AAF Portfolio High Quality Impact Bonds

Website Product Disclosure

ABN·AMRO Investment Solutions

Summary

Sustainable Investment Objective & DNSH

ABN AMRO Funds Portfolio High Quality Impact Bonds ("the Sub-Fund") follows a multi-thematic sustainable investment strategy. The portfolio will be composed of entities exposed to the UN Sustainable Developments Goals (SDGs) and either considering the SDG Solutions Assessment (SDGA) methodology of the external data provider ISS (at entity level), or using an internal methodology to analyse the use of proceeds of the debt instrument (when considering green or social bonds). As part of its sustainable investment objective, the Sub-Fund invests in entities contributing positively to environmental and social solutions. To define the sustainable investment universe, a "pass-fail" approach is used using a set of criteria. The DNSH principle is always applied on the entire investment universe.

Investment Strategy

The Sub-Fund considers ESG analysis at every stage of the investment process when: screening the initial universe, selecting the eligible issuers (corporates, sovereign or supranational), constructing the portfolio, deciding to sell an issuer and replace it by another issuer, engaging actively with a corporate to maximise the positive impact trajectory.

The process of selecting issuers starts with applying quantitative screens on a global universe by using the external ESG data providers Sustainalytics and ISS. Regarding corporates, the first screen is performed relying on the ESG data from Sustainalytics and consist of i) applying activity-based and norm-based exclusions and of ii) ranking companies in their sub-industry peer groups according to their ESG risk score. Only companies that pass the exclusions tests and that are ranking within the first 50% in their sub-industry peer group are eligible. The second quantitative screen will rely on the overall Sustainable Development Goals solutions score of the external data provider ISS. Regarding countries and public organisations investments: the analysis is carried out at the country level. The process of selecting countries starts with applying quantitative screens on the global universe of countries by using external ESG data providers. These screens consist of activity-based and norm-based exclusions, and ESG risk score threshold (High and severe ESG risk scores are not eligible). Regarding Supranational investments: the Sub-Fund does not follow a best-in-class approach for Supranational entities as their existence is tied almost directly to impact objective of adding to the United Nations Sustainable Development goals. Nonetheless the Sub-Fund will verify that the entity objectives are in line with its sustainable objectives. When investing in green, social, sustainability or SDG bonds, the Sub-Fund may not apply the above screening; Nonetheless, the Sub-Fund will make sure that the bond's use of proceeds is verified by a third-party and that the objective of the bond is in line with the objectives of the Sub-Fund.

Subsequent to these quantitative screenings, the Investment Manager performs a qualitative assessment on the issuer's impact to ascertain its positive impact and/or to assess if the issuer was or is involved in any activities that harm the sustainable objectives.

Proportion of Investment

The Sub-Fund invests at least 90% of its net assets in assets that have been determined as "eligible" as per the sustainable investment process in place, hence in investments that are defined as sustainable. The analysis covers 100% of the sustainable investments. Sustainable investments target a minimum of 40% assets with environmental objectives and 10% with social objectives. Investments with environmental objectives are made in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy.

Monitoring of the Sustainable Investment

The pre-trade and post-trade monitoring and oversight of the sustainability characteristics defined for the Sub-Fund are undertaken by the Management Company and ensured through a dedicated control framework. The Management Company, through its Business Control & Oversight team, performs pre-trade controls based on the indicators and the sustainable investment objective to ensure that the portfolio complies with the commitments made. If a "non-compliant matter" is detected by the Management Company, the Business Control & Oversight team will first analyse it and engage in dialogue with the portfolio 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 uses the external data providers ISS and Refinitiv as the source of data to measure the attainment of the Sub-Fund's sustainable investment objective. 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.

Due Diligence

The ESG team of the Management Company is actively carrying out due diligences on the underlying assets of the Sub-Fund. The ESG team reviews the process and methodologies implemented when considering ESG and sustainability issues to make sure that all capabilities are in place to deliver a proper engagement action plan. The ESG team also supports the Investment Manager teams via an interactive dialogue. The ESG team monitors the Sub-Fund's underlying investments against the overall sustainable investment objective, as well as the sustainability indicators for all the Sub-Fund's holdings. If a holding is identified as not meeting the sustainability characteristics of the Sub-Fund, the ESG team will further investigate the issue through an internal analysis. In addition, the ESG team is responsible for periodically reviewing the exclusion lists, assessing the relevance of the latest ESG information regarding restricted companies and updating the lists, accordingly, thereby adjusting the portfolios. The ESG team also ensures the proper understanding and implementation of regulatory requirements on green finance, such as SFDR, RTS or Taxonomy, throughout the entire product range.

