

Sustainability Risk Guide



A better bank contributing to a better world

Table of content

1	Introduction	4
2	Sustainability risk within ABN AMRO	6
2.1	Sustainability strategy	6
2.2	Impact and risk through our core activities	7
2.3	Sustainability Risk Framework	8
2.4	Governance	9
2.5	Voluntary sustainability initiatives endorsed by ABN AMRO	10
2.6	Transparency and stakeholder engagement	10
2.7	Complaints, whistleblowing and grievances	10
3	Sustainability risk process in practice	12
3.1	General sustainability risk assessment	12
	Step 1: Screening	12
	Step 2: Assessment	12
	Step 3: Monitoring and Engagement	13
3.2	Sustainability risk related to lending activities	13
	Step 2: Assessment	13
	Implementation tools	13
3.3	Sustainability risk related to the ABN AMRO investment universe	14
	Step 1: Screening	14
	Step 2: Assessment	15
	Step 3: Monitoring and Engagement	15
	Implementation tools	16
4	Our policies: a bird's-eye view	17
4.1	Thematic policies	17
	Human rights	17
	Climate change	18
	Animal welfare	19
	Defence	19
4.2	Sector policies	20
	Energy	20
	Manufacturing	21
	Metals & mining	21
	Agri commodities	22
	Transport	22
	Chemicals & Pharma	22
	Real estate	23
4.3	Other policies	23

Diversity	23
Responsible taxation	24
Compliance	24
Appendix 1 Relevant signatories	25
Appendix 2 ESG analyses ABN AMRO investment universe	28

About ABN AMRO

ABN AMRO has a long-standing history in banking, with some of its business operations having roots in the early 18th century.

We serve retail, private and corporate banking clients, with a primary focus on the Netherlands and with selective operations internationally. In the Netherlands, clients are offered a comprehensive range of products and services through omni-channel distribution, including advanced mobile applications and internet banking. Our clients benefit from our in-depth financial expertise and extensive knowledge of numerous industry sectors. Internationally, the Group's operations are based on specific expertise and established market positions in segments including private banking, energy, commodities & transportation (ECT) and clearing.

Based on our engagement with stakeholders, we draw up a plan of action, monitor progress and report the results as part of our regular reporting cycle. Additional information about ABN AMRO's Sustainable Banking department can be found at www.abnamro.com/en/sustainable-banking. For further enquiries about stakeholder engagement, please contact Sustainable Banking at sustainability@nl.abnamro.com.

This document is part of the regular ABN AMRO sustainable reporting for the year 2016.

1 Introduction

Sustainability is central to the long-term strategy of ABN AMRO Bank, which aims to be 'a better bank, contributing to a better world'. We aim to create value for all our stakeholders: employees, clients, shareholders and society at large.

We have written this guide to inform all our stakeholders about our sustainability policies: how these policies fit with the bank's overall strategy, what requirements we impose on ourselves and on our clients and business partners, how the different aspects of our sustainability policies relate to each other and, lastly, how we implement these policies. Our sustainability approach is applicable to the entire ABN AMRO Group (including its participations), in all of the countries where we do business. It applies to all of our own activities, such as procurement and balance sheet management (e.g. investments for own account), and to all commercial activities, i.e. products and services that we offer to clients and other parties. Commercial products and services include but are not limited to: corporate loans, project finance, asset management and other private banking services.

This guide does not purport to be a comprehensive description of our policies and does not replace policy documents, which may all be found on the ABN AMRO website. That said, it does drill down to the core of this wide array of policy documents and capture what we see as most important. It includes a number of links that should make it easy for you to access all other policy documents, allowing you to find and access all information on our policies in one place and see the connections between them.

Sustainability is not a single, uniform concept; it has many facets: social, ecological and economic. Key sustainability risks to the bank also touch on other important risk themes, such as transparency, safety and compliance. As a result, our sustainability really is more a set of policies, and managing sustainability risks is part and parcel of our bank-wide risk management system. This essentially means that we monitor and check – at least several times a year – whether our policies are applied appropriately by all of the bank's employees and whether we are well equipped to identify any problems and opportunities. In other words: sustainability is deeply embedded in our business.

All of this is only logical for a major bank such as ours, and it makes eminent business sense to manage sustainability risks just like all others. Our employees, clients, investors, all other stakeholders and society at large expect no less from us. And that doesn't just

mean that we prevent negative impacts; it is much more important that we encourage positive impact. And we take on that responsibility by working to be sustainability leaders.

