ABN·AMRO Private Banking

Multi Manager Mandate

Integration of sustainability risks

In the context of the sustainable finance disclosure regulation, the bank informs you herewith of the manner in which sustainability risks are integrated into its investment decisions and of the results of the assessment of the likely impacts of sustainability risks on the returns of the financial products they make available.

Sustainability risk for investments means an environmental, social or governance (“ESG”) event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment.

The Multi Manager Mandates (MMM) portfolio invests predominantly in mandate funds distributed by ABN AMRO Investment Solutions (AAIS). AAIS delegates the portfolio management to selected asset managers. Sustainability risks are addressed through the process of active manager selection.

Each asset manager must be a signatory of the UN Principles of Responsible Investment. The signatories are committed to incorporate ESG issues into investment analysis and decision-making processes. Therefore, each manager must demonstrate how they incorporate ESG risks in their asset selection methodology. In addition, AAIS requests measures of negative screening which include: (i) excluding companies from the internally managed Controversial Weapons List, (ii) excluding companies engaged in production of tobacco related products, (iii) excluding companies that breach the UN Global Compact, which is a set of universal principles related to human rights, labour, environment and anti-corruption and (iv) excluding companies that are part of our internal Exclusion List.

Certain mandate funds with a dedicated focus on ESG or sustainability in their philosophy have more profound screening of ESG risk and/or have a more extensive list of exclusions. For certain mandates, such as investment grade government bonds, ESG-risk screening is less applicable due to the nature of the underlying investments.

Impact on returns

Sustainability risk can have a negative impact on the asset value and expected cash flow like dividends. Examples over the past years include large environmental accidents or fraud cases that result in fines/penalties or additional operational costs. Nevertheless, it is still hard to statistically model the value of sustainability into investment performance.

The portfolio managers incorporate ESG risk screening to make a judgement about the quality and the potential future returns for each investment. A higher quality of the company generally results in better procedures, higher awareness to sustainability risk and efficient controls, which can reduce potential losses on investment due to sustainability risks.

Through the process of negative screening on exclusions, the inclusion of dedicated sustainable mandates and the inclusion of thematic mandates focused on solving sustainability issues, the average sustainability risk of the MMM

portfolio is below the average of the benchmark. This can contribute to a lower probability of a sustainability risk occurring. This reduction of risks helps to improve potential returns of the portfolio and helps to reduce the volatility of the value of the portfolio.

EU Taxonomy

The EU is developing criteria to determine if and to what extend an economic activity can be classified as environmentally sustainable. The investments underlying this financial product do not take into account the EU criteria for environmentally sustainable economic activities. Because those criteria are still under development and not applicable we cannot take those criteria into account.