

Engagement on ESG issues

Engagement approach 2017

In order not just to manage risk, but also to use our leverage positively in our client relationships, business partners and companies that clients can invest in, we strive for an inclusive approach. Most companies meet our sustainability policy requirements. In certain instances, it may be the case that some companies do not meet our requirements (yet), either prior to or during the relationship. In these cases, we will enter into a dialogue with these companies, when these do not meet our sustainability risk policy¹.

The goal of such a dialogue or engagement is to improve the sustainability performance of our relations, so that they (at least) meet ABN AMRO's sustainability standards. Underperformers are not excluded immediately, but they do have to be willing and able to enter into a results-oriented process, as the success of an engagement depends on it.

We set a maximum term within which improvements must take place. Typically, this is three years, but in certain cases an extension of this timeline is possible – for instance when substantial improvements have been made and full compliance is within reach; the maximum term of engagement will always be determined on a case-by-case basis. Disengagement, although an option of last resort, can be an outcome of the process. The engagement process is explained in the figure on the next page and is described in more detail in our 2016 Human Rights Report, with the help of a case study.

Engagements are triggered by:

- ▶ For clients: (potential) breaches of our ESG risk policy framework;
- ▶ For companies in our investment universe: breaches of the UN Global Compact. Investment universe engagement is done in collaboration with RobecoSAM, unless the company is also a client.

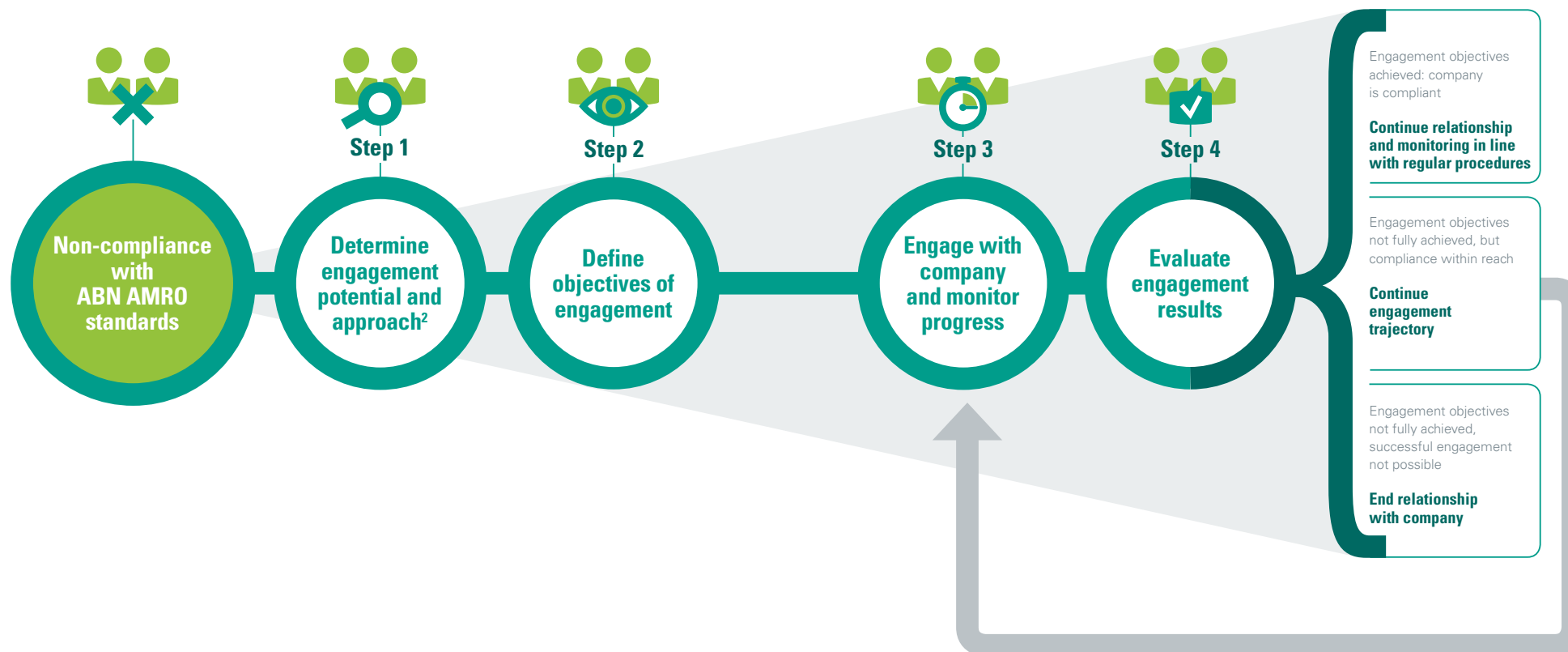
Our engagement leverage is different for companies we finance as opposed to companies our clients invest in. If we finance a company, there is usually potential for direct engagement. If not, or if for instance we are part of a loan syndicate with other banks, engagement may be performed by a third party. The engagement procedure is overseen by a team from the relevant business line and the bank's sustainability advisors. Progress reports are drafted on a quarterly basis and the Executive Board is informed at least once a year.

