ABN·AMRO

ESG and Sustainable Investment Services

ABN AMRO Bank N.V.

Progress Report 2021

Contents

Welcome to our ESG and Sustainable Investment progress report

Sustainability is core to our purpose: *Banking for better, for generations to come*. We see a clear role for ABN AMRO to support our clients in transitioning to more sustainable investment portfolios with high environmental, social and governance (ESG) standards. Investing more sustainably not only helps to protect our planet and improve people's lives, it can also help to mitigate investment risks in our clients' portfolios.

We believe it is our responsibility to inform our clients of ESG developments, and to advise and invest on their behalf in line with their sustainability views. Our policies and investment processes reflect our stance on ESG. We aim to promote investment in socially and environmentally responsible companies and investment funds within our industry, and we collaborate with our peers to increase awareness of ESG risks and identify ESG opportunities.

We offer ESG investments as the default option to new investment advice and discretionary portfolio management clients. With our existing clients, we proactively discuss sustainability issues and aim to help them integrate ESG considerations into their portfolios.

In 2021, we significantly exceeded our ambition of having EUR 26.5 billion in ESG client assets, reaching EUR 43 billion by year-end (including EUR 2.4 billion in impact investments), 38% of our total client assets. This growth can be attributed to an increase in sustainable contracts (with consistent growth in all countries where we operate), the transition from traditional to sustainable investment products, and financial market effects.

For the investment advisory services and individual and collective investment management activities within our group, we remain dedicated to integrating ESG standards into all our investment analyses and processes. Where possible, we act as an active investor on behalf of our clients. We aim to help the companies our clients (and fund managers) invest in to become more sustainable by engaging with them on a range of ESG topics, often in tandem with other like-minded financial institutions, by participating in collaborative engagements. In 2021, our stewardship programme grew to over 3,300 engagements with over 800 investee companies by working together with other institutional investors and our stakeholders at large.

Promoting progress in ESG standards is at the core of our investment activities, and we continue to strongly encourage the promotion of ESG across the investment industry.

I hope you enjoy reading about our ESG efforts and the progress we made in 2021. Do not hesitate to involve us where we can help to transform your investment portfolio into a more sustainable one.

Robert Swaak
CEO of ABN AMRO Bank N.V.

1 In 2021 we've published a "CEO statement on ESG" (see: Publications - ABN AMRO Bank). For 2022, we have incorporated our commitment to ESG and Sustainable investing in this document, instead of publishing a separate statement on this continuing commitment.

Facts and figures (ESG and Sustainable Investments)

						Page
Strategy						
	PRI Rating Strategy & Governance: A+	**ESG Criteria** Defined and set criteria for three ESG and sustainable investing propositions		**ESG Improver**	**ESG Leader** / **Sustainable Impact**	31, 7, 26
Business						
	ESG and Sustainable Assets 43.1 EUR bn (38% of 114 EUR bn)	**Number of clients** 25.5k ESG client contracts	**Markets** Active in 4 markets:			6 37
Sustainability						
	Emissions[2]			**EU Taxonomy Eligibility[3]**		23 25
	Total Carbon Footprint 6.5m tCO_2e (-2%)[4]	**Carbon Intensity[5]** 75.8 tCO_2e per EUR 1m (-20%)[4]		36%		
Stewardship						
	Engagements 3,339 engagements	845 companies	72 completed engagements	**Meetings voted at** 432	**Resolutions voted on** 6,478	49
Markets						
	Market positions Top 5 Private Banking in continental Europe	**Awards** Best Provider Sustainable Investment Products 2021	WINNAAR Cashcow AWARD 2021	CFI.CO 2021 Best ESG Private Banking Strategy	cfi.co 2021 BEST ESG PRIVATE BANKING STRATEGY WINNER FRANCE	

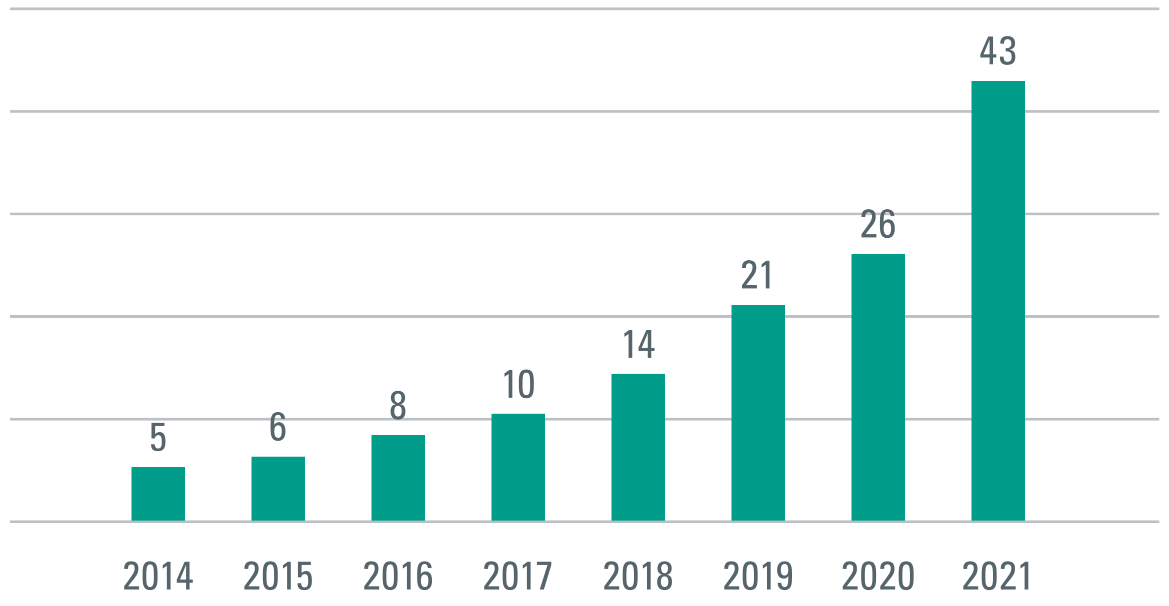
2 Calculation based on PCAF methodology for listed companies and uses Enterprise Value Including Cash as the denominator. The scope of the calculation includes investments in equities and corporate bonds, both direct exposure and indirect exposure through funds.
3 Taxonomy Eligibility indicates the extent to which investments in NFRD companies are in scope of the EU taxonomy. It does not take into account the different technical criteria required to qualify as environmentally sustainable ('taxonomy aligned').
4 Compared to 2020
5 tCO2e per million EUR invested (Scope 1 and Scope 2 emissions)

2021: A year in review

In many ways, we live in a different world today than compared to the start of 2021, and especially so when compared to the day that I started working on ESG and sustainable investing. The COVID-19 pandemic has shown us not only how quickly public policy can change, but also how quickly we, as a society, can respond and adapt to extreme situations in times of crisis. The sudden drop of emissions experienced during the opening months of the pandemic was one that impressed many of us, and perhaps gave us a 'sneak preview' into life in the future as we attempt to drive global greenhouse gas emissions towards zero. Although our ESG and sustainable investment portfolios perform well on the long-term, we have seen a challenging start of 2022 where for the first time in years ESG and sustainable investment portfolios financially underperform traditional portfolios.

The sharp increase in emissions last year, shattering the hopes of many that the subsequent economic recovery could be decoupled from the emissions of the past, illustrated once again how difficult it is to predict climate transition pathways. With emissions rising sharply again, there remains a clear challenge for us all. Urgent action is needed by policy makers, companies and individual citizens, and a clear role can be seen for financial institutions to help enable the changes that are required by our society.

ESG and sustainable investing client assets
in EUR bn

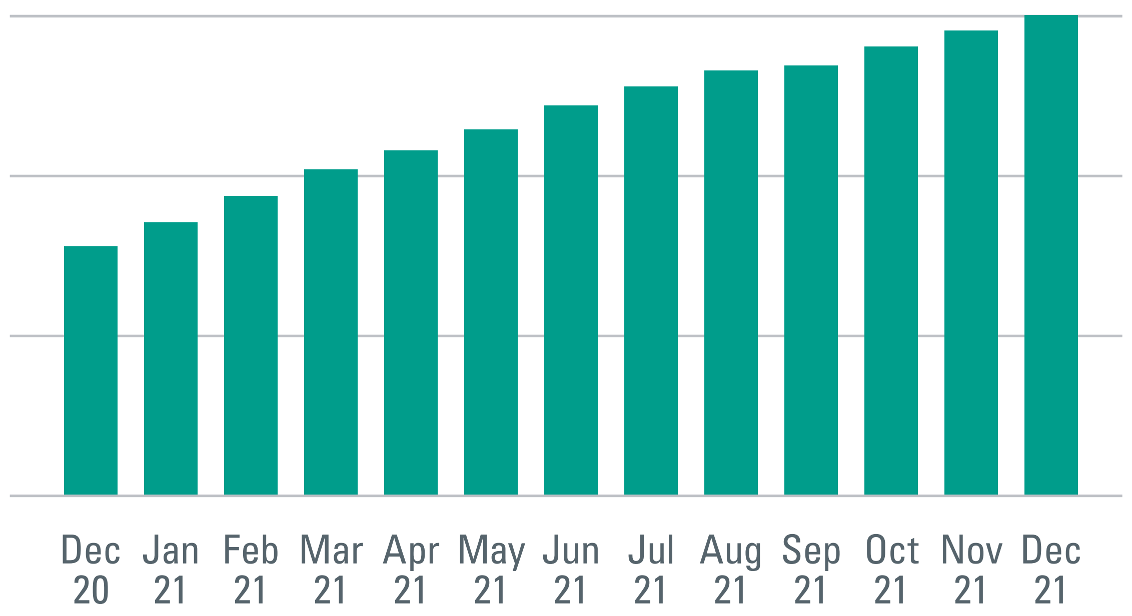


Our progress on ESG and sustainable investing

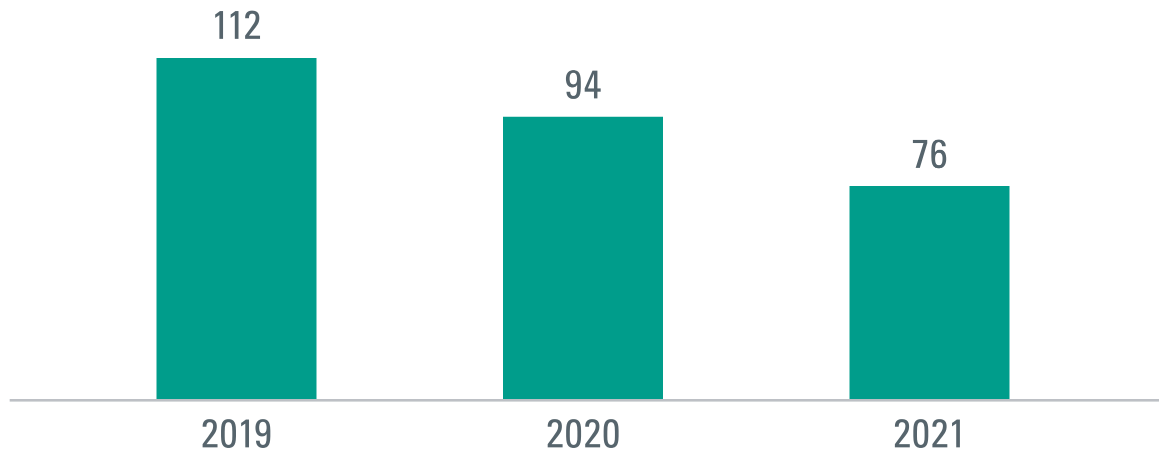
In this report we reflect on the progress ABN AMRO is making to integrate ESG considerations into our investment decision-making processes and investment products and services by setting clear sustainability objectives, and the actions we are taking to achieve our goals. It has been written to inform our clients, investees, partners, (ESG) rating agencies and society at large on the progress that we are making, but also to provide an insight into the dilemmas and challenges that we face as a provider of investment services. The structure of this document is explained by the different stakeholder requirements and the level of detail and granularity that is requested by them.

Where we had around EUR 5 billion in ESG and sustainable investing client assets in 2014, today we have surpassed the EUR 40 billion mark. The number of clients signing a contract for our ESG and sustainable investing services continued to rise rapidly in 2021, while the carbon-intensity of our clients' investment portfolios continued to decrease. We've won the "Best Provider Sustainable Investment Products in the Netherlands" award for the second time in a row.

Number of ESG and sustainable investing client contracts



Carbon Intensity[6]
tCO_2e / million EUR invested



In 2021, we received the results from the United Nations Principles for Responsible Investment (PRI) survey that we completed for reporting year 2020. We are proud that the results show an improvement in nearly every category, except for the active ownership categories.

Prior to 2020, the PRI measured active ownership in a qualitative way, whereas from 2020 onwards the PRI is measuring it in a qualitative way as a proportion of

6 tCO2e per million EUR invested (Scope 1 and Scope 2 emissions)

the entire portfolio. Through our recent engagement partnerships, we have been able to significantly increase the number of engagements that we carry out with investee companies.

Building a Global ESG team

Our ESG team has grown significantly. In 2021, Karin Bouwmeester became responsible for our stewardship and reporting efforts and Joost van Eck joined as a dedicated ESG data specialist.

We announced that in 2022 Olaf Rutten will join the ESG team from the corporate bank, where he previously has been responsible for implementing the bank's sustainability programme for real estate clients. Similarly, he will introduce a global sustainability programme for Wealth Management in 2022. Graeme Sharpe joins the team to become responsible for implementing climate and decarbonisation related objectives to mitigate climate risks for our clients and move to alignment with a 1.5 degree Celsius scenario.


Vincent Triesschijn, Joost van Eck, Olaf Rutten, Karin Bouwmeester, Graeme Sharpe

External PRI category score	2020	2019	2018	2017	2016
PRI score of Strategy & Governance	A+	A+	A+	A+	A
PRI score of Listed Equity – Incorporation	A	B	C	A	A
PRI score of Listed Equity – Active Ownership	B	A	B	B	B
PRI score of Fixed Income – SSA	A	C	C	C	E
PRI score of Fixed Income – Corporate Financial	A	B	C	B	B
PRI score of Fixed Income – Corporate Non-Financial	A	B	C	B	B

Next to this, we are building our Global ESG team, involving front office investment colleagues in Amsterdam, Antwerp, Frankfurt, and Paris as well as our colleagues from our pension services and (life-) insurance departments to further align our policies, guidelines, and product offering.

Compared to offering ESG and sustainable investing as a niche product in 2015, ABN AMRO is fully embedding ESG and sustainability in all its investment products, investment services and asset management activities. Clients can now opt for our impact funds and mandates, a core element of which is investing with specific ESG objectives, such as alignment with the Paris Agreement or the United Nations Sustainable Development Goals (SDGs).

We launched the ABN AMRO Aegon Global Impact Strategy, which invests in listed companies around the world that align their activities with the SDGs, to provide those clients with sustainability preferences with an option to invest in line with their views. We are unique in offering impact funds and products in all our markets and have grown from a pioneer to a large developer of investment products that pursue clear sustainability objectives.
Investment portfolios can be exposed to material ESG risks. We believe it's important to inform our clients of these risks, and that's why we monitor and disclose these risks to our clients in periodic reporting. Our clients now receive non-financial impact reports that include ESG risk data, carbon emissions, and information on SDG alignment. These reports enable our clients to not only understand the ESG risks linked to their investments, but also to track progress being made on having a positive social and environmental impact. Experience has shown that receiving this information often triggers questions from clients regarding the ESG performance of their portfolios, and in many cases often encourages them to switch to more sustainable investment products.

Continuing investment in education and training on ESG

Over 1,000 of our front office staff have now participated in the Oxford Fundamentals of Sustainable and Impact

Investing Programme. More than 1,500 of our employees have also been certified by the UN initiated PRI Academy, following completion of an online learning programme.

All our employees are supported in their day-to-day work by our team of dedicated ESG specialists and external consultants who work across countries to help advise on ESG and sustainability impact in relation to our clients' investment activities.

To demonstrate our commitment, we developed an all-staff training on ESG and sustainable investing in 2021 as part of our CIRCL Academy. With CIRCL, we show our colleagues what is already possible, with the CIRCL Academy trainings and with our circular pavilion that has been built in front of our head office in Amsterdam. Our colleagues can learn more about the ways that we can already contribute to the sustainability transition, such as setting objectives for our investment products and services.

Scaling up our engagement efforts through partnerships and collaborations

Where possible, we collaborate with other like-minded investors and encourage them to act in line with the PRI. As a minimum, we aim to uphold the protection of human rights by acting on identified breaches, and by taking into account labour standards (including freedom of association), forced labour practices, the use of child labour and discriminatory practices in our policies and investment processes.

We are increasingly analysing companies with regards to their environmental policies and performance – not just from a 'do no harm' perspective and are encouraging them to contribute to solutions to climate change and other challenges facing our society. As part of our focus on social themes, we became an active member of the 'Platform for Living Wage Financials' and motivate the external investment managers we work with to engage with investee companies in an attempt to promote the payment of a living wage across their supply chains.

