by the External Investment Manager's external ESG provider.

The External Investment Manager also uses external ESG research providers together with internal research for ongoing efforts to integrate additional ESG information into the investment process. The External Investment Manager conducts additional due diligence, which is combined with other inputs to create a mosaic of information referenced in investment decision making. These include ESG-related specialist media and databases (e.g. Climate Disclosure Project), proxy research, and analysis published by investment banks, specialist consultancies and non-governmental organisations. Regarding the portfolio construction, the External Investment Manager uses a two-step process which involves a top-down view being formed by its Investment Strategy Group and relative value discussions leading to portfolio construction decisions made by its European Fixed Income team. Engagement is part of the process but is not systematic and is limited due to the nature of the issuers (mainly Sovereigns).

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 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 External Investment Manager assesses good governance practices of the investee companies by combining proprietary insights with data from external ESG research providers to initially identify issuers which may not have satisfactory governance practices in relation to key performance indicators (KPIs) related to sound management structure, employee relations, remuneration of staff and tax compliance.

The good governance requirements outlined in the SFDR regulation are only applicable to investments in companies (and thus not applicable to sovereigns and supranational entities).



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, 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

The Management Company and the External Investment Manager independently perform an assessment of the attainment of the Sub-Fund's environmental or social characteristics. The monitoring of environmental and social characteristics of the investment product is ensured through a dedicated control framework, including both pre-trade and post-trade controls. 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 carries out controls on the environmental and social metrics at portfolio level through their different lines of defence and using their own tools.

- On the first line of defence, both the investment teams and the business management are primary risk owners, and are thus in charge of managing this risk. The portfolio managers and the research analysts will evaluate the environmental, social, and governance risks and opportunities of their investments (industries or companies), along with other potential economic issues (e.g., climate-related risks can refer to regulatory change, or litigation and exposure to physical impacts and extreme weather events).
- On the second line of defence, the External Investment Manager's risk management function ("RQA") is in charge of overseeing and controlling the risks. RQA will accompany the portfolio teams and the business management in understanding, monitoring, managing, and reporting the risks. RQA produces quantitative analyses for the External Investment Manager, supporting its management of fiduciary and enterprise risks and assists portfolio managers in ensuring that portfolio risks: (i) are consistent (ii) reflect current investment themes and (iii) are consistent with the Sub-Fund strategy. RQA also reviews the evaluation of the ESG risks' materiality and consideration across the investment process by the portfolio managers in line with the Sub-Fund investment guidelines. RQA evaluates material ESG risks, during its regular reviews with portfolio managers to provide oversight of portfolio managers' consideration of these risks in their investment processes. This helps to ensure that such risks are understood, deliberate, diversified, and scaled, and are consistent with the Sub-Fund strategy. ESG investment platform leads partner with RQA to review and monitor ESG risk exposure at the External Investment Manager group level, providing rigor and consistency across all investment selection process and monitoring.

Significant holdings of any issuer with poor ESG criteria or associated controversies are added to the agenda of a monthly credit review oversight committee chaired by our Head of Credit Research and attended by the Head of Portfolio Management. Analysts discuss highlighted ESG risks, whether they view them as material, and to what extent these risks are priced into current valuations. The core investment tool of the External Investment Manager to monitor these risks is "Aladdin", which offers a robust set of analytic tools to assess sustainability and climate related risk to assess companies' carbon transition plans.

On its side, the Management Company will oversee and control the investments realised by the External Investment Manager, pursuing post-trade controls that ensure, among other, the respect of its exclusion lists and other E/S characteristics. In the event that a "non-compliant matter" is detected by the Management Company, the Management Company's 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:

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

Compacts 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

As part of investment and engagement processes, the External Investment Manager uses both internal proprietary research, and third-party ESG research data.