DNSH

No significant harm to the sustainable objective

The "Do No Significant Harm" (DNSH) principle is compiled by taking into account adverse impacts indicators listed in the Delegated Regulation (EU) 2022/1288 of 6 April 2022. The Sub-Fund takes into consideration (for some of them using proxies) all the mandatory adverse impact indicators listed in Table 1 of Annex 1 that are applicable to investee companies, sovereigns and supranationals. In addition, the Sub-Fund takes into consideration PAI No. 4 in Table 2 of Annex 1, applicable to investee companies, relating to investments in companies without carbon reduction initiatives and PAI No.17, applicable to sovereigns and supranational investments not issued under Union legislation on environmentally sustainable bonds. The Sub-Fund also takes into consideration PAI No. 15 of Table 3 of Annex 1, applicable to investee companies, relating to the lack of anti-corruption and anti-bribery policies and PAI No.20 on investee sovereign average Human Rights performance. The Sub-Fund considers adverse impacts of its investments on society and the environment through a combination of portfolio management decisions, engagement, and exclusions of issuers associated with controversial conduct or activities.

Table 1		
1	GHG Emissions	Portfolio management decisions
2	Carbon Footprint	Portfolio management decisions
3	GHG Intensity of investee companies	Portfolio management decisions
4	Exposure to companies active in the fossil fuel sector	Portfolio management decisions
5	Share of non-renewable energy consumption and production	Portfolio management decisions
6	Energy consumption intensity per high impact climate sector	Portfolio management decisions
7	Activities negatively affecting biodiversity sensitive areas	Portfolio management decisions
8	Emissions to water	Portfolio management decisions
9	Hazardous waste and radioactive waste ratio	Portfolio management decisions
10	Violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Exclusion
11	Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Portfolio management decisions
12	Unadjusted gender pay gap	Portfolio management decisions
13	Board gender diversity	Portfolio management decisions
14	Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons, and biological weapons)	Exclusion
15	GHG intensity of investee countries	Portfolio management decisions, partially adressed via exclusion
16	Investee countries subject to social violations	Exclusion
Table 2		
4	Investments in companies without carbon emission reduction initiatives	Portfolio management decisions and engagement activities
17	Share of bonds not issued under Union legislation on environmentally sustainable bonds (Sovereigns and Supranationals)	Portfolio management decisions
Table 3		
15	Lack of anti-corruption and anti-bribery policies	Portfolio management decisions and engagement activities
20	Average human rights performance (Sovereign)	Portfolio management decisions

The Sub-Fund's sustainable investments are aligned with the OECD Guidelines for Multinational Enterprises and the United Nations Guiding Principles on Business and Human Rights, including the principles and rights set forth in the 8 “fundamental” conventions identified in the International Labour Organization's Declaration on Fundamental Principles and Rights at Work (covering subjects considered to be fundamental principles and rights at work, e.g., freedom of association and the right to collective bargaining, the elimination of all forms of forced or compulsory labour, the effective abolition of child labour, and the elimination of discrimination in respect of employment and occupation) and the International Bill of Human Rights. Alignment is ensured through exclusions.

Sustainable investment objective of the financial product

ABN AMRO Funds Portfolio High Quality Impact Bonds (“the Sub-Fund”) follows a multi-thematic sustainable investment strategy. The portfolio will be composed of entities exposed to the UN Sustainable Developments Goals (SDGs) and either considering the SDG Solutions Assessment (SDGA) methodology of the external data provider ISS (at entity level), or using an internal methodology to analyse the use of proceeds of the debt instrument (when considering green or social bonds). As part of its sustainable investment objective, the Sub-Fund invests in entities contributing positively to environmental and social solutions. To define the sustainable investment universe, a “pass-fail” approach is used using a set of criteria. The DNSH principle is always applied on the entire investment universe.

No reference benchmark has been designated for the purpose of attaining the sustainable objectives followed by the Sub-Fund.

Investment Strategy

Description of the strategy

The Sub-Fund will invest in Euro Investment Grade denominated (Sub)Sovereign, and Supranational bonds incorporating as well, corporate bonds to the portfolio. The selection process targeting impact solutions would give the preference to green/social/sustainability/SDG bonds. Nonetheless, the Sub-Fund aims to invest at least 50% of its securities in Green, social, sustainability or SDG Bonds that have been qualified as such by an external party. The 50% target is subject to the flow of upcoming emissions which pass the sustainability filters.