ABN AMRO implements a stewardship programme and systematically engages with companies on international standards, such as the OECD Guidelines for Multinational Enterprises, the UN Global Compact Principles, the UN Guiding Principles on Business and Human Rights, and the Paris Agreement. We have significantly increased our proactive engagement across ESG topics. Where we were engaging with only a few of our investee companies and third-party managers in the past, we are now involved in over 3,300 engagements annually with over 800 investee companies through partnerships and collaboration efforts with other like-minded investors.

Support from our stakeholders and regulators

Our efforts over the past year have also paid off from a regulatory perspective. In 2021, we have been working hard to implement the EU Sustainable Finance Disclosure Regulation (SFDR) and prepare for additional incoming legislation, such as the anticipated changes to MiFID II or the EU Taxonomy for environmentally sustainable activities.

By implementing the SFDR, we help to support and encourage transparency in the companies and investment funds that we invest in on behalf of our clients. We also help to inform our clients about ESG risks and sustainability objectives on an ongoing basis.
The combination of our strategic ambitions on financial objectives, sustainability and digitization serves to position ABN AMRO in a unique way across all markets where we offer investment services. I am well aware that we cannot realise those ambitions without the help of our clients and our employees, as it is them who enable us to make the progress on ESG and sustainable investing. As such, I would like to thank them, our other stakeholders – and perhaps also you as a reader for joining us in these efforts, and wish you an enjoyable time reading our annual progress report.

Vincent Triesschijn
Global Head ESG and Sustainable Investing

Executive Summary

Our strategy & approach

Working together with our stakeholders

Collaborations & credentials

Stewardship

Outlook

Our strategy and approach

Interview Maarten Terlouw & Choy van der Hooft-Cheong

Sustainability is an opportunity and a duty

Maarten Terlouw is Chief Sustainability Officer at ABN AMRO. **Choy van der Hooft-Cheong** is Chief Commercial Officer Wealth Management and Member of the Executive Board. Both strongly believe sustainability is the way forward, and that directing capital to the right causes can make a difference in the world.

"As a bank and a financial expert, ABN AMRO has to pursue its sustainability ambitions with the right intentions, and also with the right safeguards, criteria and real-world outcomes in mind," says Choy. "This is a challenge, but the fact that we work on this every day, and see progress, makes me very passionate about its success. We are truly able to help our clients making the shift towards sustainability." Maarten is also personally driven. He is very worried about the speed of climate change and determined to play an active role in the transition to a lower carbon system. He is convinced that to achieve the required carbon reduction pathways to stay within 1,5 degree global warming it requires government and regulatory interventions, a change in consumer behaviour and last but not least the availability of technology at scale. Scaling technology requires capital, and that is what the financial sector should primarily focus on.

Moving wealth

What role does Wealth Management play in the sustainability journey of the bank? Maarten: "Some solutions that are required in this transition are capital-intensive. The financial sector and investors can contribute with loans and capital in all asset classes, which requires the efforts of banks, asset managers and governments. If, in addition to the bank's own balance sheet, we can move our clients' wealth in a strategically targeted manner that is both sound from a financial and societal point of view, we can make a huge impact. It is important that our services can align accordingly, that we report on the progress and that we train client advisors to discuss this with clients." Choy: "Some clients are not used to discussing sustainability and do not expect the bank to approach the subject. However, once we are having the conversation, it makes sense to them. It also turns out that our clients become even more engaged in their conversations with relationship managers, as there is another purpose of their capital to be discussed. We need to make sure that our client-facing staff know how to address the issue and can have a meaningful conversation on the topic." With this in mind, ABN AMRO has created exclusive training programmes for its employees and continues to invest in education, amongst others by offering the sustainability education programmes of the PRI and the University of Oxford.

An inclusive approach

The bank is increasingly viewed as a leading player in different areas of sustainability, says Maarten. Choy continues: "I really want us to drive this change, to be ambitious, and at the forefront. It feels part of our duty. Our positioning on sustainability helps to attract new clients and new colleagues as well. Younger generations are very motivated to make the change and want to work for an organisation that supports their views." Maarten nods and adds "We have an opportunity to generate real impact. Everyone can be part of this. We need to have an inclusive approach from many perspectives. "That is why I am also passionate about gender equality" adds Choy. "In a sustainable future, all should feel involved, included and valued. I believe in the individual's ability to help create a sustainable world." Maarten adds: "I believe that the

combination of human and financial capital will make the difference in the sustainability transition." That's why we, as a bank, should "lead-by-example".

A last question for Maarten. As the Chief Sustainability Officer, what can you say about ABN AMRO's approach to sustainability? "The strategy, as we envision it, starts with the expectations of stakeholders, such as clients, employees, investors and social organisations. Our own sustainable ambitions and business goals are a reflection of this. Based on these priorities we are seeking to deliver real-world impact accordingly. This report is a good example that shows the progress that we make on this, by enabling our clients to move their wealth in the right direction."

"Some clients are not used to discussing sustainability and do not expect the bank to approach the subject. However, once we are having the conversation, it makes sense to them."

ABN AMRO Bank N.V.

Who we are
We are a leading Dutch bank with attractive market positions in the Netherlands and Northwest Europe. Our trusted relationships with clients, together with our capabilities across all client segments, enable us to support them at all important financial steps in their lives.

Our international expertise, local knowledge and over 350 years of experience in wealth management form the basis of our long-standing client relationships. We bring personal service, digital convenience and a proactive mentality to a full range of banking and wealth management products and services for high-net-worth clients in the Netherlands with more than EUR 500,000 in investable assets, or more than EUR 1 million outside the Netherlands, and for ultra-high net worth clients with more than EUR 25 million in investable assets.

ABN AMRO is present in the Netherlands, France, Germany and Belgium with Wealth Management services. ABN AMRO Investment Solutions is the asset management company of ABN AMRO Bank, offering investment solutions for retail, wealth management and Institutional clients worldwide.

Our strategy
Our purpose – *"Banking for better, for generations to come"* – guides us through change, is the basis for how we shape and deliver on our strategy and encourages high performance and engagement from our employees. Our strategy has three strategic pillars: "customer experience", "sustainability", and "being a future-proof bank". These are our guiding principles in acting on our purpose.

In framing our strategy, we have made clear choices, resulting in a distinct profile and focus. We are becoming a personal bank in the digital age, serving clients where we have scale in the Netherlands and Northwest Europe. We are fully committed to our moderate risk profile and role as a gatekeeper of the financial system. Our culture and license to operate remain clear priorities.

The bank operates from a position of strength, with a distinct profile, clear strategic focus, and a very strong capital position. As a value-driven organisation, our decisions and behaviour need to be in line with our purpose and strategy. Taking ownership, setting clear targets and being accountable are key to strategy execution and our license to operate.

Accelerating the global sustainability transition
Sustainability has been a core element of our strategy since 2018 and is core to our purpose. Our goal is to help clients transition to more sustainable business models. In doing so, we are focused on the wider sustainability transition: our efforts are designed to help mitigate climate change, accelerate circular business practices, and create positive social impact.

We strive to lead by example, reducing our carbon emissions, strengthening our approach to human rights, and increasing our positive social impact. We are building a future-proof bank by rigorously simplifying and centralising our operating model, delivering a better experience for our clients, and, at the same time, delivering on cost-saving programmes. This means further digitalising our business processes, streamlining our product offering, and introducing a new client engagement model. By 2024, we aim to have approximately 90% of high-volume processes digitised end-to-end, and to have reduced the size of our product portfolio by around 60%.

ABN AMRO aims to integrate sustainability across its businesses. To accelerate this, we decided to establish a Sustainability Centre of Excellence, headed by our Chief Sustainability Officer Maarten Terlouw. We have set clear 'sustainability acceleration' targets. In 2021, we raised our ambition level for these targets to reflect increasing client demand for sustainable financing and investments. By 2024, our aim is to have more than one-third of loans and client investments going to sustainable businesses, projects, or assets.

We see sustainability as a business opportunity and a way of supporting the broader transition to a low-carbon economy. To support this transition, we are expanding financing for sustainability, and increasingly incorporating sustainability risks – including climate risk – into our approach to lending and investing. Within sustainability, we have three main focus areas: climate change, circular economy, and social impact.

Interview - Graeme Sharpe,
Senior Manager ESG and Sustainable Investment

Climate risks and opportunities

Insatiable appetite for energy

Our society is hungry for energy. Whether it's keeping us warm, cooking our food, or transporting us from A to B, almost every aspect of our daily lives now require energy. And our demand for it is growing.

Depending on where you are in the world, it might seem as though we are making good progress in generating more and more of this energy from green sources, such as wind or solar. In fact, you might even be reading this on a laptop, tablet or mobile phone screen that is being powered by energy generated from a wind turbine not so far from your home. However, the truth is that, globally, we still generate around 60% of our electricity from fossil fuels, such as coal, oil and gas.[7] When we look at our society's total energy generation, the figure is even higher at over 80%.[8]

When it comes to generating power, fossil fuels provide a rich, energy-dense source when burned. However, the downside is that burning them releases the stored carbon and other greenhouse gases into the atmosphere. When added to the atmosphere in large amounts, these gases trap the sun's heat and result in a warming effect.

Global average temperatures have already surpassed 1°C above pre-industrial levels, and the latest climate science is unequivocable when it states that humankind and our insatiable appetite for energy are behind this warming. What is also clear from the latest climate science is that we may soon reach an irreversible tipping point where the negative impacts of climate change – flooding, drought, extreme weather patterns – will not only become more severe but also more frequent.

Climate risks

Climate change is here. It is no longer science fiction, but science fact. We are already experiencing and living with its effects, and the best we can now hope for is to limit the worst potential future outcomes. Thankfully our society finally seems to be waking up to the need to take urgent action.

Judging by the wave of "net zero" announcements made by companies surrounding the COP26 climate change summit in Glasgow last year, companies certainly seem to be making a start in weaning themselves off fossil fuels and helping to transition our society to a low-carbon future. However, not all companies are able or willing to make this transition. This creates risks for our clients who invest in them.

When we talk about climate change risks, we generally mean two things: physical risks and transition risks. Physical risks are the direct effects associated with climate change, and they result from more severe and frequent climate events. For example, physical risks could be the risk of lower crop yields from rising temperatures in a region, or the damage that might be caused to physical buildings from rising sea levels or flooding.

Transition risks arise as our economy takes steps to decarbonise and mitigate climate change. Transition risks can come from a number of sources, such as new regulation, litigation, and changing consumer preferences. They can all impact a company by increasing its costs of conducting business, or even by making its business model obsolete. A typical example of a transition risk is the risk for oil and gas companies of a sudden and sharp change in government policy that severely limits our society's use of fossil fuels. Should this happen, many oil and gas companies would find themselves sitting on large reserves of oil and gas that could no longer be

7 BP Statistical Review of World Energy 2021 Primary energy | Energy economics | Home (bp.com)

extracted and burned. These reserves, which form a large part of these companies' value today, would suddenly be worthless, and their re-valuation would most likely trigger a sharp sell-off in the price of the companies involved.

Although unlikely in the near future, the example highlights the need for investors to begin to carefully assess the business models and risks associated with the companies they invest in.

Aligning client investments with the Paris Agreement

We are currently developing a climate strategy to better align our investment activities with the objectives set out in the Paris Agreement. As part of this strategy, we intend to steer the bank – and our clients' investments – on a pathway that is aligned with a maximum of 1.5˚C global warming above pre-industrial levels. We expect to be finalise our climate strategy later in 2022.

For our client investments, this will involve setting short-, medium-, and long-term greenhouse gas reduction targets, with the ultimate goal of helping our clients reach net-zero financed emissions by no later than 2050.

Managing our clients' investments against these targets will be easier said than done. It will require new data and insights on the different investments in our clients' investment portfolios. It will also require new tooling to be developed and utilised in order to monitor clients' investment portfolios for climate change risks. It will undoubtably require some difficult discussions to be had and decisions to be taken as we begin to get better insights into which companies are unable – or unwilling – to make the transition.

We believe that implementing our climate strategy and taking these steps on behalf of clients is important. Not only by helping to mitigate climate risks in their portfolios, but by also making them part of the solution. As well as limiting our clients' investment exposure to companies that cannot make the transition, we also want to identify and invest in companies that are making a positive contribution in the fight against climate change by helping us reduce energy consumption, make the switch from fossil fuels, and increase our resilience to its effects. By doing so, we can make our clients a part of the solution, and help to stimulate the global sustainability transition.

Interview – Jennifer Paffen,
Portfolio Manager ESG Equity

Circular economy

In the shift towards a circular economy, the role of companies cannot be overestimated. We asked Jennifer Paffen, portfolio manager sustainable equity, how businesses are adapting, which sectors and companies are playing a crucial role and how we incorporate this in client portfolios.

Many companies are taking steps towards circularity. How is this trend developing?

Circularity as a holistic concept is gaining momentum as a trend and I don't expect it to go away. Consumers are actively asking for (more) circular products and companies can save money offering them. Also, regulators are stepping up by requiring companies to become more circular. One of the six environmental objectives of the EU is the transition to a circular economy. However, established companies cannot turn around their whole business model overnight. Thus, change will necessarily come in steps, starting with individual initiatives and efforts in research and development, which will over time gain in scale and scope.

For my understanding, recycling used to be in the centre of attention. How is that different from circularity?

Circularity goes far beyond just recycling. The circular economy covers the whole life cycle of products: from sustainable sourcing and the design of products to responsible consumption, changes in the treatment of used products, and finally to eventually minimize the amount of waste. Recycling is just one part of this trajectory.

When you look at companies, how can you identify and measure their circularity efforts?

To identify companies that are developing towards a circular model, there are many factors we can distinguish. We can look at waste management, the types of materials used, including their sourcing, policies and the used amount of recycled materials, pollution, repairability of products, and also at maintenance, guarantee, and take-back offers made to clients. We can also see if the company proactively communicates on research and innovation targeting the circular economy, for example in their product design or process optimization. These are important aspects when selecting companies for our portfolios.

What are the common models that companies are adopting towards circularity?

Across the board there are roughly two types of circular models for companies. One is offering products-as-a-service. The idea is to go beyond individual exclusive ownership of products and to instead focus on the use of a product. For example, when consumers lease a product, instead of owning it. As such, the responsibility for the product remains with the producer. Another way is extending the life cycle of a product. For example, by improving the design or redistribute goods after use by one client to another.

Which sectors can benefit most from circularity?

In that respect we look at waste management. This is a very important indicator, since it is the basis of any further treatment of a used product. Most waste is generated in the industrials sector (especially construction) and in the materials sector. Here it is particularly important to identify companies that aim to treat their waste wisely – for society's and the environment's sake, but also for their own (financial) benefit. In the consumer sector, the importance of circularity is also rather evident, mostly referring to the materials that products are made of, their packaging, repairability, reusability and repurposing, for instance for electronic devices, textiles, or in the food industry.

When looking from a slightly different perspective on the topic, say the origin and amount of resources used rather than the waste generated, then circularity is specifically important for electronics, such as batteries and computers, for vehicles, textiles, packaging, and the food and the construction business.

Which companies are frontrunners?

A good example of a company that is doing well in these terms is Darling, a US company that develops and manufactures sustainable ingredients. It collects animal by-products from third parties, for example cooking oil, residual food or wastewater, and transforms it into other ingredients such as proteins, pet food ingredients and fertilizers. As such, the company brings positive impact by reducing food waste and by repurposing animal-based co-products and other natural materials. Darling (consumer staples) is part of our impact strategy.

Also, Tomra is active in waste collection and recycling. The Norwegian industrial company can be considered as highly sustainable as their main goal is to support the transition to a circular economy by reusing and recycling packaging materials. Their recycling of metals is particularly important, since the mining and production of new metals is very carbon intensive und must be significantly reduced to reach the goals of the Paris Agreement. Tomra's metal-recycling machines have the potential to recycle 15,000 tons of metal and to capture over 40 billion of used beverage containers. Also, Tomra is part of our impact strategy.

Social Impact

Companies that not only focus on financial results, but also take into account the well-being of people and society have a competitive edge in the long term. They also perform relatively well in challenging periods - such as the current corona crisis - as Jennifer Paffen knows. "It's no coincidence that we take the social performance of companies into account when compiling the sustainable equity portfolios."

The developments surrounding the outbreak of the corona crisis underline once again how important it is for companies to also take social aspects into account in their business operations. "A business strategy that focuses not only on profit maximisation for shareholders, but also on the interests of employees, customers and suppliers proves its value", says Jennifer Paffen. "Companies that do business in a socially responsible way are having an easier time in the crisis," says Paffen. "That's also good for investors in those companies."

