



# AAF Insight Euro ESG Corporate Bonds

Website Product Disclosure



**ABN•AMRO** Investment Solutions



## Summary

### No Sustainable Investment Objective

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

### Investment Strategy

The External Investment Manager's approach starts by defining an ESG optimised investment universe, whereby issuers deemed unsustainable (as further described) are excluded. At this stage, the bottom 40% of issuers within the global universe are being removed. Within the optimised universe, the External Investment Manager selects securities based on financial criteria, as well as ESG criteria. Each issuer is evaluated through fundamental credit analysis and receives the External Investment Manager's own proprietary risk centric ESG ratings. Issuers with an ESG rating of 3.6 or worse fall within the 40th percentile threshold (ratings are from 1 to 5, 1 being the best and 5 being the worst score). Any issuers with ratings worse than 3.6 (means: over 3.6) will need to have a positive ESG momentum score (explained below), indicating that the company is on an improving ESG trajectory, to be considered for investment.

The ESG analysis is a quantitative framework that effectively integrates the External Investment Manager's analysts' research, and supplemented with data from multiple third-party data providers, generates an ESG rating and momentum signal for a wide range of entities. The External Investment Manager incorporates raw ESG data from four full ESG datasets namely: MSCI, Sustainalytics, VigeoEiris, and CDP climate change & water metrics.

The External Investment Manager also uses the Bloomberg legal entities references for credit risk datasets to map the ESG records to all issuers within a credit risk tree. Raw data from these data providers is then mapped and assigned global company identifiers and ultimate parent identifiers before being added to the External Investment Manager ESG database. Each metric that contributes to an issuer's ESG rating has two key elements (i) a score - evaluating an issuer's performance in that metric (ii) a weight -evaluating the materiality of the metric to the issuer.

### Proportion of Investment

The Sub-Fund plans to invest at least 80% 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 20% 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 External Investment Manager uses (i) pre-trade warnings which appear in the trade system prior to trading to inform fund managers of a prohibition or limit (ii) post-trade warnings (iii) oversight of the relevance of criteria used to meet characteristics promoted. The Management Company, through its Business Control & Oversight team, performs periodic ex-post controls to ensure that the Sub-Fund 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 External Investment Manager primary source of information is coming from (i) external data providers including third party ESG data providers, universities, agencies, initiatives, and NGOs, (ii) relevant issuers including any publicly available information in relation to such issuers and (iii) internal data sourced by the External Investment Manager's analysts or sustainability-focused research teams.

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.

## 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 Insight Euro ESG Corporate 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 Managers must comply with the Management Company's standards of quality and go through a qualitative selection process before being retained. This process involves an in-depth analysis of the External Investment Manager's corporate social responsibility policy as well as its overall sustainability strengths going from the analysis of ESG professionals, philosophy, and investment process. Under the ESG responsibility criteria of the Management Company, the External Investment Manager is committed to conducting both negative and positive screenings as well as taking engagement actions when necessary. The Sub-Fund will be composed of issuers that are 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 External Investment Manager's approach starts by defining an ESG optimised investment universe, whereby issuers deemed unsustainable (as further described) are excluded. At this stage, the bottom 40% of issuers within the global universe are being removed. Within the optimised universe, the External Investment Manager selects securities based on financial criteria, as well as ESG criteria. Each issuer is evaluated through fundamental credit analysis and receives the External Investment Manager's own proprietary risk centric ESG ratings. Issuers with an ESG rating of 3.6 or worse fall within the 40th percentile threshold (ratings are from 1 to 5, 1 being the best and 5 being the worst score). Any issuers with ratings worse than 3.6 (means: over 3.6) will need to have a positive ESG momentum score (explained below), indicating that the company is on an improving ESG trajectory, to be considered for investment.

The ESG analysis is a quantitative framework that effectively integrates the External Investment Manager's analysts' research, and supplemented with data from multiple third-party data providers, generates an ESG

rating and momentum signal for a wide range of entities. The External Investment Manager incorporates raw ESG data from four full ESG datasets namely: MSCI, Sustainalytics, VigeoEiris, and CDP climate change & water metrics. The External Investment Manager also uses the Bloomberg legal entities references for credit risk datasets to map the ESG records to all issuers within a credit risk tree. Raw data from these data providers is then mapped and assigned global company identifiers and ultimate parent identifiers before being added to the External Investment Manager ESG database. Each metric that contributes to an issuer's ESG rating has two key elements (i) a score - evaluating an issuer's performance in that metric (ii) a weight -evaluating the materiality of the metric to the issuer.