The Sub-Fund uses a combination of financial and non-financial indicators to identify securities. It aims to foster the growth of a sustainable global economy without compromising returns. The sustainability criteria are designed to identify companies with strong environmental and social thematic exposures and more globally, debts instruments financing projects that are in line with the sustainability indicators. The Sub-Fund is actively managed combining both quantitative and qualitative financial modelling and impact research. Investments will be made into companies and/or projects with growth driven by long term sustainable impact themes and with the intent to contribute to measurable positive social, economic, and environmental impact alongside financial returns. The Sub-Fund can invest in Companies, in Sovereign and in Supranational bonds.

Regarding corporate Investment: those are only aimed at companies that generate a net positive impact. These are companies with products or services that bring positive impact to the environment, climate, and society. The process of selecting companies starts with applying quantitative screens on the global universe by using external ESG data providers. These screens consist of activity-based and norm-based exclusions, best-in-class ESG score (companies that are not scoring within the 50th percentile of each sector is not suitable for investing) and SDG’ solutions impact score.

Regarding countries and public organisations investments: The analysis is carried out at the country level. The process of selecting countries starts with applying quantitative screens on the global universe of countries by using external ESG data providers. These screens consist of activity-based and norm-based exclusions, and ESG risk score threshold (High and severe ESG risk scores are not eligible).

Regarding Supranational investments: the Sub-Fund does not follow a best-in-class approach for Supranational entities as their existence is tied almost directly to impact objective of adding to the United Nations Sustainable Development goals. Nonetheless the Sub-Fund will verify that the entity objectives are in line with its sustainable objectives.

When investing in green, social, sustainability or SDG bonds, the Sub-Fund may not apply the above screening; Nonetheless, the Sub-Fund will make sure that the bond's use of proceeds is verified by a third-party and that the objective of the bond is in line with the objectives of the Sub-Fund.

After this initial quantitative screening, the last step consists of the qualitative assessment performed by the Investment Manager of the Sub-Fund. The portfolio manager will ascertain the positive impact the selected investment brings.

Good governance

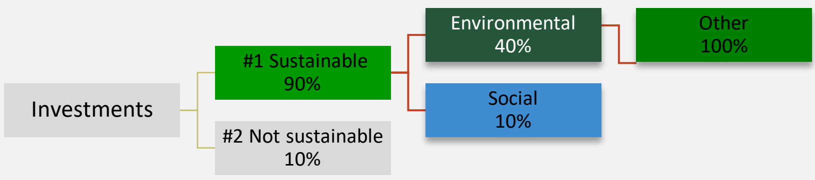
As part of its "Good Governance Policy", the Management Company of the Sub-Fund determines if a company does not follow good governance practices. Companies that do not follow good governance practices are excluded from the initial investment universe of the Sub-Fund and will fall in the Good Governance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

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

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 sustainable investment process in place, hence in investments that are defined as sustainable (#1 Sustainable). The proprietary sustainable analysis covers 100% of the “#1 Sustainable” investments. “#1 Sustainable” investments include a minimum of 40% assets with environmental objectives and 10% with social objectives. Investments with environmental objectives are made in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy.

Up to 10% of the investments are not aligned with these characteristics (#2 Not Sustainable). “#2 Not Sustainable” includes derivatives, bank deposits at sight, including cash held in current accounts with a bank accessible at any time. These are used for hedging purposes. The proportion and use of investments that are considered as not sustainable does not affect the delivery of the sustainable investment objective, as these investments are neutral to such objective. Besides, minimum environmental or social safeguards are only applied to the underlying investments when relevant. The nature of these assets does not undermine the sustainable objectives pursued by the Sub-Fund. A more detailed description of the specific asset allocation of this Sub-Fund can be found in the prospectus of this Sub-Fund.



#1 Sustainable covers sustainable investments with environmental or social objectives.

#2 Not sustainable includes investments which do not qualify as sustainable investments.

Monitoring of the sustainable investment objective

The pre-trade and post-trade monitoring and oversight of the sustainability characteristics defined for the Sub-Fund are undertaken by the Management Company and ensured through a dedicated control framework. The Management Company, through its Business Control & Oversight team, performs pre-trade controls based on the indicators and the sustainable investment objective to ensure that the portfolio complies with the commitments made. If a "non-compliant matter" is detected by the Management Company, the Business Control & Oversight team will first analyse it and engage in dialogue with the portfolio manager if necessary. Depending on the nature of the non-compliance, the Management Company's ESG team may decide to monitor it using its proprietary "ESG Watchlist". If the non-compliance persists over time, an escalation process is put in place by the Management Company to ensure a timely remediation plan in the best interest of shareholders.