Social aspects in the spotlight

How companies take account of people, society and the environment is a common thread running through ABN AMRO's sustainable stock portfolios. The bank assesses its performance in this area on the basis of ESG criteria. Environmental aspects have traditionally been more on the minds of companies and investors than criteria relating to social factors. "The S of Social in ESG was less well known for a long time. The corona crisis has changed that," sees Paffen. A well-considered employee policy, for example, turns out to be an important advantage in the current corona crisis. "The availability of sufficient personnel is no longer self-evident. It is now clear to everyone how important the health of employees is for uninterrupted business operations. Companies that can offer their employees a safe working environment have a head start".

Risk of production and delivery problems

The data show that companies that take the interests of their employees into account, among other things, are doing better than their peers in the current crisis. "For example, these companies are taking extensive health and safety measures for their employees. Or make it possible to work at a distance in a safe and efficient way," says Paffen. She cites Microsoft as an example of a company that has been taking seriously its social responsibility in this area for some time and is now reaping the benefits. Partly due to years of investment in data security, employees were able to work from home immediately after the coronavirus outbreak. This ensured a great deal of loyalty among employees and customers. "Companies that don't do that well are assessed as riskier," Paffen explains. "For example, they run a greater risk of production and delivery problems due to a lack of personnel. That can lead to reputational damage and a drop in customer confidence." This may ultimately affect the financial performance of these companies.

Serious controversies

The bank invests in companies that operate in the most sustainable way within their own industry: the so-called best-in-class method. Only companies that also perform well on a social level have a chance of getting into the sustainable portfolio. Some sectors and companies are avoided. "We do not, for example, invest in meat processing companies where there are serious controversies. Personnel in the sector - mostly temporary workers - often have poor working and living conditions, even in Western Europe," says Paffen. According to her, the recent corona outbreaks at major German and Dutch meat processors illustrate why the bank does not invest in these companies in its sustainable portfolios.

The mining sector is also shunned. There are various social abuses in the majority of mining companies. Paffen cites child labour, unprotected use of chemicals and dangerous working conditions in unstable mining tunnels as examples. In addition, various mining companies have abused indigenous communities and damaged religious heritage sites in the past.

Companies that violate the principles of the UN Global Compact by gross violations of human rights are not eligible for the sustainable investment portfolios. This is independent of the sector in which they operate.

Not immune to risks

The bank uses various sources to assess the social performance of companies. For each sector, the relevant social criteria are examined. Paffen: "In production companies, the way in which the health and safety of employees is protected is examined. And so, in IT and online companies, privacy and data security play an important role. The assessments are regularly reviewed," says Paffen. "No company is immune to risk. Take the pharmaceutical companies: they can improve the lives of millions of people worldwide through the development of new medicines. That also brings with it the constant challenge of protecting people from health problems from unexpected side effects of medicines. For example, due to errors in production or during the testing of new experimental medicines." Reason enough to take into account the quality requirements that companies set for production when assessing the sector. It also examines how the interests of society are taken into account in the costly development of medicines. Openness about test data in the development of medicines is also an important indicator. For commercial reasons, companies sometimes do not show the full picture of test results, for example in order to present the effect of a potentially profitable drug in a more positive way. "An example of a company that is transparent about test data for new drugs is the Swiss pharmaceutical company Roche. Another example is the pharmaceutical company Novo Nordisk, which has a high production quality. In addition, the company is committed to making expensive medicines available to patients in emerging markets." Both companies are part of our client investment portfolios.

A step further in sustainability

In its assessment, the bank includes how the company integrates social criteria into its business operations. Some companies go a step further and take efforts to develop products and services that contribute to making society more sustainable. One example is the online trading platform eBay, which is constantly increasing the requirements for the reliability of sellers who use the platform. Food Group Unilever has an ambitious strategy to make production more sustainable. The group wants to make the products it sells healthier, among other things, by reducing the sugar and salt content. It also encourages suppliers in developing countries to improve working conditions for employees.

More than decoration

Paffen and her colleagues see that the developments surrounding the coronavirus have stimulated companies to increase their social impact. In the long term, and in the short term. For example, Microsoft decided to continue to pay employees hired by the company without a permanent contract, despite the fact that they can temporarily work much fewer hours. Microsoft also made the Microsoft Teams video application available free of charge to consumers worldwide for the first six months. Cosmetics group L'Oréal temporarily stopped invoicing hairdressers who use the group's products until after the coronavirus outbreak, when these businesses could reopen. "Nice initiatives," says Paffen. However, she remains alert to companies that are currently trying to make use of their social initiatives for marketing reasons. Such as donations and one-off bonuses for staff. "We only allow structural sustainable changes to be taken into account in our assessment of the organizations. This is in the interests of investors and will help to make the world a little better in the long run."

Our product offering

We serve the Dutch market through ABN AMRO and ABN AMRO MeesPierson, the Belgian market through ABN AMRO Private Banking, Germany through Bethmann Bank, and France through Neuflize OBC and Neuflize Vie.

ABN AMRO offers three service concepts to clients: Self-directed; Investment Advice; and Discretionary Portfolio Management. Clients who are interested in ESG and sustainable investing will find options in all three service concepts.

Self-directed
This is the option for those clients who wish to invest completely independently. Clients make their own decisions and invest via the secure environment of Internet Banking. With Self Directed Investing, clients can choose, among other instruments, from a selection of sustainable shares, ETFs (“trackers”) and investment funds. With Self Directed Investing Plus, clients can also trade sustainably in bonds, options and other instruments on the major stock exchanges worldwide. These clients invest at low costs and get access to useful tools. Experts share their knowledge and analyses to make it easier for this client group to make their investment choices. The Execution Only Desk is available for clients who have questions that arise from the scale or complexity of their portfolio.

Advisory
With Investment Advice, the investment adviser is a knowledgeable sparring partner. Clients select the type of investing, based on their knowledge and on how active they want to be with their investments. Together with their investment adviser they compile an investment portfolio.

Discretionary Portfolio Management (DPM)
With Discretionary Portfolio Management (also known as wealth/investment management), the bank invests on behalf of the client, given a risk profile chosen on the basis of a thorough analysis. A personal investment adviser will advise the client in choosing the type of Discretionary Portfolio Management that best suits. Within the chosen risk profile, the bank spreads the risk by investing worldwide in equities, bonds, alternative investments.

In 2021, we increased our ESG and sustainable client investments by:

- Offering ESG and sustainable investing as the ‘default option’ for DPM and Advisory clients across all Wealth Management operations;
- Improving our ESG and sustainable investing offering; and
- Reporting the impact of Advisory and DPM clients’ investment portfolios on carbon emissions and other ESG factors, enabling them to track alignment with the Paris Agreement and the SDGs.

For execution-only clients, this is still somewhat difficult since they are not in touch with one of our advisors and, therefore, need to look into the sustainability characteristics of their investments themselves. Improving our sustainability service offering for execution-only clients will be one of our focus areas in 2022.

Regulatory landscape

United Nations Sustainable Development Goals

The Sustainable Development Goals (SDGs) were formulated in 2015, are described by the UN as a blueprint to achieve a better and more sustainable future for all. The deadline for this achievement is 2030. All 193 countries that belong to the UN signed on to the goals, which "call on all countries – poor, rich and middle-income – to promote prosperity and social well-being while protecting the planet."

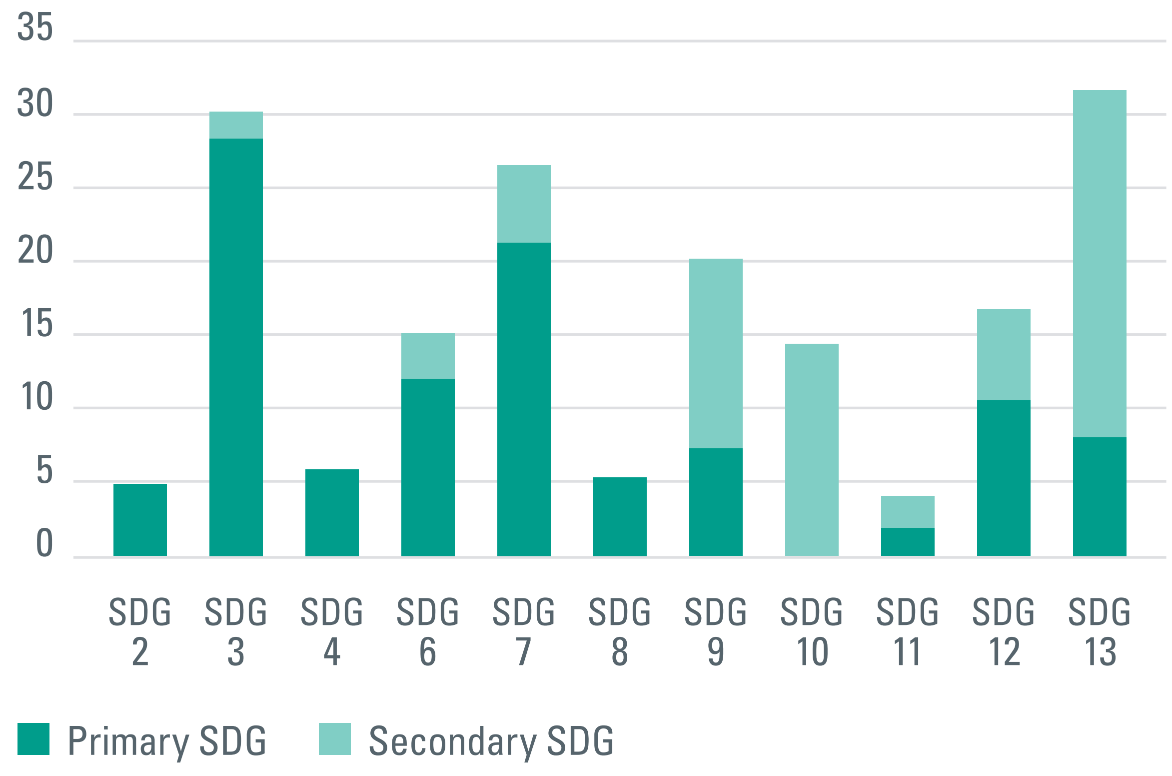
Investing with impact

Our impact investing strategies aim to positively contribute to the SDGs and generate a positive impact by investing in companies and projects that deliver solutions to social and environmental issues. It aims to foster the growth of a sustainable global economy without compromising returns. We consider companies providing solutions within the whole spectrum of SDGs, operating in developed and emerging markets across sectors.

Investments are targeted at companies that positively contribute to at least one of the 17 SDGs. It is not unusual for a company's products or services to contribute to more than one SDG target. This is either because any given solution contributes to various SDGs, or because of the interconnectedness of some of the SDGs. The qualitative assessment determines the key contribution of the company's products and services to the SDGs. Product or service contributions that are more central to a company's activities are considered as 'primary SDGs' and those that are less relevant as 'secondary SDGs'. Our Listed Global Equity Impact Strategy aligns with the SDGs as follows:

The strategy generates impact in two ways, through investment in companies that bring positive impact and through active ownership and engagement. Investment is 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. Companies can have either direct or enabling impacts. Direct impact occurs when a company

Percentage of holdings contributing to each SDG within the Global Equity Impact Strategy
in %



manufactures products or provides services that immediately address the SDGs.

An example of a company with direct impact is a producer of HIV medicine. This company directly contributes to SDG Target 3.3: "By 2030, end the epidemics of AIDS…". Enabling impact refers to a company that manufactures essential components or provides important services for other sectors to create positive impacts. An example of a company with enabling impact is a manufacturer of wind turbine components. This company enables the utility sector to generate renewable energy, which contribute to SDG Target 7.2: "By 2030, increase substantially the share of renewable energy in the global energy mix". We aim to enhance the impact of underlying investments by being active owners and engaging with companies on a wide range of sustainability issues. By having constructive conversations with companies, investors can help catalyse positive change in the world.

Interview – Judith Sanders,
ESG Investment Strategist at ABN AMRO

Achieving gender equality

Equal rights for men and women boost sustainability

It is self-evident that women and men have the same rights. Yet - even in the Netherlands - women and men are not always treated equally. It is important that this changes,' says Judith Sanders, ESG investment strategist at ABN AMRO. A sustainable society is only possible if everyone can participate. By offering targeted investments, our clients can contribute to this.

We all want equal opportunities for men and women, but in practice we see that this is not yet the case. In some parts of the world, girls are not allowed to go to school, but also in the Western world there is still a lot to do. For example, women are still sometimes paid less than men for the same work. And still far fewer women are appointed to leadership positions than men. Sanders is not the only one who thinks this should change: gender equality is one of the seventeen SDGs. They make clear what needs to change in the coming years in terms of poverty, inequality and climate change by 2030. The fifth development goal (SDG5) Gender Equality - Achieve gender equality and empowerment for all women and girls - calls for a better position for women.

Better world, also economically

By 2030, women worldwide should have as many opportunities as men to participate in politics, the economy and public life. That will make the world a little better. Economically too: McKinsey Global Institute has calculated that global gender equality could add USD 28 trillion per year to the world's gross domestic product (GDP). A contribution equal to the size of the US and Chinese economies combined.

Important role for companies

Besides governments and international organisations, companies also play an important role in improving the position of women. Sanders: 'Obviously by rewarding men and women equally for equal work and by offering the same career opportunities. And by offering employment conditions with room for a good work-life balance'. The benefits are certainly not limited to women, Sanders emphasises. It is less visible, but men also have to deal with inequality. In the Netherlands, for example, maternity leave for partners (and therefore also men) has only been included in the law since 2019.

For companies themselves, the focus on gender equality also has great advantages. Equal opportunities for men and women contribute to the attractiveness of an employer. Not only is it easier to attract talent. Studies also show that employees of companies that pay attention to gender equality are more satisfied and loyal and stay with the company longer. L'Oréal, which is seen as one of the most gender-diverse companies in the world, has been putting this into practice for years. The company's Board of Directors consists of 53 percent women. Sanders: 'L'Oréal is one of the companies that has explicitly included gender equality in its business strategy and actually puts it into practice. For example, through flexible working hours that make it easier to combine work and family. And by paying men and women equally in all positions and investing in career development. The Dutch chemical company DSM also stands out positively. Sanders: 'The Board of Management has a balanced composition with 50 percent female members. At DSM 43 per cent of the managerial positions are held by women'. Worldwide the number of female employees in Research & Development is 35 percent. This is considerably more than the global sector average of 29%.

An end to the bikini division

Gender equality is not only reinforced by good working conditions, business also contributes by offering good products and services for both men and women, Sanders emphasises. She sees many opportunities here. Consumer research shows that women make 80 per cent of purchase decisions in households. Nevertheless, products are still made with only the male user in mind. Sometimes with major consequences; think of car models in which crash tests are only carried out with male crash dummies. Medicine development has also long focused solely on male patients. The medical science

and pharmaceutical sectors are now being challenged on their 'bikini vision': the idea that the male and female body are the same, differing only under their bathing suits. For example, it was only recently discovered that heart failure in women manifests itself differently from that in men, because the research had focused on men. With these new insights, there is some catching up to do. The industry is now looking at medication and treatment aimed at women.

Contributing to other sustainability goals

Investors can promote gender equality by choosing companies that pay a lot of attention to this issue. And so, contribute to a better world. Also, because gender equality has a positive effect on the other sustainable development goals," Sanders explains. It is at the basis of many of the other sustainable development goals. Think of 'good health and well-being' (SDG3), 'no hunger' (SDG2) and 'climate action' (SDG13). It therefore contributes to a peaceful, prosperous and sustainable world.'

Attention to gender equality not only contributes to a better world, it can also provide investors with better returns in the long run. A diverse workforce is a key success factor for companies. Studies show that a gender-balanced workforce in terms of gender, ethnicity and cultural background produces better results in terms of profitability, risk reduction and share price. In addition, companies that manage to better serve female consumers with products and services have a major competitive advantage. In this context, Sanders likes to refer to the remark by Jack Ma, founder of the Chinese online platform Alibaba. The internet platform has an employee base of 49 per cent women. "If you want to make a company bigger you need men. If you want to make a company better you need women. If you want to be at your best as a company, you need both."

Lead by example

Gender equality is an important factor in the composition of sustainable investment portfolios. Gender equality and diversity are among the sustainability criteria on which we assess companies before deciding whether to invest in them. But we do not want to limit ourselves to assessing other companies. We also want to take a critical look at ourselves. What is ABN AMRO actually doing to promote gender equality?

We want to be a bank where men and women are treated equally. That applies both to the people who work for us and to our customers. In 2020, ABN AMRO signed the Women's Empowerment Principles. These principles, which have been drawn up by the UN, are an important guide to strengthening the position of women within the bank, in the markets in which we operate and in society as a whole.

As part of our strategy, we have set very clear targets for gender diversity – overall, we want our workforce to be more representative of society, for example by bringing greater cultural diversity and more people with disabilities into the bank's workforce. In 2021, 30% of our subtop management are now women – up from 28% in 2020, right on track towards our 2024 target. For the top management level, we fell short of our target of 30%.