Both datasets are then mapped to one or more ESG 'pillars' as set out below; these have different weights depending on the issuer's industry. To generate a weight and a score at key-issue level, the External Investment Manager combines inputs from the credit analysts together with third-party averages. The analysts' views on the materiality of key issues facing each industry group are merged with views of the data providers, and the values are averaged. To ensure the External Investment Manager ESG ratings are based on good data coverage, the External Investment Manager includes only records which (i) have data under each E, S and G pillar, which are based on (ii) five distinct data points and (iii) have more than five distinct data provider fields. This scoring methodology produces two separate ratings for every issuer: an overall ESG rating and a momentum signal. The overall ESG rating is designed to indicate an issuer's performance relative to its peers. The External Investment Manager calculates each issuer's percentile based on the raw ESG ratings within each Global Industry Classification Standard (GICS) industry group and assign the final ESG rating (between 1 and 5, where 1 is the best score and 5 the worst). The momentum signal considers the most recent five years of headline ESG scores and determines an average year-on-year change, weighted towards the most recent data. Based on this data, a momentum score from -2 to 2 is assigned.

## 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 are 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.



## Proportion of investments

The Sub-Fund invests at least 80% 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 20% 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.





## Monitoring of environmental or social characteristics

When the Management Company delegates part of the management of the Sub-Fund to External Investment Managers, controls are performed at two levels. With respect to pre-trade controls, the External Investment 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 External Investment Manager: Monitoring and oversight of the Sub-Fund's performance versus the environmental and social characteristics promoted and the sustainability indicators used to measure the attainment of the environmental or social characteristics is undertaken throughout the life cycle of the Portfolio by way of a regular review in an internal governance forum which uses a combination of internal and external data to assess positioning. The internal control mechanisms used are:
  - Pre-trade warnings which appear in the trade system prior to trading to inform fund managers of a prohibition or limit.
  - Post-trade warnings will also be reviewed by the monitoring team and escalated as appropriate.
  - Oversight of the relevance of criteria used to meet characteristics promoted is provided by the Responsible Investment Group, a Governance group at the External Investment Manager which has overall oversight of ensuring effective implementation of ESG due diligence.
  - Oversight of internal exclusions lists is provided by the Insight Ratings and Exclusions Group ("REG") which is a Governance Committee within the Investment Manager.
- 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 periodic ex-post controls to ensure that the Sub-Fund complies with the commitments made. If a "non-compliant matter" is detected by the Management Company, its Business Control & Oversight team will first analyse it and engage in dialogue with the External Investment Manager if necessary. Depending on the nature of the non-compliance, the Management Company's ESG team may decide to monitor it using its proprietary "ESG Watchlist". If the non-compliance persists over time, an escalation process is put in place by the Management Company to ensure a timely remediation plan in the best interest of shareholders.



## Methodologies

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

- Absence of companies that do not meet the criteria defined in the Management Company's Exclusion List and that are deemed incompatible with the E/S promotion (e.g. tobacco, controversial weapons).
- Controversy Level Assessment - Controversy involvement is a key measure of ESG performance. Controversy level assessment reflects a company's level of involvement in issues and how it manages those issues.
- Compliance with the UN Global Compact - The United Nations Global Compact is the world largest corporate sustainability initiative aimed at encouraging businesses and firms worldwide to adopt sustainable and socially responsible policies, and to report on their implementation. The UN Global Compact is a principle-based framework for businesses, stating ten principles in the areas of human rights, labour, the environment, and anti-corruption. The Ten Principles of the United Nations Global Compact are derived from: the Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention Against Corruption.

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



## Data sources and processing

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

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

On the External Investment Manager's side, the data sources used to attain the environmental or social characteristics promoted by the Sub-Fund includes (but is not limited to) data from: (i) external data providers including third party ESG data providers, universities, agencies, initiatives, and NGOs, (ii) relevant issuers including any publicly available information in relation to such issuers and (iii) internal data sourced by the External Investment Manager's analysts or sustainability-focused research teams. External data feeds are utilised by the External Investment Manager for the purposes of implementing the exclusions criteria. The "activity based" exclusions aim to exclude companies that are exposed to, or involved in, activities that are considered to have negative environmental and/or social characteristics.

In seeking to ensure the quality of data from external ESG data providers, the External Investment Manager obtains such data from recognised and prominent data providers within the market based on its judgment and in accordance with its internal vendor selection process. Beyond this, the data is used broadly without further validation, except in exceptional cases as determined by the External Investment Manager, where the External Investment Manager may engage the data vendors or internal analysts to validate or revise the figures in question. For internally generated ratings, the External Investment Manager aims to provide oversight over data inputs and outputs, including any collected data, to ensure identification of data quality issues, insofar as it is reasonably practicable.