We strive to increase the likelihood that clients will address negative ESG impacts. But we can rarely be sure there is a causal relationship between engaging with our clients and the actions these clients subsequently take to improve their management of ESG issues. Often, ABN AMRO is one voice among a diverse group of consumers, NGOs, other banks and governments who pursue the same objective through different means. Where this is possible, given client confidentiality and other constraints, we try to cooperate with external stakeholders in order to maximise positive impact.

¹ Please refer to: abnamro.com/en/sustainable-banking/strategy-and-policy/sustainability-policy/index.html.

Engagement as a driver for responsible business

Here we illustrate the engagement process and report on the number of engagements in 2017.
If you have questions about this process, please send an email to sustainability@nl.abnamro.com.



² In case that the company is not willing or able to improve, there is no engagement potential. In that case, we may decide to end the relationship with company.

This table contains ABN AMRO's engagement with clients on high-risk ESG (environmental, social, governance) issues related to ABN AMRO's lending and investment products and services in 2017.

Business in lead of engagement	ESG issue	ESG policy component	Region	Number of companies engaged with on this policy component	Status of trajectories
Corporate & Institutional Banking	Business ethics issues	Bribery and corruption	Asia, Africa	2	Ongoing
Corporate & Institutional Banking	Environmental issues	Emissions, effluents and waste	Asia, Africa, South America	2	Ongoing
Corporate & Institutional Banking	Environmental supply chain issues	Land use and biodiversity	Asia	4	2 ongoing, 2 closed
Corporate & Institutional Banking	Labour rights issues	Labour relations	Asia, Africa, South America	3	Ongoing
Corporate & Institutional Banking	Labour rights issues	Occupational health and safety	Asia, Africa, South America	2	Ongoing
Corporate & Institutional Banking	Land rights issues	Community relations	Asia, Africa, Americas	4 ³	2 ongoing, 2 closed
Private Banking	Breach UN Global Compact Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights	South America, Asia, North America	3	Ongoing
Private Banking	Breach UN Global Compact Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	North America	1	Ongoing
Private Banking	Breach UN Global Compact Principle 7	Businesses should support a precautionary approach to environmental challenges	Europe	1	Ongoing
Private Banking	Breach UN Global Compact Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery	South America, Europe	2	Ongoing

³ During the course of 2017, one relationship was ended, due to the company's lack of willingness to engage.

Business in lead of engagement	ESG issue	ESG policy component	Region	Number of companies engaged with on this policy component	Status of trajectories
Private Banking	Potential breach UN Global Compact Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights	n/a	2	1 ongoing, 1 closed
Private Banking	Potential breach UN Global Compact Principle 4	Businesses should uphold the elimination of all forms of forced and compulsory labour	n/a	1	Ongoing
Private Banking	Potential breach UN Global Compact Principle 7	Businesses should support a precautionary approach to environmental challenges	n/a	1	Ongoing