We also see opportunities to improve our service to female customers. The world is changing. Society changes. We as a bank are changing too. That is why we ask ourselves critical questions. Are we listening well enough to our female customers? Do our services and products sufficiently meet their needs? Take investing, for example. Women are still in the minority among private investors. That is why we want to tailor our investment services better to the needs of women. In that context, we launched Vrouw & Vermogen: a magazine for women who wonder what role investing can play in achieving their financial goals."

Interview – Willem Bouwman,
Senior Portfolio Manager ESG Fixed Income

SDGs and bonds

"Within sustainable investments we develop new mandates and products to direct clients' money more specifically. Take bonds, for example, or debt securities. These are issued for a specific length time to raise money for specific causes or projects. Countries are the biggest issuers of bonds. And as of 2021, countries, like companies, can be scored on how they perform in ESG domains or against the sustainability development goals of the SDGs. This required new criteria, as a country is not a company. It is a physical area, inhabited by people. There is a strong correlation between wealth and sustainability, so investing in an emerging country may be very interesting to clients who are looking to finance a sustainable shift.

Countries and organisations issue different type of bonds. Some can be directly linked to specific SDGs. The World Bank, for instance, is part of the International Monetary Funds (IMF) and exists to eradicate hunger. Sustainability funds finance environmental and socio-economic projects. Green bonds finance environmental projects, such as improved water management. Social bonds do not necessarily have an impact on the environment, but may contribute to welfare of people. For example, by investing in local regions that are struggling economically. In short, there is a wealth of options to choose from for our client portfolios."

Interview – Peter Pauw,
Senior Fund Advisor

SDGs and investment funds

Fund advisers match portfolios with clients' risk profiles. With increasingly more sustainable portfolios being created, the range of products is expanding. Peter Pauw: "As a large financial institution, we have to make sure that we are aware of our social responsibility and give good and appropriate advice." How do clients know their portfolio contains sustainable investments? For one, we set sustainable investment objectives based on the SDGs of the United Nations.[8]

All 17 SDGs are an urgent call for action. Sustainable investment portfolios can be ranked and rated against these SDGs. There are many methodologies to achieve this, but ABN AMRO has chosen data provider ISS as partner. Another partner is Sustainalytics, that uses all available relevant data to rate companies on the performance in the ESG domain. The resulting SDG and ESG Risk Ratings are used to score a portfolio. We have classified our impact investing services as article 9 under SFDR, due to the clear sustainability objectives of the investment strategies.

There are many different article 9 strategies to choose from. Some focus only on companies with the biggest possible impact (in addition to financial return), others mainly on environment, education or microfinancing. We take a diversified approach in adding impact investments to client portfolios, to ensure a balance between, risk, return and impact.

8 Read more: https://sdgs.un.org/goals

The Paris Agreement

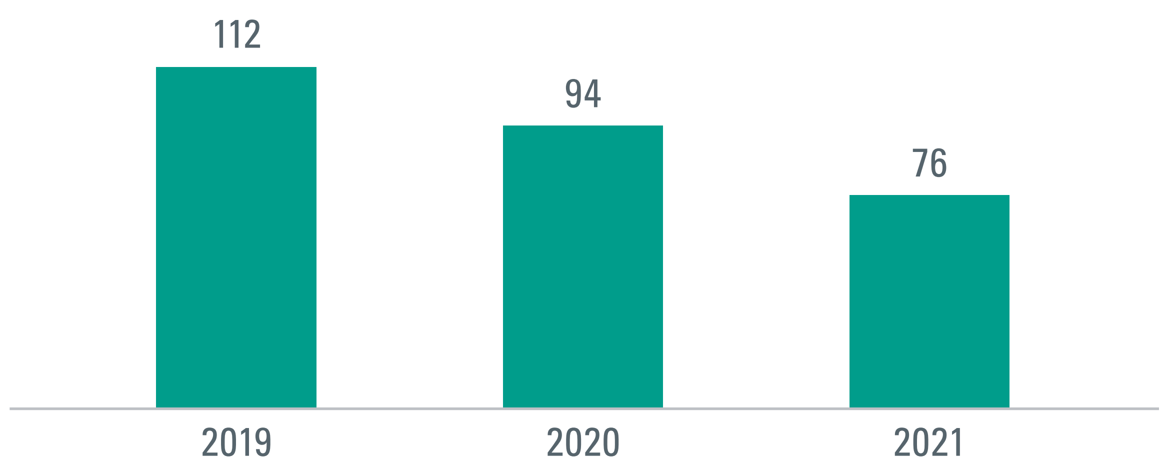
2015 saw the Paris Agreement being adopted by 196 countries around the world. The Paris Agreement was the world's first universal and legally binding global climate change agreement. It set out a framework to limit global warming to well below 2°C above pre-industrial levels, and ideally to pursue efforts to limit global warming to 1.5°C. The Paris Agreement also included commitments to align financial flows with a pathway that was consistent with low-carbon, climate-resilient development. The Paris Agreement was formally ratified by the EU on 5 October 2016.

Improving our Carbon Impact

When we look at our own impact, we see that the financed emissions per million invested has been steadily going down, both due to better methodology and data coverage, but also due to our increased efforts. This is a great result, but there is work ahead reach net zero. Data quality keeps improving, including Scope 3 emissions, which are indirect emissions that occur throughout the entire value chain, including a product's end users throughout its lifecycle. These emissions are much more difficult to measure due to their complexity. Scope 3 emissions are included as soon as the data on which we base our analyses are sufficiently available and reliable.

Carbon Intensity[9]

tCO_2e / million EUR invested



All our clients' assets together are headed for a 2.8°C[10] scenario, with our DPM portfolio performing better, headed for a 2.7°C scenario. This is also reflected in the Climate Targets set by investee companies. Our portfolio managers do select companies that perform better or are committed to perform better. Our DPM portfolio has more companies with a committed or an approved Science Based Target. This target is in collaboration with the SBTi, an initiative to help companies set emissions reduction targets in line with climate science and Paris Alignment goals.

This performance is further reflected in the Carbon Risk Rating from our data provider ISS. This rating provides a sophisticated metric to evaluate how well a company is prepared for the low-carbon economy of the future. It provides a score indicating a company's overall climate-related risk. A higher score means a lower risk, with 100 meaning no risk and zero high risk. Not only are our portfolio managers more likely to choose companies that have a better score for our DPM offering, they are more likely to choose a company that has been rated by ISS to begin with. This not only highlights the need to keep improving on our DPM portfolio, but also to find ways to improve our advisory and execution-only services. There are multiple ways to do this, such as engagement and voting, and giving our advisors and clients better tools to help them make well informed choices.

EU Sustainable Finance Regulation

In March 2018, the European Commission (EC) announced its Action Plan on Sustainable Finance to help implement the SDGs and the Paris Agreement. The Action Plan set out a comprehensive strategy, consisting of three main objectives and ten actions, which help to further connect finance with sustainability.
Sustainable finance has a key role to play in delivering on the EU's policy objectives. In the EU's policy context, sustainable finance is understood as finance that supports economic growth, while at the same time reducing pressures on the environment and taking into account social and governance aspects. Sustainable finance also encompasses transparency when it comes to risks related to ESG factors that may have an impact on the financial system, and the mitigation of such risks through the appropriate governance of financial and corporate actors.

The Action Plan contains, among other things, additional disclosure requirements for financial market participants (see Sustainable Finance Disclosure Regulation), principles for a common taxonomy on environmentally sustainable economic activities (see EU Taxonomy Regulation), and the requirement for a client's sustainability preferences to be taken into account when offering financial products (see MiFID II).

9 tCO2e per million EUR invested (Scope 1 and Scope 2 emissions)
10 Based on carbon budgets from the IEA Sustainable Development Scenario

Sustainable Finance Disclosure Regulation

The EU Sustainable Finance Disclosure Regulation[11] ("SFDR") is a set of EU rules which aim to make the sustainability profile of financial products, like a discretionary portfolio mandate or an investment fund, better understood by the end investor. This is achieved through various, mandatory disclosure requirements:

- Entity level principal adverse impact disclosure
- Remuneration policy disclosure
- Sustainability risk integration disclosure
- Product pre-contractual disclosure
- Product website disclosure
- Product periodic disclosure

The extent of product-level disclosures required depend on the sustainability profile of the financial product in question. The SFDR defines three different potential categories for products depending on their sustainability profile and the characteristics defined in Articles 6, 8 and 9 of the SFDR:

- Article 6 (grey): financial products with no binding or only legally required ESG characteristics
- Article 8 (light green): financial products promoting environmental and/or social characteristics, provided that the companies in which the investments are made follow good governance practices.
- Article 9 (dark green): financial products with sustainable investment as its objective, whereby sustainable investment is defined as: an investment in an economic activity that contributes to an environmental objective, as measured, for example, by key resource efficiency indicators on the use of energy, renewable energy, raw materials, water and land, on the production of waste, and greenhouse gas emissions, or on its impact on biodiversity and the circular economy, or an investment in an economic activity that contributes to a social objective, in particular an investment that contributes to tackling inequality or that fosters social cohesion, social integration and labour relations, or an investment in human capital or economically or socially disadvantaged communities, provided that such investments do not significantly harm any of those objectives and that the investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance

Implementation of the SFDR is being carried out in phases, which the first set of disclosure requirements (Level 1) coming into effect on 10 March 2021. After several extensions, Level 2 disclosure requirements are now to be implemented on 1 January 2023.

11 REGULATION (EU) 2019/2088 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 27 November 2019 on sustainability-related disclosures in the financial services sector

One comprehensive strategy

Three main objectives / Ten actions

- Reorienting capital flows to sustainable investments
- Mainstreaming sustainability into risk management
- Fostering transparency And long-terminsm

1. Establish EU sustainable taxonomy
2. Create standards and labels
3. Foster investments in sustainable projects
4. Icorporate sustainablity in investment advice
5. Develop sustainability benchmarks
6. Integrate ESG in ratings and market research
7. Clairy institutional investors and asset managers duties
8. Incorporate sustainability in prudential requirements
9. Strengthen sustainability disclosure & accounting
10. Foster sustainable corporate governance

EU Taxonomy Regulation

The EU Taxonomy Regulation[13] ("the Taxonomy") provides companies, investors, and policymakers with appropriate definitions that determine if an economic activity can be considered environmentally sustainable. It has the potential to play an important role in helping the EU scale up sustainable investment, while at the same time also protecting investors from greenwashing. By defining clear, scientifically informed minimum standards, it can help companies know what steps they need to take to become more climate friendly.

An economic activity can be considered environmentally sustainable under the Taxonomy so long as it positively contributes to one of the following six objectives, while at the same time "does not significantly harm" the other objectives and is carried out with respect for minimum social safeguards:

1. Climate change mitigation
2. Climate change adaption
3. Sustainable use and protection of water and marine resources
4. Transition to a circular economy
5. Pollution prevention and control
6. Protection and restoration of biodiversity and ecosystems

The EU has already developed criteria for the first two environmental objectives (Climate Change Mitigation and Climate Change Adaptation). These are due to come into force on 1 January 2022. Criteria for the four other objectives are still being developed and are expected to be finalised sometime in 2022; these are currently expected to come into force on 1 January 2023.

As a first step in adopting the Taxonomy, we have calculated the proportion of our clients' investments that are potentially EU Taxonomy Eligible.

MiFID II

MiFID II has been amended to support the sustainability requirements set out in the SFDR and the Taxonomy. The amendments come into force on 2 August 2022, and include provisions relating to the integration of sustainability factors and risks, as well as the assessment of a client's sustainability preferences. Going forward, a product's suitability assessment must now also take account of a client's sustainability preferences. The sustainability preferences consist of a combination of principal adverse impacts, sustainable investing, and EU Taxonomy aligned investing.

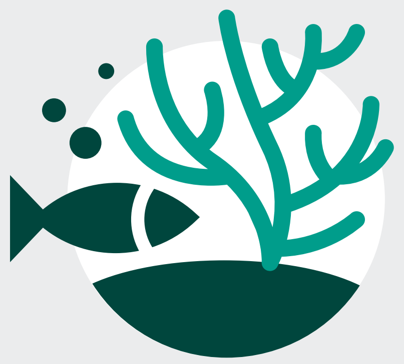
Building upon the Action Plan, the European Commission published its new Sustainable Finance Strategy on 6 July 2021. The strategy provides for an expansion of the Taxonomy, a minimum standard for sustainable products, and the development of sustainability standards and labels.


Climate change adaptation


Climate change mitigation


Pollution prevention


Circular economy


Sustainable use of water and marine resources


Protection of ecosystems

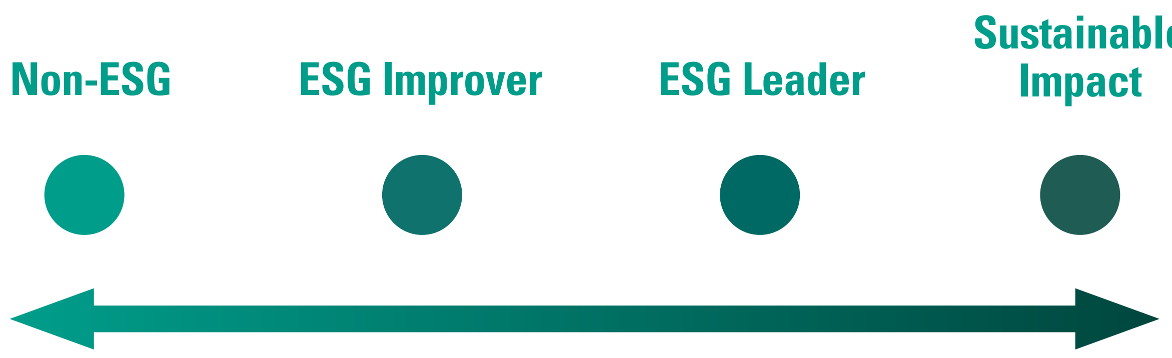
Our approach to ESG and sustainable investing

What we mean by ESG and sustainable investments

ESG and sustainability can mean many different things depending on who you talk to. That is why we decided to clearly define what we mean when we are talking about 'ESG' or 'sustainability' with our clients. We hope that this will make it easier for our clients – and our advisors – to make a clear decision on what solution best fits with our clients' sustainability views, and to know what to expect from the different investments held in each type of offering.

ABN AMRO offers three types of ESG and sustainable investing solutions to clients:

- ESG Improver: We apply exclusions to avoid significant harm
- ESG Leader: We apply more exclusions and select on good ESG performance
- Sustainable Impact: We select investments that make a positive contribution to the sustainability objectives



Clearly defined criteria for ESG and sustainable investments

We have defined ESG and sustainable investing criteria for our clients' investments based on ABN AMRO's sustainability risk policy framework, the UN PRI, the UN Guiding Principles on Business and Human Rights, and the OECD Guidelines for Multinational Enterprises. These include exclusion rules as well as engagement and voting guidelines.

We believe that some behaviours and activities are so harmful to people and the planet that any company or country involved with them should be excluded from our clients' investment portfolios. These include manufacturing and selling controversial weapons or systematically breaching universal human rights. We maintain various Exclusion Lists internally to implement these exclusions and apply them to our different investment product and services in line with the table below.

Where a company is deemed to be non-compliant with the UN Global Compact Principles, we will start an engagement trajectory regardless of the service concept. For the duration of our engagement efforts, the company will be listed on our Engagement Review List and we will no longer recommend clients to buy securities issued by that company. Further information on our engagement activities can be found in the chapter on Stewardship.

Applicability of ABN AMRO exclusion lists

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	Security Sanctions List	Controversial Weapons List	Investment Exclusion List
Execution-Only	Not allowed	Not allowed	Allowed
Advisory	Not allowed	Not allowed	Discontinue coverage
Discretionary Portfolio Management	Not allowed	Not allowed	Not allowed

There are a wide range of other behaviours and activities that, although not as controversial, are still harmful to people and the planet. As such, we see no place for them in our ESG and sustainable investing products (DPM, Advisory and AAIS funds). For these products, we apply additional criteria in line with the table below (for 2021). The criteria are reviewed annually.

What we do and do not invest in across our investment propositions (2021)[12]

	ESG Improver	ESG Leader	Sustainable Impact[13]
Equities and corporate bonds			
Exclusions			
Companies non-compliant with UN Global Compact Principles	✓	✓	✓
Tobacco production	✓	✓	✓
Tobacco retail distribution		✓ (>5%)	✓ (>5%)
Weapons production		✓	✓
Cannabis for recreational purposes		✓ (>5%)	✓ (>5%)
Addictive gambling		✓ (>5%)	✓ (>5%)
Adult entertainment		✓ (>5%)	✓ (>5%)
Animal fur and specialty leather		✓ (>5%)	✓ (>5%)
Genetically modified organisms (GMOs)		✓ (>5%)	✓ (>5%)
Coal mining	✓ (>25%)	✓ (>5%)	✓ (>5%)
Power generation from thermal coal	✓ (>25%)	✓ (>25%)	✓ (>5%)
Arctic drilling, shale gas and oil sand extraction methods		✓ (>5%)	✓ (>5%)
Other Criteria			
Good corporate governance practices	✓	✓	✓
Positive ESG Performance		✓	✓
Positive contribution to an environmental or social objective			✓
Do no significant harm to other objectives			✓
Sovereign bonds[14]			
Exclusions			
Countries that have not ratified the Paris Agreement		✓	
Countries that have not ratified the ILO Convention 182 on child labour		✓	
Countries that have not ratified the Non-proliferation of Nuclear Weapons Treaty		✓	
Other Criteria			
Green, SDG-linked or social impact bonds (or similar)			✓

12 If a revenue threshold is applied this is mentioned within brackets
13 For thematic investment products the criteria may not be applied
14 Including country ETFs

Structured products consist of one or more investment assets (e.g., bonds) and one or more performance components (e.g., one or more stocks or an index). We apply the following criteria to structured products.