Considering the External Investment Manager's scale, they were able to implement an extensive research capability, allowing them to offer the broadest possible investment opportunity set, while primarily relying on internal research. Internal data includes, but is not limited to, monthly issuer ESG deep dives by credit analysts, research conducted by the External Investment Manager's Sustainable Investing team, back-tested analysis by quantitative data scientists, and issuer engagement notes. Once produced, all these analyses and commentaries are stored in the External Investment Manager's proprietary database in real time. The database thus stores commentaries, meeting notes, news, and company information (capital structure, analytics, financials, etc.).

On top of that, the External Investment Manager supplements their internal research with industry leading ESG research from external data and information sources. Such sources can entail sell side research (brokerage firms, news and rating agencies), expert networks and databases, company reported data, and third-party ESG data providers. All these providers are used for diverse types of information, from ESG Ratings and Research, to Climate Data. Examples of ESG third-party data providers used by the External Investment Manager include MSCI, Sustainalytics, Refinitiv, Bloomberg, Clarity AI, CDP, SASB, among others. Hence, considering the breadth of sources of information and data points, it is difficult for the External Investment Manager to quantify the proportion of data that is estimated. On top of that, some areas of environmental data collection are still evolving, and may lead to the use of data estimates. However, if the data appears inconsistent with the External Investment Manager's own view, they may challenge the data vendors asking for additional qualification. The External Investment Manager also routinely engages with investment research providers about their views on emerging issues and potential new types of research required. Finally, once all the data have been either internally produced, or externally sourced, the External Investment Manager consolidates and integrates the information into their Investment and Risk Management System, on which portfolio managers will rely for investment decisions and portfolio monitoring.

However, onboarding external datasets is a complex task that requires multiple technology teams. The External Investment Manager thus hosts a dedicated Data Stewardship team, acting as data asset specialists for third-party ESG vendor data. The team namely has expertise on the vendor products and understands every aspect

of the vendor data offering, including governance and content knowledge, as well as delivery details (method, timing, file type). The External Investment Manager takes deliberate steps to determine and implement the appropriate logic to map issuer data to individual securities, reflecting internal consensus on how ESG exposures should be modelled for different types of asset classes and securities.

The Management Company uses three external data providers as its main sources to monitor the attainment of the environmental and/or social characteristics of the Sub-Fund:

- Sustainalytics to assess the environmental and/or social characteristics of the Sub-Fund's constituents. 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).
- Morningstar to analyse the Sub-Fund's peer group, as well as for various ESG data calculations at portfolio level.
- ISS for climate and impact data. The Management Company also uses ISS 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 reliable 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 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, as well as quantification of qualitative data.
- **Coverage:** the overall team of ESG analysts in charge of the analysis of the Sub-Fund may not be staffed to cover the entire investment universe and methodological limitations that 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. Moreover, Fixed Income instruments include various issuers (corporate, sovereign, and sub-sovereign), differing in credit quality and duration. The data coverage by ESG data providers may not sufficiently cover every type of issuer or location, creating obstacles for allowing complete oversight from an ESG perspective. In addition, rules can be backwards looking, relaying information on events already taken place and/or slow to reflect new data.
- **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 performance. The result of their assessment is to some extent subjective and inconsistent. Moreover, the difference in data sources and processing methods used by the Management Company and the External Investment Manager may further add to this discrepancy in ratings.
- **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 (i.e., by reference to a peer group average).



Due diligence

The Management Company and the External Investment Manager are both carrying out due diligences on the Sub-Fund underlying 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 investment strategies and monitors the universe of approved strategies. The MDD analysts 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 in charge of the strategy on its 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 periodically reviews the performance of the strategy to ensure that it remains aligned with the investment style of the portfolio. The MDD team provides transparency and regular monitoring of the strategy's portfolio. ESG ratings and other sustainable characteristics of the portfolio's underlying assets are also monitored regularly. In addition, MDD analysts meet periodically with portfolio managers to discuss recent performance as well as recent transactions in order to monitor alignment with 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, portfolio managers clarify if there were any changes in the team and processes. Analysts and investment managers also discuss recent engagements and milestones during the period. In addition, MDD analysts monitor any significant events that may affect the portfolio, e.g., with respect to their investments, financial and ESG analysts, investment process, engagement capacity. Each change may affect the strategy's 5-P based rating, which may result in a change in the strategy's ratings, including the sustainability rating.

