

# AAF Boston Common US Sustainable Equities

Website Product Disclosure





## Summary

### Sustainable Investment Objective & DNSH

The Sub-Fund follows a multi-thematic sustainable investment strategy. The portfolio will be composed of companies exposed to three long-term sustainable themes, namely (i) climate change and earth renewal, (ii) inclusion and empowerment and (iii) health and community well-being. Within the climate change and earth renewal theme, the Sub-Fund seeks to achieve positive environmental impact by investing primarily in companies that are leading the way to a zero-carbon economy.

The sustainable investment objective of the Sub-Fund is to be aligned with the 2015 Paris Agreement, where world governments committed to curbing global temperature rise to below 2°C above pre-industrial levels. In addition, as part of its social sustainable investment objective, the Sub-Fund invests in companies contributing positively to social solutions.

To define the sustainable investment universe, a “pass-fail” approach is used using a set of criteria. The “Do No Significant Harm” (DNSH) principle is always applied on the entire investment universe and is compiled by taking into account adverse impacts indicators listed in the Delegated Regulation (EU) 2022/1288 of 6 April 2022.

### Investment Strategy

The External Investment Manager integrates ESG analysis at every stage of its investment process: in the initial selection of the investable universe, in the idea generation process, in the stock analysis phase through detailed company research, identifying leaders and laggards, and in the portfolio construction phase.

The integrated investment process begins with screening the initial universe based on ESG and financial considerations. In addition to these absolute exclusions, the External Investment Manager will exclude companies that do not meet its overall Comprehensive ESG Guidelines. The External Investment Manager’s ESG research department has built a proprietary research process over the past couple decades to evaluate the sustainable characteristics of a broad set of global companies. Beyond the initial universe screening, the focus of the External Investment Manager’s research process is bottom-up and fundamental. The External Investment Manager has developed a dynamic “monitor list” drawing upon the fundamental inputs from both the ESG and the financial analyst teams. Using an ESG lens, the External Investment Manager examines the material risks and opportunities that impact companies in a specific sector. The ESG team presents the analysis of the material issues in each sector, highlighting emerging issues, best in class practices, risks, and opportunities. They also benchmark leaders and laggards in each sector, providing ideas for the financial analysts. Similarly, the financial analysts use their global sector experience and expertise to generate stock specific ideas in their sectors, monitoring holdings and candidate stocks while tracking sector, industry and market dynamics. The External Investment Manager combines the financial analyst’s rigorous bottom-up analysis with the holistic understanding of the company’s ESG profile. As a result of this integrated financial and ESG analysis, the monitor list is narrowed down to a focus list.

The portfolio management team draws from the pool of names on the focus list to create a diversified portfolio. Using the stocks which have been vetted and approved by both teams, the portfolio manager constructs the portfolio. The External Investment Manager assesses the financial and ESG risks and opportunities and prefers to buy the companies that have a large exposure in revenues (>50%) to the three long-term sustainable themes mentioned above. The External Investment Manager seeks companies that are sustainability leaders, with responsible practices and innovative products or services. However, in order to build a diversified portfolio, the External Investment Manager may also invest in high quality companies that meet or exceed the External Investment Manager’s Comprehensive ESG guidelines but are not yet leaders in sustainability. In these instances, the External Investment Manager aims to raise the sustainability profile of the equity holdings by urging the management of the portfolio companies to improve upon their policies and operations through the External Investment Manager’s active shareholder engagement. The External Investment Manager uses several approaches in its shareholder engagement including active dialogue, proxy voting, and other sector level strategies such as public benchmarking or improving industry standards in order to generate positive ESG momentum. In this respect, the External Investment Manager aligns their interest with that of the company.

## 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 External Investment Manager’s proprietary sustainable analysis covers 100% of the sustainable investments. Sustainable investments include a minimum of 50% assets with environmental objectives and 25% 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 External Investment Manager assesses a company’s exposure to the three above mentioned long-term sustainable themes during the investment analysis phase. The External Investment Manager utilizes a proprietary methodology to determine company alignment with the sustainability themes. The exposure to the themes will be assessed and reported on a quarterly basis. In addition, the External Investment Manager will measure the extent to which holdings meet the sustainability indicators to be suitable for investment in the Sub-Fund. Compliance with these criteria is determined during the investment analysis and re-evaluated quarterly by the External Investment Manager. Finally, the External Investment Manager will evaluate the Sub-Fund alignment with the 2015 Paris Agreement using automated controls to ensure compliance with restriction lists.