Classification of structured products

	ESG Improver	ESG Leader	Sustainable Impact
Investment assets	See criteria for corporate bonds		
Performance component			
Stock(s)	See criteria for equities		
Index	ESG performance	ESG performance	Impact / Climate Index

We apply our exclusion rules across all investment products where we have full discretion, such as discretionary portfolio management and AAIS funds. They are not applied to funds managed by third parties (public and private markets funds), where we instead make use of the following criteria:

Classification of third-party investment fund(s)

	ESG Improver	ESG Leader	Sustainable Impact
SFDR classification	Art. 8	Art. 8	Art. 9
ESG performance		✓	

Policy on coal and unconventional oil and gas

Our policy on coal and unconventional oil and gas investments is designed to align our clients' investments with the goals of the Paris Agreement while at the same time supporting companies operating in these sectors to make the transition. Our consists of two elements: exclusions and engagement policy.

The exclusions we apply are defined in the table in the previous section. In 2021, we applied a threshold for utility companies generating electricity from thermal coal of 25% of revenues to support companies transitioning towards a low-carbon future. We review the scope and revenue thresholds for coal and unconventional oil and gas exclusions on an annual basis, and are currently investigating lowering the threshold for power generation from thermal coal to 10%.

Climate change is one of the key topics in our engagement program. In 2021, we engaged with 25 companies on their coal strategy. These companies were mostly utilities and financial service providers.

Interview – François-Xavier Gennetais, CEO ABN AMRO Investment Solutions

ABN AMRO Investment Solutions

ABN AMRO Investment Solutions (AAIS) is ABN AMRO's asset management products and solutions provider. It has a track record in selecting third-party investment strategies, including sustainable strategies, that runs for more than 20 years. The company launched its first exclusively sustainable sub-advisory funds in 2017.

When selecting sustainable strategies, AAIS favours "ESG originals" who have responsible investing in their DNA and help drive the market towards best practices. These are asset managers who are leading sustainability initiatives and making their voices heard by engaging with companies to foster positive change.

AAIS has a fiduciary duty towards its clients, both as an asset management company, and as a signatory to the PRI via ABN AMRO Bank. This fiduciary duty implies that clients expect from AAIS that it manages their portfolios in line with their best interests, and those of future generations. This is in line with ABN AMRO's mission: "*banking for better, for generations to come*."

AAIS asks that all sustainable asset managers[15] adhere to its ESG standards[16], the degree of adherence depends on the sustainability classification of the fund. Onboarding on the AAIS delegation platforms is only possible after a thorough manager selection process, in which – depending on the sustainability classification of the fund – the asset manager's ability to address E, S and G issues is one of the key factors that are considered. As engagement is viewed to be part of the general investment management responsibilities borne by the asset manager, AAIS specifically assesses an asset managers engagement capabilities during the due diligence process. AAIS does not delegate proxy voting to the asset manager, and remains responsible for executing any shareholder voting rights.

> "We have a fiduciary duty towards our clients, both as an asset management company, and as a signatory to the PRI via ABN AMRO Bank."

According to AAIS, active ownership can serve several goals:

- The most obvious goal is to improve the sustainability performance of an underperforming company by minimizing negative financial impacts, mitigating adverse impacts (i.e. harm being caused or contributed to people or the planet), and/or meeting the sustainability criteria.
- In light of EU sustainable finance regulation, engagement can also help to increase the level and quality of non-financial disclosures prepared by a company.[17]
- Next to the above, or sometimes as a result of it, engagement can help to enhance company value.
- An engagement goal can also be to help a company that is already a frontrunner in its sector to improve even more, or to enter in a dialogue with a sector as a whole to enhance sector standards.

Active ownership comes in many different shapes and forms, for instance: individual engagement trajectories with companies or industries; collaborative engagement trajectories with companies or industries (for instance using the PRI platform, cooperating with other portfolio managers, via NGOs, et cetera); thematic engagement trajectories, generally with an industry, which can be collaborative or individual; and engagement via Annual General Meetings (AGMs).

15 Asset managers offering SFDR art 8 and 9 products
16 These are line with ABN AMRO's ESG and Sustainable standards for investment products
17 Which can lead to better sustainability risk ratings, higher Taxonomy alignment, etc

Interview – Emanuele Fanelli

The result of a partnership between Aegon Asset Management and ABN AMRO

Emanuele Fanelli is Head of ESG Alternatives at Aegon Asset Management in London. He talks about the Global Impact Equity Strategy, result of a partnership between Aegon Asset Management and ABN AMRO.

"Sustainable investment is a very exciting and fast-moving part of finance right now. If done properly, it has great potential to deliver positive change in the world, as provision of capital can foster simultaneously wealth, growth and environmental and social benefits. Impact investments are a type of ESG investments, made with the clear intention to generate positive, measurable social and environmental impact alongside a financial return. Measurability and intentionality are very important, as it allows our clients to see the impact of their investments, as well as the financial return.

Basically, we are targeting investment in companies whose products and services are aligned with the SDGs and are providing market-based solutions to the most pressing sustainability challenges such as climate change, resource efficiency, a fair society, education, circular economy, innovative food solutions, adaptation and resilience. An important way we aim to create impact is through constant engagement, by talking to companies, encouraging them towards expanding their impactful business line, and perhaps reducing other, not-so impactful ones.

This way of thinking has enormous momentum, and we wanted to create a strategy that was specifically for impact investments and accessible to everyone. Aegon and ABN AMRO are both global companies with a strong Dutch heritage. Both have been working on responsible investments for several decades. We share history, credibility and have a complementary approach to impact investing, so a partnership made sense. In the first quarter of 2021, together we launched the Global Impact Equity Strategy. All companies in the strategy are subject to a top-down screening process that looks at ESG-ratings and the alignment of a company's products and services with the SDGs. All companies are also subject to a detailed, proprietary bottom-up impact analysis. As part of the partnership, Aegon provides the bottom-up impact analysis and the engagement, while ABN AMRO provides the top-down screening and portfolio management. Through a joint committee, we define and validate the investable universe. As financial institutions, we are the stewards of our clients' capital, and our objectives in this strategy are both to maximise the positive environmental and social impacts of our clients' investments as well as their financial returns.

We have classified our Impact strategies as article 9 under the SFDR. It is available for clients through our advisory and DPM service concepts. The sustainable investing objective of the mandate is to invest in companies with economic activities that positively contribute to the whole spectrum of the SDGs, provided that such investments do not significantly harm the other SDGs, and that the investee companies follow good corporate governance practices.

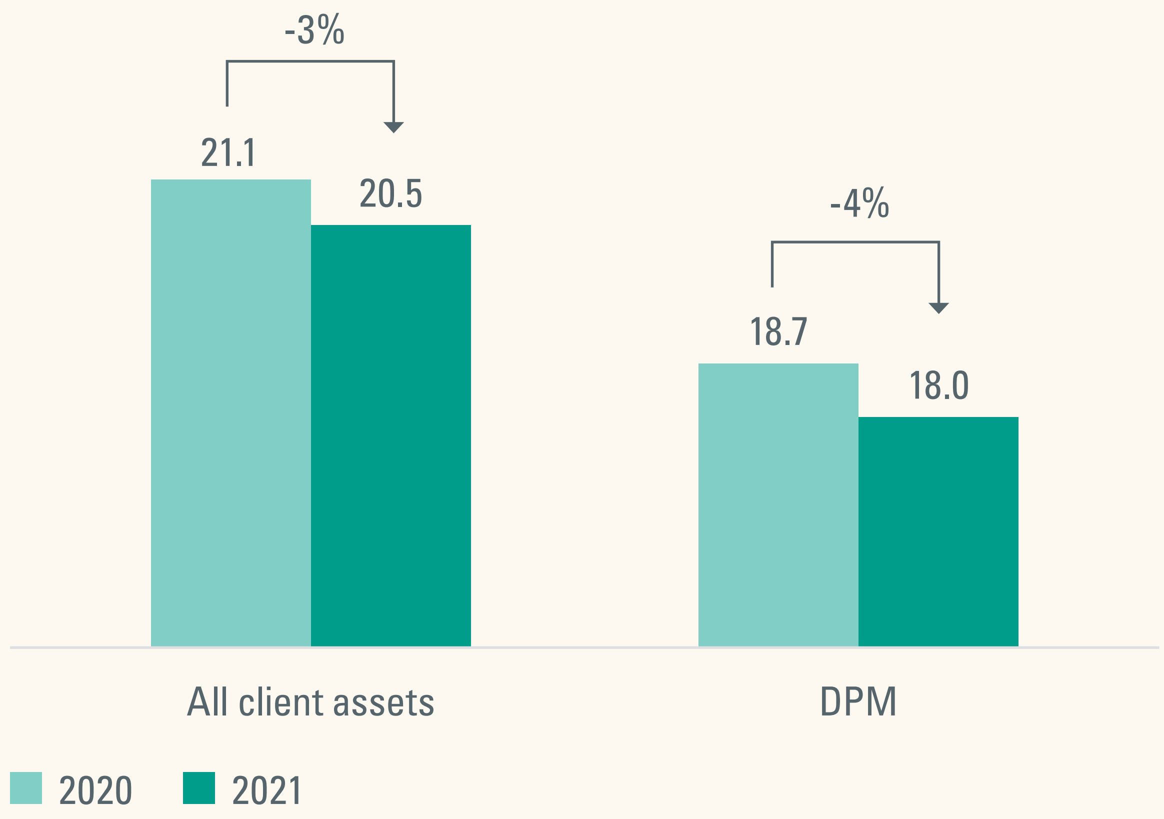
Case study: Reduced ESG risks for clients

ESG considerations have become increasingly important in the investment process, not only for our colleagues, but also for our clients. With our clearly defined ESG criteria, we are better able to make informed investment decisions and let our clients know what to expect from their investments when it comes to sustainability. We believe this is one factor behind why we have seen a steady increase in ESG assets, both in absolute and relative numbers, in recent years.

The ESG Risk Rating, which is provided by our data provider (Sustainalytics), plays a big role in our selection criteria. The ESG Risk Rating captures a company's exposure to environmental, social and governance (ESG) risks, and calculates what residual – unmanaged – risks remain. A lower score, hence, means less unmanaged ESG risk and better ESG performance. Scores can range from zero (negligible risk) to 100, with scores and above 40 indicating severe ESG risk.

Our DPM mandates had an ESG Risk Rating of 18.0 at the end of 2021, just below the score for our entire book of client assets (20.5). We would classify these as, respectively, "low" and "medium" ESG Risk Ratings. Both scores are lower than the year before, which gives us a good indication that the companies in our clients' investment portfolios are on the right track. Digging into the scores a little deeper also provides us with the opportunity to assess which companies and sectors need to – and can – improve on their scores.

ESG Risk Rating



As responsible investors, data is crucial to help us make informed decisions about corporate policies, practices and how companies manage key ESG risks. Over the years, as responsible investment has matured, more and more data has become available. Investors are asking for more transparent reporting and regulation is contributing to further improvements in data availability and quality. ESG data providers and rating agencies have become a key part of the responsible investment landscape and can help support investor decision making. Knowing that they will be rated by external providers has also pushed companies to disclose more. Nonetheless despite this progress, data is not always available, trustworthy, standardised or comparable, and this presents a challenge for responsible investors. Whilst we do use external data providers, we also do our own due diligence, particularly when there is little disclosure. In most rating methodologies, no disclosure gets assigned the worst rating because it is not possible to assess a company's policy or involvement in certain activities. As investors we cannot rely on this to make decisions and if necessary we discuss directly with companies to understand better their practices.

Joost van Eck,
ESG data specialist

Working together with our stakeholders

Creating a positive, lasting impact requires working closely together with our stakeholders. We work not only for and with our clients, but also with our colleagues, with regulators, and our investors. In order to continue to provide solid products and services, we share our successes and face challenges together.

Our clients

Interview – Eline Hesse (Client)

"My generation looks critically at financial systems, we worry about climate change and are interested in the energy transition."

Investments for a younger generation

In 2018, Eline Hesse's father gifted her a substantial investment portfolio with shares in Shell and McDonald's. Eline, who has a creative background, did not know much about finance, but was very interested in sustainability. She decided to re-educate herself in order to reinvest the entire portfolio in sustainable funds. "My first decision was to understand all the jargon that was used," says Hesse, who is now a financial activist with a business of her own. "I read a lot, visited events and talked to many financial professionals." She received a wealth of general advice and information on risk profiles, but not so much on sustainable investments. "It is different now, but four years ago nobody asked me about my personal values or what I wanted my legacy to be. If someone wants to invest in sustainable funds, they need to know what is important to them personally."

Be clear

Eline says: "People today are far more discerning about the impact of money and want to know if a fund is truly sustainable. My generation looks critically at financial systems, we worry about climate change and are interested in the energy transition. We respect organisations that make clear choices and stand by them." Discerning young people also need more information: what is the potential impact of their money? How do they know a fund is truly sustainable? What choices did the bank make to select these funds? And they prefer that information in short videos, not long reports.

It is personal

Financial institutions that want to attract younger investors, need to be aware of the almost spiritual nature of their quest for the right funds, says Eline. "I have talked to young people that have inherited family wealth and truly struggle to balance their personal values with those of the family." Eline believes it is important to empower people and strengthen their independence through financial knowledge. Because she herself had to learn through trial and error, she decided to help others by setting up her own business, called Bewust (Dutch for 'conscious' or 'aware'), that helps others to make conscious, sustainable investment choices.

Interview – Judith Sanders,
ESG Investment strategist

Sustainability Magazine

“When clients come to us, we first ask what their financial objective is. We talk about risks, opportunities and targets, but also about what is emotionally comfortable to them. Together, we determine a risk profile. If clients express an interest in sustainable investments, we discuss the different themes, such as biodiversity, gender equality, the circular economy, and the energy transition. We explain ESG ranking, whereby companies are judged and scored on how well they perform in ESG issues. These quantitative ratings are supplied to us by partners, such MorningStar, Sustainalytics and ISS Oekom. The scores assist ABN AMRO in making strategic decisions whether to invest in a particular company, fund, bond or ETF (Exchange Traded Fund).”

“We share a lot of knowledge with the world through websites, social media, external magazines. We make short videos addressing all of these topics and put them on our website with links to more information. We publish our own Sustainability Magazine in four countries, in print and online. We write articles on the dilemmas faced in sustainable investing, such as the mining of raw materials used to make ‘sustainable’ products. We want to show where the difficulties lie, not just tell the happy stories. We organise webinars and hold presentations. And, on top of all this, clients with a sustainable portfolio receive quarterly reports on the sustainability impact of their portfolio in addition to their regular financial reports.”

“We write articles on the dilemmas faced in sustainable investing, such as the mining of raw materials used to make ‘sustainable’ products.”

Case study: Client reporting Helping clients understand how sustainable their investments are

We try to be as open and transparent as possible about the sustainability choices we make in our clients' investment portfolios. As such, ABN AMRO now provides its Advisory and DPM clients with regular reporting on the sustainability characteristics of their investments.

As part of our clients' quarterly Non-Financial Reporting, we now provide clients with insights into how sustainable their investments are. We also highlight the progress being made to achieve any sustainability goals. This is a step forward, not only in helping our clients transition toss more sustainable investments, but also in executing ABN AMRO's strategy.

The improved client reporting now provides clients with the following information:

- An indication of the environmental, social and governance (ESG) risk of their portfolio
- The carbon emissions that have been financed by their investments
- How their investments are contributing to achieving the goals of the Paris Agreement
- How their investments are contributing to the SDGs

How did we get here and what can you expect from us in the future?

We have started by implementing the new client specific reporting solution across all countries (Netherlands, Germany, Belgium and France) for clients' equity holdings only. We are constantly looking to improve the methodology and aim to expand the reporting solution to also cover clients' fixed income holdings. We are integrating the results of sustainability analysis into other platforms, such as our internet banking and app environments, providing clients with even more ways to learn about the sustainability characteristics of their investments.

We have already received many questions from clients on the back of the new reporting, including questions on how engagement and voting works for their investments. We are now looking into how we can add relevant information on these activities in our clients' quarterly reporting.