Methodologies

The attainment of the sustainable investment objectives is assessed by investing in securities financing economic activities that substantially contribute to the environmental and/or social objectives mentioned above. To define the sustainable investment universe, a “pass-fail” approach is used using a set of criteria. No other criteria than the ones mentioned below are used to define the sustainable investment nature of an investment. The DNSH principle is always applied on the entire investment universe. To be eligible to the investment universe, the Management Company uses the below criteria:

- Having a greenhouse gas emission reduction target. The criterion is sourced from the external data provider ISS and differentiates an issuer's targets as "No Target", "Non-Ambitious Target", "Ambitious Target", "Committed Science Based Target (SBT)”, or "Approved Science Based target (SBT)" based on the existence and quality of greenhouse gas emissions reduction targets.
- Being aligned with the International Energy Agency (IEA) Sustainable Development Scenario (SDS) for the full analysed period (until 2050). The criterion is sourced from the external data provider ISS and identifies the year in which the company estimated future carbon emissions are non-longer aligned with the issuer's estimated carbon emissions budget required to be aligned with the IEA SDS.
- Having a net positive aggregated Overall SDG Score (by reference to the Sustainable Development Goals). This criterion, sourced from the external data provider ISS, assesses the overall, aggregated impact (positive and negative netting) of an issuer’s product portfolio on the achievement of sustainability objectives. For corporate issuers the SDG Solutions Score considers only the most distinct objective scores, i.e., the highest positive and/or the lowest negative score, based on contributing and obstructing impacts on sustainability objectives. The SDG Solution Score is calculated as the sum of the highest positive and the lowest negative objective score and ranges on a scale from -10.0 to 10.0.
- Exposure to Green, Social, Sustainability or SDG bonds and related debts instruments. The Management Company will assess the use of proceed eligibility.
- Exposure to companies that do not meet the above criteria, but for which there is (i) a path of engagement with the company that could lead to meeting one or more of these criteria or (ii) a differentiated view of the company’s impact assessment made by the Investment Manager and based on other sources.

Data sources and processing

The Management Company use the external data providers ISS and Refinitiv as the source of data to measure the attainment of the Sub-Fund’s sustainable investment objective.

- ISS is used to measure the positive contribution to UN Sustainable Development Goals of the Sub-Fund using the Overall SDG Score data solution. The solution measures the positive and negative sustainability impacts of companies’ product and services portfolios. The solution follows a thematic approach that encompasses distinct sustainability objective using the United Nations Sustainable Development Goals (SDGs) as a reference framework. The solution focus is in assessing to what extent companies are making use of existing and emerging opportunities to contribution to the achievement of global sustainability objectives by offering innovative product and services with a positive real-life impact.
- Refinitiv is used to streamline the Green, Social and Sustainability-related bonds use of proceed.

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

Limitations to methodologies and data

The methodologies and data used have the following limitations:

- Data quality: The approach followed includes quantitative analysis and qualitative analysis of a company's sustainability credentials. The methodology is subject to limitations, including reliance on the quality of data provided by investee companies or third-party research providers as well as quantification of qualitative data.
- Coverage: The overall analysts, ESG team and management team in charge of the analysis of the Sub-Fund is not staffed to cover the entire investment universe and methodological limitations exist. In addition, with respect to external data providers, although the number of companies covered by data providers has increased significantly over time, and continues to increase, there may be instances where a specific company is not assessed by them. This is because either the data provider does not cover the company in question, or the company has not provided the data necessary for a proper assessment by the data provider.
- Discrepancy in ratings: The Data used for the analysis of the Sub-Fund is obtained from different data providers that have different methodologies for assessing ESG/Sustainability performance. The result of their assessment may be, to some extent, subjective and inconsistent.
- Estimated data: Not all data points are reported data and some of the data used are estimated. For example, in the case of Carbon score or ESG ratings, some of the more technical calculations are based on estimated data.

Due diligence

The ESG team of the Management Company is actively carrying out due diligences on the underlying assets of the Sub-Fund. The ESG team reviews the process and methodologies implemented when considering ESG and sustainability issues to make sure that all capabilities are in place to deliver a proper engagement action plan. The ESG team also supports the Investment Manager teams via an interactive dialogue. The ESG team monitors the Sub-Fund's underlying investments against the overall sustainable investment objective, as well as the sustainability indicators for all the Sub-Fund's holdings. If a holding is identified as not meeting the sustainability characteristics of the Sub-Fund, the ESG team will further investigate the issue through an internal analysis. In addition, the ESG team is responsible for periodically reviewing the exclusion lists, assessing the relevance of the latest ESG information regarding restricted companies and updating the lists, accordingly, thereby adjusting the portfolios. The ESG team also ensures the proper understanding and implementation of regulatory requirements on green finance, such as SFDR, RTS or Taxonomy, throughout the entire product range.

Engagement policies

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

Attainment of the sustainable investment objective

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