## Data sources and processing

Both the External Investment Manager and the Management Company use the external data provider ISS as the source of data to measure the attainment of the Sub-Fund’s sustainable investment objective. ISS is used to measure the Sub-Fund’s alignment with the Paris Agreement as well as to measure the positive contribution to UN Sustainable Development Goals of the Sub-Fund using the Overall SDG Score data solution. In addition, the External Investment Manager has developed a proprietary research process to assess the sustainable characteristics of companies. The research process includes proprietary internal research, which is supported and supplemented by third-party research. External service providers used for sustainability data include ISS, MSCI, Moody’s, RepRisk and Sustainalytics. The Management Company assesses the sustainability characteristics of the Sub-Fund’s constituents using the external data provider Sustainalytics.

Both the Management Company and the External Investment Manager have a thorough data provider selection process in place. After selection the Management Company and the External Investment Manager remain in continuous dialogue with the data providers on the quality of the data, the companies for which data is available and the need for additional data to support the investment decisions. Both the Management Company and the External Investment Manager ensure access to source data via the data providers’ web portals or in their respective data management systems feeding the appropriate analysis tools.

## Due Diligence

The Management Company carries out due diligences for the selection and monitoring of externally managed strategies. The Manager Due Diligence (MDD) and ESG teams are actively carrying out due diligences on the underlying assets of the Sub-Fund. 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. 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 reviews the performance of the strategy on a monthly basis to ensure that it remains aligned with the investment style of the portfolio. 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.

The ESG team supports the MDD team in reviewing the process and methodologies of the External Investment Manager when considering ESG and sustainability issues. The ESG team monitors the Sub-Fund’s and its underlying investments’ characteristics and performance related to the sustainable investment objective and indicators. The ESG team is also responsible for periodically reviewing and updating the exclusion lists. The team also ensures the proper understanding and implementation of regulatory requirements on green finance throughout the entire product range.

## 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. 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. 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. 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
Table 2		
4	Investments in companies without carbon emission reduction initiatives	Portfolio management decisions and engagement activities
Table 3		
15	Lack of anti-corruption and anti-bribery policies	Portfolio management decisions and exclusions

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.



## Sustainable investment objective of the financial product

The Sub-Fund follows a multi-thematic sustainable investment strategy. The portfolio will be composed of companies exposed to three long-term sustainable themes, namely (i) climate change and earth renewal, (ii) inclusion and empowerment and (iii) health and community well-being. Within the climate change and earth renewal theme, the Sub-Fund seeks to achieve positive environmental impact by investing primarily in companies that are leading the way to a zero-carbon economy.

The sustainable investment objective of the Sub-Fund is to be aligned with the 2015 Paris Agreement, where world governments committed to curbing global temperature rise to below 2°C above pre-industrial levels. The Sub-Fund aims to achieve an aggregated portfolio temperature below 2°C, using the external data provider ISS and in particular its scenario alignment data which is based on the International Energy Agency's Sustainable Development Scenario. The approach used is based on three climate scenarios provided by the International Energy Agency (IEA) in their report World Energy Outlook 2019. The report presents three scenarios, Sustainable Development Scenario (SDS), Stated Policy Scenario (STEPS) and Current Policy Scenario (CPS). Each scenario expects a certain level of carbon budget and temperature increase in 2050. Each scenario is tied to a carbon budget. A carbon budget specifies the amount of fossil carbon that can be combusted worldwide to remain within a certain temperature. The carbon budget changes depending on scenario. For example, to remain within the limits of the SDS, less carbon can be combusted compared to the scenarios that expect a significant temperature increase i.e. the CPS. The Sub-Fund relies on the Sustainable Development Scenario pathway which is fully aligned with the Paris Agreement by holding the rise in global temperatures to "well below 2°C and pursuing efforts to limit it to 1.5°C". The approach is in line with the expectations of the Commission Delegated Regulation (EU) 2020/1818 in terms of GHG scopes, calculations and trajectories methodologies. In addition, as part of its social sustainable investment objective, the Sub-Fund invests in companies contributing positively to 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 External Investment Manager integrates ESG analysis at every stage of its investment process: in the initial selection of the investable universe, in the idea generation process, in the stock analysis phase through detailed company research, identifying leaders and laggards, and in the portfolio construction phase. In the portfolio construction phase, the External Investment Manager's goal is to build a diversified portfolio of companies with strong ESG profiles that align with three long-term sustainable themes namely climate change and earth renewal, inclusion and empowerment as well as health and community well-being.