Jesse van Scherrenburg
Business Developer Change & BI

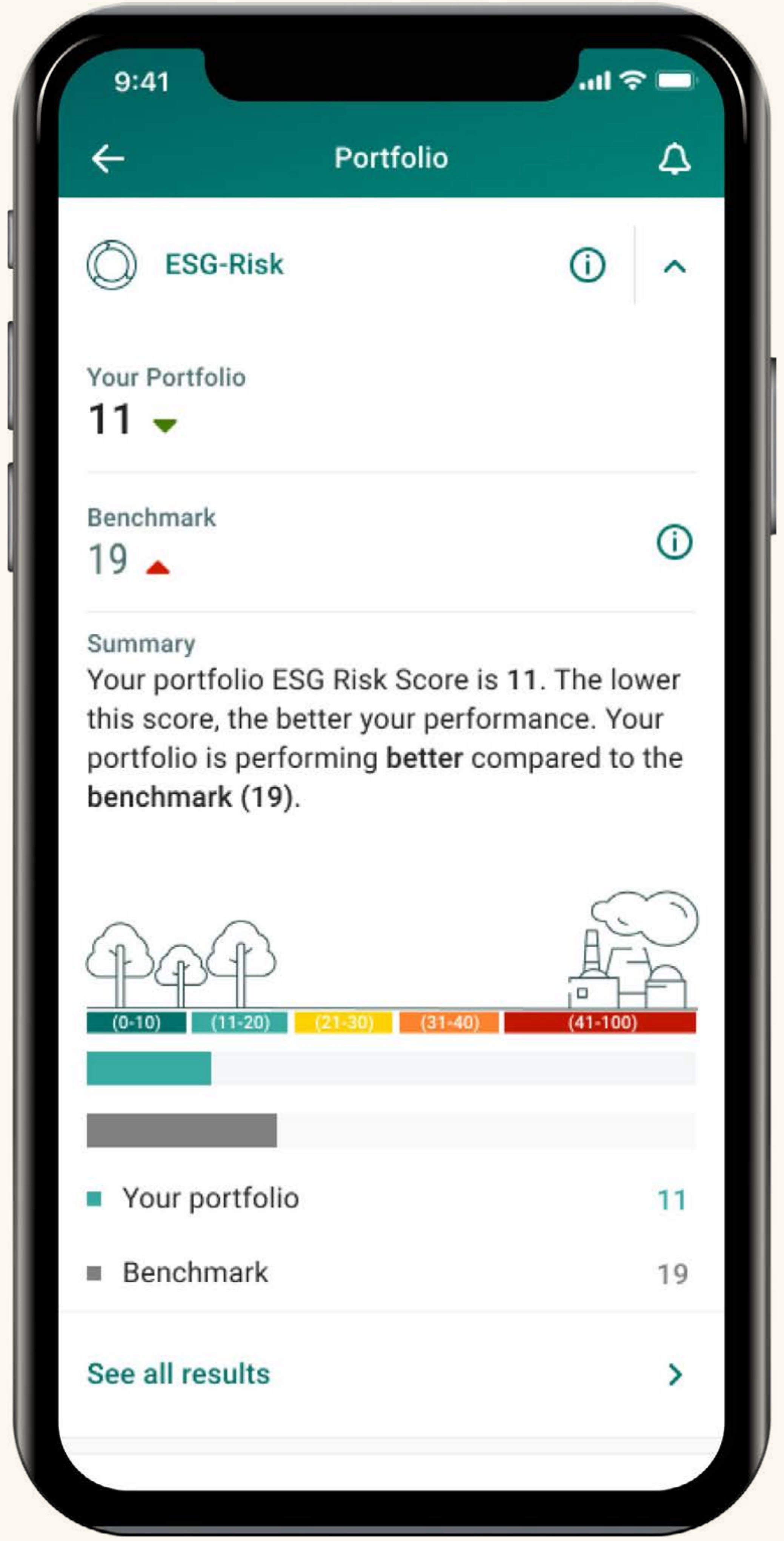
Case study: Clients gain insights into how sustainable their investments are through the ABN AMRO app and internet banking

"With sustainable investments, clients achieve more than just returns. They can make a positive impact on the world for people, the environment and society"

Our Advisory and DPM clients in Germany can now use the ABN AMRO mobile app or internet banking to learn how sustainable their investments are. The sustainability dashboard in the ABN AMRO app and Internet Banking shows an overview of the sustainability goals that have been achieved with clients' personal investments. Clients can see how sustainably they invest, compare their investments to the 'benchmark' and understand what their contribution is to various conventions as ESG (environmental, social, governance) risk, CO2 emission, Paris agreement and the sustainable development goals to make the world more sustainable.

This is a big step forward for us, and it helps us to better help our clients transition to more sustainable investments. Offering this to our German clients is only the beginning. We plan to extend the new dashboards to our Belgium, French and Dutch Wealth Management clients this year.

Wendy Potters
Business Developer Investments & Sustainability



Interview – Casper Plochg (Netherlands)

Sustainability Education

Casper Plochg is Business Consultant at ABN AMRO MeesPierson, and a firm believer in the future of sustainable investment. "I will go as far as to say that in the future it will no longer be financially sound to invest in non-sustainable businesses." Casper's belief is no exception at ABN AMRO MeesPierson. Four years ago, the bank started awareness sessions about sustainability. A screening of Al Gore's movie 'An Inconvenient Sequel, Truth to Power' really drove the subject home.

In an effort to do more, ABN AMRO contacted the Oxford University Saïd business school and together, created a sustainability investment training for its private bankers and investment advisers. An e-learning module followed for all employees. "The movie and the training have given me a sense of urgency," says Casper, who is bringing together the different sustainability initiatives within the organisation, to align them and create synergy. "We want to give our colleagues all the necessary tools to effectively and proactively talk to clients about sustainability in the broadest sense of the word. ABN AMRO has identified three sustainable themes: climate change, circularity and social impact. But before they talk, they have to listen: What do our clients worry about? What are their plans?

"We want to give our colleagues all the necessary tools to effectively and proactively talk to clients about sustainability in the broadest sense of the word."

If energy costs are a weight on their mind, that is an opening for us to talk about sustainable energy sources." The risk of being a believer is evangelisation, Casper is well aware. "We really, really want to tell our clients how important sustainable investments are or how they can make a social impact with their wealth, but we need to think from their point of view. We need to train our conversation skills, too."

And the bank needs to tell its own story louder, says Casper. "Other banks are waking up to the fact that sustainability is important. We need to talk more about the impact we have as ABN AMRO MeesPierson, and the impact our wealth management clients can have." Research has shown that many customers are very interested in the topic. "There's a growing group of people who want more than just profitable investments. They want profitable investments and to contribute to the planet's welfare."


Interview –Olfa Maalej & Basile Schlumberger (France)

Ahead of the game
Sustainable investing is the future

Private banking specialist Banque Neuflize OBC operates 11 branches in France's main cities. **Olfa Maalej** is a member of the managing board and is responsible for products and solutions. **Basile Schlumberger** is product specialist impact funds. Both Maalej and Schlumberger feel the trend towards sustainable investments and green loans is accelerating in France, with interest growing in topics such as energy transition, inclusivity and biodiversity. "We explain to our clients that we truly believe in this path," says Maalej. "We are not following a trend: Neuflize OBC has had sustainable investment offerings since 2010. This experience gives us a clear and competitive advantage." The experience and expertise of the teams helps convince sceptical clients that sustainable investments are not some kind of greenwashing. Maalej: "Some express doubts and say 'this is just marketing'. Then we explain our strategy and how we built our portfolio. We explain the difference with the conventional portfolio. We show the financial returns. We explain 'best in class' and impact investments. Clients usually change their minds after they have spoken to us." Schlumberger adds that 80 to 90 per cent of clients does so. "We are quite forceful when we suggest investing in sustainable funds, because we really believe it. We tell clients that 92 per cent of ABN AMRO employees believe sustainable investment is the path to the future. That is a very powerful argument. And we talk with conviction."

Banque Neuflize OBC has spent much time and effort in educating its private bankers and client-facing employees on ESG-investments. "We help to transition them to a more sustainable world," states Maalej. "It is the future and sustainable investments will become the default. We're just ahead of that game."

"We are not following a trend: we have had sustainable investment offerings since 2010."

Interview – Reinhard Pfingsten (Germany)

Celebrating 10 years of ESG

Reinhard Pfingsten is Global Head Asset Allocation at ABN AMRO and Chief Investment Officer at the German Investment Center for Bethmann Bank.

"Last year we celebrated our 10th anniversary of sustainable investment as a pillar of our investment philosophy. Looking back, we have created a solid foundation for the future. For the first client we doubled the wealth with a balanced portfolio. This is the result of our Quantamental approach, a combination of the experience of our investment professionals with quantitative analysis and fundamental metrics. Our experts are basically incredibly clever with mathematics and statistics, but also with fundamental analysis and ESG analysis.

We are also very proud of our Sustainability Council, a body of people from different regions of the ESG domain. The committee has experts on biology, church affairs and governance. Recently we added a climate expert. Their responsibility is to give us advice and to be an anchor, to ground us to what is going on outside our financial domain. What is normal in their domain? What are the rules? What are the ethics in the environmental, social, and governmental space? Big events in the world raise big questions for us. With energy shortages, what is the position on nuclear energy? On coal? Do we change our approach or not? These are topics we discuss.

> "Looking back, we have created a solid foundation for the future."

Looking forward, we see the role of data growing in importance. Naturally, we provide our clients with financial analyses on their investments, but also with non-financial reporting or NFR. This includes data from our service provider Sustainalytics, on how companies perform on ESG-matters. For example, CO2-emissions, origination of materials, equality of pay. This is a way of reporting that is fairly new and it is exciting to see how this is developing, when more data becomes available.

Interview – Marcel Kunnen (Belgium)

From exclusion to 'best in class'

Marcel Kunnen is the Head of Institutions & Charities in Belgium. His customers are not-for-profit organisations, such as charitable institutions and religious communities. Often there is one person responsible for the financial choices with regards to the reserves. The difference with private clients is that this person's choices are judged by the rest of the organisation, the board of directors and/or shareholders. "An interesting situation when we talk about sustainable investments, as they are a deviation from the standard stock exchange, and thus a pertinent and active choice. For now. The sustainability transition is accelerating, and we believe that sustainable indexes will become the standard."

Marcel enjoys introducing his clients to the world of sustainable investments. "As not-for-profits have business models that envision an environmental or social impact, we talk about how to translate their ideology and principles into investment funds that match. That is enjoyable, but not always easy, as we touch upon complex topics. Take, for example, child labour. Our instinctive response is 'it is wrong, we want to exclude companies that employ children'. But who are we to judge? It was not that long ago that children worked in Western Europe. Not everybody went to school. If our part of the world went through that phase, who are we to condemn others for it?"

He takes the thought experiment a step further. "What if the child is the only bread winner and their work feeds an entire family? What if the employer provides hot meals and an education?" Marcel admits he enjoys challenging people's opinions. "These are not easy discussions to have, but they are important. It is how we discover what is important to our clients. Their investment strategy has to match the principles for which they stand." He goes on to explain that the standard in sustainable investments used to be exclusion. For many years now, next to exclusion, ABN AMRO has added the 'best in class approach': selecting those companies that deal with local sustainability issues in the best possible way. Marcel: "Exclusion is not always a constructive way to make the world a better place. By investing in companies that do well, we hope to push them to do even better. And legislation will follow, it always does. Every country goes through the same phase. Together we can make sure those phases become shorter and take companies to the next level. And yes: after discussion and careful reflection most clients do want to exclude child labour practises, which is perfectly possible and remains the standard in our sustainable approach."

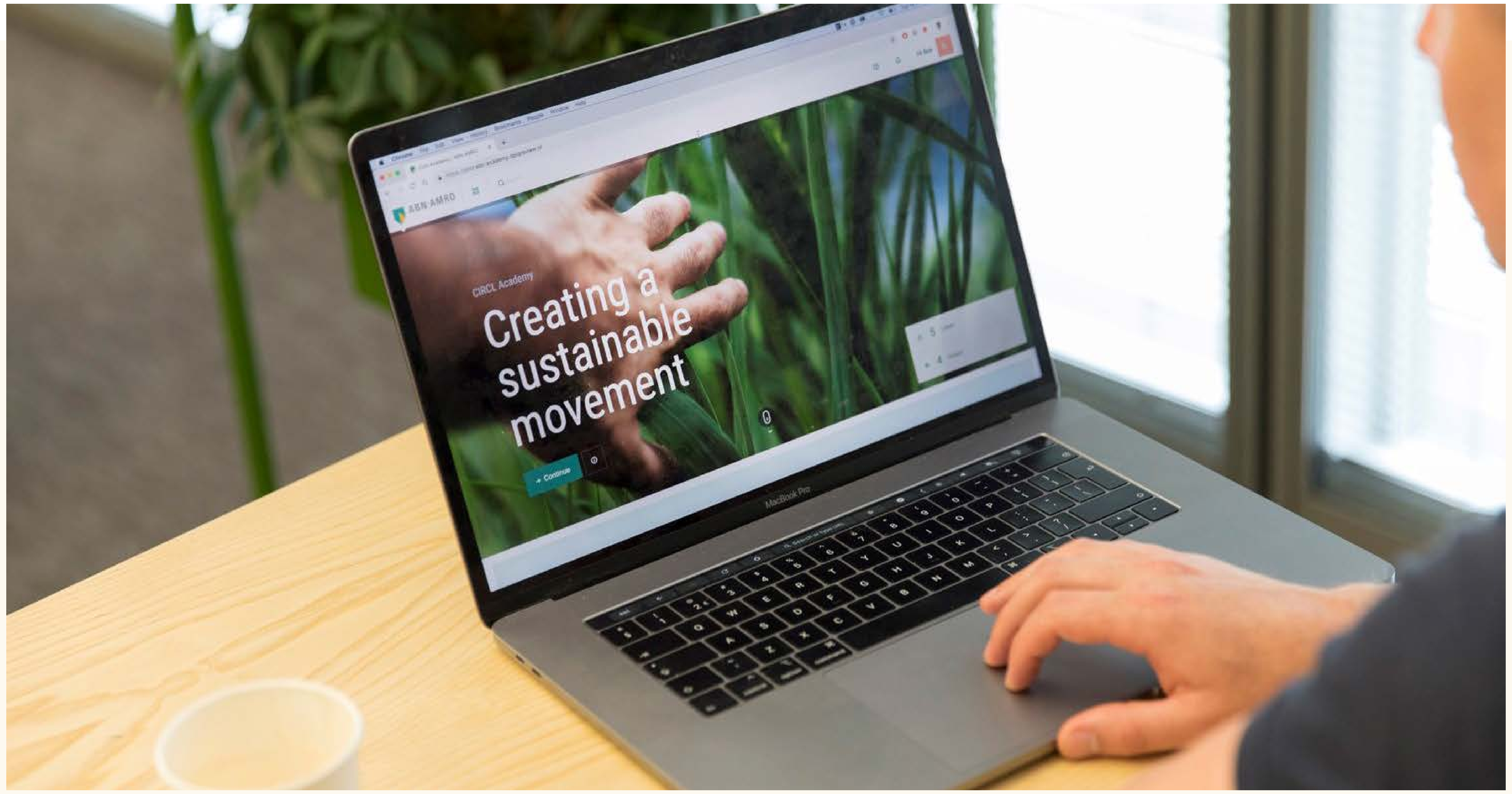
"The sustainability transition is accelerating, and we believe that sustainable indexes will become the standard."

Our employees

Case study: CIRCL Academy

Sustainability lies at the heart of ABN AMRO's purpose: Banking for better, for generations to come. It is one of the three pillars in our strategy: Supporting our clients' transition towards sustainability. Despite this, not everyone knows how they can contribute to the bank's sustainability strategy in their day-to-day work. That's why CIRCL Academy (part of HR People Development) was founded three years ago. CIRCL Academy aims to support more than 20,000 ABN AMRO employees in how to embed the bank's sustainability strategy into their daily work and to help them and our clients on their sustainability journey.

CIRCL Academy guides employees in discovering what sustainability means to them and is perfectly situated at the intersection between sustainability and learning & development. Based on the needs of employees in the client units, we develop solutions that help integrate sustainability into the heart of our business. The focus is not only on knowledge and skills, but also on inspiring and motivating behavioural changes. The end goal is to enable employees to become an important partner -for both clients and colleagues – to accelerate the sustainability transition.



E-learning platform

One way CIRCL Academy operates is through the online CIRCL Academy platform. The platform provides employees with e-learning courses that are specifically tailored to ABN AMRO, helping employees to develop their knowledge and skills with the help of our internal sustainability experts. The e-learnings cover ABN AMRO's sustainability strategy and purpose, as well as in-depth modules on different core sustainability themes, like climate change, the circular economy and social impact.

In addition to the online platform, we also offer a guided podcast, called 'The Purpose Walk' with various changemakers and music fragments to inspire them in their sustainable journey, to inspire colleagues in their personal journey towards sustainability.