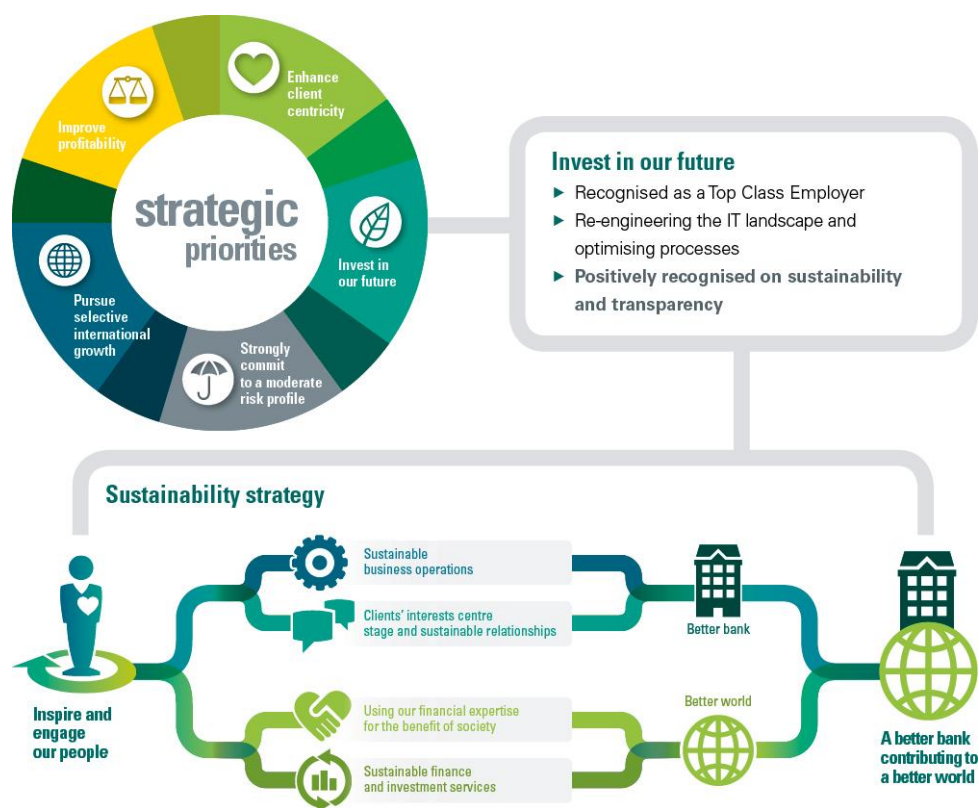
2 Sustainability risk within ABN AMRO

ABN AMRO Bank aspires to be 'a better bank, contributing to a better world', and sustainability is integral to this aspiration. We aim to create value for all our stakeholders: employees, clients, shareholders and society at large. To achieve this, we have developed a long-term strategy built around five strategic priorities. One of these is to invest in our future, and a central part of this is our ambition to be positively recognised by our stakeholders in terms of sustainability and transparency. To achieve this, we have developed a comprehensive sustainability strategy.

2.1 Sustainability strategy

ABN AMRO's sustainability strategy applies to the bank's own activities, as a member of society with our own impact on the planet and on people, but also as a provider of financial services which have an indirect impact on society. By inspiring and engaging our people we strive to be *a better bank contributing to a better world*. To get there, we have designed a sustainability strategy based on four distinctive pillars:

1. Sustainable business operations: Our business operations are based on a moderate risk profile, we pursue a sustainable HR policy and we continue to reduce our ecological footprint.
2. Client's interests centre stage and sustainable relationships: We communicate in plain language, we are making our financial reporting more transparent, we engage with stakeholders and we advise clients on responsible banking and entrepreneurship.
3. Using our financial expertise for the benefit of society: We encourage our employees to put their financial expertise to work as volunteers for people in vulnerable or deprived situations. We also help social entrepreneurs and invest our own money in social enterprises.
4. Sustainable finance and investment services: When assessing clients and credit applications, we apply guidelines addressing possible ecological, social and ethical risks and we screen new clients by reviewing their activities based on the bank's Sustainability Risk Policy and Exclusion List.



This guide mainly elaborates on the fourth pillar of our sustainability strategy: sustainable finance and investment services. Our [website](#) has more on the way we address the other four pillars of our strategy.

2.2 Impact and risk through our core activities

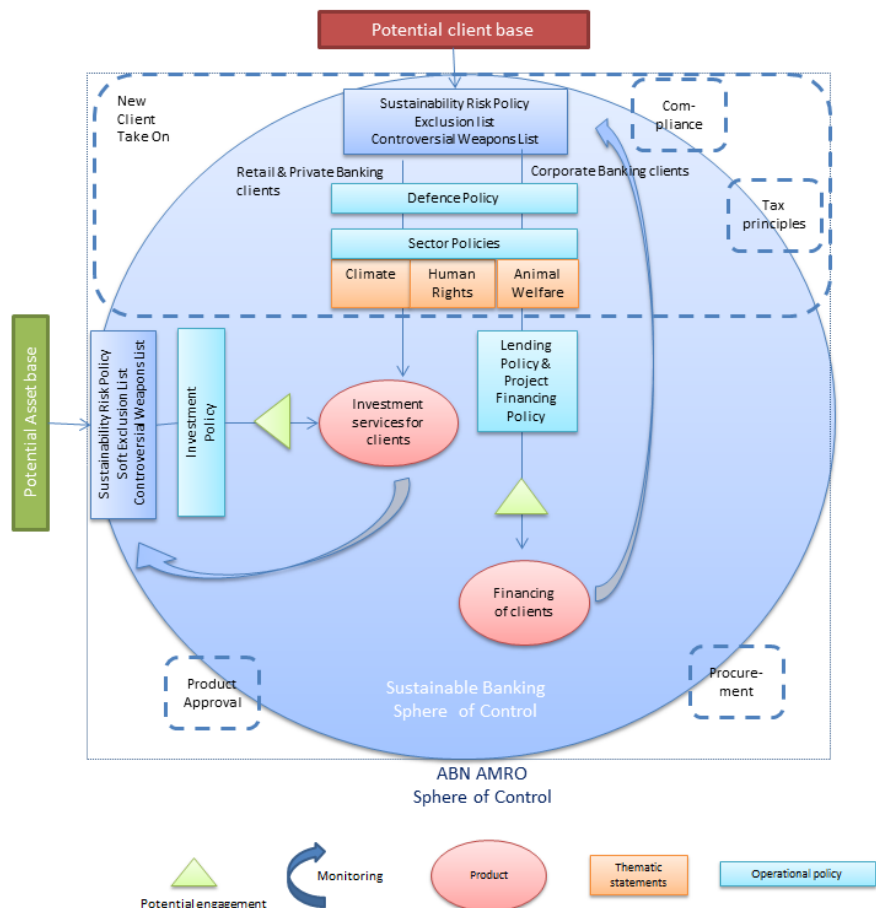
We believe we make the biggest impact through our core activities: our lending practices and the investments of our clients. We can and should prevent negative impacts linked to our activities as part of our responsibility to society. Adverse sustainability impacts pose both a financial risk and a reputational risk to the bank. Our management of sustainability risk is aligned with our moderate risk profile and risk appetite, but we are also convinced that opting for sustainability has its own intrinsic value and that sustainable solutions present real opportunities.

2.3 Sustainability Risk Framework

Central to ABN AMRO's sustainability strategy is the Sustainability Risk Framework. This framework consists of our:

- [Sustainability Risk Policy](#)
- [Operational policies](#)
- [Thematic statements and policies](#)
- [Sector-specific policies](#)
- [Project specific policies](#)

Our Sustainability Risk Policy and thematic statements and policies apply to all ABN AMRO's clients, sectors and activities. Our operational and sector policies are relevant to specific activities (e.g. lending or investment) and/or engagements in specific sectors (e.g. agriculture or mining). Together, these documents describe how we approach sustainability and what we expect from ourselves and our business partners.