The integrated investment process begins with screening the initial universe based on ESG and financial considerations (e.g., company involvement in weapons manufacturing, gambling, alcohol, tobacco, coal mining). In addition to these absolute exclusions, the External Investment Manager will exclude companies that do not meet its overall Comprehensive ESG Guidelines. The External Investment Manager's ESG research department has built a proprietary research process over the past couple decades (supported by and complemented with third-party research) to evaluate the sustainable characteristics of a broad set of global companies.

Beyond the initial universe screening, the focus of the External Investment Manager's research process is bottom-up and fundamental. The External Investment Manager has developed a dynamic "monitor list" drawing upon the fundamental inputs from both the ESG and the financial analyst teams. Using an ESG lens, the External Investment Manager examines the material risks and opportunities that impact companies in a specific sector. The ESG team presents the analysis of the material issues in each sector, highlighting emerging issues,

best in class practices, risks, and opportunities. They also benchmark leaders and laggards in each sector, providing ideas for the financial analysts. Similarly, the financial analysts use their global sector experience and expertise to generate stock specific ideas in their sectors, monitoring holdings and candidate stocks while tracking sector, industry and market dynamics. The External Investment Manager combines the financial analyst's rigorous bottom-up analysis with the holistic understanding of the company's ESG profile. As a result of this integrated financial and ESG analysis, the monitor list is narrowed down to a focus list.

The portfolio management team draws from the pool of names on the focus list to create a diversified portfolio. Using the stocks which have been vetted and approved by both teams, the portfolio manager constructs the portfolio. The External Investment Manager assesses the financial and ESG risks and opportunities and prefers to buy the companies that have a large exposure in revenues (>50%) to the three long-term sustainable themes mentioned above (i.e., the External Investment Manager will qualify them as "Solutions Providers"). The External Investment Manager seeks companies that are sustainability leaders, with responsible practices and innovative products or services. However, in order to build a diversified portfolio, the External Investment Manager may also invest in high quality companies that meet or exceed the External Investment Manager's Comprehensive ESG guidelines but are not yet leaders in sustainability. As such, companies with less than 50% of exposure to the three long-term sustainable themes mentioned above and that demonstrate average yet improving ESG profiles (i.e., the External Investment Manager will qualify them as "ESG Momentum") as well as companies with less than 50% of exposure to the three long-term sustainable themes mentioned above and that demonstrate leading ESG profiles relative to the industry group (i.e., the External Investment Manager qualifies them as "ESG Leaders") are also considered for investments. In these instances, the External Investment Manager aims to raise the sustainability profile of the equity holdings by urging the management of the portfolio companies to improve upon their policies and operations through the External Investment Manager's active shareholder engagement. The External Investment Manager uses several approaches in its shareholder engagement including active dialogue, proxy voting, and other sector level strategies such as public benchmarking or improving industry standards in order to generate positive ESG momentum. In this respect, the External Investment Manager aligns their interest with that of the company.

## 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:

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.

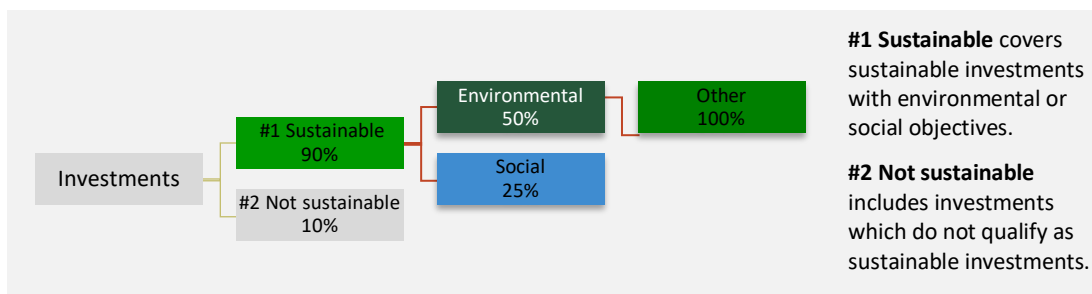
The External Investment Manager believes that strong transparency and accountability mechanisms should lead to improved management of ESG risks and opportunities. This External Investment Manager assesses prospective investments for issues relating but not limited to ownership and control, board structure, board diversity, pay practices, accounting and tax practices, political and lobbying practices, and stakeholder engagement. The External Investment Manager reviews policies, such as codes of conduct and anti-bribery and corruption policies, as well as compliance infrastructure to assess governance practices. The External Investment Manager examines the history and pattern of corporate behaviour going back five years and assesses remediation of governance controversies.