ESG and sustainable investing

As a bank, ABN AMRO plays an important role in helping our society transition to a low-carbon, sustainable future. This includes discussing ESG and sustainable investing with our clients and making them aware that their investments can make an impact – positive or negative – on people and on the planet. Since 2018, we have made sustainable investing as the default option for all clients who start investing.

The employees that were involved making the Circl e-learning on ESG and impact investing: Maya Sloekers, Jazz Rampen, Myrthe Wessels, Emma Ruts, Vincent van Dongen, and Iris ten Thije

Last year CIRCL Academy developed a Sustainable Investment e-learning for employees to help clients make their investments more sustainable. This e-learning is available to all employees in the Netherlands, Belgium, France and Germany. During this two hour course, ABN AMRO employees learn why investing sustainably is important and how sustainable investments relate to traditional investments. They also learn about the different options clients have for making their investments more sustainable, as well as how ABN AMRO decides whether a company is sustainable enough to invest in.

Together we can go further

All around us we see companies with similar needs. Afterall, successfully making the transition to a sustainable society and business model requires us all to act now. We believe that by working together we can achieve more, which is why we closely watch what's happening in the world outside ABN AMRO and collaborate with other like-minded organizations to exchange ideas and best practices. This collaboration is necessary to accelerate the shift towards sustainability and to make a positive impact. Not just within the organisations we collaborate with, but within our society as a whole and of course for our planet.

Executive Summary

Our strategy & approach

Working together with our stakeholders

Collaborations & credentials

Stewardship

Outlook

Collaborations & credentials

ABN AMRO is a signatory to various international initiatives that help to support and guide our sustainability efforts. These include the Principles for Responsible Banking and the UN Global Compact, of which we have been a member of for over 16 years. We collaborate with a wide range of like-minded parties through these initiatives to help tackle the many environmental and social challenges facing our society.

We are active in various international efforts to tackle climate change, and ABN AMRO is a founding member of the Partnership for Carbon Accounting Financials (PCAF) – a collaborative initiative of financial institutions from around the world that are working together to develop and implement a harmonised approach to measuring and reporting on the greenhouse gas emissions financed by their lending and investing activities. We have also committed to implementing the recommendations from the Task Force on Climate-related Financial Disclosures (TCFD).

In 2021, we joined 'Banking for Impact' to help develop global standards for environmental and social impact reporting. Recognising the importance of taking action to protect our planet's biodiversity, we also signed up to support the Partnership for Biodiversity Accounting Financials (PBAF), an initiative inspired by the work – and success of – PCAF. We believe that biodiversity will become an increasingly important issue for the financial sector going forward, much like climate is today. Afterall, many of our clients depend on the natural world to support their business models and livelihoods.
We also closely monitor our rating in the S&P Dow Jones Sustainability Index (DJSI), which is widely regarded as the most reliable external assessment of large global companies' sustainability practices. In 2021, five points were deducted from our DJSI score to reflect the recent anti-money laundering investigation; this resulted in us falling short of our target of being in the top 5% of DJSI-rated companies.

In addition to bank-wide sustainability initiatives, we also support a number of initiatives that specifically relate to lending or investing. For investments, these include the PRI and the Global Impact Investor Network (GIIN).

The PRI is the world's leading proponent of responsible investment. The PRI works to understand the investment implications of ESG factors and encourages investors to incorporate these factors into their investment decision-making process in order to enhance returns and better manage risks. As a signatory to the PRI, ABN AMRO has committed to the following principles:

1. We will incorporate ESG issues into investment analysis and decision-making processes
2. We will be active owners and incorporate ESG issues into our ownership policies and practices
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest
4. We will promote acceptance and implementation of the Principles within the investment industry
5. We will work together to enhance our effectiveness in implementing the Principles
6. We will each report on our activities and progress towards implementing the Principles.

Signatories to the PRI take part in an annual questionnaire to evaluate their implementation of the principles. In the latest available results, covering reporting year 2020, ABN AMRO scored A+ for Strategy & Governance.

We are also a member of the Global Impact Investor Network (GIIN). The GIIN is dedicated to increasing impact investing and effectiveness around the world. The GIIN seeks to accelerate the industry's development. Ultimately, the GIIN focuses on reducing barriers to entry for impact investing, enabling more investors to allocate capital to investments that can help solve the world's sustainability challenges. The GIIN's work currently focusses on industry networking and events, tools and resources for impact measurement and management, training programs, research, and market leadership initiatives.

Interview – Françoise Martino

The principles for responsible investment

ABN AMRO has been committed to the PRI since its launch in 2006. Sustainable Investment Manager Françoise Martino of ABN AMRO Investment Solutions (ABN AMRO's asset manager) has seen the PRI evolve from an idealistic initiative to a 'licence to operate'. Françoise has first-hand experience of this development: together with dozens of other financial institutions, ABN AMRO was among the first signatories to the PRI.

"In the early days, the PRI was a great way to see whether the bank's sustainable investment principles aligned with international standards," Françoise explains. "Quite honestly, though, that's pretty much as far as it went at the time. There were also people who didn't see any added value, since signing the PRI meant a lot of extra work."

Flywheel

Since then, more than 2,300 investors around the world, representing a total of 85 trillion US dollars in invested assets, have committed to investing in accordance with the six principles defined in the PRI. This makes the PRI the leading sustainability initiative in the investment sector. Organisations that have signed the principles commit to integrating ESG (environmental, social and governance) factors into their investment analyses, policies and decision-making processes, and they demand transparency about these factors from the companies in which they invest. They also work together toward effective implementation and report on their progress, and they encourage adoption of the Principles in the financial sector.

Avoiding greenwashing

One of the ways in which ABN AMRO gives concrete shape to the PRI is in assessing the managers of investment funds that the bank offers to its clients, Françoise continues. "Investment funds are subjected to an intensive analysis, consisting of two questionnaires of seventy questions. We also visit the fund managers' offices to conduct a thorough due diligence. It is only at their offices that you can see what weight sustainability carries in the process of selecting the investments for their portfolios, and more importantly whether the investment manager's people believe in it. This helps us to eliminate the possibility of greenwashing."

Sharing knowledge

Supported by its members and the United Nations, the PRI has conducted extensive research into raising awareness of sustainability risks. Françoise explains, "The PRI is doing some incredible work. They've made remarkable progress in recent years, particularly in sharing knowledge and best practices, with ABN AMRO as an active contributor." For example, ABN AMRO Investment Solutions hosted a session at the annual 'PRI in Person' conference, which was held in Paris.

The idea behind the event, entitled 'Beyond Sustainability Labels', stemmed from the numerous rating agencies that issue sustainability labels for investment funds. Each of those labels focuses on a different area or geographic region, and some are promoted by government institutions. The overall landscape is large and diverse and can be confusing to investors who are thinking about making a sustainable investment. "That session was intended to help people understand that landscape, but also as an opportunity to discuss the future of sustainability labels," explains Françoise.

Interview

Collaborating with universities to gain new insights on ESG

In-house research is a boost for sustainability

Do investors respond when a company improves its sustainability scores? And are higher scores rewarded with more investments? To find out the answer, ABN AMRO launched a study together with Oxford Saïd Business School and the Erasmus School of Economics.

Why carry out fundamental research of your own?

"We, as a bank, have chosen to make sustainable investing the standard. Given that decision, it's only natural that you also want to play an active role, take a clear stance, and make an active contribution." says Triesschijn. "Doing scientific research is then a logical step. Oxford already has lots of experience studying the relationship between sustainability and investing and has the capabilities to perform more in-depth research. To this, we added the expertise of the Erasmus School of Economics by way of Mary Pieterse-Bloem, who works as a professor there. Our data set is attractive for scientific researchers: we have five million retail and private banking customers."

Can you say anything else about the usefulness of this research for the private bankers and their customers?

Triesschijn: "Buying data on corporate sustainability scores is expensive for the bank. That's why we wanted to demonstrate the added value of this information and show that our advisers and customers really take it on board. We got this confirmation. Added to that, this type of research is a good starting point for the whole industry: the more we know about investor behaviour, the faster we can move towards sustainability."

How did the cooperation with Oxford Saïd Business School come about?

"Sustainable investing is on the rise, also at ABN AMRO, where it is now the standard for new investment customers. Our search for a training programme for the entire investment organisation brought us to the Saïd Business School in Oxford. As one of the first universities to become involved in sustainable and impact investing, they have lots of experience and, being a Business School, are also highly practical in their approach. In 2018 the 'Oxford Fundamentals of Sustainable and Impact Investing Programme' was started for all private bankers and investment advisers at the bank. Alongside this teaching programme, we also wanted a closer research partnership with a university and Oxford turned out to be the correct party in that field too."

Vincent Triesschijn
Global Head ESG and Sustainable Investing

Research: Sustainability and Private Wealth Investment Flows

Using a fully anonymised data set of ABN AMRO's private bank, researchers of Oxford University and Erasmus University investigated how investors take ESG scores on board in their equity and bond portfolios, and whether they adjust these portfolios to changes in the ESG scores. The study confirmed that more is invested in companies and institutions with higher ESG scores. Investors also respond positively (or negatively) when these scores improve (or deteriorate). The measurement period was from January 2016 to December 2019. The research results are set out in an article that was submitted to the Global Research Alliance for Sustainable Finance and Investment Conference that is scheduled for September in New York.

Stewardship

Interview – Karin Bouwmeester,
Senior Manager ESG Reporting & Stewardship

Making our voice heard

ABN AMRO wants to encourage the companies it invests in on behalf of its clients to adopt more socially-focused and sustainable business practices. To that end, the bank is working with engagement partners to hold companies to account. "A positive, critical approach makes a big difference."

A sound ESG policy has been a top priority at ABN AMRO for quite some time. The bank follows its own sustainability guidelines, and we endorse the ten principles outlined in the UN Global Compact; these cover a range of issues, such as human rights, the environment and employee working conditions. But now, unlike in the past, the bank has opted for a more proactive approach, says Karin Bouwmeester, responsible for ESG Engagement and Reporting.

"We used to try to establish a dialogue with companies, a process known as 'engagement', whenever a serious violation of the UN Global Compact principles occurred. Obviously, we still do that, but it's a reactive approach to a negative cause. That, together with the fact that it actually results in a loss of influence, is why exclusion is not our preferred approach. By collaborating with our engagement partner, EOS by Federated Hermes ("EOS"), we now proactively try to establish a dialogue on the basis of certain themes which will help prevent potential violations and inspire companies in a positive way."

As one of the bank's engagement partners, EOS talks to listed companies about ESG issues, and focuses on twelve themes that range from the environment and circular business practices to risk management and employee working conditions. And because EOS speaks on behalf of so many stakeholders, the idea is that these talks have more clout than if each stakeholder were to operate individually. After all, these stakeholders collectively have a larger share in companies, and thus more influence on them.

"Mindful of our purpose – banking for better, for generations to come, we have to ensure that active ownership is a meaningful concept," says Karin. "On behalf of our clients, who are the shareholders, we have a seat at the discussion table with these companies thanks to our engagement partners. That automatically gives us a certain influence and responsibility, both of which are helping us make changes for the better."

It's not all about talking, though. The engagement strategy is a step-by-step process – if a given company chooses to cooperate, that is. Karin explains, "Depending on the chosen theme, EOS looks for companies which need to take steps in a given area and reaches out to them. Sometimes, a company may have no wish to discuss the matter. And in extreme cases, such companies may well be added to our exclusion list. More often than not, though, they're open to dialogue. That's when we try to arrive at concrete goals together."

The engagement managers at EOS set specific objectives for companies, systematically encourage them, and measure their progress. An extensive reporting suite is available, which includes regular case studies that we share with ABN AMRO clients, providing them with greater clarity on the progress companies are making to become more sustainable.

"There will always be leaders and followers," Karin concludes. "Engagement is a great way to help companies learn about ESG and develop their policies. But if you carry out engagement only when violations are committed, you've actually already missed the boat. We also hope a proactive, transparent approach will help foster mutual inspiration and healthy competition among companies and create a spin-off effect where everyone wins – not just the business sector, but also employees, society as a whole, and future generations."

Our clients invest in a wide range of companies, which, in turn, are active around the world across different sectors. Through their investments in these companies, our clients also face worldwide ESG issues. Consequently, we have to find effective ways to ensure that these investments contribute to a sustainable future, and that we take ESG risks into account. In our investment universe, we want to encourage the companies that our clients invest in to adopt more socially-minded and sustainable business practices, as well as to reduce the risk of these companies engaging in unsustainable activities. In line with the second of the six UN PRI, we strive to exercise our leverage through engagement and proxy voting.

Engagement

ABN AMRO believes that ESG issues can negatively impact the value of an investment. They can, therefore, also affect the performance of our clients' investment portfolios, to varying degrees, depending on their exposure to material ESG issues and risks. We use our influence as a large financial institution to enter into a dialogue with investee companies, encouraging them to take steps to mitigate identified ESG risks, and to make changes to their businesses for the benefit of people and the planet. This is known as engagement. We believe that engaging with companies may improve their (long-term) financial performance.

We generally distinguish between the following types of engagements:

- **Mitigating harm:** Engagements with companies identified as causing (or at risk of causing) significant harm to people or the planet by, for example, breaching of one or more of the UN Global Compact Principles.
- **Thematic engagements:** Engagements with companies on a wide range of ESG topics, such as climate change, biodiversity, human rights, and diversity. We seek to make companies aware of relevant ESG risks through these engagements and advocate the steps we believe are needed to make their businesses more sustainable.
- **Product-driven engagements:** Engagements with companies in connection to a specific investment product or solution. The focus of these engagements will depend on the product or solution in question. Typically, examples include requests for additional ESG disclosures or clarity on a company's strategy or outlining areas where we feel improvement is required to increase a company's positive real-world impact.
- **Direct engagements:** In direct engagements, ABN AMRO engages bilaterally with investee companies on behalf of its clients in connection with one or more issues.
- **Collaborative engagements:** In collaborative engagements, ABN AMRO engages with investee companies alongside other like-minded investors. By doing so, we speak to companies with a unified voice and can more effectively communicate any concerns. Engaging collaboratively also increases our leverage in discussions with companies since, collectively, the group of investors hold a larger number of shares in a company.

We typically engage with companies for around two to five years depending on the specific engagement objective. We may engage with a company for longer than this if, for example, new ESG issues emerge during the course of our engagement.

Occasionally, an engagement may stall if it becomes clear during the process that a company is unwilling or unable to make the changes that we request of them. On these occasions, we may decide to terminate our engagement attempt. Depending on the severity of the ESG issue(s) that were being discussed with a company, terminating an engagement may also result in the company being added to our exclusion list. Our preference is always to remain invested, where possible, so that we continue to have a seat at the table and can discuss our views with a company's management. However, in cases where the company's actions are causing or contributing to significant harm to people or the planet, we believe it prudent to add the company to our exclusion list and stop actively investing in the company.

EOS (collaborative engagements)

In 2020, ABN AMRO Bank joined the engagement programme of EOS at Federated Hermes ("EOS"). Participating in this programme allows us to scale up our engagement efforts and extend the reach of our voice. The EOS programme provides us with a solid foundation for our ESG due diligence, and it allows us to engage with a large number of listed companies on a wide range of ESG issues – many more than if we were to engage directly. EOS engages with investee companies on behalf of many other investors who participate in the programme. We believe this adds more impact to discussions with companies than if we, or the other investors, were to operate individually.

EOS engages with companies across twelve different themes, ranging from the environment and circular business practices to risk management and employee working conditions. As part of its service, EOS provides participants in the programme an extensive reporting suite that includes regular case studies. This provides us and our clients with greater clarity on the progress that is being made with individual impacts, and the impact that our engagement attempts are having.

When engaging with companies, EOS aims to define specific, measurable changes that it can request a company to make. These are essentially the desired goals – or outcomes – for an engagement and are defined by EOS as the engagement objective. Objectives are regularly reviewed until they are either achieved (i.e., when the company has demonstrably implemented the requested changes) or are discontinued. An engagement objective may be discontinued if it is no longer relevant to the company in question, or the objective is no longer deemed feasible.