At ABN AMRO, we are committed to a consistent application of our policies, guidelines, procedures and practices in an objective and fact-based manner. All our business relationships are subject to the same set of standards and principles and will be treated accordingly. As sustainability risks continue to evolve and change over time, we periodically review and update our sustainability risk policies, procedures and practices.

This guide explains how we apply our policies to our clients, to the loans we provide to them and to the investments they make through us. Chapter 4 ([Our policies: a bird's-eye view](#)) will discuss our thematic and sector policies in greater detail.

2.4 Governance

ABN AMRO applies the 'three lines of defence' risk management model.¹ As the first line of defence, our Corporate Banking and Retail & Private Banking departments are primarily responsible for the risks that they take and for the results, execution, compliance with and effectiveness of risk control. This applies to all types of risk, including sustainability risk. Corporate Banking and Retail & Private Banking have a strong focus on risk management to help the bank maintain a moderate risk profile in line with its risk appetite. Both departments have their own dedicated first-line sustainability teams in place.

The Sustainable Banking department, as part of the second line of defence, is the owner of and is responsible for initiating, developing, reviewing, and updating ABN AMRO's Sustainability Risk Management Framework, including our Sustainability Risk Policy and its underlying documents and policies. This department sets sustainability standards and ensures alignment with and consistency of these standards throughout ABN AMRO. In this coordinating role, the Sustainable Banking department actively liaises with the first line of defence, other departments (Risk Management, Compliance, Corporate Governance, Legal), as well as with peer banks and external stakeholders.

Procurement is an exception within the Sustainability Risk Framework, as this department is the principal owner of the Procurement Policy and is not required to include the Sustainable Banking department when high risks are detected. However, Procurement and Sustainable Banking are in constant contact to check alignment between their policies and processes and to provide each other with relevant advice.

¹ Page 139 of the 2015 Annual Report.

2.5 Voluntary sustainability initiatives endorsed by ABN AMRO

ABN AMRO endorses a number of voluntary sustainability initiatives, including the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles for Business and Human Rights, and the UN Global Compact Principles. For more details on these and other initiatives that we endorse, please see [Appendix 1](#).

2.6 Transparency and stakeholder engagement

In order not just to manage risk, but also use our leverage positively, ABN AMRO strives for an inclusive approach and will enter into a dialogue with our business partners and clients in order to improve their sustainability performance. Underperformers will not be immediately excluded, if they are willing to improve. For improvement trajectories, a maximum term will be set within which improvements must take place. Typically, this is a three-year maximum term, but this will be determined on a case-by-case basis.

We actively engage with our stakeholders on the sustainability risks we encounter (without compromising the privacy of our clients and while maintaining proper confidentiality). Moreover, we maintain [constructive and open stakeholder dialogues](#) on ABN AMRO's role in relation to material sustainability topics such as climate change and human rights with a broad range of stakeholders (e.g. [clients](#), suppliers and civil society organisations). This includes requesting input and feedback on our policies and engaging in discussion on social issues in the value chain. These dialogues demonstrate the bank's engagement on sustainability issues by actively discussing environmental, social and ethical issues in terms of risks and opportunities.

Transparency is part of ABN AMRO's sustainability strategy and very important to us and our stakeholders, and we therefore report about [stakeholder engagement](#) on our website. To increase transparency, we aim to disclose a breakdown of our lending portfolio based on four digit NACE codes.²

2.7 Complaints, whistleblowing and grievances

ABN AMRO has long been offering both clients and non-clients an opportunity to register complaints using our website.³ We also have a comprehensive [Whistleblowing Policy](#) in place for employees and third parties (suppliers, agents, etc.). Problems can be reported

² [NACE](#) is the EU statistical classification of economic activities.

³ https://www.abnamro.nl/nl/privé/contact/klacht/f_klacht-indienen.html

anonymously. This procedure is not designed for clients who wish to report problems under their own name – these clients should follow the [Complaint Handling Procedure](#) to report irregularities of a general, operational or financial nature. If, however, clients wish to make an anonymous report they can do so by using the [whistleblowing contact form](#).

If our stakeholders – in the broadest sense of the word – feel that ABN AMRO does not observe or inadequately observes the OECD guidelines in its operations, they have recourse to the OECD National Contact Point (NCP), whose role includes contributing to the resolution of issues that arise from the alleged non-observance of the OECD guidelines in specific instances. ABN AMRO will abide by the decisions of the NCP.

In addition, we are investigating how we might increase meaningful accountability, specifically targeting groups who appear to lack access to remedy, e.g. indigenous peoples, vulnerable groups, etc.

3 Sustainability risk process in practice



3.1 General sustainability risk assessment

When taking on new clients and approving loans, we investigate the sustainability risks involved, in three steps: screening, assessing and monitoring/engaging. The section below describes these steps in greater detail, first for client acceptance and then for lending activities and our investment universe.

Step 1: Screening

All potential Commercial Banking and Retail & Private Banking clients go through a screening process before being accepted as clients (the so-called New Client Take On (NCTO) or [Client Due Diligence](#)). This screening includes criteria such as [compliance](#), legal and financial standards. For sustainable banking purposes, we are guided by our [Exclusion List](#) and [Controversial Weapons List \(CWL\)](#) and we will turn down an application by a potential client if they are on the CWL or engage in one or more activities on our Exclusion List.

Step 2: Assessment

The next step is an assessment of the general sustainability performance of the potential client, at an intensity level corresponding to the sustainability risk (which is determined as high, medium or low, based on the sector and the location in which the potential client is based or the activity takes place). This assessment is based on international law and various voluntary sustainability initiatives the bank has endorsed, but also on the location and sector in which the activity takes place.

We look at the commitment of the potential client to manage sustainability risks, as reflected in written and unwritten policies. We also evaluate their capacity to manage sustainability risks, as evidenced for example by their governance structure and the presence of dedicated and qualified staff. Finally, we carry out a track record check to find out whether the potential client is or has been involved in or accused of involvement in adverse incidents such as (fatal) accidents, spills, etc., and how they have responded to any such incidents.