## 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 External Investment Manager’s proprietary sustainable analysis covers 100% of the “#1 Sustainable” investments.” #1 Sustainable” investments include a minimum of 50% assets with environmental objectives and 25% 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 investment or hedging purpose as a technique of portfolio management efficiency. 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.





## Monitoring of the sustainable investment objective

The External Investment Manager assesses a company's exposure to the three above mentioned long-term sustainable themes during the investment analysis phase. The External Investment Manager utilizes a proprietary methodology to determine company alignment with the sustainability themes. The exposure to the themes will be assessed and reported on a quarterly basis. In addition, the External Investment Manager will measure the extent to which holdings meet the sustainability indicators to be suitable for investment in the Sub-Fund. Compliance with these criteria is determined during the investment analysis and re-evaluated quarterly by the External Investment Manager. Finally, the External Investment Manager will evaluate the Sub-Fund alignment with the 2015 Paris Agreement using automated controls to ensure compliance with restriction lists.



## 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 assessed by data 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's estimated future carbon emissions are no 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. The criterion is sourced from the external data provider ISS. This criterion assesses the overall, aggregated impact (positive and negative netting) of an issuer's product portfolio on the achievement of sustainability objectives that align with the UN SDGs. For corporate issuers the SDG Solutions Score considers only the most distinct objectives scores, i.e., the highest positive and/or the lowest negative score, based on contributing and obstructing impacts on sustainability objectives. The SDG Solutions 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 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 the above criteria or (ii) a different view of the company's impact assessment leveraging the External Investment Manager's proprietary methodology.



## Data sources and processing

Both the External Investment Manager and the Management Company use the external data provider ISS as the source of data to measure the attainment of the Sub-Fund's sustainable investment objective.



- ISS is used to measure the Sub-Fund's alignment with the Paris Agreement. ISS's scenario alignment data solution, which is based on the International Energy Agency's sustainable development scenario, is used. The data solution is based on three climate scenarios provided by the International Energy Agency (IEA). The IEA provides different scenarios, including the Sustainable Development Scenario (SDS). Each scenario includes a certain level of carbon budget and temperature increase in 2050. A carbon budget specifies the amount of fossil carbon that can be combusted worldwide to stay within a certain temperature. The Management Company and the External Investment Manager measure the achievement of alignment with the Paris Agreement using the SDS scenario that is fully aligned with the Paris Agreement.
- 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.

In addition to the aforementioned data solutions utilized:

- The External Investment Manager has developed a proprietary research process to assess the sustainable characteristics of companies. The research process includes proprietary internal research, which is supported and supplemented by third-party research. External service providers used for sustainability data include ISS, MSCI, Moody's, RepRisk and Sustainalytics. Where possible, the team will rely on diverse data sources to corroborate information or reveal otherwise missing data, thus allowing for enhanced data accuracy and quality.
  - ESG data points: the main data providers used by the External Investment Manager are MSCI and Moody's. Once collected, the quantitative data is incorporated into a written ESG Research Report using a standard format.
  - Controversies: for the continuous monitoring of Controversies, the External Investment Manager refers to data from the external providers (Moody's, MSCI, and RepRisk), as well as news alerts and data collected from engagement activities.
  - Climate: the External Investment Manager primarily relies on the data provider ISS for climate data. Data sourced from other providers (such as Moody's and MSCI) are also used.
  - Product Involvement: product involvement data is collected from Moody's, MSCI, and Sustainalytics.
- The Management Company assesses the sustainability 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).

