



# AAF Sands Emerging Market Equities

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 Sands Emerging Market Equities** (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 leading or improving in ESG practices.

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 aims to invest in emerging market equities. Consideration of ESG Factors is fully integrated into fundamental analysis and investment decisions. The External Investment Manager’s fundamental analysis includes an assessment of ESG Factors, alongside other financial and operational characteristics. Following the ESG-related quality assessment, the External Investment Manager quantifies ESG risks for these companies, to determine whether these have been accounted for, in company’s valuation. The External Investment Manager favours issuers with better ESG characteristics where this is not detrimental to the pursuit of the investment objective.

### 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 a regular review in an internal governance forum. In addition, the portfolio is reviewed against these indicators internally on a quarterly basis by the Additional Objectives Portfolios (AOP) Group which reports to the Investment Management Committee. 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 uses data provided by MSCI ESG Research ("MSCI") to monitor compliance on an ongoing basis. The External Investment Manager has an internal database, which contains internally generated ESG-related information as well as third-party research reports.

## 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 Sands Emerging Market Equities** (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 leading or improving in ESG practices.

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 aims to invest in emerging market equities. Consideration of ESG Factors is fully integrated into fundamental analysis and investment decisions. The External Investment Manager’s fundamental analysis includes an assessment of ESG Factors, alongside other financial and operational characteristics. Following the ESG-related quality assessment, the External Investment Manager quantifies ESG risks for these companies, to determine whether these have been accounted for, in company’s valuation. The External Investment Manager favours issuers with better ESG characteristics where this is not detrimental to the pursuit of the investment objective.

The Sub-Fund is managed through a fundamental, bottom-up/stock picking, and business-focused approach. The objective is to identify high quality growth companies that lead attractive growth industries. The investment process begins by assessing whether a company can meet the External Investment Manager’s six investment criteria (namely: sustainable above-average earnings growth; leadership position in a promising business space; significant competitive advantages; clear mission and value-added focus; financial strength; and rational

valuation relative to the market and business prospects). Based on this preliminary review, the eligible company is placed on the External Investment Manager new opportunities list. At this juncture, a coverage team is established, and the business becomes subject to a deep evaluation of all relevant financial and non-financial factors, including ESG (with a specific focus on Carbon emissions).

## 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.

The External Investment Manager will assess the good governance practices of portfolio companies which will involve assessing for issues relating to ownership and control, audit and accounting, board structure or composition, capital structure, executive compensation, employee relations, related-party transactions, shareholder protection and rights, management accountability, increasing transparency and disclosure, and the company’s history of compliance with applicable regulations.



## 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

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: The External Investment Manager monitors the environmental or social characteristics promoted by the Sub-Fund through numerous processes, which may evolve over time. The External Investment Manager's resources and personnel currently include a centralized stewardship team, a centralized compliance team, and a decentralized approach employed by investment professionals, as described below. The stewardship and the compliance teams use data provided by MSCI ESG Research (“MSCI”) to monitor compliance on an ongoing basis. In addition the Investment Manager uses more granular data provided in MSCI Carbon Portfolio Analytics reports to identify individual portfolio companies that are driving trends in the portfolio-level carbon metrics. That information is also shared by the stewardship team with the relevant investment professionals. With respect to ESG engagement, the lead analyst for a given portfolio company has primary responsibility for engaging with the business, but investment

professionals generally are responsible for evaluating portfolio businesses on ESG-related attributes based on the External Investment Manager's six investment criteria. Investment team members have access to an internal database, which contains internally generated ESG-related information as well as third-party research reports. Analysts are expected to report regularly on relevant ESG factors affecting businesses under their coverage and produce proprietary ESG reports that are saved to the internal database and are accessible to all members of the investment team. Additionally, ESG Engagements are tracked through the internal database.

- **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 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.



## 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.

The External Investment Manager uses data provided by MSCI ESG Research ("MSCI") to monitor compliance on an ongoing basis. The External Investment Manager has an internal database, which contains internally generated ESG-related information as well as third-party research reports. Analysts are expected to report regularly on relevant ESG factors affecting businesses under their coverage and produce proprietary ESG reports that are saved to the internal database and are accessible to all members of the investment team. With respect to the Human Rights Exclusions, the Investment Manager relies on MSCI's Global Norms Screening to provide assessments of whether companies are in breach of UN Global Compact Principles.



## 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 carries out due diligences for the selection of delegated strategies as well as for open-ended investment funds:

- 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 asset management company 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 considered 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 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 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. 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 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.

The External Investment Manager takes a fundamental, business-focused research approach in its investment process with respect to analyzing each potential investment. As part of this investment process, the External Investment Manager considers all financial and non-financial risks that it deems relevant in its investment decisions and evaluates these on an ongoing basis. In doing so, all sustainability risks that it deems relevant are also taken into account. As such, when considering sustainability risks, its approach is materiality-based. The Investment Manager places emphasis on the risks that it considers to be most important to each portfolio company and its stakeholders, which may depend on the region, country, or industry in which the portfolio company operates. The External Investment Manager's analysts may leverage external frameworks, such as the Sustainability Accounting Standards Board standards, as a reference to identify financially-material sustainability risks or may consult ESG ratings and research provided by specialized rating agencies, such as Sustainalytics and MSCI, though the Investment Manager's analysts will always maintain independence in the execution of their research.

Examples of sustainability risks that the Investment Manager may consider in its due diligence process include:

- Environmental risks, particularly in energy intensive industries that are particularly sensitive to changing environmental regulations;
- Social risks, including in relation to human capital management, supply chain management, and product safety and impact;
- Governance risks, including in relation to the quality of the management team, executive compensation and alignment of incentive structures with stated long-term objectives, board composition, quality of disclosures and capital structure, ownership control and shareholder protections and rights.

This is an indicative list only, and the Investment Manager recognizes that the universe of relevant sustainability risks will evolve and grow over time and adjusts its due diligence procedures accordingly.



## 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.

The External Investment Manager engages with portfolio companies, or potential portfolio companies, to advance the following primary objectives: (1) to inform the investment case; (2) to exchange perspectives on matters that are relevant to the interests of long-term shareholders, including ESG considerations; (3) to advocate for corporate change when in the best interest of shareholders, including with respect to ESG considerations; and (4) to discuss ballot proposals on the agenda of the company annual general meeting. Engagements may take the form of in-person meetings, conference calls, or written correspondence, and are company-specific. The External Investment Manager makes judgements about the issues that could have a material impact on investments. When merited, the Investment Manager may seek commitments for improved disclosure or policy changes. Additionally, the Investment Manager may reduce the Fund's position in a portfolio company if the company's management is unable or unwilling to address ESG-related concerns.



## Designated reference benchmark

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