Based on this assessment, the potential client is either approved, approved with conditions or disapproved.

Step 3: Monitoring and Engagement

We monitor the sustainability performance of our clients on an ongoing basis. Monitoring may be made a condition of our engagement, especially for clients that are involved in high-risk activities or that are underperforming on sustainability criteria.

When a client does not meet our sustainability standards, but shows a willingness to improve, the relationship manager will enter into a dialogue and time-bound action plan which details steps and responsibilities for achieving improvement. If deemed necessary, these steps and responsibilities will be included in a side letter or in the contract with the client. We will not engage if we conclude that a sustainability risk cannot be adequately managed or if the client is not committed to improvement.



3.2 Sustainability risk related to lending activities

When business clients wish to take out a loan, we will expand our sustainability risk assessments to include our [Sustainability Risk Policy for Lending](#) and any underlying [sector policies](#). And if the loan classifies as project finance, we will also factor in the [Equator Principles](#). Screening (Step 1) and Monitoring (Step 3) are applied in the same way for lending as they are for client acceptance.

Step 2: Assessment

The assessment phase will be expanded to include an assessment of the sustainability performance of clients and business partners in relation to the activity to be financed. Based on this assessment, the client and its activity to be financed is either approved, approved with conditions or declined.

Implementation tools

In implementing the Sustainability Risk Management Framework and sector policies, we use specific tools such as the Global Sustainability Risk Index (GSRI) and the Sustainability Management Operating System (SMOS). These tools help identify environmental and social risks in our lending activities. They indicate the sustainability risk level of the loan application (low, medium or high) and align client due diligence with the standards outlined in our sector policies. Our tools assess whether clients are compliant with our internal policies and whether they are frontrunners or laggards in terms of sustainability in their sectors, as indicated by an 'above par', 'on par' or 'below par' assessment rating. The management information that derives from these tools provides us

with insight into sustainability risks in our lending portfolio and helps to identify areas of concern or opportunity, but more importantly it provides the relationship manager with input for an informed decision to either approve or decline a loan application.

In addition, these tools assist relationship managers in engaging with clients and partners on the topic of sustainability. Relationship managers use them in talking to their clients about the sustainability issues relevant to their specific sectors. As a result, we are better equipped to help our clients accelerate the introduction of sustainable practices in their own operations.



3.3 Sustainability risk related to the ABN AMRO investment universe

ABN AMRO provides products and services to clients that are looking to invest, and these clients will be taken through the procedure described above. Note, however, that entities featuring in ABN AMRO's investment universe⁴ are not necessarily clients of ours, and that ABN AMRO fulfils another role here than when we lend to clients. We don't own these investments,⁵ we facilitate investment for our clients. Of course, we'd like our investment universe to be responsible from a sustainability risk perspective and our Sustainability Risk Management Policy for [Investment Products and Services](#) defines how the bank's investment activities are managed in order to ensure that they are in accordance with our sustainability risk principles. This bank-wide policy is part of the Sustainability Risk Management Framework as explained above.

Step 1: Screening

All investments that potentially qualify for ABN AMRO's investment universe (the potential asset base) are screened against two operational lists to identify assets that are associated with companies and/or activities that the bank aims to exclude. These are the [Controversial Weapons List](#) (CWL) and the Soft Exclusion List. The CWL is a list of companies excluded from bank finance because of their – direct or indirect – involvement in the production of dedicated components of controversial weapons (as defined by international conventions). The Soft Exclusion List comprises companies with which the bank has engaged in accordance with its engagement strategy, but where engagement was unsuccessful. When an asset is on either of these lists, we will not provide investment advice regarding these

⁴ ABN AMRO's investment universe comprises the investments most frequently held by our clients.

⁵ ABN AMRO ceased investing its own funds (proprietary trading) some years ago, as it felt the risks to be unacceptable.

assets and ABN AMRO products (structured products, funds, mandates) will not have a position in these assets.

Step 2: Assessment

If our screening indicates that the asset's issuing company is not excluded, the bank classifies the individual assets in its investment universe with a '[Sustainability Indicator](#)'. This classification is based on an assessment performed by an external rating agency specialised in assessing the sustainability performance of listed companies on behalf of investors and investment managers. In the case of its products and services for ABN AMRO, this rating agency assesses companies in our investment universe at least on a quarterly basis. The assessment is based on the applicable sustainability risk policies from our Sustainability Risk Management Framework and the UN Global Compact Principles, and includes:

- An analysis of how the issuing company deals with sustainability matters in general (policies, governance, responsibilities, commitments)
- A check of any sustainability-related controversies associated with the company
- A validation of the company's compliance with the UN Global Compact Principles

The assessment results in five possible Sustainability Indicator scores, ranging from Excellent to Weak. A list of environmental, social and governance (ESG) aspects determining the company score is included in [Appendix 2](#).

Step 3: Monitoring and Engagement

We monitor the sustainability performance of our investment universe and companies within it on an annual basis by means of an investment universe review. During these review rounds, ABN AMRO validates the interpretation of the bank's sustainability standards and modifies these if needed. Subsequently, the external sustainability rating agency conducts its screening of the investment universe and reports its results to the Sustainable Banking department on a quarterly basis.

To reduce the sustainability risk of an asset, we may initiate an engagement procedure with an issuing company. If a company in our investment universe does not comply with the UN Global Compact Principles and the bank believes that improvement is feasible, Sustainable Banking will initiate an engagement procedure with the company by putting it on the Engagement List. The engagement procedure is carried out in cooperation with Corporate Banking if the company is a client and with Retail & Private Banking if not.

Companies on the Engagement List are given a timeframe of 3-5 years to achieve the required changes before being removed from the Engagement List. If improvement is not

deemed feasible or if a company has not succeeded in achieving the required change within this timeframe, the ABN AMRO puts the company on the Soft Exclusion List. If a company is in breach of national or international laws, regulations or conventions regarding cluster munitions and controversial weapons, it will be placed on the Controversial Weapons List.