Both the Management Company and the External Investment Manager have a thorough data provider selection process in place. After selection the Management Company and the External Investment Manager remain in continuous dialogue with the data providers on the quality of the data, the companies for which data is available and the need for additional data to support the investment decisions. Both the Management Company and the External Investment Manager ensure access to source data via the data providers' web portals or in their respective data management systems feeding the appropriate analysis tools.



## Limitations to methodologies and data

The methodologies and data used have the following limitations:

- Data quality: The External Investment Manager's approach is based on a 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.

- Coverage: The External Investment Manager's team of ESG analysts 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 External Investment Manager obtains its data from different data providers that have different methodologies for assessing ESG performance. The result of their assessment is 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 climate or ESG ratings, some of the more technical calculations are based on estimated data (e.g. Paris Agreement alignment)



## Due diligence

The Management Company carries out due diligences for the selection and monitoring of externally managed strategies. The Manager Due Diligence (MDD) and ESG teams are actively carrying out due diligences on the underlying assets of the Sub-Fund.

- The MDD team identifies and selects high quality 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 taken into account in the investment process and the portfolio. This analysis is carried out by means of a questionnaire sent via the Management Company's proprietary platform, Deeligenz, as well as during meetings with the professionals involved in the strategy (e.g. portfolio managers, financial analysts, ESG analysts, management team, etc.). The Management Company's in-depth analysis is based on a "5-P approach": Parent, People, Process, Portfolio and Performance. Each of the previously outlined aspects is evaluated and ultimately leads to a final rating of the strategy.  
As part of the monitoring process, the MDD team reviews the performance of the strategy on a monthly basis to ensure that it remains aligned with the investment style of the portfolio. The MDD team has the transparency and regularly monitors the delegated 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 ensure 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 significant events that may affect the delegated portfolio managers, e.g., with respect to their investments, financial and ESG analysts, investment process, capacity for engagement. Each significant 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 of 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.



## Engagement policies

As part of its sub-advisory business model, the Management Company delegates responsibility for engagement to the selected External Investment Managers. 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.

Active engagement is an important and integrated part of the External Investment Manager's investment process. Several engagement methods are used to further understand, expose, and improve disclosures, policies, and practices of investee companies:

- **Sustained Dialogue:** The External Investment Manager's most common form of engagement is through sustained dialogue with companies regarding how ESG and sustainability issues are integrated into core business practices. The first focus is to better understand companies' governance of sustainability, including board-level oversight and links between compensation and performance. Dialogues tend to focus on overarching sustainability policies, alignment with international norms, response and remedy to controversies, setting ambitious and long-term sustainability goals and targets, and robust and business-relevant disclosures.

**Collaborative investor engagement (using investor letters and statements):** The External Investment Manager will determine the engagements that should be pursued collaboratively based on a review of the ESG risks and opportunities, as well as the issue's suitability for a wider group of stakeholders.

- **Public policy testimony and rule-making processes:** The External Investment Manager also engages in public policy globally where existing or proposed policy: (1) directly or indirectly erodes shareholder rights; (2) enhances our access to standardized and enhanced corporate ESG disclosure informative to our investment decision-making; or (3) presents the opportunity to fundamentally improve ESG or sustainability management.
- **Working with standard-setting bodies to develop better ESG metrics or key performance indicators.**
- **Benchmarking companies on a specific issue:** The External Investment Manager can engage to learn from the Leaders, and demand improvements from the Laggards among the benchmarked companies. The External Investment Manager establishes a three-year rolling engagement framework to prioritize their resources and effectiveness.

If an investee company is not open for direct engagement or if dialogue stalls, the External Investment Manager will look for other ways, such as:

- **Public statements at annual general meetings or Filing of shareholder proposals (in certain markets):** Each year – in such cases of dialogue stall or lack of engagement will – the External Investment Manager files shareholder proposals with a select group of US companies. These proposals address issues including (but not limited to) board gender or racial diversity, climate change, human rights, political and lobbying disclosure, and certain sector-specific issues.



For more information, please check the External Investment Manager's Engagement Policy:  
<https://bostoncommonasset.com>.



## Attainment of the sustainable investment objective

No specific ESG-related index has been designated for this Sub-Fund. That noted, the Sub-Fund's approach is in line with the expectations of the Commission Delegated Regulation (EU) 2020/1818 in terms of GHG scopes, calculations and trajectories methodologies.