Looking at data processing, where external data is directly used, it will be received periodically via data feeds, and parsed into trade systems without cleansing. Where data is used to build proprietary systems including ratings and lists, data is processed by the External Investment Manager's quantitative investment team and guideline monitoring team, depending on the nature of the data in question.

Data estimation may be applied by external data providers. In this case, the proportion of estimated data varies depending on the datapoint. Data from third party vendors is in some cases limited, for example for the principal adverse impact indicators. Where there remain key data gaps, the External Investment Manager may at times seek to estimate missing values according to its own proprietary methodology.





## 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.
- **Discrepancy in ratings:** the data used for the analysis of the Sub-Fund is obtained from different data providers, which 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 asset managers of open-ended investments funds 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 conducts due diligences for the selection and monitoring of externally managed strategies. The Management Due Diligence (MDD) and ESG teams are actively conducting due diligences on the underlying assets of the Sub-Fund.

- The MDD team identifies and selects high quality external investment strategies and monitors the universe of approved strategies. The MDD analyst team focuses on all investment and sustainability-related elements of an investment strategy, such as organization, team, investment, portfolio construction, process, track record, etc. MDD's research reports include a thorough sustainability due diligence and a separate sustainability rating.  
For all strategies, MDD analysts assess the External Investment Manager's commitment to and transparency on sustainable investing. They also assess to what extent, and at what stages, ESG criteria are integrated into the investment strategies and effectively considered in the investment process and the portfolio. This analysis is conducted 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 leads to a final rating of the strategy.  
As part of the monitoring process, the MDD team reviews the performance of the strategy monthly to ensure that it remains aligned with the investment style of the portfolio. The MDD team has the transparency and regularly monitors the External Investment Manager strategy's portfolio. ESG ratings and other sustainable characteristics of the portfolio's underlying assets are monitored regularly. In addition, the MDD analysts have quarterly meetings with the portfolio managers to discuss recent

performance as well as recent transactions to monitor alignment with the initially selected investment and sustainability philosophy. 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 sustainability. During the calls, the External Investment Manager clarifies if there have been any changes in the team and processes. Analysts and investment managers also discuss their recent engagements and milestones during the period. In addition, the MDD analysts monitor any remarkable events that may affect the External Investment Manager portfolio managers, e.g., with respect to their investments, financial and ESG analysts, investment process, capacity for engagement. Each change may affect the strategy's rating based on the 5-Ps, which may lead to a change in the strategy's ratings, including the sustainability rating.

- The ESG team supports the MDD team in reviewing the process and methodologies implemented by the External Investment Manager when considering ESG and sustainability issues. The ESG team provides qualitative feedback during the mandate selection phase and supports the MDD team throughout its analysis process, using the "5-P approach" aforementioned. In addition, during the monitoring phase, the ESG team will monitor the Sub-Fund's characteristics and performance related to the sustainable investment objective initially defined. The ESG team will also monitor the Sub-Fund's underlying investments against the overall sustainable investment objective, as well as the sustainability indicators for all 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. If the ESG team considers the risk to be insubstantial, it may permit the External Investment Manager to maintain its position in the holding. In addition, the ESG team is responsible for periodically reviewing the exclusion lists, assessing the relevance of the latest ESG information regarding restricted companies and updating the lists, accordingly, thereby adjusting the portfolios. The ESG team also ensures the proper understanding and implementation of regulatory requirements on green finance, such as SFDR, RTS or Taxonomy, throughout the entire product range. Lastly, the ESG team is responsible for the sustainable labeling 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.

The External Investment Manager carries out due diligence on the underlying assets of the Sub-Fund. The Sub-Fund follows a discretionary management approach and ESG factors are integrated into the underlying investment process. Analysts and portfolio managers are required to make a reasonable assessment of ESG risks and whether their materiality is represented in a security's price. Internal controls are applied by the Responsible Investment Group, a governance group at the External Investment Manager level which has overall oversight of ensuring effective implementation of ESG due diligence at asset class level. Internal audit and compliance functions also perform testing from time-to time.



## 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. 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.

Engagement is not a part of the environmental or social investment specific strategy of the Sub-Fund; however, engagement may form a part of the External Investment Manager's overall ESG-integrated approach to investing.



## Designated reference benchmark

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