- The ESG team supports the MDD team in reviewing the process and methodologies implemented by the External Investment 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. The ESG team will also monitor the Sub-Fund's underlying investments against the overall environmental and/or social characteristics, as well as the ESG indicators for all of 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. 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.

On top of that, the due diligence process followed by the External Investment Manager differs depending on the type of issuer at hand. As part of the External Investment Manager's Fixed Income team, dedicated sovereign research teams conduct the evaluation of sovereign debt, as well as associated pricing for portfolios. In that regard, ESG factors represent a component of the risk framework under which investment opportunities are valued that is equally important as debt, fiscal or external accounts. Hence, the regular due diligence process now includes a two-way dialogue on ESG issues, plans and policies, between the External Investment Manager and the issuers.

However, given the size of issuance programs, emerging markets and developed markets teams will use different approaches for evaluation, and have different abilities to directly communicate with issuers. For instance, developed markets investors also dialogue with debt management offices, often through more structured channels such as the US Treasury Borrowing Advisory Committee or the International Capital Markets Association, where the External Investment Manager serves as a member. Moreover, the External Investment Manager conducts additional due diligence ESG information, which is combined with other inputs to create a mosaic of information referenced in investment decision making. Meaningful concerns are channelled as feedback to issuers – either directly or through this team. Furthermore, the Euro Fixed Income team has ESG reporting capabilities.



Engagement policies

As part of its sub-advisory business model, the Management Company delegates responsibility for engagement to the selected External Investment Manager. However, the Management Company does not delegate all stewardship activities and is responsible for proxy voting (when applicable – not applicable to bonds). 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. Due to the nature of the issuers (mainly Sovereigns) in the Sub-Fund's portfolio, engagement activities are not systematic and are limited.

Nonetheless, Engagement is part of the External Investment Manager's due diligence process, as it allows to assess how issuers manage ESG risks and opportunities, and understand their impact on the issuer's financials. Engagement also provides an opportunity to shape the future actions of an issuer. The portfolio management team of the External Investment Manager thus engages to discuss concerns, understand opportunities, and share constructive feedback with issuers (when dialogue is possible), based on the principle that material ESG issues are inextricably tied to a business' long-term strategy and fundamental value. More specifically, the External Investment Manager being deeply involved in the Green Bond market, they regularly engage with Green Bonds issuers, underwriters, and index providers.

Regarding engagement processes with sovereign issuers, it has recently been observed that debt management offices are developing strategies to better communicate their plans and goals. However, emerging and developed markets will require the teams that engage to use different approaches in evaluation and different methods to communicate with issuers. In that regard, the Sub-Fund being primarily invested in issuers located on developed markets, the External Investment Manager will often be able to dialogue with issuers through structured channels, such as the US Treasury Borrowing Advisory Committee, or the International Capital Markets Association, when the External Investment Manager serves as member. When invested on emerging markets, the Sub-Fund will also be able to engage – to some extent – with issuers. They will be routinely in dialogue directly with Treasuries, through capital markets dialogue on funding, but also through information transfer on secondary market activity.

On top of that, if the Sub-Fund decides to invest in corporate issuers, the External Investment Manager can request the support its Investment Stewardship team on the engagement process. This team can meet with boards of companies to evaluate how they are strategically managing their longer-term issues, including those surrounding ESG. Additionally, the research analysts of the External investment Manager may engage on deep dives into ESG issues including carbon transition with members of the "BlackRock Investment Stewardship"

("BIS") team to glean insights from direct issuer dialogue. Meaningful concerns are channelled as feedback to issuers – either directly or through BIS.



Designated reference benchmark

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