Implementation tools

We have integrated ESG criteria into our investment services. As well as doing this for 'a better world', we believe that meeting ESG criteria can have a material impact on companies' operations in the medium to longer term, and thus on their financial performance. Including ESG criteria in our investment services, by means of a Sustainability Indicator, helps us and our clients to take better informed investment decisions (and reduce sustainability risk). This indicator provides transparency on the level of sustainability of particular investment securities based on a large number of ESG measurements, exposure of companies to controversies and lack of relevant policies in high-risk sectors and certain countries and/or geographies.⁶

⁶ <https://www.abnamro.nl/nl/prive/beleggen/opinies-analyses/duurzaamheidsindicator.html>

4 Our policies: a bird's-eye view

Our thematic and sector-specific sustainability risk policies are briefly outlined below. Our positions on human rights, climate change and animal welfare, as well as our Defence Policy, are applicable to ABN AMRO as well as all to our clients. Moreover, we acknowledge that a one-size-fits-all model will not do. For some sectors there are additional environmental, social and ethical concerns at play that must be addressed in greater detail. To this end we have also developed sector-specific policies that enable us to ensure that all clients are assessed on the standards relevant to them.

The descriptions below set out the most important aspects of these policies. For a complete view, read the more detailed policy texts [here](#).

4.1 Thematic policies

This section briefly describes our statements on human rights, climate change and animal welfare, as well as our defence policy. Many elements of these statements also feature in our other policies, but we think these particular themes are so important as to require specific, focused statements. They apply to all our clients and to the bank at large, unlike our other policies, which typically focus on specific activities and/or target specific groups. Our defence policy is likewise considered a theme, as any client or activity even remotely linked to defence or weapons is tested on this policy. For more detailed summaries of these various thematic policy statements, click [here](#).

Human rights

Respect for human rights is essential if we are to make a positive impact and contribute to a better world, and this is why we decided to include human rights due diligence in our overall risk management. Our goal is to prevent human rights abuses from occurring either in our own activities or in those of our clients and suppliers. To reach this goal, we have committed ourselves to the global standard set by the United Nations Guiding Principles on Business and Human Rights (UNGPs). In fact, we were the first financial institution in the world to report on our progress in accordance with the [UNGP Reporting Framework](#).

As a practical reality, we need to focus our attention and prioritise our resources on those human rights that are most at risk of severe negative impacts across all the different parts of our bank. We have used the UNGPs as a basis to identify four salient human rights

issues: privacy, discrimination, labour rights and land-related human rights. These are the issues most relevant to our human rights impacts, both direct and indirect.

As a bank, we protect the privacy and equal rights of all our clients. In the case of labour and [land-related rights](#), we undertake extra efforts to identify and mitigate the risks, the biggest of which are connected to the activities of our clients. As well as carrying out extensive human rights due diligence, we have for example studied the supply chains of textile products and diamonds and we are currently doing the same for copper. We have an inclusive approach that involves cooperating with and learning from both our clients and civil society actors. Important partners include Solidaridad and Global March against Child Labour.

Recognising that other factors may increase the risks of severe negative impacts, we expect clients to respect international humanitarian law such as the Geneva Conventions, for example by not enabling settlements in occupied territories. We also pay special attention to the rights of vulnerable groups such as women, the LGBT community and ethnic minorities, and we expect our clients and partners to do the same.

If an event occurs in which we have caused or contributed to a human rights abuse, we strive to be responsive to the concerns of those affected and to provide appropriate remedy. For our own activities, we have a whistleblowing procedure and complaints mechanism in place that is available to our employees, clients and third parties. The question of exactly what grievance mechanism to put in place for the activities of our clients is currently high on our agenda. We want our clients to take responsibility for their actions, yet at the same time to ensure that victims have access to remedy at all times. This complex yet extremely important challenge has recently been gaining attention from the financial sector. We aim to take a leadership role in these discussions and in moving the sector to an effective solution.

Click [here](#) to read our Human Rights Statement. In our [Human Rights Guide](#) we present a clear statement of our beliefs, commitment, current practice and plans for the future.

Climate change

We are committed to combat climate change by addressing both our direct and indirect impacts, and we aim to reduce our greenhouse gas emissions by 30% by 2020. We also actively promote renewable power sources and develop 'green' financial products and services to finance energy-saving solutions by our clients. These and other commitments are described in our [Climate Change Statement](#). In the latter half of 2016 we will update this statement with a vision on the transition of our power generation portfolio, thermal coal

mining, transparency regarding financed emissions, and our approach to water scarcity (preventing negative impacts in water-scarce regions and competition with the water needs of local communities).

ABN AMRO encourages its clients to reduce their GHG emissions and carbon footprints, and we are currently reviewing our loan portfolios to identify carbon risk at both sector and client levels. We work closely with our clients, knowledge institutions and other financial institutions to assess this type of risk appropriately and in a uniform manner.

In addition, together with nine other banks we have signed the [Climate Statement of the Dutch Banking Association](#). This commits us to ten action points through which we will endeavor to permanently improve sustainability in the banking sector and in society as a whole.

ABN AMRO participates in the [Platform Carbon Accounting Financials \(PCAF\)](#). Aiming to jointly further develop methodologies to measure the climate impact of investments and finance, PCAF participants draw on the global protocols of the World Resources Institute (WRI) and the World Business Council on Sustainable Development (WBCSD).

Animal welfare

ABN AMRO acknowledges that animals deserve good treatment and protection. We therefore expect our clients to respect the Five Animal Freedoms⁷. Additionally, some themes require special attention, such as the protection of wildlife and animal welfare in livestock farming and in the entertainment industry. On some issues, we have a zero-tolerance policy; for example commercial whaling and non-healthcare-related animal testing are on ABN AMRO's [Exclusion List](#). Our [Animal Welfare Statement](#) describes our overall approach to animal welfare, and various [sector-specific policies](#) address the animal welfare issues specific to these sectors.