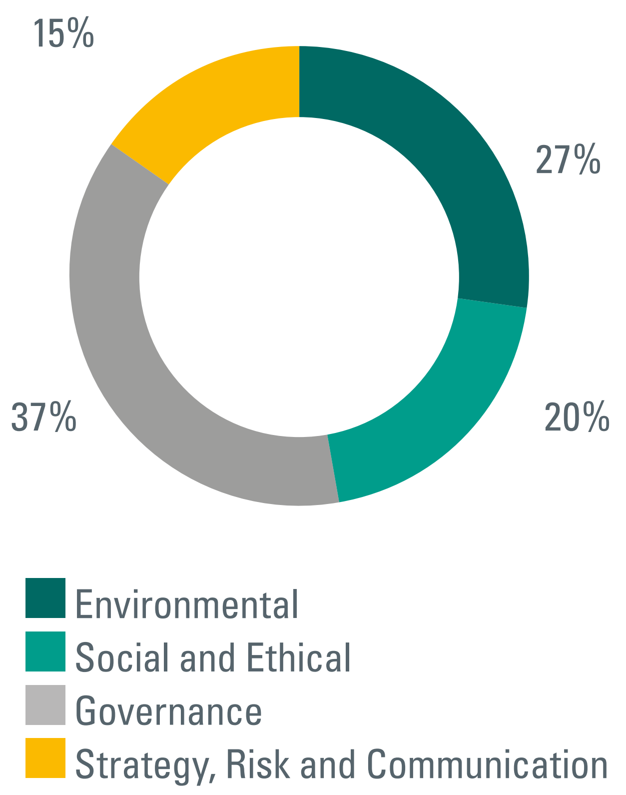
Occasionally there may be cases where EOS raises a specific topic with a company without precisely defining an engagement objective. EOS defines these cases as "issues", and they can happen where the ESG issue is of low materiality for a company (meaning EOS is unlikely to engage with the required frequency to pursue an objective) or where EOS is still in the process of identifying the required changes at a company to define an engagement objective.

EOS tracks the progress of each engagement objective using its proprietary milestone system. The specific milestones used to measure progress in an engagement vary depending on the concern and its related objective; however, they can broadly be defined as follows:

- Milestone 1: Concern raised with the company at the appropriate level
- Milestone 2: The company acknowledges the issue as a serious investor concern
- Milestone 3: Development of a credible strategy / Stretching targets set to address the concern
- Milestone 4: Implementation of a strategy or measures to address the concern

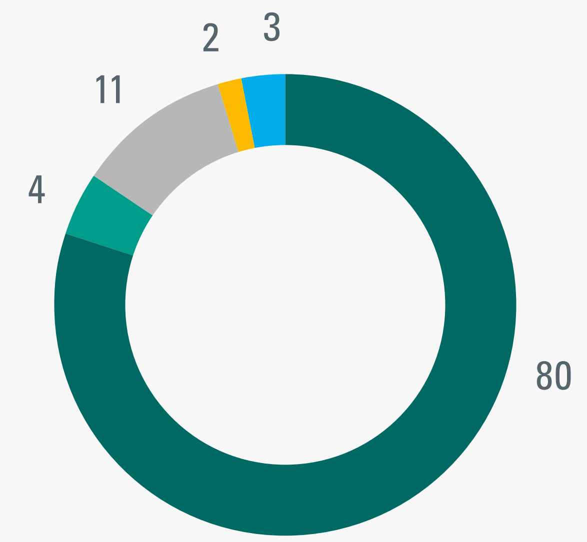
In 2021, we engaged with a total 845 companies on 3,346 objectives and issues in 2021 via EOS. The following provide an overview of the different topics we engaged with companies on during the year, and the progress that was made versus pre-defined engagement objectives.

Engagements by theme
(% of total)



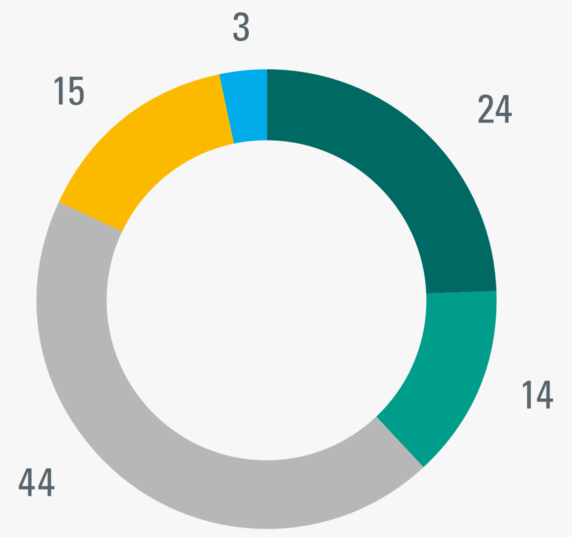
Engagements by topic

(% of engagement themes)



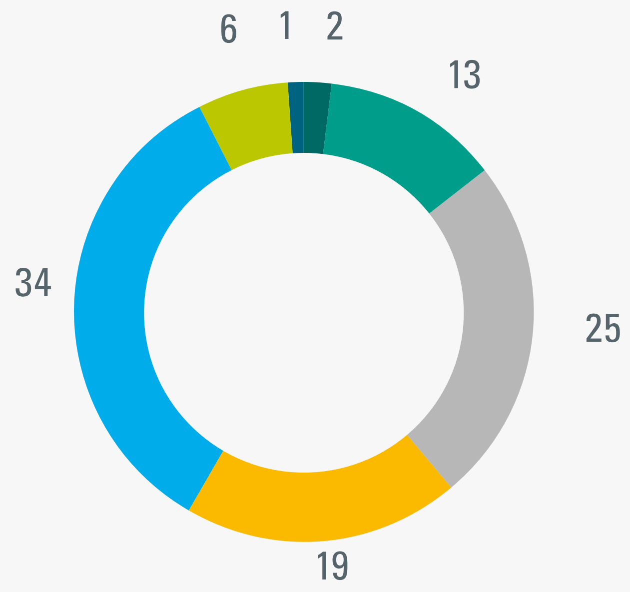
Environmental

- Climate Change
- Forestry and Land use
- Pollution and Waste Management
- Supply Chain Management
- Water



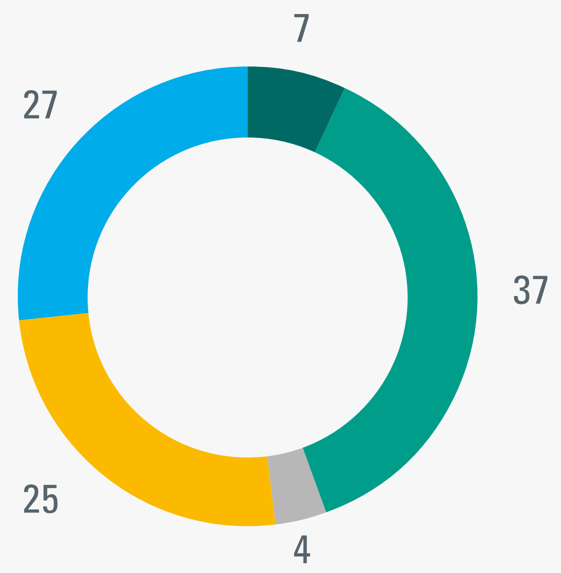
Governance

- Board Diversity, Skills and Experience
- Board Independence
- Executive Remuneration
- Shareholder Protection and Rights
- Succession Planning



Social and Ethical

- Bribery and Corruption
- Conduct and Culture
- Diversity
- Human Capital Management
- Human Rights
- Labour Rights
- Tax



Strategy, Risk & Communication

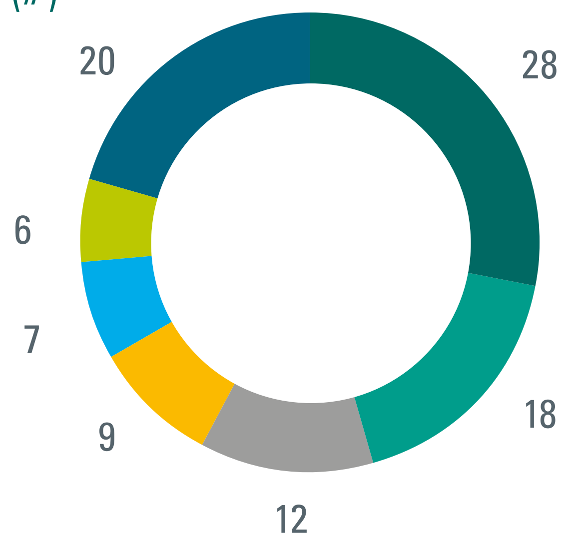
- Audit and Accounting
- Business Strategy
- Cyber Security
- Integrated Reporting and Other Disclosures
- Risk Management

Investors and their representatives play a key role in helping to achieve the United Nation's SDGs. This can be through investing in a way that positively contributes to one or more of the SDGs, or by engaging with investee companies to act responsibly and reduce their negative impacts on people and the planet. Investors can also suggest changes that could have a positive impact. We believe that the long-term success of companies is inextricably linked with SDGs, since realizing the goals will help foster an economic backdrop where businesses – and society – can truly thrive.

The chart below illustrates the number of engagement objectives and issues on which we have engaged with companies on during 2021 where we believe there is a direct link the SDGs. Note that one objective or issue may be directly link to more than one SDG.

Alignment of engagement objectives and issues with SDGs

(#)



- Climate Action
- Responsible Consumption and Production
- Gender Equality
- Decent Work and Economic Growth
- Reduced Inequalities
- Good Health and Well-being
- Other

Platform Living Wage Financials (collaborative engagements)

ABN AMRO has been a member of the Platform Living Wage Financials (PLWF) since 2019. The PLWF is an alliance between 19 financial institutions that engage with companies to address the non-payment of living wages in global supply chains. As recognized by, among others, the International Labour Organisation (ILO) and the OECD, a living wage is a fundamental human right.

In sectors that employ and rely on large-scale manual labour (e.g., garment and footwear, food and beverage, consumer electronics and retail), wages are often insufficient to cover a worker's basic living expenses (i.e., food, clothing, housing, health care and education). Research shows these wages are often on the poverty line and well-below living wage estimates.

Workers who earn a living wage are able to meet the basic needs of themselves and their families, as well as putting aside savings. This means they are more likely to find their way out of poverty. Receiving a living wage means they are more likely to be able to work regular hours instead of relying on excessive overtime to make ends meet, and they are also more likely to be able to send their children to school instead of sending them to work at a young age. In short, our focus on living wage also helps to advance the protection of a number of other fundamental human rights in global supply chains.
Under the umbrella of the PLWF, we come together to encourage, support, assess, and monitor investee companies with regarding their commitment to pay a living wage to the workers in their supply chains.
By engaging on living wage, we also honour our commitments under the United Nations Guiding Principles (UNGPs) and OECD Guidelines for Multinational Enterprises, wherein we are asked to act with due diligence and to identify and mitigate salient human rights risks.

The PLWF currently focuses on engaging with companies in the garment and footwear, food, and agriculture sectors. In January 2022, ABN AMRO joined the food and agriculture working group. To support our work with the PLWF, we have also asked our external asset managers to give this topic a place in their company assessments.

Directly engagements with companies

Building on the solid foundation provided the EOS engagement programme, ABN AMRO has started to directly engage with investee companies. Carrying out these engagements provides useful insights for the ESG due diligence we carry out on companies. It also allows us to increase the positive impact that we – and our clients – can have on the world.

Case study: TotalEnergies

ABN AMRO actively joined forced with EOS in 2021 to engage with TotalEnergies regarding its activities in Myanmar. The engagement was geared towards encouraging the company to be more transparent on its activities in the country. In particular, we asked the company to be more transparent on what it is doing to prevent, mitigate and remediate any human rights impacts it is associated with in Myanmar.

We were pleased to see in Q3 2021 that TotalEnergies started providing investors with significantly improved information on the taxes it paid to the Myanmar state Treasury, as well as the equivalent dollar value of donations it has made to NGOs working on human rights locally. It is understood that the company will continue to provide this information going forward on a quarterly basis.

In January 2022, TotalEnergies announced to withdraw from Myanmar because it can no longer make a sufficiently positive contribution to the country.

Voting

As part of its fiduciary duty and in line with its Sustainable Investing Policy, ABN AMRO Investment Solutions ("AAIS") has implemented an ESG-focused proxy voting policy.

AAIS has a long history of voting at investee companies General Meetings and is responsible for exercising shareholder voting rights for ABN AMRO. AAIS does this with the support of a third-party proxy voting service provider (ISS Governance). ISS Governance provides AAIS with in-depth governance analyses for companies globally and also processes voting instructions by ensuring they are passed on to relevant custodians.

As a general rule, voting is carried out in line with the recommendations in ISS Governance's Internationals SRI Proxy Voting Guidelines[18]. These guidelines are focused on value creation and are generally supportive of shareholder proposals on environmental and social matters, including labour rights and human rights. By implementing these guidelines, AAIS strives to be at the forefront on environmental and social topics; in particularly, human rights, which is an important part of ABN AMRO's overall sustainability strategy. In addition to environmental and social matters, the voting policy also covers a range of other traditional topics, such as governance and operational arrangements, which are typically put forward by company management for shareholder approval.

From 1 January 2022 onwards, AAIS no longer requires a minimum holding threshold in a company to vote at its annual general meeting. As such, any client position with voting rights attached to it is now eligible for voting.

Case study: Climate change

"Follow This" is a group of shareholders asking companies to take the lead in the energy transition towards net-zero emissions in the global energy supply. What initially started as a small movement that filed their first shareholder resolution at Shell's 2016 annual meeting, has today grown into a group of over 5,000 committed shareholders. Collectively, Follow This shareholders are increasing the pressure on European and US oil majors to set short-, medium- and long-term targets to cut their greenhouse gas emissions and align their businesses with the Paris Agreement.

During 2021, for all oil & gas companies, AAIS supported (i.e., voted "FOR") all shareholder resolutions concerning greenhouse gas emissions reduction and climate commitments. This included supporting the Follow This resolution at Shell's 2021 annual general meeting.

Case study: Human rights

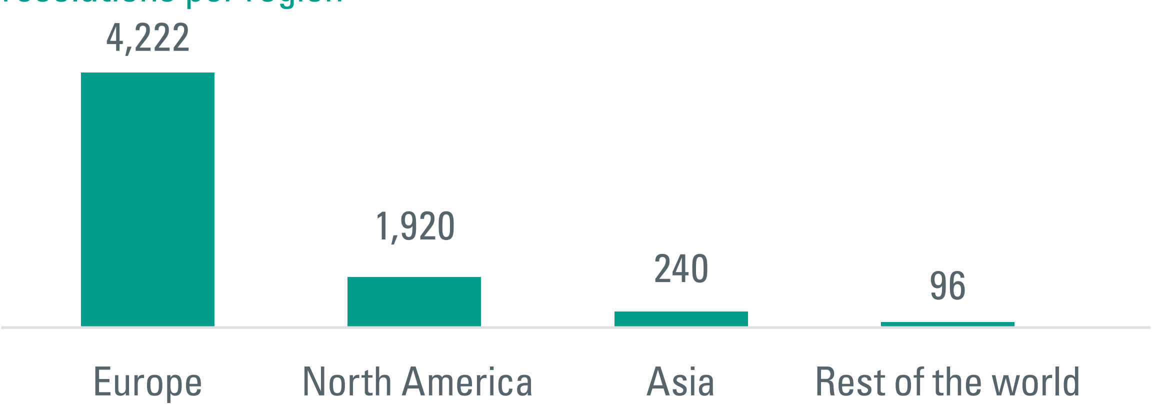
In 2021, AAIS supported (i.e. voted "FOR") a number of social-related shareholder resolutions, such as those asking for companies to establish board-level oversight on human rights. The aim of supporting these type of resolutions is to help companies better manage human capital and human rights risks in their value chain. The scope included companies across a wide range of sectors and activities, including the food-processing sector, sports equipment manufacturers, solar energy solutions, and vehicle manufacturers.

Breakdown of voting activity in 2021

Number of meetings where we cast at least one vote	432
Number of votes cast	6,487
Number of social-related resolutions we supported	36
Of which with management	0
Number of environmental-related resolutions we supported	24
Of which with management	10

Number of votes cast per region[19]

resolutions per region



18 https://www.issgovernance.com/file/policy/active/specialty/SRI-International-Voting-Guidelines.pdf
19 Europe includes the EU, and Norway, Switzerland, Russia, the UK

Executive Summary

Our strategy & approach

Working together with our stakeholders

Collaborations & credentials

Stewardship

Outlook

Outlook

I hope that this report has provided you with interesting insights into our ESG and sustainable investing efforts, and the challenges and dilemmas that we face on a daily basis. Looking ahead, 2022 will be a year where implementation of the EU's sustainable finance regulation will be of key importance to the bank and its clients. Even though we are used to talking about sustainability with our clients, it is ground-breaking that all banks will soon be obliged to discuss sustainability preferences with their clients by law. It also means that ABN AMRO will not be the only bank taking action in this space. Therefore, you can expect much more from us in the future as we take action to maintain our front-runner position in ESG and Sustainable investing.

We will continue to improve how we integrate ESG considerations throughout our investment decision-making and risk management processes – including developing our own approach to climate risks, and we will make our voice heard around the world by actively engaging with the companies held in our clients' investment portfolios to become more sustainable. In addition, we will continue to develop our sustainable impact investing product offering, which is currently unique in the markets that we operate in.

Last but not least, I would like to emphasize how much we value feedback from our clients and other stakeholders on our ESG and sustainable investing policies and activities. Please do not hesitate to reach out to your relationship manager or local branch and let us know what you think or how we can help you to contribute to a better, more sustainable world.

Appendix: CEO Statement on ESG

> ABN_AMRO_CEO_Statement_on_ESG.pdf

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