Defence

ABN AMRO recognises the right of countries to procure means for self-defence. However, our [Defence Policy](#) sets out strict rules and conditions on involvement in the defence sector. We only engage in this sector when we are convinced that human rights are respected at all times and that our client's business ethics meet our standards. In addition, we want to ensure that the weapons involved are only used as originally intended; under no circumstances should they should be used for illegitimate acts of violence. It is thus

⁷ https://en.wikipedia.org/wiki/Five_freedoms

highly important that our clients know who the end-users of their products are. We exclude from finance the production of, trade in or distribution of controversial weapons: cluster bombs, anti-personnel mines, and nuclear, chemical and biological weapons. Our clients must at all times comply with national law and international agreements such as the Treaty on the Non-Proliferation of Nuclear Weapons and the European Union Code of Conduct on Arms Exports.

4.2 Sector policies

All sectors have their own sustainability issues, while also having specific sustainability initiatives, standards and/or good practices they may refer to. This is why we have drawn up policies by sector to describe our expectations of clients or business partners in these sectors. These sector policies are briefly summarised below – you may access them in full by clicking [here](#).

Energy

Our Energy Policy applies to clients and their activities throughout the energy supply chain. This means that we hold not only producers, but also for example traders and service providers, to these standards. We expect all our energy clients to minimise the environmental impacts of their activities and to respect human rights, including the rights of indigenous peoples and the right to free prior and informed consent, at all times.

ABN AMRO recognises the need for the energy sector to become more sustainable and wants to contribute to this transition in various ways. We [exclude several activities](#) because of their severe negative impacts. These include energy activities in the Arctic region, tar sand exploration, stand-alone project finance of nuclear power plants, financing of new coal-fired power plants and new thermal coal mining. In addition, our long-term aim is to stop funding clients that derive all or part of their revenues from coal mining or that are active in coal-fired power generation. This will be a step-by-step process starting with us imposing a ceiling on the share of clients' revenues deriving from coal mining or coal-fired power generation.

At the same time, we promote the use of renewable energy sources and engage with clients on how best to move towards a low-carbon economy. Additionally, we promote good practices regarding environmental and social risk management and encourage clients to participate in sustainability initiatives such as IPIECA, EITI and the Carbon Disclosure Project.

ABN AMRO is also committed to the guidelines of the World Commission on Dams and we expect the same from our clients. For instance, we refuse to be engaged with dams that require the removal of tropical forest and expect our clients to minimise their adverse impacts on biodiversity. The ABN AMRO [Guidelines for Dams](#) will be included in our [Energy Policy](#), which will be updated in the second half of 2016.

Manufacturing

The biggest environmental and social risks in the manufacturing industry relate to production conditions. ABN AMRO recognises that globalisation and increasing international competition may cause pressure on labour rights, for example when manufacturing takes place in countries with weak social and environmental legal frameworks. It is particularly important that our clients as well as their suppliers comply at all times with international standards such as the OECD Guidelines for Multinational Enterprises and the ILO Core Conventions.

Our [Manufacturing Policy](#) covers all clients active in the manufacturing industry, but we also acknowledge that the risks vary depending on the specific activity and sector or subsector. As well as defining specific standards for producers and importers, we therefore also have additional requirements for the following high-risk sectors and subsectors: electronic equipment, building and industrial materials, the automotive industry, food and beverages, apparel and textiles, wood products, and diamonds and jewellery.

Our [Sustainable Fashion Guide](#) (in Dutch) and our [Sustainable Diamonds & Jewellery Guide](#) aim to support our clients in the apparel and diamond sectors, providing practical information and tips to help them design their own sustainability policies.

Metals & mining

Our clients in the [extractive industry](#) must demonstrate that they ensure a safe and healthy environment for their employees and that they respect human rights, with special attention to the rights of local communities. In addition, they need to minimise their environmental impacts linked to water usage, waste and pollution. We encourage our clients to commit to international standards such as EITI and to comply with both national and international regulations regarding conflict minerals. As ABN AMRO has a relatively large diamond trade portfolio, we pay particular attention to our requirement that all diamond mining and trade needs to be Kimberley Process certified. We promote dialogue between different initiatives, organisations and companies within the diamond and jewellery value chain, including ABN AMRO and its staff, by means of our [Sustainable Diamonds & Jewellery Guide](#).

Agri commodities

ABN AMRO is committed to sustainable agricultural development. We exclude certain practices that are incompatible with this commitment, such as trade in illegally harvested timber. We require our clients to address environmental issues and to respect the labour rights of their employees. We also encourage their participation in relevant sustainability initiatives. Acknowledging that some sectors are associated with particularly high sustainability risks, we have developed specific standards for the following sectors: palm oil, sugarcane, cocoa, coffee, cotton, soy, forest commodities and tobacco. The [Agri Commodities Policy](#) applies to clients with activities across the supply chain. However, we recognise that the sustainability risks are not identical for all actors and have therefore set specific standards for producers, processors and traders.

Transport

Our Transportation Policy is currently under development and is expected to be finished by the end of 2016. It will include the requirement that transportation clients limit their greenhouse gas emissions and guarantee occupational health and safety for their employees, for example by following the OHSAS 18001 standard. Our current [Shipping Policy](#) adheres to the requirements of the International Maritime Organisation, including but not limited to the Guidelines on Ship Recycling, and will be included in our new Transportation Policy.

ABN AMRO is one of the initiators of the Responsible Ship Recycling Standard (RSRS) for financial institutions. Our aim is to promote a growing coalition of banks supporting international standards of ship recycling. Participating banks ask their clients to endorse the international standards underpinning RSRS, ensuring that their ships are decommissioned safely and in an environmentally-friendly way. The Hong Kong Convention and EU Ship Recycling Regulation are examples of such standards.

Chemicals & Pharma

Our Chemicals & Pharma Policy is currently under development ([see outline](#)) and is expected to be finished by the end of 2016. Key elements in this policy will be adherence to relevant international conventions (such as the Rotterdam Convention and the EU Regulation on the Registration, Evaluation, Authorisation and Restriction of Chemicals), the exclusion of extremely hazardous substances and activities (including chemical and biological weapons, unbounded asbestos fibres and ozone-depleting substances subject to international phase-outs or bans), the health and safety of employees in the sectors, pollution and waste management, and access to medicine.

Real estate

All clients in the [commercial real estate sector](#) must implement national rules on the energy performance and efficiency of all their new and existing buildings, and annually report on this. Additionally, we encourage our clients to become ISO 14001 certified and to work strategically to bring down their greenhouse gas emissions. We promote relevant sustainability initiatives, such as the Global Real Estate Sustainability Benchmark.

Our focus in this sector is on [three specific goals](#). By the end of 2017 we want to transform over 300,000m² of property in terms of energy efficiency, have 30% of our portfolio with 'A' energy labels and finance some 30 Green Landmarks.

4.3 Other policies

From a sustainability perspective, ABN AMRO has in place a number of extremely important policies – e.g. those on diversity, taxation and compliance – that are not directly part of our Sustainability Risk Framework and are not directly managed by our Sustainable Banking department. The Sustainable Banking department is in constant and close touch with the departments responsible for these policies and provides substantial input to them. We aim to align these policies as much as possible with the sustainability risk framework, as well as the expectations and aspirations as described in the policies that do make up our Sustainability Risk Framework.

Diversity

We strive to create an environment for all our stakeholders that is free from discrimination and that respects human dignity and equal opportunities, and we consider diversity to be a material topic. We believe our workforce should be representative of the outside world in terms of diversity and are continuously working to build a diverse and inclusive workforce.

We focus mainly on five areas: gender, cultural diversity, age diversity, LGBT and disability. In line with our diversity policy, we are aiming to meet the gender target of 30% female (in 2020) for both the Supervisory Board and the Managing Board. ABN AMRO Group currently meets the requirements for the Supervisory Board (50% female). For the Managing Board, where 14% (one out of seven) of its members is female, the diversity target was not met in 2015. Since all current Managing Board members were either appointed in 2013 or reappointed in 2014 for a four-year period, the percentage of female Managing Board members will likely remain unaffected until any member of the Managing Board resigns or any appointment period expires. Upon such resignation or expiration, ABN AMRO Group will give due consideration to any gender requirements then applicable

when seeking to find suitable new members for those open positions who meet the fit and proper requirements under the Dutch Financial Markets Supervision Act. Our goal is to have women in 30% of senior management positions and in 35% of upper-middle management positions by 2020 (year-end 2015: 23% and 25% respectively).

Responsible taxation

Our [tax principles](#) describe how we address responsibility in terms of taxation.

We recognise the important role taxation can play in our sustainability strategy, which requires us to use our financial expertise for the benefit of society. We aim for a moderate tax risk profile, acting at all times in accordance with all applicable laws and regulations and guided by relevant international standards. Our aim is to comply with the spirit as well as the letter of the law, and with any legitimate disclosure requirement at first demand. We seek to develop strong, mutually respectful relationships with national tax authorities based on transparency and mutual trust. We do not use secrecy jurisdictions or so-called tax havens for tax avoidance, nor do we create or help create tax structures that are intended for tax avoidance, have no commercial substance or do not meet the spirit of the law. Our transfer pricing is always based on the arm's length principle. Products we offer that include tax advantages for clients are only acceptable when these products fully meet the regulations in force, are transparent and do not contravene the intended purpose of these regulations. We are transparent about our approach to tax and comply with all the relevant rules regarding transparency.

We regularly engage our stakeholders to gain insight into their considerations regarding responsible tax behaviour.

Compliance

ABN AMRO complies with applicable Anti-Money Laundering (AML) laws and regulations such as the EU AML Directive and the Dutch AML law: *Wet ter voorkoming van Witwassen en Financiering van terrorisme*. These laws are based on the FATF 40 Recommendations and ABN AMRO complies with these recommendations. As part of the requirements of these laws and recommendations, we identify and verify the beneficial owner(s) of our clients and apply enhanced due diligence on so-called politically exposed persons. We apply the Wolfsberg Principles and other relevant industry standards where applicable.

All ABN AMRO employees are subject to our [Code of Conduct](#), which includes our Business Principles. These principles provide strict guidance on the behaviour of all ABN AMRO employees and aim to prevent fraud and corruption among other things.

Appendix 1 Relevant signatories

In this appendix we explain some of the guiding principles and signatories mentioned in this guide.

UN Global Compact

ABN AMRO is a Global Compact signatory and respects the following principles:

1. Support and respect the protection of internationally proclaimed human rights
2. Make sure that we are not complicit in human rights abuses
3. The freedom of association and the effective recognition of the right to collective bargaining
4. The elimination of all forms of forced and compulsory labour
5. The effective abolition of child labour
6. The elimination of discrimination in employment and occupation
7. Support a precautionary approach to environmental challenges
8. Undertake initiatives to promote environmental responsibility
9. Encourage the development and diffusion of environmentally friendly technologies
10. Work against corruption in all its forms, including extortion and bribery

Principles for Responsible Investment

Being a signatory of the PRI ('The Principles') commits ABN AMRO to the following principles:

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

UNGP on Business and Human Rights

ABN AMRO has endorsed the United Nations Guiding Principles on Business and Human Rights, or UNGPs. We thus commit to core, internationally recognised human rights by endorsing the following international benchmarks:

- Universal Declaration of Human Rights
- International Covenant on Civil and Political Rights
- International Covenant on Economic, Social and Cultural Rights
- The eight core conventions of the International Labour Organization (ILO)
- ILO Declaration on Fundamental Principles and Rights at Work

The UNGP Framework consists of **three pillars**:

1. The state duty to protect human rights
2. The corporate responsibility to respect human rights
3. Access to remedy

ABN AMRO is committed to the principled and structured approach provided by the UNGPs, which we incorporate in our daily business. This approach comprises three elements:

1. **Commit:**
Establish a policy commitment.
2. **Manage:**
Implement a system to identify, prevent and mitigate human rights abuses.
3. **Remedy:**
Make it right when abuses have occurred.

We are the first financial institution in the world that has decided to report annually on our progress in implementing the 'Protect, Respect and Remedy' agenda following the UNGP Reporting Framework.

OECD Guidelines

ABN AMRO has endorsed the OECD Guidelines for Multinational Enterprises. These guidelines consist of recommendations for responsible business conduct in a global context. They cover the following topics:

- Human rights
- Employment and industrial relations
- Environment
- Combating bribery, bribe solicitation and extortion
- Consumer interests
- Science and technology
- Competition

- Taxation

Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy

By endorsing this ILO instrument, the 'MNE Declaration', ABN AMRO has committed itself to international labour standards following from ILO conventions and recommendations. The principles of the MNE Declaration cover areas such as employment, industrial relations, training, and conditions of work and life. They guide us in ensuring inclusive, responsible and sustainable work environments for our own employees as well as those of our clients.

United Nations Environmental Programme Finance Initiative (UNEP FI)

ABN AMRO is a member of UNEP FI, a partnership between the United Nations and the global financial sector. We have signed the UNEP Statement of Commitment by Financial Institutions on Sustainable Development and are thus committed to:

- Sustainable economic development, compatible with human welfare and a healthy environment. This is a fundamental aspect of sound business management.
- Sustainability management: we continuously pursue best practices and support a precautionary approach to social and environmental issues.
- Public awareness and communication: we develop and publish sustainability policies and periodically report on our progress.

ABN AMRO is actively engaged in the **UNEP FI Human Rights Work Stream**. By engaging with the Human Rights Work Stream, we strive to:

- Develop and maintain an understanding of human rights and social issues and how they apply to financial institutions worldwide;
- Produce internationally applicable guidance for finance sector organisations on identifying and addressing social issues relevant to their businesses.

Additionally, ABN AMRO is part of the **UNEP FI Climate Change Working Group**. As a member of this working group, we strive to:

- Identify the role of financial institutions in the transition towards sustainable economies;
- Raise awareness about the risks and opportunities of climate change for financial institutions and their business partners;
- Equip financial institutions with the capacity, tools and guidelines needed to integrate climate change factors into operational and strategic decision making.

Appendix 2 ESG analyses ABN AMRO investment universe

In assessing companies on environmental, social and governance (ESG) factors, we use the following criteria (when applicable for the specific sector/industry):

- Exclusion criteria (cluster munitions, controversial weapons)
- Total governance score
- Total social score
- Total environmental score
- Anti-bribery & corruption
 - Anti-bribery & corruption programmes
- Whistleblower programmes
- Global Compact signatory
- PRI signatory
- Responsible investment
- UNEPFI signatory
- Green building memberships
- Equator Principles signatory
- Tax disclosure
- Money laundering
- Credit & loan standards
- Responsible asset management
- Sustainable financial services
- Animal welfare
 - Animal testing
 - Animal welfare
- Genetic engineering
- Clinical trial standards
- Business ethics incidents
 - ESG reporting standards
 - ESG governance
 - ESG performance targets
 - Verification of ESG reporting
 - Board remuneration disclosure
 - Board biographies disclosure

- Gender diversity of board
- Separation of Chair & CEO
- Board independence
- Audit committee independence
- Non-audit to audit fee ratio
- Compensation committee independence
- Responsible investment team
- Governance incidents
- Political involvement
 - Lobbying and political expenses
 - Transparency on government payments
- Public policy incidents
- Cash donations
- Freedom of association
- Working conditions
- Discrimination
- Diversity programmes
- Collective bargaining agreements
- Employee turnover rate
- Percentage of temporary workers
- Top employer recognition
 - Employee training
- Health & safety programmes
- HIV/Aids programmes
- Health & safety certifications
- Long-term injury rate (LTIR) trend
- Employee incidents
 - Employee fatalities
- Supply chain monitoring
 - Scope of social supplier standards
 - Quality of social supplier standards
 - Supply chain audits
 - Supply chain disclosure
 - Social supplier certification
 - Fair Trade products
 - Social supply chain incidents
 - Green procurement
 - Supplier environmental programmes

- Supplier environmental certifications
- Electronic Industry Citizenship (EICC) signatory
- Conflict minerals
- Responsible marketing
 - Advertising ethics
- Data privacy
- Electromagnetic safety programmes
- Editorial guidelines
 - Editorial outsourcing
- Conflict of interest
- Product health statement
- Occupier satisfaction surveys
- Client eco-efficiency programmes
- Drug promotion standards
- Quality management system (QMS) certifications
- Client incidents
- Activities in sensitive countries
- Human rights
 - Community involvement programmes
 - Financial inclusion
 - Access to medicines
 - Neglected diseases programmes
 - Equitable pricing programmes
 - Access to healthcare
 - Independent media programmes
 - Indigenous rights
 - Access to basic services
 - Community development programmes
 - Digital divide programmes
 - Drug donations
 - Value of drug donations
 - Society & community incidents
 - Philanthropic guidelines
 - Corporate foundation
- Environmental
 - Environmental reporting
 - Environmental management systems (EMS)
 - Biodiversity programmes

- Site closure & rehabilitation
- Sustainability impact assessments
- Oil spill disclosure & performance
- Waste intensity
- Water intensity
- Forest certifications
- EMS certification
- Hazardous waste management
- Air emissions programmes
- Water management programmes
- Other environmental programmes
- Environmental fines & penalties
- CDP participation
- Scope of greenhouse gas (GHG) reporting
- GHG reduction programmes
- Green logistics programmes
- Hydrochlorofluorocarbons (HCFCs) phase-out
- Renewable energy programmes
- Carbon intensity
- Carbon intensity trend
- Renewable energy use
- Sustainable agriculture programmes
- Sustainable aquaculture programmes
- Green outsourced logistics programmes
- Recycled material use
- Forest Stewardship Council (FSC) certified sourcing
- Environmental supply chain incidents
- Sustainable products & services
- Clean technology revenues
- Fleet emissions
- Fleet efficiency
- Sustainable mobility products
- Eco-design
- Circular economy initiatives
- Energy mix
- Sustainable food programmes
 - Food & beverage sustainability initiatives
- Food retail initiatives
- Operations incidents

-
- Product stewardship programmes
 - Organic products
 - Genetically modified organisms (GMOs)
 - Real estate life-cycle assessment (LCA)
 - Green buildings investments
 - Share of green buildings
 - Hazardous products
 - Product & service incidents